

THE
RESOURCE RENTALS FOR REVENUE & JUSTICE
ASSOCIATION (INTERNATIONAL) *

Pay for what we Hold or Take, not what we Do or Make
*Private Enterprise must not include private ownership of the elements of life.
Free trade must not include the freedom to 'invest' in owning others' natural resources
which should rightfully be their source of revenue*

26.10.07

ECONOMICS IN ONE LESSON – Part 1 of 2

A. All progress and increased productivity is created only by labour. It is nevertheless captured, often anticipated, in the price of land, natural resources and natural monopolies¹. I.e. by private ownership of 'The Economy'.

'Progress' includes – technological invention and education, free trade and competition, tax cuts, which increase disposable income, location, climate, pressure of population and any other trade advantage.

B. The effects of this are

1.
 - (i) a minimum is left for wages, which generally will never be enough to meet all personal responsibilities. In fact the speculative tendency means labour has to borrow to survive and will never properly share in 'growth in the economy'.
 - (ii) a tax on wages reduces wages still further and can never be enough to compensate the low wages and to meet social responsibilities.
 - (iii) the basic disparity between rich and poor – those who own "The Economy" and those who create it.

2. Private ownership of natural resources becomes a misdirected (wrongful) form of 'investment' (the underlying cause of the recent Asian contagion and the cycle of boom and bust). This malpractice –
 - (a) Generates a largely tax-free capital gain, so increasing wealth disparity.

 - (b) Generates inflation, further increasing the disparity, in terms of asset values. Natural monopoly rights have no labour content. They are not commodities like goods and services and should not be part of the exchange process. Including them distorts the currency. The CPI analyses the relative rise in wages and prices, as though they were in conflict. In fact wages are prices and prices are wages. The misleading comparison ignores the currency inflation caused by the "non-tradeable" (unearned) rogue factor.

 - (c) Deprives production of the capital it needs and confuses the role of the stock exchange.

 - (d) Encourages trading and speculation in the ownership rights rather than in their optimum use. This is the cause of unemployment. Every person engaged in using natural resources (primary industry) generates 4 more jobs downstream. Another 25, 000 employed in farming (say organic), fishing, forestry, mining, building, transport and infrastructure would generate jobs for another 100,000.

This misdirected (wrongful) form of investment is assisted by cheap money i.e. low interest rates and Reserve bank credit.

Capital should be savings made from wages so that interest rates and wages run in tandem. Interest on 'capital' derived from 'land investment' is really rent. This distorts the share market and confuses the problem². Labour should be the generator and owner of capital.

¹ Natural monopolies are rights to land, water, airwaves, minerals, fisheries, hydro –power generation and supply, any public utility such as a port, airport, or the monopolistic rights to reticulate wires, pipes, rails, roads, and the like; even the right to pollute

² The "Corruption of Economics" by Dr Mason Gaffney, Prof. Of Economics California University, examines the intentioned confusion of "land" as capital over the last 100 years or so. Consequently some "interest" is really rent.

Under a system of Resource Rentals, in Accountancy also, "land" would not be a capital asset.

C. When we allow private property in what is really public property (resource rent) we then have to condone making public property (taxes on wages and interest) in what should be private property. *Law and morality should reinforce each other. Giving the force of law to that which would be wrong as between individuals (theft and misappropriation) brings the law into disrepute and contempt. This conflict and the man-made authority of law over morality corrodes the rest of the social fabric.*

D. Taking Resource Rentals for revenue *in lieu of taxes on wages and savings*, does the opposite of, and reverses all these things. i.e. it taxes resource into use instead of pricing them out of reach. This generates employment, raises wages and generates true capital for productive purposes. Collecting the revenue is certain and simple. It is the only way to ensure the advantages of

- TRUE EQUALITY OF OPPORTUNITY - A LEVEL PLAYING FIELD
- THE FREE MARKET, FREE TRADE AND PRIVATE ENTERPRISE
- COOPERATION BETWEEN LABOUR AND MANAGEMENT
- PRIVATE PROPERTY AND LIMITED GOVERNMENT

It is the only way to share "growth in the economy" by way of UBI (Universal Basic Income) or national dividend.

