

PROGRESS

An Australian Journal to Advocate the Rights of the People in the Land

- POLICY
1. COLLECTION OF LAND VALUES OR GROUND RENT AS PUBLIC REVENUE.
 2. THE ABOLITION OF TAXES NOW IMPOSED UPON LABOR AND LABOR PRODUCTS.
 3. PROPORTIONAL REPRESENTATION FOR ALL ELECTIONS.

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PARADISE BECOMES HELL JAVA SINCE THE RAFFLES ERA

With the return of Java to the Dutch in 1816, in accordance with the decisions of the Convention of London, it was first governed by three commissioners under Baron von der Capellen. Its charter from the king was based on the principle of freedom of cultivation and trade. Within a month he issued a decree throwing open the trade of the Netherlands Indies.

The Land — Rent System Endorsed

The finances were a vital consideration so that there was an early review of the situation. This resulted in the decision to retain Raffles' land-rent system, using the desa method of assessment. The system was to be improved by measuring up and valuing the land. To help the taxpayer to keep out of the hands of the money-lender he was allowed to pay his land-rent in money or kind. These principles were embodied in Land-Rent Ordinances published in 1818 and 1819.

Other measures from the Raffles period designed for protection of the native to prevent his exploitation were confirmed, including his regulations against slavery. But the safeguards were not effectively enforced.

The post-war boom was followed by a slump and revenue dropped with the reduced trade. But the land revenue continued to increase, and it was a fall in revenue from other sources which produced the deficit.

The Java War of 1825-30 was a revolt arising from dissatisfaction over cancellation of land-lease contracts and tolls levied at the boundaries between native and government territory. The cost of the Java War and outbreak of a revolt of Belgium against Holland at home caused a change in policy for the worse in the Indies.

The Forced "Culture" System

A new governor-general, van den Bosch, in 1830, put into effect the "Culture System", which was really a return to the old system of forced deliveries and forced labour under a new name. Under it, the principle of free peasant

cultivation was abandoned. The peasant was forced to devote a portion of his holding to cultivation of export crops as directed by government, which would take the product in lieu of land-rent in cash. With it free trade was abandoned, the products being handled by Dutch merchants, using only Dutch ships, and sold in the Netherlands. It soon became a device for enriching Holland at Java's expense. The element of compulsion increased and the safeguards in the original scheme were abandoned. Those controlling the scheme received a percentage of the products and thus had an incentive to use means forbidden by government decrees. The original requirement that the cultivator devote only one-fifth of his holding to export crops was extended and the cultivator compelled to cultivate the government land before his own. Forced labour was used for the upkeep of roads and bridges. In some districts the cultivator had to work more than 200 days a year for the government. During the years 1848-50, there was widespread famine in central Java for this reason.

Liberal ideas at work in Holland brought reaction against the culture system and agitation to get rid of it. Conditions were improved and the safeguards policed. The agitation against the system resulted in legislation in 1870 providing for the government to withdraw from sugar cultivation in twelve annual stages from 1878. But the most profitable culture (coffee) remained forced till 1917. Even then the most profitable monopolies of opium, salt and pawnshops continued to 1927. The desire to free the native was there but the withdrawal of government from the controlled culture field in favour of private enterprise was largely pressed to give individual Dutchmen a greater share.

Much was done for the Indonesians by the Dutch from 1900 on, but there was too little development of education and little training or participation in the administration. Hence, few Indonesians were equipped for responsibilities when independence was gained.

Despite these shortcomings, the measure of application of Raffles' land-rent system retained by the Dutch enabled

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extension of prosperity to increasing millions of Indonesians to be maintained until the Second World War. Land speculation was small or non-existent. There was no chronic poverty here of the type which characterises India and other Asian countries.

Deterioration Since Independence

The position has now changed with the attainment of independence by the Indonesians. The land tax was abolished in 1951 and replaced by an income tax payable only by those who previously paid land tax above a stated figure. This resulted in splitting holdings to escape the income tax. Then, in 1956, the previous "right to use" land was converted to a "right to own" it.

Selosoemardjan says in "Social Patterns in Jogjakarta", that "up to the land reform of 1918 the farmer had only duties and no rights — from 1918 to 1951 he had both duties and rights — after the abolition of land tax in 1951 he had rights only and virtually no duties."

Results of these foolish and unjust measures have been disastrous. There has now emerged a landless class and much unrest in consequence. Without the stimulus to proper land use, previously given by a sufficiently high "cost of holding land whether used or not" in the form of a land value tax, a premium is given to under-use, and productivity has fallen. Indonesia was previously a rice-exporting nation, but has now become a rice-importing nation.

On the financial front there has been unbridled inflation. The whole country has suffered in terms of real income but with the removal of all obligations from the peasants they are relatively far better off than others. Wage labourers and public servants are the sections most hit. Compared with the position in 1938, in terms of real wages, at 1958 the peasants' rice income remained approximately the same — the wage labourer dropped to about one-half — the civil servant on an average to about one-thirtieth. This last is disastrous, because it fosters corruption in the administration where the public servant cannot live on his official salary without supplementing it by graft. This is a short cut on the road to perdition.

In the last few years these various self-inflicted blows have turned the Javan paradise into a hell. There has been one of the worst blood baths in history with the slaughter of nearly half a million Indonesians in the name of "anti-Communism". How many were really Communists will never be known. Even if they were, the primary evil was the degeneration in the economic conditions without which Communism would have no attraction.

Only if and when Indonesia returns to the basic principle of land rent for public revenue can its citizens expect to raise their living standards above those under the Dutch, or even return to them. It needs to be applied more fully and embrace the cities where site-rents are highest as well as rural land. Simultaneously, taxes on buildings and other improvements, and on incomes, should be abolished. These act as deterrents to limit the national product and hence the wellbeing of all who share it. This course is in accordance with its own historical method restored by Raffles. We hope wiser councils prevail and they return to it.

READING REFERENCES

- "The History of Java", by Sir Stamford Raffles.
- "Netherlands India", by J. S. Furnival.
- "A History of South East Asia", by D. G. E. Hall.
- "Social Patterns in Jogjakarta", by Selosoemardjan.
- (Concluded from our June, 1985, issue.)

We believe that this account of Sir Stamford Raffles' land-rent system in Java and of the later developments in that country contains lessons from which the public administrators in all countries can learn. We invite your help in bringing it to the attention of those in a position to gain from it. For this further copies are available from the Henry George League, 31 Hardware Street, Melbourne, Victoria 3000.

Australia needs ONE TAX ONLY

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Our contributions to the summit discussions included the above advertisements in "The Age" and "The Australian" newspapers.

