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OUR PHILOSOPHY

We believe that the Earth is the birthright of ALL MANKIND.

We recognise that for most purposes it is essential for individuals to have exclusive possession and security of tenure of land.

We believe that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.

We believe that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

GRAB AND STING TAX

Selwyn Parker looks at the pitfalls New Zealand has discovered through its GST.

After five years of the goods and services tax, the New Zealand experience has overwhelmingly proved one thing: Consumption taxes are good for governments. So far, what can be said definitively about the GST is that:

- It has dramatically increased the indirect tax take without slowing much the government's haul from direct taxes. In its first year of operation, in 1986-87 the GST pulled in \$NZ1.22 billion (about \$A870 million). In 1990-91, as more and more taxpayers were drawn into Inland Revenue's net, the take soared to \$NZ6 billion after reimbursements. Driven by the GST, the total indirect tax take has nearly tripled.

Although the quid pro quo of lower income taxes was supposed to compensate for the introduction of the GST, the tax you can't duck, the government's direct tax take has continued to increase. Income taxes amounted to \$NZ9.1 billion in 1986; in 1990, they were around \$14 billion. Put another way, every New Zealander was paying \$4800 in total taxes in 1986. By 1991, they were paying more than \$8000.

Wherever you look, the government picked a winner with GST.

- The GST is a book-keeping nightmare for small businessmen. To claim refunds it is necessary to log every "deemed output" — every item or service sold or bought. "It's a pain," says an Auckland motorcycle dealer. "We have to do all this extra work for the government." Like other traders, he bought extra software and hardware to be able to process his GST

returns.

- In a buoyant economy, when consumers are chasing goods, crafty Australian retailers may use the advent of the GST to boost some of the difference between the higher sales tax and the lower GST rate. No firm evidence exists that this happened in New Zealand, despite a wide-spread suspicion that it did.
- Six months after the GST was introduced, a poll undertaken by the Heylen Research Centre asked people if businesses had "used the introduction of this tax to hide or disguise price increases which had nothing to do with the new tax". Seventy per cent thought they had.
- What is certain is that Australian retailers will benefit from a shopping spree before the introduction of the GST. New Zealand had a nine-month, billion-dollar buy-up — especially of more expensive consumer durables such as whiteware, power tools, furniture and cars. Then, after October 1986, it stopped abruptly. It is important to remember with the GST that it is imposed on the wholesale price *after* mark-up and not, as with sales tax, on the wholesale price before mark-up. Thus, a new suit's retail price at a 12.5% GST arrives: wholesale price \$200 plus \$100 (50% mark-up) plus \$37.50 (12.5% GST). Total retail price: \$337.50.
- It is easy to increase a GST. It was not three years old when the Labor government hiked it from 10% to 12.5%.

"The Bulletin",
December 10, 1991.

UNPAID WORK FOR BUSINESS IF TAX IS INTRODUCED

The proposal of the Liberal Party to introduce a consumption tax in place of sales tax should it come to power bears serious consideration.

The important point to remember is that the present sales tax falls on the wholesale price of goods alone and that services are not taxed at present.

It is reasonable to assume that VAT as it is known (and hated by many) in Britain will be the blueprint for the proposed Australian consumption tax. The British VAT rate is 17.5 per cent tax on the retail price of all goods and services apart from certain exemptions, of which funeral expenses are a classic example.

At present, for political reasons, the British Government does not charge VAT on food or children's shoes or clothes, but the European Community Parliament in Brussels has been pressuring it for years to drop these exemptions in line with the other member states.

The real impact of a consumption tax is that it is imposed on all goods and services at retail level, apart from any exemptions made in the legislation. So your holidays, clothes, shoes, food, cars, hairdressing, repairs and even your

INSIDE:

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- Alternative to G.S.T.
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solicitor's bill, will be taxed. In fact, everything will increase overnight by the rate of the new tax.

In Britain in the early 1970s when it joined the European Community, VAT was introduced at a rate of eight per cent and now, surprise, surprise, it is 17.5 per cent. Many economists blame VAT for the high inflation rates which Britain has experienced for the past 20 years.

