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REVENUE THAT IS NOT A TAX

by

Hon. Clyde R. Cameron A.O.
Australian Minister for Labour (1972-1975)



*Speech given at the official opening of the
new Western Australian Headquarters of the*
GEORGIST EDUCATION ASSOCIATION (INC.)

at 10 Broome Street, South Perth,
on 31 March 1989.

PROGRAMME

-31 March 1989-

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"REVENUE THAT IS NOT A TAX"

by

The Hon. Clyde R. Cameron A.O.

Mr President:

This event gives me the distinction of being the only person who has had the unique honour of being chosen to officiate at the Opening Ceremonies of Georgist premises in three States.

On 22 September 1972, I opened the new Victorian Headquarters of the Henry George League at 31 Hardware Street in Melbourne. I opened the South Australian Headquarters of the Henry George League at 9 Rosemont Street, Norwood, on 13 May 1984; that day being the 100th Anniversary of the first meeting ever held by Single Taxers in the State of South Australia.

And, this evening, which is in the year of the 150th anniversary of the birth of Henry George in Philadelphia on 2 September 1839, I have been chosen to officially open the new premises of the Georgist Education Association of Western Australia.

Whether the year chosen for this historic event has been by coincidence or design, it nonetheless serves to remind us of the birth date of one of the greatest political scientists the world have ever known.

It is not surprising, therefore, that the followers of George's philosophy from all around the world will this year assemble in the city of Philadelphia to take part in a ceremony to honour the memory of that great man.

Henry George's "Progress & Poverty" was the Labor reformer's Bible for more than sixty years. It became the world's best seller in the field of political science and economic reform.

But before proceeding any further, I pay tribute to the energy and drive of our Executive Officer, Mr. Ian Armstrong, whose enthusiasm has so quickened interest in the teachings of Henry George.

However, the inspiration and fuel behind Mr. Armstrong's quite remarkable achievement is Mr. S.G. (Graham) Hart, the Hon. Secretary of our Association. Graham Hart has now held the fort for more years than I can remember. He has made enormous personal and financial sacrifices for a cause he has the intelligence to recognise as the only remedy for a world that is slowly dying from the disease of greed, social injustice, bribery and corruption.

I first learned of Graham Hart's commitment to Georgist principles when I read his excellent 1971 treatise, Land Rent Revenue in Lieu of Taxes. I regard this booklet as required reading for those who wish to halt our present lurch towards the status of a Banana Republic.

Mr Hart's writings show that our present economic malaise is a disease that can be cured. All that needs to be done is to abolish the present iniquitous system of taxation; and put in its place a system of financing the role of government by collecting the full economic rent of land. In other words, to take for the community that which properly belongs to the community, namely the rental value of land, and leave sacredly to the individual, that which represents labour's proper share of the wealth it produces.

How can any fair-minded person justify a system of taxation which currently compels a working man with say, three dependants, and a taxable income of only \$118 a week to pay income tax at the rate of 24 cents in every dollar he earns above that miserable \$118 a week; and, up to 49 cents in the dollar as his income reaches higher levels?

The ordinary taxpayer who sells his mental or manual labour is made to pay his tax at his employer's pay office. He has no way of avoiding his tax obligations. But the Millionaire is always able to employ slick lawyers and accountants to tell him how to avoid his proper share of taxation.

How is it that the Bond Corporation, which has just reported a half-yearly profit of \$133.million will pay no taxation at all for that period?

Why is it that while real wages are falling, the incomes of senior executives, land speculators, and gamblers on the Stock Exchanges are continually rising to record levels?

Why is it that in one of the world's richest countries per head of population, Australia now has more than 600,000 of its able-bodied men and women out of work?

Why is it that 2.3 million of our entire population are now living below the poverty level while a handful of our millionaires ride around the country in gold-plated Rolls Royce motor cars, can afford to pay up to \$80 million for a single painting and purchase multi-million dollar mansions on the other side of the planet?

Why, indeed, is it that the rich are getting richer; while the poor are growing in number and getting poorer?

The answer to all these and other questions of concern, lies in the fact that we have rejected the only remedy that will cure a disease that is causing progress and poverty to be accepted as natural partners.

Regrettably, leaders of the A.L.P. seem to have forgotten that right from the foundation of their Party in 1891, and up to the year 1961, a fundamental plank of Labor's Platform called for a tax on the unimproved value of land. That commitment to social justice was dropped from the Party's Platform without any formal Conference decision ever being taken to abandon it. Amazing! But it is true!

There was only one flaw in that 70-year old plank of Labor's policy: That was the Party's action in following Henry George's penchant for describing rent as a "tax". But rent is not a tax!

The difference between the two terms lies in the fact that a tax takes from a person's pocket money that bears no real relationship to the benefits he receives from the community. Against that, the rental value of land calls on a person to pay to the community the full rental equivalent of the special economic advantage he derives from holding exclusive possession of a particular piece of land.

Rent, I repeat, is not a tax. It is merely giving to the community a rental equivalent of the special advantage of being allowed to hold the exclusive possession of a piece of land which due to its location or productivity, gives its possessor an advantage others don't enjoy. So, by definition, a piece of commercial land in the heart of the busiest part of a big city is always worth more to the possessor than the same area in the suburbs or in the centre of a small country town.

By the same rule, a very fertile area of land in a high rainfall area, and close to transport and a ready market, must give its possessor a decided advantage over his competitor farming poorer land in a drought afflicted area far removed from the market place. And yet, under our present unfair system of taxation, farmers in both areas pay the same indirect taxation as multi-millionaires like Peter Abeles, Rupert Murdoch, Alan Bond and Kerry Packer. Indeed, they pay a higher proportion of their earnings in income tax than is paid by high flying corporate companies which are often allowed to avoid income tax altogether by basing their head offices in off-shore tax havens.