FORTHCOMING RATING POLLS

As a by-product of the worsened national situation due to currency inflation and increasing taxation generally in Australia, it is not surprising that some City Councils in the Melbourne metropolitan area are seeking to change their rating basis from Site Value to Net Annual Value.

Their objective is to divert the rating bill from owners of vacant and under-developed land and increase the rate contribution of owners of residential and other well-improved properties.

There are such moves in the Cities of Mordialloc, Oakleigh and Nunawading, all of which at present rate Site Value. The moves are being opposed by ratepayers who want to retain Site Value and are demanding that ratepayers' polls be taken to decide the issue.

The Victorian Local Government Act provides that where a Council initiates a proposal to change its rating basis it must be put to a poll if a demand is lodged signed by at least 10 per cent of those whose names appear on the Voters' Rolls. Past experience is that where the required number of signatures are obtained within the month allowed the poll will almost certainly result in retention of the Site Value system.

The current position in the three cities mentioned is as follows:—

In Mordialloc more than the necessary signatures have already been obtained, presented and the poll will be taken with the municipal elections on Saturday, 3rd August.

In Oakleigh City collection of signatures is well advanced and it is expected the needed number will be obtained in time to obtain the poll. Later information is that more than the minimum number was obtained and the demand has been presented.

In the case of Nunawading City the Council had given notice two years ago of its intention to change the rating basis after the next re-valuation. But later the Councillors in three of the four wards changed their minds and dropped the proposal. But the three Councillors in one ward decided to organise a demand for a poll, but were evidently unable to get sufficient signatures for a poll to be held this year, since no demand was presented by the 30th June deadline.

In all three of these cities Site Value rating was first adopted as a result of ratepayers' polls initiated many years ago by the voters who wanted to adopt that system. In justice, the responsibility should rest with those who are dissatisfied with the Site Value basis to canvas and demand a further poll to re-test the issue. But it is only in Nunawading that the demand for a poll is coming from dissident voters. In the other two cities the intrusion of the Council makes it necessary for those who are satisfied with the present basis to organise a demand for a further poll simply to retain the system the voters decided upon at the previous poll.

Some Press reports on the campaigns in these places follow.

MORDIALLOC CITY

The Net Annual Value rating system has no moral basis. It is a system of legalised robbery which has been progressively abandoned throughout Australia as people become aware of its evil nature and effects.

Already two-thirds of Australian municipalities have made the change to Site Value rating. N.A.V. is a relic of the time before values of land and buildings could be separated because valuers were few and less competent than now.

How can this be said when N.A.V. ratings councils are supposed to be charging in accordance with value of property? Simply because of the failure to distinguish the significant difference between the two component parts of property value—the land value, and the improvements value made by the owner.

It is the land value alone which is given and maintained by municipal and other public services, and it is this value alone that can justly be used as the rating basis. Land value means what the community has done for the landowner.

The owner's improvements measure what he has done for the community and should be excluded from rating. Otherwise, rates actually penalise improving your property!

The N.A.V. rating method fails to distinguish between the value of the land and of the owner's improvements. It charges according to a combined value of both.

For homes and other well-improved properties, the value of the improvement may be several times the land value, so N.A.V. rating will charge more than an owner's rightful share.

Conversely, Net Annual Value charges under-developed or neglected holdings less than their fair share.

Mordialloc Council has characterised the proposed change to N.A.V. from Site Value rating as essential on two counts.

1. Site Valuation is causing over-development.
2. There are now few vacant lots left in the municipality.

The first of these counts is nonsense. If over-development means too many flats and the like, this is a matter for restraint by town planning, not rates procedures.

The second item is no less irrelevant. Sites should be rated *not* because they are necessarily vacant, but because these are given their value by council services, unlike improvements which derive their value by quality and extent.

If council reverts to N.A.V. rating, there is little doubt that the penalty on improvements will arrest Mordialloc's strong growth over the last three years, as evidenced by figures from the Australian Bureau of Statistics on building permits issued.

The total value of Mordialloc building permits accounted for was \$29,378,000 over the three years.—A. R. Hutchinson, Vice-President, General Council for Rating Reform, "Mordialloc and Chelsea News", 3/4/85.

NUNAWADING CITY

Sir—I have noticed several attempts to justify the introduction of net annual value (N.A.V.) rating in Nunawading.

The commonest attempt revolves around the assertion that more than 50 per cent of ratepayers would have a rate reduction. (One deduction from this should be mathematically obvious—that the benefactors of this scheme must average a small gain compared with the large losses averaged by the losers.)

Another deduction from the N.A.V. system is not so obvious, but even more important, and it derives from the fact that N.A.V. penalises people who improve their properties—a fact, which to most people, is intuitively irrational. The point is that the long-term effect of such penalties is to create a city which is deteriorating steadily so that even a well-kept property ends up worth less as a result of its decadent environment. Hence everyone loses.

It would not be fair for me to say that Nunawading's attractiveness is due solely to its long history of site rating, but I'm quite certain it is an important factor.—A. M. Dear, Forest Hill, "Nunawading Gazette", 12/6/85.

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Mike Crabb ("Standard", April 3) makes a fine old mix in his advocacy of Net Annual Value rather than Site Value rating.

It would penalise builders, developers and large commercial enterprises every time they lived up to their name.

It would give lower rate bills to the non-building, non-enterprising, non-commercial holders of vacant blocks and run-down properties. A fine sort of system that would be!

Mr. Crabb seems to think that simply because a system dates back a while (in 1952 Nunawading voted it in) it is to be condemned.

In that case, the system that he seeks, Net Annual Value, would be far worse.

Inherited from England, it applied there for centuries and for a long time here—until we colonials woke up that it oppressed the small man who made adequate use of his land and was a weapon

wielded by the landed monopoly folk who held their land without care for the common good.

If, under the system that he advocates, Mike Crabb were to substantially update his home, he would soon find himself paying more to the municipality.

Net Annual Value—of land plus buildings—operates as a penalty, each year, every year, whenever any improvement is put on the land.

Citizens who wish to oppose a reverting to that foolish and out-moded system should contact this Association.—W. H. Pitt, Secretary, Nunawading and Board of Works Site Rating Association, "Eastern Standard", 1/5/85.

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Some Blackburn ratepayers, mainly with homes that hardly match their sites in value or beauty, are working for a poll that would take Nunawading back to the net annual value basis from the site rating system the municipality voted for in 1952.

They claim that rating against improvements would mean lower rate bills for the elderly in the bellbird localities. But, would it?

Some years back, Northcote ratepayers fell for that claptrap idea. Their mayor recently was quoted in the "Northcote Leader" as saying that because of the N.A.V. system a pensioner there had his rate bill rise from \$550 to \$890. Some reduction for an elderly!