The Australian sales tax will go, of course, but that is a tax imposed on the wholesale price of goods alone and the new tax will no doubt fall on the retail price and be imposed on all services as well as goods. These are the points to watch for in any proposals for the new tax.

This new widespread tax burden on all spending will mean that everything will be more expensive for everyone, but the politicians will not tell you that. Whether they are Labor or Liberal, they will gladly use this new tax monster once introduced, to balance their budgets. It will prove so easy to increase the rate at the stroke of a pen, and billions of extra dollars will roll in.

We must not overlook the new armies of public servants who will appear with the new tax. In particular, the inspectors who will tour the business premises inspecting the records and checking the returns which businesses will have to submit periodically with the tax collected. These periodic returns have become a hated chore in Britain by small business people, who also have to act as unpaid tax collectors.

An amusing side issue in Britain was the way that legal writers produced law books the size of telephone directories on the subject, and entrepreneurs ran expensive seminars, all based on the simple concept of a tax on goods and services.

Admittedly, these activities resulted from the complexities of the legislation, in particular in its dealing with exemptions and partial exemptions which have produced many grey areas. The whole concept has become big business in itself.

A nasty side effect of value-added tax in Britain is the fact that the tax point is the date of the invoice, and this tax has to be paid with the next tax return submitted, whether the invoice has been paid by the customer or not.

Recent legislation does now allow for approved VAT bad debts to be deducted from tax collection, but its previous omission caused hardship to small business people for many years.

If consumption tax should be introduced in Australia, and it is modelled on European value-added tax, a lot of people are in for some unpleasant financial surprises, and the carrying out of a considerable amount of unpaid work for the government.

"Canberra Times",
22/10/91

THE GOODS AND SERVICES TAX

Economists at Monash, the National University and other places have already blown holes in the tax reform package devised by the Opposition to win the next Federal elections. It intends to abolish only seven of the 70 taxes already inflicting the Australian community.

According to A.N.U.'s Dr John Quiggan, by 1995/96 five per cent annual inflation will have reduced the real gains of everybody now on an income below \$35,000 a year to less than three and a half per cent of their taxable income. Those on \$50,000 to \$100,000 will gain between six and seven per cent. Gains could well be adversely affected by the proposed \$10 billion cut in government expenditure. This could be most severe on the under \$35,000 income groups comprising the bulk of the voting population.

Monash Economics Professor John Head is emphatic that the benefits of the Goods and Services Tax (GST) and the rest of the package by the Federal Opposition are greatly exaggerated and totally unproven.

Australia is near the middle of the range in terms of the percentage of the Gross Domestic Product absorbed in government activities – and thus in the scale of taxation needed to be imposed – by O.E.C.D. countries. Regretfully Australia is near the top in the percentage of tax taken from the pay envelopes of middle income earners. Once the most egalitarian of all developed countries we are now berated as the least egalitarian, mainly because of dividend imputation negative gearing, trust and other tax concessions to top income earners.

The Opposition's proposed GST, with all its exemptions and promised side benefits could accentuate rather than ameliorate this inequality. Professor Head is adamant that the economic management risks and dislocations of the Opposition's proposals far outweigh any likely benefits.

Tax Reform Australia applauds some of Dr Hewson's approaches to fiscal reform, e.g. abolition of payroll tax, but

we also believe in social justice. Without a true vision of Commonwealth the nation perishes.

The Opposition seems to be banking on tame-cat union submission to its macro-economic reforms, no doubt much needed on the wharves and other areas of transportation. It is also somewhat naive in believing monopoly pricing does not exist in the huge area of goods and services at present untaxed. This must accentuate the Opposition's projected four and a half per cent price rise to flow from a 15 per cent GST.

The Opposition's well-intentioned attempts to compensate welfare recipients from the adverse effects of GST are fraught with difficulties, particularly in a heavily monopolised and tightly restricted market.

The only path to true tax reform lies in the collection of the economic rent being obtained from owners of scarce resources. The doyen of Australian economists, former Governor of the Reserve Bank, Dr H. C. Coombs, is emphatic that the free enterprise system will be preserved, not harmed, by the collection of the unearned increment from monopoly ownership of land and other natural resources. That is the tax reform road Dr Hewson and his colleagues should be travelling.

