

Unemployment – what causes it?

For some 27 years we have had roughly 8½% of people looking for work, listed as “unemployed” and accepting the dole, which just keeps them and their dependants in a “poverty” existence. Unemployment has been high under both Liberal and Labor governments (both State and Federal) and has ranged since 1971 in Australia from about 1 – 11%. It is of course worse in nearly all other nations. For instance it has been going on longer in Europe where there are now about 18 million people who cannot get a job! And “they” pretend they are civilized and democratic! Perhaps 3% of our unemployed are no-hopers, bludgers and alcoholics, so we may have to give some charity to these 300,000 or so people. But the remaining 5½% (say ½ million!) want to work and exchange their efforts to support themselves and their dependants (without charity). What prevents them? What causes high continuing unemployment? Do you know?

Our politicians and economists have had many years (even a lifetime) to tell us the cause. Either they don't know or, if they do know, they refuse to say! And why would they refuse? Either the politicians would fail to get votes, or else both the politicians and economists feel they would be “worse off” if they spoke out. Perhaps they would not get paid?

Is there some body who might pay them to hide such an important fact? Is it not absurd that there are 1 million people in Australia who cannot get a job and the economists predict that it will continue? One wonders on what grounds they could predict, if they don't know the cause.

Most of the 500,000 are either experienced or they are young and healthy. All are reasonably well educated and all want to work. It is said that production requires land, labor and capital (and time?). We have plenty of people (labor). We also have plenty of capital. There are lots of empty shops, offices, buildings and factories and machines and there is plenty of money! We all want things – especially the poverty stricken, so there is plenty of demand (but at a price).

And we have plenty of unused land in Australia. There are lots of sites in the city and country which are under-



used, at efficiency of say, 80%, 60%, 40% and there are even sites which are not used at all and left ‘vacant’. There are plenty of sites, which are not used, yet there is plenty of labor and capital available! There must be something which deters people from employing each other and stops them from using the “land”. What is it? The answer is that we continually elect governments which punish us with fines as soon as money is used to facilitate any exchange of the results of effort. We are fined by taxes! AS soon as anyone employs anyone else, the employer is fined by payroll tax, and the employee is fined by income tax! As soon as anything is bought and sold, the price has to go up to include all sorts of consumer taxes (sales tax, GST, VAT, finance tax, tariffs, stamp duties, etc.). These taxes do raise the price of all goods and services. If you raise prices, what

happens? Sales go down and so production goes down and less people are employed. That is the basic cause of unemployment; high prices caused by high deterrent taxes.

So what do sensible politicians and economists and voters do? They reduce the bad deterrent taxes by gradually replacing them with good incentive taxes which do not raise prices? There is such a tax, namely land value taxation. This does two things. First of all it replaces bad taxes which deter and it permits prices to be reduced and more sales and production occur which in turn means more people are employed. So high

continuing unemployment falls and of course we have less taxation to pay for their doles. There is increased prosperity for everyone who wants to work (that includes everyone who already gives service now). There is more production,

more sales, lower prices, full employment and less taxation! Greater prosperity.

Secondly, there is of course the incentive effect of land taxation. An increase in site value taxation would be a clear incentive for all who held land titles for any purpose, to use that site reasonably fully and efficiently or to transfer it (either by sale or rental) to some one who would use it. In other words, all the better land would be fully used and the worst land would probably be “vacated at the margin”.

The answer to our unemployment problem lies in our taxation system, not on how that revenue is spent. Sadly our governments and our voters have been and are continuing to go the wrong way. They are increasing taxes such as the GST but reducing

the taxes on land holding. By the way, little has been said about income tax. This is a mixed tax as there are two sorts of income – earned income from exchange of effort and unearned income from privilege issued (forever) by governments for site titles and resources. We know intuitively that the higher incomes mainly contain a higher proportion of unearned income, whereas the middle and lower incomes (mostly PAYE) mainly contain very little unearned income. There is little doubt that a change from income tax to the GST will benefit those on high privileged incomes and the burden of taxes will fall more heavily on work and proper capital (as well as on the unemployed).

Our governments (both Liberal and Labor) which are elected by us (the voters) continually keep a huge number of unemployed which causes even those who work (at all levels) to be apprehensive of the 'sack'; which in turn keeps all wages and salaries down to the great pleasure of Union bosses.

We should not tax the "rich", we should tax the privileged according to the value of privilege held and disclosed by the market.

Our governments (and others) both Libs and Labs suggest a number of reasons for high continuing unemployment. Briefly these wrong suggestions include:

1. Immigration (mainly by P Hanson)

Our present immigration is about 50,000-60,000 net. Some economists claim that this actually causes more jobs to be available than the increased population (i.e. a drop in % unemployed) But even if the immigration caused all 50,000 extra to be unemployed it would still only be a tenth! Actually the effect is so small that it can't be determined as it is quite unimportant as the main (huge) effect.