Northcote's mayor also said, "Another factor is that people who improve their houses are causing their properties . . . to draw larger rates".

Looking at Northcote and the fruits of its rating against improvements, to change from site rating would bring disaster. We should have MORE site rating, not less. Nunawading should not heed the pleadings of a few folk whose homes seem not in keeping with the beauty of their locations.

There will be a public meeting in Christ Church Hall, Edwards Street, Mitcham, at 8 p.m. Friday, May 31, to organise against the move from site rating and to pressure the Board of Works in the same direction. This will benefit Nunawading and prevent it coming to look like Northcote.—W. H. Pitt, Hon. Sec., Nunawading Site Rating Association, "Nunawading Gazette", 15/5/85.

OAKLEIGH CITY

COPY OF A LETTER SENT TO THE TOWN CLERK AND COUNCILLORS OF THE CITY OF OAKLEIGH BY THE GENERAL COUNCIL FOR RATING REFORM, BOX 955G, G.P.O., MELBOURNE 3001.

Dear Sirs,

We urgently draw your attention to the fact that the Notice to Ratepayers sent by Oakleigh City Council on 22nd May, 1985, relative to its proposal to change the basis on which rates are to be levied as from 1st October, 1985, does not conform with the requirements specified by the Local Government Act though the Notice claims to do so.

That Notice does not cite the relative sections of the Local Government Act to which it claims to conform, but our reading of that Act is that it should be operating under Part XI—Division 3—Sections 319 and 320, seeking to rescind the adoption of the use of Site Value of rateable properties in the city as its rating basis. It has published the notices required under 320(a) in the Government Gazette and a local newspaper relative to its proposal.

Although the Council notice to ratepayers does not refer to them, there are important requirements laid down in Section 322 of the Local Government Act governing information which has to be provided by the Council to ratepayers to help their decision on which of the alternative rating bases they prefer to be rated under. The provisions (5), (6), (7) of Section 316 and (4), (5) of Section 317 are applicable.

Of these requirements Section 316 (5) and (7) are particularly important as they specify the information required to be given by the Council to the voters on the rates payable on their particular properties under the two systems compared. This is to let them see beyond doubt how they would be affected under the two alternatives.

In the Oakleigh case the notice to the voters under Section 316 (5) applicable should set forth:—

- (a) The amount in the dollar on the basis of the Net Annual Value of rateable properties which would (if a **minimum amount payable under the rate is not fixed pursuant to sub-section (3) of Section 266**) have to be levied to produce as nearly as practicable the same amount of revenue as would be produced by the rate in the dollar last made on the valuation in force.

The open letter to ratepayers which accompanied the rate notice to them specifically tells them:—

"In order that you can judge how you will be affected, a notice is enclosed which compares the amounts which you would have paid under each system this year. In the event that the amount of rates to be raised increases next year, both amounts would increase by the same rate. Thus the comparisons you make on these figures remain valid. It is important to note that either system of rating produces the same amount of rates in total for the municipality.

That statement is admirable in expressing the Council's intention. But the legitimate complaint is that it has **completely failed to calculate its rate statements on those notices sent to ratepayers in accordance with its professed intentions.**

Instead the Oakleigh Council's own figures shown to us confirm that its notices as distributed to ratepayers **do not in fact account for the same total amount in rates to be payable under both rating bases compared.**

For the N.A.V. comparison to be a genuine one it must return the same rate revenue of \$9,842,398 under both rate bases compared. The rate in the dollar of N.A.V. needed to return the same revenue as for the S.V. case is 10.7355 cents. But the Council's statement has only reckoned on a N.A.V. rate in the dollar of 9.75 cents.

Oakleigh ratepayers should re-examine the Council valuation statement they received comparing the rates payable under the two systems. The lowest rectangle marked **proposed system** relates to the N.A.V. basis, which is incorrect.

The other comparison at the top, sidelined Part A, **is not required by the Local Government Act at all.** It is misleading as it brings into the comparison the minimum rate which the Local Government Act rightly excludes from a true comparison between rating systems. Councils are not compelled to strike minimum rates at all. That practice has now got out of hand with substantial increases from year to year in those fixed charges.

In the light of the abovementioned inaccuracies in the comparative statement, it becomes a quite inaccurate and misleading document.

A. R. HUTCHINSON,
Vice-President,
30th June, 1985.

SUBMISSION TO THE ECONOMIC PLANNING ADVISORY COUNCIL REGARDING POSSIBLE REFORM OF THE AUSTRALIAN TAXATION SYSTEM

Prepared by Dr. D. J. Thomas, Economics Department,
Swinburne Institute of Technology

(The following are extracts from the submission.)

Synopsis

This paper reviews several selected options for reform of the Australian system of taxation. A table (overleaf) summarises the options and their main features.

The first section of the paper sets out the basic purposes of revenue taxes, from which a criteria for tax reform is determined.

Land value tax is the preferred option. It is the most highly rated on all important criteria. A reformed version of income tax is the second preferred option, but it is distinctly inferior to the land value tax. Both of these options require certain supporting conditions to ensure that the full benefits of an optimal tax structure are obtained. The most important condition is that they be implemented as single system taxes to replace all existing revenue taxes.

Taxes on total expenditure and sales taxes both failed all important tests of optimality. They are so clearly inferior as revenue taxes that they should not be implemented alone or in conjunction with other taxes for general revenue purposes.

A firm recommendation is made for land value tax.

Basic Principles of Taxation

1. The purpose of revenue taxes is to raise money to finance Government expenditures.

Revenue for Government, in this context, is taken to mean consolidated State and Commonwealth Governments unless otherwise specified. Revenue taxes are those levied with the objective of raising money. They include income taxes, both personal and corporate, sales taxes, payroll taxes, stamp duties, etc. Hereafter, they are referred to simply as taxes. Total revenue from such taxes at consolidated State and Commonwealth levels is difficult to give precisely, but in the financial year 1983-84 was approximately \$47,000 million, or 25 per cent of Gross Domestic Product. Not included as revenue taxes are those taxes for which revenue raising is incidental to their main purpose. They include customs duties, licences, fees, fines, "profits" from statutory authorities, etc.

2. Tax reform is aimed at creating the optimal tax structure to raise a required amount of taxation revenue.

The amount of tax revenue required to fund Government depends upon the level of Government spending and its alternative sources of finance, including the sale of goods and services; profits, rents and interest earned; and borrowings. The rate of tax required to raise the target amount of revenue depends on what is being taxed and how effectively it is being taxed.