Morris Williams,
President, Tax Reform Australia.

MISCELLANEOUS

- Fairhope, Alabama (the collect-land-rent-not-taxes town) is listed as one of five top places in North America for retirees interested in recreation and culture, by retirement expert Peter A. Dickinson.
 - A columnist in the *Wall Street Journal* (30/11/88, Editorial page) listed all U.S. land values at \$3.7 trillion and all stock exchange stock value at only \$2.6 trillion.
- So! Land values are 1.4 times all publicly-held stock (actually the disparity is much greater than this since U.S. land values far exceed 3.7 trillion, and some of the \$2.6 trillion includes much land value.)

(One would expect a similar ratio to apply for Australia.)

- Progress with Poverty: 78% of U.S. women aged 35-44 are now working (USN&WR, 2/4/90, p.10). This is the only way families can afford the escalating land cost of homes.

From U.S. "Incentive Taxation",
July 1991.

SENATOR WALSH ON THE GST

The following extracts are from articles in "The Financial Review".

A grain merchant sells a tonne of wheat to a flour miller, for which he receives \$100, but is required to add 15 per cent tax. It costs the miller \$115. The miller turns it into flour which he sells to a wholesale baker for \$230, including \$30 tax, \$15 of which is refunded because it has already been paid on the wheat.

The wholesale baker turns the flour into bread which he sells to the supermarket for \$345, \$45 of which is tax, \$30 of which is refundable because it has already been paid on the flour.

The supermarket sells the bread to final consumers for \$460, \$60 of which is tax, \$45 of which is refundable.

This example is simplified, but establishes the principle that the tax is paid at every stage of the production or value added process and then finally paid in full by the ultimate consumer.

The "iniquitous" payroll tax is passed on in exactly the same way by every producer who has the market power to do so. The important difference is that the tax passed on is not a five or six per cent payroll tax (from which small businesses are exempt) but a 15 per cent VAT from which no one is exempt.

What the Opposition proposes to do is abolish payroll tax but replace it with a VAT at nearly three times the rate for a revenue yield more than four times the size.

For the first time in 20 years, Australia has an opportunity to lock in low inflation. The gains, if any, from the Opposition package are small and certainly not worth the transition costs, let alone risking a return to chronic high inflation.

* * *

I was listening to a small business group keening about the damage payroll tax did to growth and employment, while singing the praises of a shift towards a goods and services tax. Support from the same groups for the Opposition's subsequent proposal to replace State payroll tax with its GST (in fact a VAT) has been as enthusiastic as it is misconceived.

Leaving economic rent aside, all value is added directly or indirectly by labour. Therefore a tax on value added is a tax on labour just as payroll tax is. Therefore, the employment and broader economic consequence of VAT and payroll tax are almost indistinguishable.

(For a more technical exposition see Prof John Freebairn, IPA Review No 4, 1991.)

Dr Hewson must know this. Why then has he proposed to compensate the States for abolishing their payroll tax with revenue raised by VAT, and in so doing repudiate the Opposition's professed commitment to greater State fiscal responsibility and autonomy?

His failure to do this points to the gimmicky populist nature of the payroll tax trade-off and indeed to the broad streak of populism which runs through the whole package - cheap petrol, work for the dole, pack Canberra bureaucrats off to Sydney or Melbourne, cut and change the composition of immigration but hedge the bet with weasel words about bigger future programmes and "humanitarian" family reunion.

UNTANGLING OUR COMPLEX TAX LAWS

The High Court of Australia has dumped a bucket on Federal Parliament over the absurd complexity of tax law. The tax system is failing when it takes the seven Justices of the High Court 52 pages to interpret two small subsections from the capital gains tax provisions. Unfortunately, the resulting judgment in the case between Hepples and the Tax Commissioner only seems to have added to the confusion.

When Mr. Hepples resigned in 1986, he agreed with his former employers he would not reveal any trade secrets or set up a competing business. For this he was paid \$40,000.

