

REFLECTIONS ON THE TAX SUMMIT

By David Spain

The Tax Summit was purportedly concerned to restructure public financing, yet neither in the invitations issued nor in the media coverage ensuing is there reflected that one analysis which not only satisfies all Mr. Hawke's "principles for reform" (except the ninth: general public acceptance), but which stands unscathed by rational criticism.

I refer to that analysis largely perfected late last century by the American philosopher Henry George: that there can be no sane basis to any economy unless the sole source of revenue is the annual collection of the rental value of all sites (as distinct from improvements thereon) occupied.

The land was not made by humanity, yet control over sites and resources is essential for production of wealth. If the community is (very rightly) to grant individuals private and secure control over sites, it can only avoid distortions by collecting the economic rent of them, for public purposes, in return for such monopoly.

This practice, and the machinery therefor, already exist throughout most of Australia at local government level. Extension of this system to gathering the entirety of national revenue would be cheap and easy. It is the failure to do so and the alternative modes of taxation adopted which are to blame for our economic plight. There can be no cure without addressing the root cause: land monopoly.

At present, there is no substantial economic disincentive to owning land. Those who can afford to buy vast tracts and vital locations for speculative reasons, and as a hedge against that inflation their own practices largely occasion, need only wait, contributing nothing, until the natural increase and demand of the labouring community, along with that web of infrastructural development (roads, services, utilities) funded by those who pay taxes, donates them unearned and untaxed profits on resale.

Far from collecting this proper source of revenue, regressive and perverse taxes are painstakingly levied upon effort, initiatives and transactions essential for production of true wealth.

Only paper tigers and deliberate misconstructions are floated against this reform, but they are easily dismissed. Beware of the typical ones: that site rent would be inadequate as a source of revenue; that this solution is "communitistic" and involves nationalising land; that site values cannot be ascertained separate from the improvements thereon; that excessive incomes or inequitable suffering must result for some and that the solution is simplistic and utopian.

The crippling failure to seriously debate, let alone implement, this reform is amongst the astounding and boring facets of our national and international academic, economic and political life.

- 54,000 applicants are waiting for public housing in N.S.W. The figure is said to be one of the highest since the Housing Commission was set up in 1945 and is more than half the number on the waiting list nationwide. (Comment: The high price of land is of course the major problem, and the problem will worsen unless corrective action in the form of land rental taxation is taken.)