Some reformists argue that the present level of Government revenue is not an appropriate target. I have adopted it for three reasons. Firstly, it imposes a degree of realism without which the exercise may lose touch with practicalities. Secondly, if the desired target level of taxation revenue should rise (or fall), the corresponding rates of tax will need to rise (or fall), but the optimal pattern of taxation need not change. Thirdly, total spending, total taxation and

borrowings reflect, for better or worse, policy decisions of elected governments, and whilst reformatations in social welfare, public sector efficiency, national debt policy and so forth may be desirable, they are wider than the present brief.

3. Efficiency in the taxation requires simplicity.

Taxation rules should be administratively simple so that the taxpayer's liability is clear-cut, compliance is cheap and evasions difficult and expensive. Equally, the tax collector's job should be straightforward, inexpensive and require no arbitrary decisions. Simplicity suggests that the information requirements of calculating tax liability should be minimised, both for the taxpayer and for the tax collector, who, in principle, must check it. This is not a trivial issue with corporate income tax, nor will it be for multi-rate sales taxes, or value added taxes. It should be obvious that simplicity is fostered by fewer types of tax, and the fewer rates, in existence.

4. Efficiency in the taxation system requires that the tax system be non-distorting (or neutral with regard to behaviour).

A distortion is said to arise when people modify their economic behaviour because of some feature of the tax system. If a characteristic of the tax system affects the individual's desire to earn income (work versus non-work), the form in which income is acquired (salary versus capital gain), how wealth is allocated (savings versus consumption), how investment is structured (tax haven farms, etc.), or how activities are financed (motor vehicle leasing, for example), then a distortion exists.

The necessity of a non-distorting system is not negotiable. Tax effects are powerful, pervasive and, under the present system, perverse. Distortions created by the present system are largely responsible for the growth of the underground economy, high employment in the tax industry in both Government and private sectors, disproportionately high PAYE tax rates and a disproportionately low tax revenue from such rates.

Australia is not unique in these problems, which should make us wary of looking overseas for optimal tax systems. Estimates of the underground economy in foreign countries range from 10 to 30 per cent of G.D.P. and no doubt the Australian figure is within those bounds. We cannot assume that tax structures in use overseas are the appropriate ones, or that tax structures not in use elsewhere are necessarily inappropriate.

A neutral tax system is, ideally, one in which the taxpayer has no discretionary behaviour in which to evade tax. To this end, tax regulations must get away from any concept of taxpayer's intentions. A taxpayer's actual intentions may be altered by the type of tax in force, and the taxpayer's declared intentions may be altered by the administration of the tax. Any connections between the taxpayer's actual and declared intention is unknowable by virtue of the tax incentive to disguise them.

Government cannot sensibly have policy on non-revenue tax matters unless they know the point at which revenue tax is neutral. A non-neutral revenue tax will have a distortion which may reinforce, or counteract, other tax policies, but neither direction nor strength of distortion may ever be known with any certainty. Hence the need to minimise distortion in the first place. For example, a policy on Australian ownership of natural resources requires encouraging saving and equity investment, but a tax system which encourages consumption, horse racing and tax hedging capital gains provides incentives in the opposite direction.

If tax reformers are to opt for one guiding principle it must be to take behavioural effects seriously and minimise distortions by searching for neutral revenue taxes.

LAND VALUE TAX

Otherwise known as the Henry George tax, after a neglected writer whose views have been widely espoused without acknowledgement, a land value tax has some intriguing features to recommend it.

A land value tax is levied as a percentage rate of the unimproved capital value of all forms of real estate. In Australia, the administrative mechanism for recording, valuing and collecting the tax is already in place, so the tax collection cost is virtually nil. Unimproved capital value is the appropriate criterion because the tax is to be levied on land alone not on capital improvements made to it by building, irrigation, subdivision, etc.

Australia's land area is approximately — in old-fashioned measure — 2,000 million acres. At the extreme let us assume that half of it has zero unimproved capital value due to aridity, salinity and water surface. Suppose also we decide arbitrarily that the upper limit of the tax rate is to be 5 per cent. In order to raise \$47,000 million to eliminate all other revenue taxes, these hypothetical figures imply that the unimproved capital value of the most valuable half of Australia averages out to \$940 an acre.

I do not know if \$940 an acre is realistic or not, but if the unimproved capital value is, on average, half or double that figure, then the rate of tax varies between 10 and 2½ per cent. Unimproved capital values will contain enormous variations around the average, but the consequent valuation problem is overcome by levying the tax as a percentage rate of unimproved value. Henry George's land tax must not be confused with the existing State Land Tax, which would be abolished. In Victoria, at least, State Land Tax is poorly structured. It is levied on the taxpayer's holdings, not on the land, and allows for substantial exemptions.

General Effects

1. A key feature of the land tax is that, unlike sales taxes, it does not increase the price of the commodity on which it is levied.

Unimproved land is, for all practical purposes, fixed in supply. Some variations in land price are influenced from the supply side, such as the benefits of subdivision, building, fencing, etc., but since these are capital improvements they do not enter into tax liability. Other variations in land price are strongly influenced from the demand side, summed up as the popularity of a particular area, and population growth. These owe nothing to the individual landholder but

cause changes to unimproved capital value which is subject to tax.

2. Henry George's land tax does not directly reduce the price of land either, though land prices may decline through several indirect causes. In particular, a substantial part of the speculative and tax avoidance element will be reduced from the price of land.

3. As land tax replaces income tax, virtually all tax avoidance/evasion schemes will be eliminated because such schemes will now incur real costs (which previously were tax deductible) and provide no tax gain. Such schemes include accumulating real estate capital gains in lieu of income; subsidised housing loans; company subsidised rentals; company ownership of the taxpayer's dwelling; sale and lease back at "short arm's length", etc. Few of these activities will continue to exist when there are no tax implications in them. Employers will not need to dress up salary packages with tax minimising benefits, nor will employees have any incentive to accept them. Employers who continue to offer peripheral benefits will incur the full cost of them, not have them subsidised through the tax system.

Business and personal financial choices would need to be made on their economic merits without taxation distortions.

4. Eliminating personal income and company payroll taxes will reduce substantially the employer cost of labour at given wage rates.

5. Eliminating sales taxes will improve the redistributive impact of the existing level of social welfare transfers.

6. Eliminating corporate income taxes will increase the profitability of industry, including agriculture, and provide major incentives for improvement and expansion. It will not only do away with distortions created by tax minimising, "non-profit" companies, trusts and city farmers, but compensate productive enterprises for the new tax.

Burden of Tax

1. Whilst a Henry George tax does not directly alter the capital value (sale price) of land, it does increase the cost of land holding (as part of the variable cost of asset holding in the form of land). It does not follow that the cost of activities associated with land use will rise, but there are certain implications.