The commissioner included this amount in Mr. Hepples' assessable income, relying on two difficult capital gains tax provisions.

Five years and more than \$100,000 in legal fees later, the matter finally has come to an end with the High Court deciding in favour of Mr. Hepples.

In reaching a decision, the High Court had to grapple with such concepts as disposal of an asset that did not exist before the disposal but which was created by the disposal.

If you think this is confusing, listen to what the High Court had to say:

"In circumstances where the heavy burden of legal costs is likely to constitute an insurmountable obstacle to the challenge by the average taxpayer

of an assessment in the courts and where successive administrations have allowed the Act to become a legislative jungle . . . the least that such a taxpayer is entitled to demand of government is that . . . a legislative intent to impose a tax upon him or her in respect of a commonplace transaction will be expressed in clear words."

This judge went on to suggest that, if Parliament wanted to tax an amount received by an employee as payment for a promise not to compete with an employer, or divulge the employer's trade secrets, there should have been no difficulty in expressing this law in clear language.

Instead, we get tax provisions which, in the words of one judge of the Federal Court " . . . are drafted with such obscurity that even those used to interpreting the utterances of the Delphic oracle might falter in seeking to elicit a sensible meaning from its terms."

If the seven judges of the High Court cannot satisfactorily interpret a tax provision, it is not likely that politicians in Canberra have understood the full effect of what they were passing.

Not one of the High Court judges received any help from the Treasurer's explanatory memorandum, which was presumably what most members of Parliament would have relied on when passing the provisions addressed in Hepples' case.

As a result of such complex and unclear tax law, ordinary Australian taxpayers must enter into ordinary business transactions uncertain of their tax fate.

Margaret Gibson,
of Price Waterhouse.
"Adelaide Advertiser",
Nov. 4, 1991.

COMMENT

A further piece of evidence illustrating the need for the Georgist philosophy.

WISDOM

Quite difficult matters can be explained even to a slow-witted man, if only he has not already adopted a wrong opinion about them; but the simplest things cannot be made clear even to a very intelligent man if he is firmly persuaded that he already knows, and knows indubitably, the truth of the matter under consideration.

Leo Tolstoy.

PRESS LETTERS

VALUATIONS

I enjoyed Max Walsh's opening address to the NSW Division's August seminar, "Valuation Standards: A Crisis of Practice or Perception?" in the November Valuer.

In his conclusion Mr Walsh says: "What I have sought to do is to point to the recurrence of land and property booms in Australia and the propensity they have to lead to financial distress".

This admirable understatement poses a challenge to the profession which it has to face up to if it is to retain its precedence in the fields of valuation and land economy.

As practising valuers and/or land economists, we are better placed than most economists to see the critical role of land prices on the economy – and if we are not prepared to serve a word of timely warning before or during these periods of land boom (rather than belatedly after the event), the broader community is surely entitled to ask just where our interests really lie?

Bryan Kavanah, AVLE (Val),
Melbourne.
"The Valuer", May 1991.

RUSSIAN SHAM

Our current financial mess brings social problems that could become as deep as those now tearing Russia apart.

There, 'All Are Equal' became a sham when Stalinism brought the ultimate in land monopoly. That is now ending but Russia may yet repeat the tragedy of Yugoslavia – where the component republics compete for armaments and borrow from the Western bankers while private land monopoly regrows.

Gorbachev saw the need for freedom, but in the Western bloc saw no suitable example. He could not tell his parliament:

"We will retain whatever was good in the old concepts; keep for the people the lands of city and countryside; use the site rentals as our public revenue; improve the public facilities; and give security of tenure to every occupier. We will have no return to the Taxation and the squanderings of the Tsarist regime, nor to the monopoly and unemployment that now sweep back into East Germany. Freedom and free markets are the magic that will make Mother Russia the place she should be."

With such a programme, Gorbachev would even now survive and Tolstoy's dreams for Russia could come true.

Here in Australia 'The Lucky Country' is dying – for our workers get thrown on the scrap heap and private monopoly grabs at our farms, our factories, our businesses and our homes. Our youngsters see no future.