IMPLEMENTATION MAY BE ACHIEVED BY:

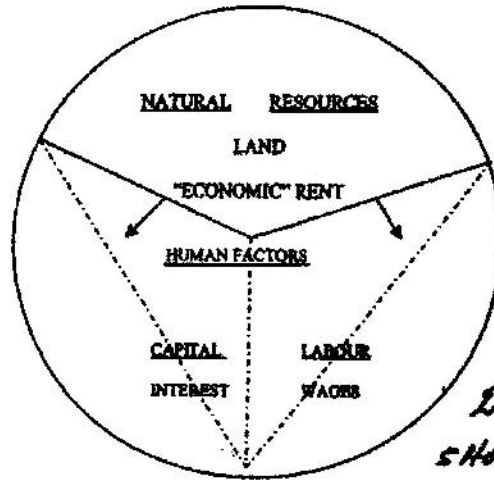
- (a) Letting or leasing the private operation of any natural monopoly or community - owned infrastructural utility built up over time from taxes, such as rail, and on a competitive basis for such as Telecom. The state must own the local loop and the airwaves.
- (b) Granting an annually reviewable licence, allowing the private investment of capital to run defined operations such as fishing, and to finance state channels for radio and TV.
- (c) Direct investment of state capital in such things as hydro dams in order to recover the rent from the resource.
- (d) Establishing elected Regional Power Boards (as part of Regional Infrastructural reform). We don't need four tiers in the supply chain when two would do - maintenance and lower prices, not legal expenses and dividends. Regional Authorities should reticulate roads, rails, pipes, wires, ports, airports, airwaves and charge operators a market rental.
- (e) Extending the Crown and Public Body Leases Act as already applies to land. Using the existing Regional Govt Rating facility to levy a national land value charge in lieu of GST (Refer "Rates Relief")
- (f) Using a variety of techniques to ensure private security in the operation, and the community's interest in the ownership of the asset or natural resource. e.g. any lease or licence may include covenants requiring compliance with environmental constraints, and also protecting the lessee from maverick bureaucrats. i.e. the rights and responsibilities of both parties. A Resource Rent for a Resource Consent.
- (g) Using the proceeds first to abolish GST, then to accommodate those unfairly caught in the transition.
- (h) **ALLOWING ANY RESOURCE RENTAL AS A SET-OFF AGAINST OTHER TAXES**
i.e. an imputation tax credit. This avoids the claim for compensation and resolves a misapprehension of 'property rights'. The true basis of private property is labour. In this the worst offender is Income Tax. Setting off net 'investment' costs against other income, subsidises the socially destructive process that farms inflationary, tax-free capital gains, at the expense of the wage and salary taxpayer. Set-off can just as well be used to recover public property in natural monopoly rights to benefit the same taxpayer - a mere reversal of the capital gains dispensation.

In any event it is not possible to buy a valid title to stolen property or to buy out others' natural rights.

Whilst the change for a few would be a disadvantage, for many it would be neutral; for the majority it would be an advantage.

ECONOMICS IN ONE LESSON - Part 2 of 2

ECONOMIC
REALITY.



INTEREST & WAGES
SHOULD MOVE
IN TANDEM.

THE DIAGRAM SHOWS:

1. The three factors of production – **LAND**, **LABOUR** and **CAPITAL**, and the returns therefrom viz - **“LAND”** – being all natural resources and natural monopolies, the Rent for which is currently capitalised into a purchase price. By definition the payment should be annualised in favour of the owner, viz the Crown.

“LABOUR” – being all human economic endeavour whether of brawn or brain, for which Wages are paid.

“CAPITAL” – essentially savings from wages used by Labour to make it more productive. Ideally, Labour should supply Capital and reap the rewards, by way of Interest and better wages. In fact, Capital is currently supplied by the recipients of (economic) Rent compounding their return. Some “interest” is really Rent. The “Landowner” currently becomes the Capitalist as well. Rightfully the “Labourer” should be the “Capitalist”.

2. That the price paid for LAND can only be at the expense of CAPITAL and LABOUR. Under the speculative impetus of freehold tenure it incessantly bears upon them (arrows), with LABOUR in the weaker position. All progress tends to be capitalised into Land Price.
3. Increasing the size of the ‘cake’ does not alter the proportions. If anything, the mere prospect thereof reduces the proportion available to Labour, driving it even to subsistence level.
4. The portions taken by Labour and Capital are even further diminished by taxation.