2. Highly productive land, which translates into land used for an activity yielding higher profits, commands higher prices than low productivity, low profit, land. Tax, therefore, will be higher on higher profit land than lower profit land. This is an important point because it relates to the use of land in industry and agriculture (see especially 4 below).

3. The tax/cost component of production is not as simple as distinguishing products by high and low land use. High tax land is associated both with high profit and high productivity. In agriculture, if productivity is high, the output per acre is high and the tax cost element is spread over larger output. But if productivity is low, the tax cost element will also be low. In short, the tax cost element varies in accordance with land productivity and, therefore, in relation to output.

Furthermore, the abolition of income and sales tax on industrial and farm profits will compensate for the land tax.

4. In general, the land tax, as it affects land use, will be more than compensated for by elimination of income and sales taxes. Consider the following major categories of land-holders.

(a) Private householders. Land used for private residential purposes attracts the tax. The tax will be higher in areas of high residential demand because unimproved capital values are generally higher in, for example, the Eastern suburbs of Sydney and Melbourne than in the Western suburbs.

Home owners, individually or collectively in the case of multi-unit dwellings on a given piece of land, would be liable for the tax.

(b) Speculative landholders. The cost of holding land for speculative purposes is squeezed between the loss of tax advantages and the additional land tax cost of holding a non-productive asset. Strong incentives therefore exist to convert property to an income-producing asset either through sale and alternative investment, or through development. This will be true not only of land lying completely idle, but of land that is under-utilised in its present condition.

(c) Landlords and tenants. The variable cost to landlords of existing rental properties would rise, but be compensated by removing income tax on profits. Land tax provides an incentive to develop additional dwelling units on previously under-developed urban property. Since the land tax penalises non-income producing property, it will encourage further supply of properties for rental and sale. Compared to the existing tax structure, land tax actually favours tenants and first home buyers. We might note in passing that the influence of land tax on tenancy is likely to be trivial in relation to Local Government regulations, State Government tenancy legislation and rent control policies.

(d) Agricultural landholders. Farmers will incur the land tax and it will be an increase in their variable costs of production. Offsetting land tax is the removal of income tax, and the removal of sales tax will also improve their welfare positions. An incentive to improve agricultural productivity exists because of the tax, but in any case, keep in mind that the tax is of the order of 5 per cent of unimproved capital value. In poor seasons the productivity, profit and capital value, and therefore tax liability, would fall, the reverse in good seasons. Agriculture investment decisions would be made on their economic merits, not on tax distorted basis.

(e) Industrial landholders. Similar to agricultural landholders. Land tax may provide some incentive to a degree of decentralisation of industry from city to suburbs or rural areas. In both industry and agriculture, the products or services produced would be expected to fall in price because of lower labour costs and eliminating corporate and sales taxes.

(f) Low income property owners. There is a group of people on low income who own property with high unimproved capital value, and for whom paying land tax may be excessively burdensome. For example, the elderly and disrupted families (by which is meant divorced, widowed, separated low income earner with responsibilities for dependants). In cases such as the elderly, tax deferral should be possible, with outstanding taxes becoming a first charge against the property on its sale or transfer to beneficiaries. In other cases — disrupted families — the problem

seems to me due to inadequate income as such, rather than the cost of maintaining property, which is just one of the possible claims against income.

Low income persons benefit substantially from the abolition of existing (and threatened future) sales taxes and, to a lesser extent perhaps, the abolition of income tax.

Conclusion

A land tax on unimproved capital value, levied at a uniform rate of the order of 5 per cent, would be sufficient to replace all existing revenue taxes. It is efficient, simple, equitable, and minimises redistributive problems, tax evasion and other distortions. Land tax removes all taxation distortions from financial decision-making, improves the redistributive impact of existing social welfare transfers, and lowers the labour cost of production.

There may be transition difficulties in the short-term of phasing in such a tax — as there will be with any tax reform — but that is not an argument against the tax itself.

It is critically important that the tax be levied at a uniform rate and without exemptions of any sort, otherwise its major benefits are lost.

ALTERNATIVES TO THE LAND TAXATION SYSTEM

By A. J. McGlade, F.A.I.V.,
Valuer-General for Victoria

In the April, 1985, issue of "The Valuer" (which is the quarterly journal of the Australian Institute of Valuers) appears a very good paper which was delivered at the Conference of the Heads of Commonwealth Valuation Department in Hong Kong on 22nd October, 1984.

Its seven pages review various alternatives put forward over the years as substitutes for Land Value Taxation. It is both interesting and informative. It ends upon the note that it can be established that the land taxation is an important tax and that by the adaption of modern available techniques it will survive.

The Land Values Research Group is seeking to obtain reprints for those interested to order copies at \$1.00, posted within Australia. Send to the Secretary, Mr. H. B. Every, 27 McCallum Road, Doncaster, Victoria 3108.

RADIO ADVERTISING CAMPAIGN

During May the Victorian Division ran a series of 30-second spot advertisements over commercial radio station 3UZ for a fortnight. The advertisements were delivered at different times each day. The major theme was tax reform.

DISCUSSION NIGHT

Further discussion on the possibility of changing the name of the organisation from the Henry George League to something else continued at the meeting on May 30, but no firm conclusion was reached, though a number of points were clarified.

GOOD P.R. ARTICLE

"The Warrnambool Standard" of May 8 carried an excellent article supporting proportional representation, by Bruce Morris. It included an historical background, comparison with other systems, a clear explanation of the advantages, and refutations of common objections.

PRESS LETTERS OF INTEREST

TAX REVOLT CALL

The world is in an economic recession.

In what possible way will dearer goods and services help Australian companies and individuals?

It's a favourite trick of the powerful and privileged to push for indirect taxes when income tax reform becomes unavoidable. That way, the poor, and low and middle income earners may get more in their pay packets — but they'll pay more tax via the "back door".

So said Harry Gunnison Brown, emeritus professor of economics at the University of Missouri, 30 years ago. He said western economies would tend to degenerate, despite the advance of technology, so long as tax systems made it more profitable to speculate in land prices than to invest in productive enterprise. As have many famous people, he advocated land value taxation (just like our council rates), so that all other taxes, on labour and capital, can be reduced.

More recently, Professor Paul Samuelson of Massachusetts Institute of Technology said that land rent is a "surplus", created by the community, which can be taxed without upsetting production incentives. As land supply is fixed, he said, taxes on land values will only reduce land prices and can't be passed on like other taxes.

95.5 per cent of all Australian revenue is collected from capital and labour, and only 4.5 per cent from land.

Is it any wonder that the wealthiest of Australian landowners now own almost 90 per cent of Australia by value?

