

DEMOCRACY, ECONOMICS AND STEALING

by S. S. Gilchrist

Two Concepts in Economics

For as long as history reaches back, we can see two main concepts in economics. One is the obtaining of satisfaction by productive effort, together with the exchange of the results of various people's efforts.

The other concept is the obtaining of satisfaction by stealing the results of other people's efforts. The word stealing here includes robbery by force and threat, robbery by stealth, fraud and deceit, embezzlement, blackmail, insider trading and slavery; it also includes unearned satisfactions obtained by government-granted privilege.

Exchanging

The basic exchange is the swapping of the result of one person's efforts with the results of another's efforts.

Positive Sum Transactions, Both Gain

Exchanges occur because each party to the exchange expects to get more satisfaction from what each receives, than from what each hands over. Both parties gain in satisfaction.

All sorts of things are exchanged: goods, services, loans, "futures", privileges, registrations, goodwill, even slaves at one time. Money is involved in most exchanges.

Because both parties gain, these transactions are POSITIVE-SUM. The gains in uncoerced exchanging are greatly enhanced, as suggested by Adam Smith, through specialisation and division of labour. They are further enhanced by open markets with free competition, and by the results of mass production, technology, and use of transport and capital tools.

The overall effect of the stealing transaction

Economists do not seem to consider this aspect, but almost invariably the gain to even the successful robber is *outweighed* by the distress and *loss* of satisfaction of the victims. Sometimes it may appear that there is little loss, because it may be spread over a large number of victims, but that is a false impression. One may imagine some trivial cases where an individual may gain more than the victim loses, such as the penniless widow, with two starving children, who steals a loaf of bread. Some thieves are unsuccessful

and may suffer severely, even some high-flying entrepreneurs as well as their victims.

Negative Sum

It has been observed by wise men that stealing is an uneconomic negative sum transaction. There is an overall *loss* in satisfaction when all concerned are taken into account. The poorest community one can imagine is where everyone concentrates their efforts on stealing, with perhaps some effort on trying to prevent themselves being robbed.

"Thou Shalt Not Steal"

From before the time of Moses, civilizations had observed that stealing was uneconomic; Moses brought down the Commandment from Mt. Sinai, "Thou Shalt Not Steal", and it is the most important economic slogan. If stealing was a positive sum transaction we could all be rich by robbing each other.

The Slogan Ignored

Even though wise men continued to teach that stealing was uneconomic, there were sections of the community who ignored it. The strong, the greedy, the ruthless and ambitious tended (as they still do) to rob and to exploit the more productive folk.

Education for Democracy

Our philosophers, economists, academics, moralists and religious leaders and rationalists are failing to teach that stealing is uneconomic and continues to be so even when governments make laws which authorise stealing by taxes and privilege.

Occasionally some groups complain that tariffs or subsidies for some other group are not acts of good government; but virtually no-one gets up and calls for all privileges to be removed, even though we are all suffering because of them. Nearly every transaction in our "economy" consists of a mixture of proper exchange and stealing.

The natural gains of free exchange are severely reduced by taxes and privileges. When the negative sum effect exceeds the positive for some people, the transaction does not occur. Sales are reduced because the price is too high. Production is then reduced and unemployment and poverty result. The general standard of living is reduced for all. Virtually every

transaction now has an element of stealing and an element of exchanging.

Why?

Why are we all misinformed, brain-washed and uneducated about the basics of good government? It is a human dilemma.

Although humans have more power to foresee problems than all other animals (which rely on instinct), humans, in voting governments into power, nearly always vote for candidates who promise to issue and maintain privilege, which is a polite way of saying promising to steal.

Communism

It is not merely democracy which is failing to elect good government. Nearly all revolutions of a violent nature have occurred because of "exploitation" of the many by the few. Seldom do the successful revolutionaries install a good government. Mobs are usually betrayed by their leaders. Communism fails because it relies on the police force to steal all production (satisfactions) from the producers and arbitrarily to "redistribute" (which is what a burglar does). The lack of incentive for producers to act efficiently in such conditions is obvious and the risks of errors and corruptions in the "redistribution" are also clear. Although reports in our conservative press may be a little biased, it seems clear that both production and income per person is very low; in fact *low* incomes are guaranteed for all except perhaps the ruling bureaucracy. The regime is clearly based on robbing "from each according to his ability".

