

monopoly'. To my mind, governments can only be blamed for their failures, and the first blame I would give governments is their negligence of the importance of community-created land value rising, and their failure to collect the annual interest (land rent) of the rising value. If this were done, and the revenue were used for the reduction of income taxes, there would be nothing with which to feed inflation. Expenses of higher land rent will be balanced by lower income taxes.

Inflation has two sides: the rich (especially land owners) getting more rich, and the poor (the landless) having to pay higher prices for their consumption in order to fill the bags belonging to the landlords who, on top of that, also have the advantage of falling debts.

Those governments who now and then devalue their coin are literally inflating. But it is a mistake to say that governments are inflating the coin by borrowing money above the taxation. When governments borrow, in reality they collect voluntary, and temporary taxes which later on of course have to be collected as real taxes, when the bonds are paid back. But this act is not adding anything to the total amount of money.

It is not correct when some people say that the Central Banks are misusing the printing press. No Central Banks in the 'Western' world are issuing more bank notes than you and I are carrying in our wallets, or our cashiers and the bank cashiers keep in their drawers in order to serve the customers. And the amount of bank notes is continuously shrinking, from about 5 pct some years ago to today only about 2 pct of the total amount of paying media, money.

I am very happy to read Mr Dowe's two lines, '...Freedom includes the right to issue one's own money if others will accept it...' That is just what happens, anyway in my country. If a man buys a house at \$100,000, but only pays \$80,000 out of his own and borrowed money from the bank, he can issue a mortgage deed for the remainder, promising a high rate of interest and a fast repayment. But this mortgage, together with all other mortgages of the same kind, are a great part of the annual rise in the total amount of money which, to my mind, includes every piece of paper with an IOU accepted by the receiver. This excess money most often appears as payment for land value rising, the only income element of importance which is not based upon previous production, and thus bringing the amount of production and the amount of purchasing power out of balance.

KNUD THOLSTRUP

DENMARK

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INFLATION

(Submitted to Sydney Morning Herald)

Sir -- The Institute of Applied Economic and Social Research has stated that next year Australia's jobless will be as high as 550,000 and that inflation will be slightly down (now seven to eight percent) to five or six percent. It is quite obvious that in calculating the inflation rate the soaring prices of real estate is not taken into account.

Although the CPI reflects some improvement in the price rise of consumer goods and services and there is a tendency for interest rates to fall, the enormous load of debt being carried by the home-buyer is constantly increasing. There is little point in reducing the interest rate if the total sum paid in interest constantly increases.

Within recent years the price of existing houses and home units has practically doubled and whereas the average loan for the purchase of a unit was formerly about \$15,000 this average is now around \$20,000 to \$25,000. What is the use of a reduction in interest rates under these circumstances? In fact a reduction in the rate tends to increase the price.

The absurdity is that the buildings daily changing hands are getting older and yet are bringing higher prices and banks are making record profits. The tragedy is that with the hundreds of millions of additional overdraft dollars coming into the economy as a result of increased prices and larger mortgages there is no resultant production and no economic growth. Little wonder that unemployment grows and real wages shrink.

There was a time that Australia could be proud of its percentage of individual home ownership but the amount of investment in home units for letting at exorbitant rentals is quickly changing this. It is time that governments took a hard look at the building industry, encouraged the erection of houses and units and by a substantial increase in Land Tax destroyed the price of building sites. We would then see a dramatic fall in inflation and unemployment and a rise in real wages.

L BOORMAN

Eastwood NSW

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IS THIS DEMOCRACY?

(Published in The Australian 4.10.78.)

Sir -- From time to time and particularly at elections, much is said about our democratic system of government; but how really democratic is our Parliament?

The first essential to make our Parliament really democratic is to allow every member, including back-bench members to have a free vote

on all matters before Parliament. Each member is elected to represent an electorate and no Caucus or party meeting has the right to direct his vote. Parliament thus would be really democracy at work—free members and not muzzled by party bosses. A decision by a Caucus or party meeting could well be arrived at by a majority of one yet the large minority of members with a different opinion must either be silent or support the majority. This is not parliamentary democracy.

As well as matters discussed in Caucus every member should be free to a personal opinion vote on all questions before Parliament. For the vote he would be answerable to his constituents and not to party bosses. Under the present system parliamentary decisions could well degenerate into a near-dictatorship. The recent expulsion of Mr Doug Jennings MLA is a clear example of the tyranny which is inherent in the Caucus or party meeting control over vote of independent members.

The second essential is to adopt a proportional representation system of election similar to that operating in Tasmania. Under the present single electorate system, it is possible for almost 50 per cent of voters to have no vote in the election of a member. If five electorates are joined together for election and the major parties each nominate five candidates the voters then could choose as they desire. In most instances there would be three members from 'X' party and two members of 'Y' party elected. In the case of a swing there might be two members from 'X' party and three from 'Y' party elected. Electors of the area would then see their votes being effective in the election.

This method of election would prevent the landslide result which often follows elections under present single-member electorates and would bring a sense of stability in the Parliament which is absent now. At the present time the members in the 'blue-ribbon' seats of either party are the regular members of Parliament. All other electorates are represented by changing membership. Often by the time a member has come to understand the procedures of Parliament, an election takes place and a swing in political opinion and he is replaced by a member of a different party.

This situation effectively prevents positive contributions which might be of great value to the community; in this case a member's brief term in the Parliament has not produced any positive contribution before he is swept from the scene by a relatively small percentage change in the political atmosphere.

Another reform would be the establishing of the system of 'initiative referendum' as applicable in several States of America. This method enables an arranged percentage of electors by signed petition to cause the

government to hold a referendum on the question set out in the petition. This provision would restore to the elector the right to direct the government between elections. At the present time, politicians tend to completely ignore the desire of the electorate and take up the attitude of 'Big Brother' who knows what is best for the people.

A recent example of this situation is the decision of government on metrication—most people thought the proposal was only decimal coinage and if given a vote would cancel out other metrics. Another example is the question of fluoridation—people had no opportunity to vote on this question, despite a large proportion of people, professional and lay, being opposed to the action.

Other important questions such as capital punishment and liquor trading hours would be fitting subjects for initiative referendum.

This proposal would call for an amendment to the constitution which should be submitted to the people. The Constitutional Convention should have more than half its members elected directly by the people and not composed entirely of politicians who would tend to have thoughts influenced by party affiliation.

J H MORRIS
*** ** Coburg, Vic
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FROM OUR NEW ZEALAND CORRESPONDENT

The cry that local government rates are too high, that rate-payers are reaching the point of not being able to pay, that the central government must subsidise local rates, continues unabated. And that despite the refusal of the Minister of Finance to accede to a request from a combined deputation from the Municipal and the Counties associations for more assistance. However, a general election has opened and in the bribery associated with it we are certain to hear more of the need for assistance.

What is wrong with the thinking pieces of these people claiming 'hand-outs' from the central government? They must know that the central government takes but a fraction of the total taxation paid by the individual. They must know that the central government has no money of its own, has no money that it first doesn't get from the local people.

Often enough these people are prominent in the business activities in their communities. These people know what they are doing. Their scheme is nothing more than a way for unloading their rates upon the consumer, especially the property-less consumer. Every cent raised by taxes on commodities is a cent in the pockets of 'the third hand in the game, the non-producing owner of city and suburban property'. As Tregear pointed out nearly eighty years ago, he alone is chief beneficiary of all progress.