Let's join the tax revolt and demand reduced taxes on goods, services and incomes.—B. Kavanagh, "Kerang Times", 12/6/85.

IT'S UN-AUSTRALIAN

Mr. Hawke's and Mr. Keating's consumption tax will increase the cost of living, burden trade, worsen poverty and devalue our savings, including superannuation. Above all, the tax avoidance industry will remain untouched. Who are they working for? Not Australia.—Roland Staub, Box Hill North, "Age", 25/5/85.

TAXING QUESTION

Tax reform is certainly receiving much attention.

There is growing awareness of the harmful effects of indirect taxation, such as a broad-based consumption tax, greater burdens on low income groups, rising prices, collection expenses, etc.

Yet the deterrent effect of present levels of income tax cannot be brushed aside — not to mention all the scope for avoidance/evasion possible at present.

A wealth tax could be rather nebulous and involve even more incursions into the private lives of citizens:

A capital gains tax, as generally understood, would be a "once only" levy, and so rather unsatisfactory for the Government.

A death duties levy has an element of harshness in being imposed at a time of distress, and has been known to break up economically viable enterprises.

Surely this leaves land rental taxation as the viable alternative. This is not a tax in the sense of an arbitrary imposition, but payment to the community or State for the privilege of exclusive occupancy of sites surrounded by public amenities.

Australia-wide experience of the benefits of site value rating at the municipal level indicates the desirability of trying this principle in the wider sphere, provided it was introduced stepwise.—G. Forster, "Geelong Advertiser", 10/6/85.

INCENTIVE TAXATION IN PENNSYLVANIA

Recent issues of "Incentive Taxation" have recorded a series of gratifying extensions of the numbers of cities in the American State of Pennsylvania which have changed over to the Two-Rate Property Tax. Under this the rate in the dollar levied on the value of owners' buildings and other improvements is far lower than that payable on the site itself.

For many years legislation had restricted this option to the two cities of Pittsburgh and Scranton. Eventually their example in sound development led to further legislation extending the option to the other cities of Pennsylvania.

The other cities which have taken advantage of the extended legislation are: Harrisburg, McKeesport, New Castle, Washington, and the latest is Duquesne.

The tax rates in the dollar struck in the case of these last two new additions to the list were:—

	Land assessments	Building assessments
Washington City	6.056%	1.6%
Duquesne City	5.306%	2.7%

It is understood that many more councils are considering taking the same action.

LAND TAX CHECK TO GO YEARLY

The New South Wales State Government has introduced a system of annual changes to property valuations to minimise the impact of rising values on land tax payments.

The Finance Minister, Mr. Debus, said yesterday officials would now calculate an interim property value every 12 months — based on what he called "equalisation" factors.

This would enable the system to cope with variations in the property market, including rises or falls, which should be relevant to land tax assessments.

Previously, city properties might wait for 3½ years before new valuations were calculated and rural properties might not be re-assessed for as long as seven years.

Fairer

Those long gaps meant taxpayers faced substantial jumps in tax liability immediately after each new valuation.

Mr. Debus said the new system would be much fairer because no property would go more than 18 months before an interim re-evaluation was calculated and that would prevent the staggering increases in tax liability which had occurred in the past.

Another benefit of the more-regular assessments was that short-term fluctuations in the property market could be taken into account.

The long periods between valuations in the past had meant people whose property had actually dropped in value for a time probably lost any benefit this should have brought because the value tended to rise over a longer period.

"We believe this new system will eliminate many of the problems which arose in the past because of the long delay between property valuations," Mr. Debus said.

"Taxpayers liable for land tax assessments may still face some small increases year by year, but they also have the opportunity of now paying less tax if their property has lost ground in the marketplace."—"Sydney Telegraph", 11/5/85.

A SCIENCE OF ECONOMICS?

In a very concise article in *Nature* (313 427-8), A. S. Eichner of the Rutgers University Department of Economics explains why economics as now practised does not qualify as a science, and suggests an approach whereby economists might be persuaded to enter the scientific fold. The first part of the article draws on a book edited by Eichner, *Why Economics is Not Yet a Science*, and in particular on the chapter contributed to that book by John Blatt, recently retired as Professor of Applied Mathematics at the University of N.S.W.

"An examination of economics as a discipline," Eichner writes, "reveals that it is based upon an epistemology, or method of establishing the validity of knowledge claims, that runs counter to the norms of science. The prevalent view among economists is that formal (mathematical) proofs are not just helpful or indeed even necessary but also sufficient—and thus that empirical proofs can be dispensed with altogether."

He traces "the core of economic theory" to two hypothetical functions, the utility function and the demand function, which are supposed to have certain characteristics. Professor Blatt points out that neither of these "are functions in the mathematical meaning of the term"—that is, they are not so specified that they can actually be evaluated. "The reason is not far to seek. The utility function $U(x)$ is not given explicitly because it *cannot* be given. It is an artificial construction of the theorist's mind and does not correspond to anything in the real world." Likewise for the production function, one of whose variables is quantity of capital, which has been shown to be "impossible to define consistently". Professor Blatt describes economic theory as "the application of highly precise and elaborate mathematics to an entirely imaginary and fanciful economic cloud cuckoo land".

Comment

That a scientific approach to economics is possible was demonstrated by Henry George when he wrote his "Science of Political Economy", in which, incidentally, "capital" is carefully defined and consistently used. One of the troubles with contemporary economics, of course, is its failure to take due account of "land", as broadly understood by the classical economists—both in *theory* and in its *quantitative attempts*.

PACIFIC ISLANDS

Pacific islands have a fascination for readers.

In 1978 a Saudi Arabian entrepreneur and middleman, Mr. Adnan Khoshoggi, was busy in Australia when he acquired the Travelodge chain of motels (which he later sold to a Singapore banker).

More recently, in 1983, he was again active in selling one of Fiji's few freehold islands with a \$4.2 million price tag on it.

Through the Barrick group he acquired the island for the purpose of turning it into an exclusive millionaires' hideaway.

Fijian islands became a speculator's playground in the late sixties and in a bid to curb the activity the Fijian Government introduced the Land Sales Act of 1973. This Act levies a tax on purchasers who re-sell a property without further development.

Under the Act they are liable to be taxed on profits at

ABOUT HARLAN TROTT

Whose fine article on Land-Value Taxation occupies the next two pages of this issue. It has been slightly abridged.

Harlan Trott worked on "The Christian Science Monitor" as reporter, editorial writer, New York bureau chief, and staff correspondent in Washington and San Francisco. He's a past member of the White House Correspondents' Association.