We should have our governments use site rentals for their revenues. It would give them ample funds, but remove the land speculation that leads to monopoly.

Relieved of taxation, business then would prosper, employment opportunities would rise and 'The Lucky Country' become a reality.

W. H. Pitt,
Nunawading.
"Nunawading Post", 30/10/91.

ADAM OF ECONOMICS

Robert Macklin's article "The original Adam of Economics" (Sept. 16) continues the common disinformation that Adam Smith's invisible hand and free market do not work.

Insofar as they have been tried in competitive economies they work well but Smith himself also saw and forewarned against the evils of monopoly, the very antithesis of his open competitive ideal.

Australia, since Lucky Country days, and the rest of the world have universally allowed fiscal policies to untax monopoly wealth, taxing production and consumption instead with consequences entirely predictable to old Adam and a few lonely current voices.

We should not blame Adam Smith or the market messengers of distortion for our current socio-economic shambles as we vainly legislate to suppress symptoms and inevitably reap still more "unintended consequences".

Bill Mason,
Pearce, A.C.T.
Submitted to "The Canberra Times",
Sept., 1991.

CRAZY PERTH RATING

The old Emu Brewery site would have been put to use a long time ago if the Perth City Council had decided to collect its rates from site values instead of the rental value of the buildings.

Perth, like most West Australian cities and towns, has a crazy rating system which punishes people when they put their land to good use and virtually exempts them when they leave highly valuable land idle.

Yet it is the community that creates the value of land.

Because of this system we have tens of thousands of commercial, industrial and residential sites lying empty in West Australia.

The owners of this land are quite happy to hold it out of use and the resulting artificial scarcity forces people to pay prohibitive prices and rents for access to it.

No wonder we have poverty and unemployment.

C. H. Stowasser,
Nedlands, W.A.
"News Chronicle", 12/11/91.

ALTERNATIVE TO GST

Beware of politicians bearing gifts!

As presented by (Mornington MLA) Robin Cooper (*Leader*, December 4), the Opposition tax package has some commendable and attractive features, especially the abolition of payroll tax (a crazy tax in times of at least 10 per cent unemployment) and of customs duties.

However, whereas about 70,000 firms are now involved in coping with sales tax payments, between one and two million establishments would be caught up in paperwork preparing Goods and Services Tax returns.

Overseas experience indicates that compliance costs are higher on a percentage basis for a consumption tax than for income tax, and are certainly far higher, proportionally, for small businesses compared with larger ones.

The lowering of income tax will be welcomed by many wage-earners, but the complexities of the current system would in large measure remain.

Families would certainly soon notice the marked increase in most super-market items.

As regards the Steve Crabb/Peter Reith debate, it is hard not to believe that tourism won't be affected overall (even granting some of the advantages claimed by Mr Reith), for one of the implicit arguments behind the GST is to ensure that purportedly wealthy tourists will pay more tax than now.

Both Messrs Cooper and Reith have

acknowledged that taxes on commodities raise their prices.

There is an alternative to the GST: revenue from community created site values – simple to administer and collect, and impossible to evade, capable eventually of yielding 25-33 per cent of annual gross national product.

And as virtually all economists acknowledge, levies on site values are not passed on in higher prices, in the long run (see, for example, *Economics – Australian Edition*, by Nobel Prize winner Paul Samuelson and co-authors, Page 594 ff.)

G. Forster,
Secretary,

Tax Reform Australia,

"Mornington Leader", 18/12/91.

GST – SMITH WAS NO SUPPORTER

David Stewart (Mail Oct. 31) in supporting a Goods and Services tax, has quoted Adam Smith's canons of taxation in support.

Unfortunately for him, however, Adam Smith denounced a consumption tax.

He reserved for a consumption tax some of his most withering criticism, commenting: "there is nothing so absurd, says Cicero, which has not sometimes been . . . asserted by some philosophers . . . the middling and superior ranks of people, if they understood their own interest, ought always to oppose all taxes upon the necessities of life, as well as all direct taxes upon the wages of labor" (Adam Smith, "Wealth of Nations", Glasgow edn., 1976, Vol 2, pp 876, 873).