UNDER RESOURCE RENTAL TENURE THESE PRESSURES WOULD BE REVERSED. LABOUR AND CAPITAL WOULD BE RELIEVED OF TAXATION - RENT IN LIEU, AND THE LEVEL OF RENT WOULD BE NEGOTIATED AFTER WAGES AND INTEREST HAD BEEN DETERMINED.

*
RESOURCE RENTALS
In lieu of taxes

THE CASE FOR:

THE PROBLEM ? - - - - -

THE SOLUTION !

PRIVATE OWNERSHIP
(Capitalism)

OR

PUBLIC OWNERSHIP
(Communism)

PRIVATE OWNERSHIP
(A Free Society)

AND

PUBLIC OWNERSHIP
(Socialism)

LAND (Resources)
PRODUCTS OF LABOUR
CAPITAL

LAND (Resources)
PRODUCTS OF LABOUR
CAPITAL

PRODUCTS OF LABOUR
CAPITAL

LAND (Resources)

The diagram resolves the basic politico-economic problem confronting the world today. By socialising only that which belongs to society, namely the rent of resources, and leaving inviolate that which belongs to the individual, namely the rewards of labour and thrift, the proposal ensures the advantages of - true equality of opportunity, a level playing field, the free market and private enterprise, co-operation between labour and management, private property and limited government, sharing "growth in the economy". Private enterprise must not include private ownership of the elements of life.

USE RESOURCE RENTALS FOR PUBLIC REVENUE Abolish taxes, end inflation without unemployment, end unemployment without inflation, make many reforms easier and others unnecessary.

* Natural resources, including natural monopolies such as rights to land, water, airwaves, minerals, fisheries, hydro-power generation and supply, any public utility such as a port or airport, or the monopolistic right to reticulate wires, pipes, rails roads, and the like; even the right to pollute.

Leviticus 25:23 prescribes - "Your land must not be sold on a permanent basis, because you do not own it, it belongs to God and you are like foreigners who are allowed to make use of it" (Good News Bible). The principle is affirmed in the New Covenant at Luke 4:19 and Matthew 5:17.

LAND "OWNERSHIP" - OWER-SHIP !

The "estate in fee simple" title granted by the Crown, under which land is held not owned, by definition implies an obligation. Fee is a derivative of fief or trust originally granted by the King to certain Barons in return for services to be rendered in time of battle, on demand, or on state occasions - an acknowledgement of the trust.

About the time of Runnymede (1215) the Barons not only curtailed the King's tyrannical rule without trial but at the same time entrenched their privilege by satisfying their obligations in other ways e.g. a beer tax, other levies on the poor and later the enclosure (privatisation) of the Commons. This privilege that the Barons arrogated to themselves has become entrenched and fragmented till today it is bought and sold as the freehold title i.e. the right to claim the economic rent, with income and other taxes in lieu, progressively enshrined in statute.

So the "estate in fee simple" is essentially a holding on trust, without specified obligations, conditions or terms i.e. an open-ended leasehold which could be inherited without constraint.

This basic status readily admits the inclusion of more stringent terms such as Town Planning ordinances, environmental regulations and the like, as terms of the lease which recognises and gives effect to the fundamental social relationship - the Crown and the subject; the community and the individual; landlord and the life-tenant. A lease also sets out the rights of the lessee i.e. the rights and responsibilities of both parties.

The Alaska Permanent Fund with its investment in oil initially and latterly in stocks, bonds and real estate has paid an annual dividend averaging \$3,000 in recent years to every man, woman and child totalling \$15,500 since 1982. (NZH 28.10.95)

In NZ a recent study indicates that a dividend of \$3,000 could be paid to each of its 4 million citizens as a UBI after current costs and services had been met. ONLY ON THIS BASIS IS USER PAYS POSSIBLE.

I wish to support the move to collect Resource Rentals for Revenue in lieu of taxes. Accordingly -

I enclose \$ _____ I wish to be kept informed Name: _____
 Address: _____ Phone: _____