His freelance pieces have appeared in numerous places, including "St. Louis Post-Dispatch", the "Progressive", "American Banker", "London Observer", "Commercial and Financial Chronicle", "The Economist" (London), U.S. Naval Institute Proceedings and Annals of the American Academy of Political and Social Science. His "Monitor" editorial, titled "Conscience vs. Law", received the Freedom Foundation Award.

Trott joined the Navy right after Pearl Harbour and served three years as commanding officer aboard escort vessels attached to the Atlantic Fleet. He was skipper of a Navy oiler in the Pacific when the war ended.

He married Eleanor Washburn of Newton, Massachusetts. They have two sons, Stephen, an artist, and Ian, a senior major in English at U.C. Berkeley. The Trotts all live in Walnut Creek.

The writer's focus on land-value taxation stems out of intensive research into the local reclamation undertaking that transformed Stanislaus County from a sterile tract of 81 enormous played-out grain ranches into a flourishing green and gold checkerboard plain consisting of 7,000 family-size irrigated farms. His monograph titled "Doing It the Wright Way" describing this miraculous home-rule reclamation project first appeared in "Frontier Magazine". Later it was picked up by "Western Water News", where it exhausted five printings in two years.

* Harlan Trott, 582 Lakewood Road, Walnut Creek, California 94598, U.S.A.

income tax rates which can be more than 40c in the dollar.

The move had the desired effect and speculation came to a halt but values were maintained.

In Fiji some 90 per cent of the land is held under a complicated system of tribal ownership. Less than 10 per cent is freehold and while some islands are available, most can only be leased. As a result sales of freehold land are rare.

In other South Pacific nations, such as Tonga and Vanuatu, islands can only be leased.

A.R.H.

IMPORTANT BOOK

"*The Power in the Land*", by Fred Harrison. The author has re-examined the tenets of industrial society and maintains that the present impasse is the result of a distortion in our understanding of how the industrial economy works—a distortion he traces back to Adam Smith.

He explains how the land factor produces the boom-slump cycle and impinges on almost every aspect of the modern economy.

Copies are available from 31 Hardware Street, Melbourne, at \$16 (plus \$3 postage).

LAND VALUE TAXATION

By HARLAN TROTT

It doesn't take a Nobel prize man to convince us the property tax — the part that falls on homes and other improvements — is downright crazy, not to mention unjust, and urgently needs reforming.

A strong case can be made for doing away with today's real estate tax, and collecting the annual value of land instead. By annual value of land, we mean a tax base consisting of 5 per cent of its assessed selling value.

There is all the difference in the world between the real estate tax and a tax on land values. The first falls largely on improvements. Taxes on improvements are a burden. Taxes on land values are not a burden any more than a round-trip ticket to Zurich or the purchase of a washing machine is a burden; that is to say, not a tax at all, but simply payment by the landowner for benefits received.

Taxing improvements tends to create slums, and encourage withholding of land. Under-taxing land increases land prices and interferes with orderly city planning, resulting in urban sprawl.

The real estate tax pushes the citizen who builds a home or improves his present one; and rewards landlords who let buildings deteriorate. Land is almost everywhere consistently under-assessed and under-taxed. This explains why, bad as inflation is, increased land prices are six times worse than the rise in the general consumer price index.

Local governments are not taxing bare land enough. They are letting landowners appropriate community-created land values that should be collected to provide the city's expenses.

Reaping Where Others Sow

Here is an example — one that also explains why foreigners are said to be buying U.S. land today in huge chunks: for years Viscountess Astor, and more recently the Astor heirs, have been garnering a quarter of a million dollars a day in rents from their New York slum property. The social toll exacted by these absentee landlords from rent payers in New York's overcrowded, crime-ridden, rat-infested, coldwater tenements is obvious. Incidentally, a British subject need pay no capital gains tax in this country because of a treaty between the United States and England. Had you worked for that much instead of just raking in rents, you could pay up to 91 per cent on your earnings.

But the fault is not with the noble lords and ladies who inhabit the great English country house of Cliveden. The fact that the Astor Estate is reaping where the people of New York as a whole have sown is a rebuke not to this cultured and philanthropic titled family but to our unjust tax laws.

It would be unfair to assert that the Astors are looting New York City to the tune of \$70 million a year. The fact is the near-bankrupt city of New York, like cities throughout most of the nation, is permitting land monopolists to appropriate vast sums of community-created land values.

Neither the investment bankers who profit by the promotion of massive municipal debt, nor Mayor Koch who runs to Washington looking for federal handouts to meet

the interest payments on their bonds, are lifting a finger to stop the misappropriation of New York City's enormous land values.

Instead they resort to badgering whatever administration is in power on the Potomac. During New York's latest financial crises, and President Ford's hesitancy about requiring people in all 50 states to bail the graft-ridden city out of hock to Wall Street, a page one heading in the "Daily News" snarled: FORD TO NEW YORK: "DROP DEAD".

But politicians, the abler ones certainly, know as well as economists do that the economic rent of land is socially created, and that it provides landowners with an "unearned" income. The proposal to take for public purposes the annual value of land is based on two premises: First, land is a gift of nature, as much as air or water; and, second, its value is largely due to the growth of population rather than to any efforts put forth by landowners. Indeed some of Contra Costa's wealthiest landowners do not reside in the county.

Why Cities Go "Broke"

In his "New York Times" column of March 17, 1961, Washington Bureau Chief Arthur Krock pointed out that because cities have refused to tax land values — the only outstanding revenue source left to them — they have been unable to provide the necessary services to their residents. Consequently, Krock said, they have been forced into growing reliance on the federal government.

You will find this in Ferrero's history: "Little by little, the State let itself be persuaded to do for each of the cities what it had done for Rome. With a view to easing the misery of the urban proletariat, it took public works in hand in every direction, regardless of their utility. It distributed victuals free or at half-price . . . But all these schemes cost money, which the State could secure only by increasing taxes . . . The evil, created in so ridiculous a way, became worse.

The Jarvis-Gann proposal is only a halfway step. And in the long run it will hurt more than help — unless cities complete the next step by adopting land-value taxation (L.V.T.). The land tax component in today's real estate tax provides the only positive deterrent to land speculation and the continuing escalation of land prices and rents. The Jarvis-Gann measure dilutes this deterrent more than half. It restricts the market supply of land still further and thereby drives up the price of land and rents.

A measure requiring local governments to replace the property tax with L.V.T. — proposed Senate Constitutional Amendment 12 — died in the Legislature in January. The author, Senator Albert Rodda (D) of Sacramento, conceded that making S.C.A. 12 mandatory was a mistake. A tax reform proposal of this magnitude should not be undertaken all at once.