Adam Smith understood full well that a consumption tax is a tax on families, a tax on having children.

Adam Smith's criteria are best met by drawing revenue from community created site values, while cutting taxes on wages, industry and commodities.

As Henry George wrote in "The Condition of Labour" (1891) "The right way of raising revenue must accord with the moral law . . . it must not take from individuals what rightfully belongs to individuals; it must not lead men into temptation, by requiring trivial oaths, by making it profitable to lie, to swear falsely, to bribe or take bribes; it must not confuse the distinctions of right and wrong . . . by creating crimes that are not sins."

G. Forster,
Secretary,

Tax Reform Australia.

"Mornington Mail", 17/11/91.

EQUAL LAND RIGHTS

The article by Susanne Ainger concerning research by Noel Pearson raises interesting questions (*June Gazette*). Do all humans have land rights? Don't we all have to live on the earth? And don't . . . therefore have to share it? How do we determine how much land rights each has, whether ethically or by law? Do land rights depend on where our ancestors lived, and whether they lived there for a few generations, or 40,000 years? Have not everyone's ancestors lived equally long on the earth?

Of course we are now dealing with legal rights, issued as titles (Torrens, or whatever), which give some people permanent, hereditary (and transferable) privilege of holding parts of Australia, to the necessary exclusion of everyone else.

A small proportion of families hold a huge amount of the value of Australia (city and country, residential and industrial), while some 30 per cent of families own no land, and some 50 per cent hold only a trivial amount in the form of a small home site on strata title. In other words 80 per cent are disadvantaged.

The issue of a land title gives a continuing government-maintained advantage at the expense of the community. The value of such privilege is shown by the price of sites.

The maldistribution of land privilege is the greatest cause of disadvantage, distress, poverty, unemployment and recession. The disadvantaged (a majority of us) have to pay the privileged for permission to live on earth.

When our governments 'welcome' immigrants to Australia, do we offer to share 'our' land with them? Surely land rights do not depend on our genes, or how long we live anywhere.

It would be absurd to seek to redistribute land equally, and that is quite unnecessary. All that is required is to gradually increase taxation on all site values without exemption, exception, differentiation or threshold.

S. S. Gilchrist B.Sc.,
Roseville, N.S.W.

(Publication and date unknown)

Mrs. A.: "It must be five years since I last saw you, dear. You're looking so much older that I hardly recognized you."

Mrs. B.: "Really? Well, to tell you the truth, my dear, I don't think I should have recognized you but for your dress."

HISTORICAL

When the missionaries first came to Africa they had the Bible and we had the land. They said, "Let us pray". We closed our eyes. When we opened them, we had the Bible, and they had the land."

Archbishop Desmond Tutu.

AUSTRALIA'S TOP TEN LANDHOLDERS

1. Kidman Holdings: 120,000 sq. km
2. Australian Agricultural Company: 95,000 sq. km
3. Stanbroke: 94,000 sq. km
4. Heytesbury: 83,000 sq. km
5. North Australian Pastoral Company: 52,000 sq. km
6. Bankers Trust Australia: 31,000 sq. km
7. McDonald Family: 29,000 sq. km
8. West Australian Cattle Company: 26,000 sq. km
9. Consolidated Press Holdings: 25,500 sq. km
10. Western Grazing Company: 24,500 sq. km

The foregoing relates to area, of course, not value.

The Leading Players

Rupert Murdoch (Age: 59. Estimated wealth: \$3.6 billion.) Murdoch's News Limited owns Boonoke, one of the jewels of the Australian pastoral industry. The stud, near Deniliquin, NSW, was once owned by F. S. Falkiner and is the biggest sheep stud operation in the world. It was purchased in 1978 for just \$3.5 million during a prolonged drought, which broke six weeks later. Locals dubbed it "Murdoch's luck". The 120,000 ha operation includes other properties in NSW and WA and runs more than 170,000 sheep. Murdoch also owns Cavan Station, near Yass, NSW, which is retained for his personal use.