2. Gender

This claim is that married or single women are taking over "men's" jobs. This is so silly that we will not discuss it. Anyway, what law would you make?

3. Inflation

This has been tried by just about every nation and it certainly has never worked. Usually high inflation is a cause of poor living standards and high unemployment everywhere. And then of course there is 'deflation' and "balanced" budgets. This has also been tried by many nations and it does not affect unemployment. It was tried in England by Mrs. Thatcher recently and by Sir Otto Niemeyer in Australia in 1930. It is not a matter of money control or interest control (whether Keynes or Friedman recommend it). It is irrelevant.

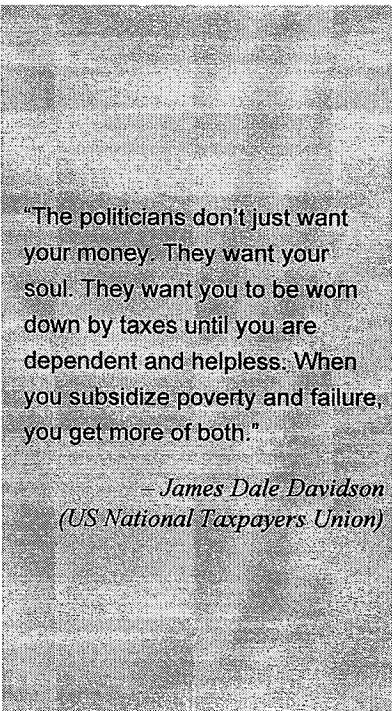
4. Lack of Training

This is trotted out continually by politicians; the latest being Dr. Kemp and his cronies. It is quite clear that industrial (and war) experience has shown that even the "simplest uneducated" people can be quickly trained to do quite complicated jobs in a short time (say 6-8 weeks). It is obviously not a shortage of trained people; it is a shortage of opportunity to use sites and resources. And there is a "shortage" because people are punished for both employing and being employed and exchanging the results of work, using money. They are not punished for holding sites which are issued by government, whether held idle and unused, or used.

5. Advances in Science & Technology

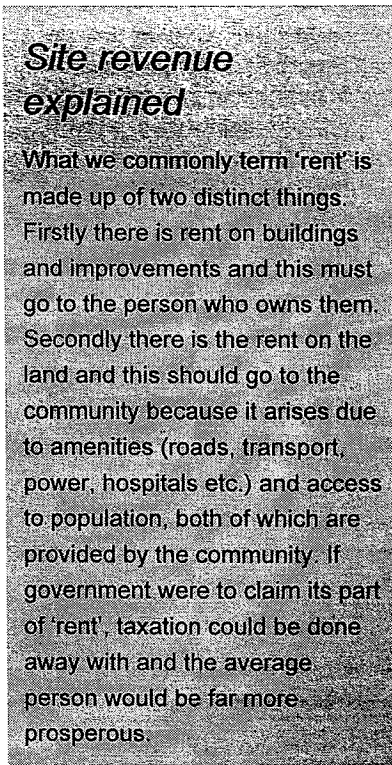
This is of course another excuse used by politicians – particularly the "Luddites". Technology does allow more satisfaction to result from less effort. It does require people to change what they do and what they use, otherwise we would still be walking (perhaps riding horses?). Instead we now travel by car, bus, train or plane thereby seeing more and going further and quicker. 100 years ago we did not have radios, TVs, CDs, mobile phones, computers, etc. Even so, we quickly changed from using valves, to using transistors and "chips". But who got most of the benefit? It was mainly the privileged! Actually all this improvement has masked the huge disadvantage which has occurred in the lowest 20% of incomes and particularly for the 8½% unemployed.

All the above "reasons" for unemployment are false and should be strongly opposed. The basic reason for high and continuing unemployment is our bad tax system which uses deterrent taxes such as consumer and payroll taxes on exchange, instead of using incentive taxes such as land value taxation. This causes lower prices, more sales, more exchange, more prosperity and a higher standard of living for all.



"The politicians don't just want your money. They want your soul. They want you to be worn down by taxes until you are dependent and helpless. When you subsidize poverty and failure, you get more of both."

— James Dale Davidson
(US National Taxpayers Union)



Site revenue explained

What we commonly term 'rent' is made up of two distinct things. Firstly there is rent on buildings and improvements and this must go to the person who owns them. Secondly there is the rent on the land and this should go to the community because it arises due to amenities (roads, transport, power, hospitals etc.) and access to population, both of which are provided by the community. If government were to claim its part of 'rent', taxation could be done away with and the average person would be far more prosperous.