Some academic economists recommend spreading the switch to L.V.T., in 10 annual increments of 10 per cent; and on a local-option basis. Over 50 New Zealand cities have adopted it. They are all conspicuous by their absence

of slums. As soon as one city adopted L.V.T., a New Zealand official told me, "It spread like a grease spot".

Two essentials of low-cost housing are achieved: Land and development costs decline sharply; so do rents and prices of single-family dwellings.

If L.V.T. were just another tax, there would be no point in advocating it. Who needs another tax to pass along to the ultimate consumer through higher prices! But the ethos of L.V.T. is that it can't be shifted. Nor would it increase the price of consumer goods one penny. It is a truth taught in every class in economics.

L.V.T. cannot be shifted to the tenant because whatever is taken in taxation diminishes the value of land. Taxes on houses and goods and services tend to restrict supply. But L.V.T. has the opposite effect. It forces land out of hoarding. It taxes people into business by taxing land into business — and without urban sprawl.

Pittsburgh Shows the Nation How

Experience shows that wherever L.V.T. has been applied, landowners tend to hold only as much land as they can profitably use. The slumlord or the land speculator finds himself in competition with other slumlords or other speculators. Instead of two tenants bidding against each other for an apartment, the buyer-seller role is reversed, meaning you now have two landlords competing for a tenant or buyer. Since the landlord already is charging tenants or buyers all the traffic will bear, there is no way he can shift his taxes. This becomes obvious if the landlord is holding vacant land.

Pittsburgh, Pa., witnessed a spectacular transformation of its decaying riverfront section with just a mild dose of L.V.T. Shifting the real estate tax so that 60 per cent fell on land values and only 40 per cent on improvements was all the breathing room developers needed to produce the park-like setting of shining office towers, posh hotels and department stores known to architects and city planners the world over as Pittsburgh's Golden Triangle.

Unlike our Bay Area Rapid Transit District, when Detroit built its transit system, it did not dream of anything so barbaric as resorting to sales taxes to finance capital costs and operating expenses.

Land Values Multiply Tenfold

"Rapid transit enhances land values all along its lines," Detroit's transit commissioners explained. "The enhancement is greater at the stations, and varies almost in proportion to proximity to the station entrances. In other cities this enhancement over an area of one-half mile each side of the line has during the period of construction alone amounted to as much as five, seven and even ten times the total cost of construction. We require that land directly benefited contribute a portion to the rapid transit fund."

Indeed, the Detroit Rapid Transit Commission saw to it that the major share of its \$300 million project was charged to the benefited land. As a result, the commission said: "Our rapid transit system will leave no bonded indebtedness to the municipality, and will make possible the carrying of passengers at cost. This is an advantage that no other city enjoys, though it is within the reach of all cities."

Citizens Up in Arms

Sales taxes are so regressive, one famous economist says "they cost the very poor ten times as much in relation to the very rich". This means the brunt of B.A.R.T.'s sales tax falls on the lowest-income citizen. B.A.R.T. has jacked up fares so that riders in the high-unemployment areas are priced out of the turnstiles. About the only way many citizens in the black ghettos of West Oakland, Richmond and San Francisco's Fillmore participate in B.A.R.T. is by paying "ten times more than the very rich" are paying for this rapid transit showcase. And more recently, B.A.R.T. persuaded the Legislature to make its iniquitous sales tax permanent!

Is it any wonder California's taxpayers are as fired up over the Jarvis initiative as the Massachusetts farmers were the morning the King's mercenaries marched on the colonial militia at Lexington!

The Jarvis measure is basically a replay of the twice-beaten Watson initiative. This was the 1968 and 1972 ballot measure calling for a constitutional amendment limiting the property tax to 1.75 per cent of market value. The California Real Estate Association (C.R.E.A.) spent two "unearned" fortunes backing his scheme, and lost. There is no question about where the C.R.E.A. stands on L.V.T. They detest it even more than they detest supporting public schools. One of the landlord's left-over planks from the Watson setback proclaims its opposition to L.V.T. "or any modification of it (meaning, presumably, the Pittsburgh graded-tax plan) which significantly shifts the burden to land alone", as being "an inevitable and confiscatory levy".

LVT Constitutionally Tested

Just what is confiscatory or inequitable had B.A.R.T., for example, elected to tap that billion-dollar windfall that fell into the laps of land speculators, the C.R.E.A. fails to explain. Courts have consistently held that private property in land is one form of social injustice which finds no shelter in the doctrine of vested rights. As far back as Chief Justice John Marshall's time, the U.S. Supreme Court has recognized it is the settled and unquestionable law of the land that each state or its cities, counties or districts have a right to take at any time the entire rental value of land by taxation to pay the expenses of government.

When some big landholders in the Fallbrook Irrigation district sued the district to prevent it from collecting the land-value tax, they argued that L.V.T. was "communism" and "confiscation under the guise of law". The Supreme Court rejected this argument and upheld the Wright Act, the chapter in the California Water Code that permits districts to exempt all improvements so that tax falls entirely on land values.

And on March 27, 1944, the constitutionality of the Wright Act was confirmed by the U.S. Supreme Court in a test case upholding the right of a district in California to exempt from taxation buildings, planted orchards and all other improvements, and to operate and meet all its governmental expenses from an annual tax on all the lands within its legal boundaries without any limit as to the tax rate, even if it amounted to the full rental value of the land.

(To be continued)

ADDRESSES

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VICTORIA
 See column opposite.

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The Henry George League is a non-party educational body advocating that public revenues be drawn from public charges upon the site value of land and that taxes upon labor and capital be correspondingly abolished.

If your view accords with this you are invited to join. Annual Membership Fee is a minimum of \$10 which includes cost of the newspaper "Progress" posted.

Subscription for "Progress" alone within Australia is \$5 per annum posted (for which stamps will be acceptable). This is nominal only to extend our message to new contacts who we hope will later become members. If you appreciate the newspaper you are invited to obtain new subscribers.

Subscription rates for "Progress" posted to overseas countries are £3 (stg.) to Commonwealth countries, and \$6 for other countries.

MEETINGS

Held at 31 Hardware Street

EXECUTIVE

THURSDAY, 8th AUGUST, at 7.00 p.m.

DISCUSSION NIGHT

THURSDAY, 22nd AUGUST, at 7.30 p.m.

Topic: Consequences of the Budget Deficit.

**Meetings of Other Bodies for which
 "Progress" is the Official Organ**

The following meetings will take place at Henry George League Rooms, 31 Hardware Street, Melbourne:

Combined Work Nights on special projects for the Land Values Research Group and General Council for Rating Reform:

THURSDAY, 15th AUGUST, at 7.30 p.m.

These are working meetings. New workers or enquirers are invited to come.

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