Kerry Packer (Age: 52. Estimated wealth: \$2.1 billion.) Packer's father, the late Sir Frank Packer, bought Ellerston, near Scone, NSW, in 1972. This is Packer's rural retreat and home for his polo club, but his North Australian empire, owned by Consolidated Press Holdings, has its headquarters at Newcastle Waters in the NT where he also owns Kirkimbie and Humbert River. His Queensland properties include Isis Downs and Emmet Downs, near Blackall, and Allewah, a Brahman stud near Biloela.

"The Australian Magazine".



POVERTY BUFFETS GLOBAL ECONOMY

WASHINGTON: The global economy is being buffeted by grinding poverty, meteoric changes in Eastern Europe and the Soviet Union and the lingering impact of the Gulf War, the World Bank states ("Canberra Times", 24/9/91).

At the same time environmental degradation is continuing to worsen in many regions while countries have been unable to shake the burden of a massive debt build-up of a decade ago.

"Poverty increased in many countries during the 1980s," the bank said in its annual report, adding that "more than a billion people - about one-third of the total population in developing countries - live in poverty."

COMMENT

This situation will persist until the central importance of land tenure and the nature of site rents is recognized and correspondingly translated into appropriate legislature.

HUNGER IN THE U.S.A.

Almost one in 10 Americans is relying on food stamps to help pay for food, and anti-hunger activists say the record-high participation is a sign of widespread suffering and a deepening recession that has reached mainstream America.

"This is proof of what most Americans already know, and the Administration wants to ignore - the Administration's current economic policies have failed and are forcing hard-working Americans from their jobs and on to the welfare lines," Senator Patrick Leahy, a Vermont Democrat, said.

Because food stamps generally reached only 60 per cent of those eligible, millions more Americans could be hungry, the executive director of the Community Nutrition Institute, Rod Leonard said.

"Canberra Times" 31/10/91.

COMMENT

The foregoing provides further indications of Henry George's warning.

PUBLICITY

Some of our supporters sometimes comment that they do not see very much of our viewpoint in the media.

It's not for lack of trying! The fact is that it is simply not easy to break into the media - as not a few of our supporters have found. The reasons for this are various. Nevertheless, we must keep trying - the occasional breakthrough does occur! Perhaps our message of hope sounds too good to be true for our brainwashed media people!

PROGRESS WITH PROPORTIONAL REPRESENTATION

The Melbourne Anglican Synod has adopted a P.R. electoral system.

And there are signs of interest in P.R. in Japan and Cambodia.

From "Quota Notes", No. 64, December, 1991.

LETTER TO THE EDITOR

"A Statement of the Aims" of the Georgist Movement in Australia has been published in "Progress" (Sept. 91). The first item calls for the "abolition of taxation" without any modifying phrase such as "save taxation on all land (on site) values".

The unqualified statement is unwise, for two reasons. The first is that it is an insult to all the Georgists who spend hours knocking on doors, talking to people, organising meetings and making submissions to government—all with the purpose of retaining and extending land value taxation and site value rating.

The statement would indicate that "we" are opposed to land value taxation, yet on other pages of "Progress", taxation of site value is advocated.

It is futile to try to explain that, when we say something, we really mean something other than what can only be accepted as the normal meaning of words. To suggest high-handedly that we should all accept the dogma is a bit much! To say that government will "collect site revenue" and to pretend that it is not "taxation" will surely be treated with scorn. Site taxation is assessed and the site holder is liable for payment in the same way as any other taxation as far as the enforcement of collection is concerned (this would also be the same even if the revenue is called rent, or site rent or site revenue). What we need to impart is that the payment is a just one and the system causes prosperity.

It is silly to pussyfoot around pretending that site revenue is not a tax in the sense accepted by most people.

What has to be stated is that it is the best form of taxation. You don't fool the people by using pretend words.

Note on page 2 of Progress Nov. 91 quoting a number of Environmentalists there are at least four mentions of the desirability of land tax.

Georgists should not be bullied into avoiding the words "land value taxation" because a few forceful Georgists have a semantic thing about the word "taxation".

"All taxes are not theft". Site value tax (and rates) are just and economically sound payments for value received from the community.