Enterprise System - The Partial Failure

The enterprise system continues to give a better standard of living *on the average* for most of the community, but continues to cause poverty to the most "disadvantaged" groups. What disadvantages them?

Our system works to a considerable extent on an exchange system, but not completely so. It contains many laws which are robbery, by means of taxes and privilege.

The reader is no doubt considering how such laws affect him, either for or against. Unless he/(she) is a landless, unemployed poverty-stricken person, he will find almost certainly he holds

some sort of privilege either directly or through his employment, or through his sport or entertainment.

What most people fail to understand is the cost they are bearing for other peoples' (able-bodied people) benefits. We are all suffering from robbing each other!

Our moralists and economists foolishly still say our taxes should be according to our "ability to pay", just as for communism. It is the burglar's philosophy. Stealing by the community is uneconomic.

What is the Alternative?

Firstly, all acts of parliament which give special privilege to any group (of able-bodied people) at the expense of the community should be rescinded. This may need to be done gradually to allow people to adjust. For instance, tariffs could be lowered *gradually* as could grants, subsidies and bounties. Subsidies and special tax exemptions for some industries could be gradually removed. All government rents should be raised to their reasonable market level in stages.

Secondly, the tax system should gradually be altered to collect more revenue in relation to the value of sites and resources held by private people. This means all land, including vacant land, primary production land, all residential, commercial and industrial land. The change should be made slowly. It is essential that the gradually increasing revenue from site value be used to reduce other taxes. It would be well to start off at the State level with State Land Tax, which should be at a uniform rate without any threshold; and to reduce State Payroll Tax, which is an extremely uneconomic tax. In NSW in 1988, employers were fined \$1,600 million for employing people! How many more could they have employed if they had not been penalised so severely? The tax obviously reduces the return to the producers, it puts up the cost of labour and puts up the prices to consumers. This makes it harder to compete, and sales are lost, particularly

in competition with overseas. No wonder there is less production and more unemployment and adverse trade balance. Other taxes such as Sales Tax, Stamp Duties, Finance Taxes have the same deterrent effect on the transactions which are the basis for economic activity.

Site value taxation does *not* increase the cost of goods and services. Economic text books emphasize that. It acts as an incentive to prosperous activity. Site value taxation is not stealing. It is not a tax on production or exchange. It relates to the benefit provided by the community for the hereditary privilege of exclusive occupation.

Gradual

No sudden change is proposed, and no overall increase in revenue; just a steady *change in type of taxation*.

There would be an immediate beneficial effect. Investors would at once tend to invest less in holding titles to land unless they intended to use it at close to its reasonably full capacity (whether in city or country). The reduction in taxes (and expected further reductions) related to production and transactions, would make it more profitable to invest in capital improvements, buildings machinery, etc.

Prices of produced goods and services would be reduced without losing profitability. Sales and production would increase. With lower prices there would be less pressure for wage increases. There would be more employment opportunity and less need for doles and welfare, which would in turn allow a further reduction in the deterrent taxes. Overseas investors would invest more in improvement capital and be less inclined to buy up *our* land.

Land Rights

If we are to recognise rights, we must recognise that everyone has equal rights to live on the earth. In regard to land and resources, we therefore must recognise equal land rights. If that equal opportunity to live on the earth is not

accepted, then clearly some have legal advantages over others, which we have agreed is stealing and is uneconomic.

Any inequality in land tenure can be equalised almost completely by gradually increasing site value taxation, which also permits the reduction of the injustice and infringement of human rights involved in taxes which are imposed merely because "money can be seen to be available".

We need to recognise that land rights should be *equal*. They should not be based on hereditary privilege maintained by government, nor indeed be related to where your ancestors lived and how long they lived there.

Summary

There is an urgent need for our leading academics and politicians and clergy to teach that privilege and stealing and bad taxes are killing the enterprise system, which otherwise would be able to provide prosperity for all. Calling for increased welfare will only cause increased poverty, as seen in Communist countries.

(abridged)