The second reason for using "site value taxation" in preference to "rent", is that rent is a confusing word. It is confusing because it usually means in the mind of the public the 'whole' rent including the rent of improvements (as in net annual value). No one likes paying rent because it tends to be oppressive and seems unjust, since it at present is a payment by disadvantaged people to privileged people. Even land owners dislike the thought of paying rent.

Despite the claims that valuers can separate site rent from the rent of improvements, this appears a doubtful proposition because there is no separate market for site rent. On the other hand there is clearly a market for land titles which is well used by Valuer-General's departments, and has been successful over many decades. Naturally, valuers will say they are capable of valuing anything, but there is no history or record of the regular assessment of site rent as a tax base or for anything else.

A further reason for advocating uniform site value taxation is that it can be gradually intensified from the present low rate to a high rate without disturbance of the economy. It has been done to a moderate extent!

Let the Georgists who want to advocate Rent Collection do so. Good luck to them. We are all aiming roughly in the same direction.

Syd Gilchrist,
Roseville, N.S.W.

FOOD FOR THOUGHT

The whole annual value of land may be taken in taxation and the only effect will be to stimulate industry to open new opportunities to capital and to increase the production of wealth.

(*Progress & Poverty* Bk.8 ch.3).

LAND TAX

Business people are misleading the public when they blame the land tax for their failure to make a worthwhile profit. In fact, land tax can be deducted fully from income tax and therefore does not affect profit. The real culprit is the recession which, in turn, is due to our crazy tax system. Over the last two decades governments have put an ever increasing burden of taxation on industry and the consumer whilst, at the same time, the nation's enormous community created land values have been exempted more and more from contribution to revenue. This has led to massive land speculation with consequent prohibitive land prices and locational rents. These factors have inevitably led to the recession.

At the same time it must be stressed that, whilst many city properties have had massive increases in land tax, there are tens of thousands of valuable sites in West Australia that are paying no land tax at all. This is because of the ridiculously high level of land value at which exemptions are granted. If all marketable land, whether used or not, paid its fair share of rental revenue to the nation, the unfair burden borne by city properties could be considerably reduced. Also land prices and locational rents would be brought down and taxes on production could be largely eliminated.

W. J. Meyer.

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DECLINE IN U.S.A.

The Annual Labor Day holiday, the official end of America's summer, went unmarked by the traditional marches of the dwindling trade unions. ("Canberra Times", 5/9/91).

There was a march of 250,000 trade unionists in Washington on Saturday, under the banner of "Solidarity '91", although it was little reported by the American media, obsessed with President Bush's golf scores. But for Democrats and trade unionists alike, there is an issue that is aching for a political focus – the impoverishment of what used to be the world's best-paid working class.

The average weekly earnings of

America's production and non-supervisory employees are now lower in real terms than they were in 1959. The gains in living standards that were won in the boom of the 1960s and were said to have trickled down in the Reagan boom of the 1980s, have all been lost. Over the same period, the proportion of the American workforce in trade unions has fallen from almost 35 per cent to just 16 per cent.

"This administration fails to address the plight of the working poor, trapped in poverty by dwindling job opportunities and substandard pay," Lane Kirkland, president of the AFL-CIO trade union organisation, told the

Washington rally, which was largely ignored by mainstream politicians.

COMMENT

A further vindication of the failure to heed the warnings in Henry George's "Progress and Poverty" – in George's own U.S.A.

Salesman: "I've been here ten years, sir, doing three men's work – and now I want a rise."

Sales Manager: "I doot I canna gie ye that, but if ye'll tell me the names of the ither two men, I'll dispense wi' their sairvices this verra day."

DATES FOR YOUR DIARY

- Lunch-hour videos, Series, 12.30 p.m. 1st Monday of month.
- Executive Meeting: 7.30 p.m., Thursday, March 12.
- Melbourne School of Economics – 10.30 a.m. Tuesdays.
- Video Night – Thursday, March 26, 7.30 p.m. All Welcome.

DEADLINE FOR PROGRESS:
Noon on 12th of previous month.

The views expressed in articles are those of the writers and not necessarily of Tax Reform Australia Inc.

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