The rental value of a 500 acre farming property in the best part of the State would, in fact, have less than one per cent of the rental value of even 500 square metres of land in the busiest part of the Central Business District of our Capital Cities.

Under the Georgist method of raising revenue, that same farmer would pay no rent on the value of his house, his fencing, machinery or other improvements. In fact, in every case, a person's rent would never apply to the value of buildings or other forms of improvements on his piece of land.

In the case of farmers on very large holdings in the poorer areas of the State, the unimproved value of their land would be even less than that paid by their counterparts on say, 500 acres of rich land in a good rainfall area.

Georgists don't advocate or support the confiscation of property held in fee simple, a term which translated from its ancient derivation means land being held as a "tenant of the Crown". Land is never completely alienated from the Crown under British constitutional law. It carries the right of inheritance and transfer. That aspect of the Common Law is not affected by collecting its rental value for community purposes. Land values rental would be a welcome relief from the present crippling effects of direct and indirect taxation.

The correctness of collecting an annual rent on the unimproved value of land is so obvious that one of the marvels of the age is that so few have recognized it. That's not surprising perhaps; because most of our great scientific discoveries when once explained, are so easy to grasp that we wonder why it took the human race so many centuries to recognise their basic truths.

In a radio broadcast from Station 5 KA on 7 February 1958, i.e., 31 years ago, I explained what is meant by the term "unimproved value". I said:

'The value of buildings and other improvements on a piece of land are rightfully the property of the person who provides them. But the value of the land itself, that is the land exclusive of improvements is not created by its owner. It is created by the community through its demand for a particular piece of land. That demand may spring from the fact that the land is more fertile than elsewhere, or that it enjoys a better rainfall. On the other hand, its value may be due to locality.

That is to say, a business site in a busy city street is worth more than one situated in the outer suburbs because its locality brings it in contact with more people and that means more business. But whatever its value, it is a value that is created by the general public and not by the individual who holds its title.'

We have to thank the Graham Harts of this world for having preserved the truths taught by Henry George long after the A.L.P had secretly buried the most fundamental revenue plank of its Platform.

Without the dedication and determination of men and women who hold the views so dear to Mr. Hart, the basically correct principle of collecting the community-created rent of land for meeting the cost of government would have been dead and buried years ago.

The principle would have been buried; because the rich minority which controls the media has always used its monopoly to stifle the Georgists case for social and economic justice.

Even though the chief beneficiaries of having a government that will collect the rental value of land in lieu of indirect taxation and heavy income taxes don't understand its advantages, the useless non-producing land speculators and their like, on the other hand, do understand what they will lose when such a system is introduced.

This phenomenon is due to the fact that most of those whose pockets have been ravished by sales tax, excise duties and excessive income tax are too brainwashed by the monopoly-controlled media to see the difference between government theft called "taxation", and the collection of community-created land values called "rent".

We must draw attention to the self-evident truth that the true economic value of land is not created by the person who is in possession of it. It is created by those who don't have possession of it; but who would willingly pay to the rest of the community a rent for the special advantage of its location or productivity.

Georgists have to explain to the seven million men and women who make up our workforce that if they forced their politicians to collect the rental value of land now being misappropriated by private individuals, income tax could be cut by billions of dollars. And, with the arrest of those silent and unseen thieves who operate under the aliases of "excise duty" and "sales tax", the whole population would save many more billions of dollars in that area.

Tonight's audience is made up of men and women who are much better informed on economic issues than most; but how many of you realise that the total excise and tax on petrol is a massive 33 cents a litre; and that the average wage earner uses 32 litres of petrol a week? That alone, amounts to a tax of \$10.56 a week. But that's all a millionaire pays when he buys 32 litres of petrol! Is that fair?

How many wage and salary earners realise that under our present system of revenue raising, they, in fact, pay exactly the same amount of indirect tax on their beer, cigarettes and everything else they buy as is paid by Alan Bond?

Surely no sane and fair-minded person will argue that that's a fair way of raising revenue! Of course it is not!!

It is little wonder the rich are laughing their heads off over wage and salary earners' stupidity in allowing such an unfair method of meeting the cost of government to continue unchallenged!

But why does a Government elected by the little people of our society persist in compelling their loyal and trusting supporters to pay such a disproportionate share of their earnings towards the cost of Government when there is a better and fairer way of meeting that cost?

The abolition of sales tax and excise duty would lead to a dramatic reduction in the cost of housing, furniture, motor cars, clothing, food and household appliances, etc. Indeed, the cost of nearly every item one buys from the Supermarkets would come tumbling down instead of shooting upwards each week; as is now the case.

And, as the price of items of everyday use fell, rapidly rising inflation would give way to falling prices. Real wages could thus be made to rise by something like 30 per cent with one sensible stroke of the taxation pen.

With the backbreaking burden of heavy income tax abolished, and with the excise duty and sales tax thieves safely locked away in their cells, wage earners would discover that the very much lower rental value of their suburban homes would give a two-fold relief from their current plight. Firstly, the total amount they would pay in rent towards the cost of government would plummet compared with what they now pay in taxation; and secondly, so would the cost of living.

Farmers and small businessmen would share the bonanza enjoyed by the other members of the work force.

On the other hand, the Bonds, and the Connells, Andersons, Packers, Hancocks, Lowys and their ilk, would pay a lot more than they now pay into the Treasury. Others who would pay a greater share of the cost of government would be the owners of valuable sites in the Central Business Districts of our great cities - the Banks, Insurance Companies, Breweries, Publicans, Commercial and other Big Business enterprises.

What this class of taxpayers now pay in direct and indirect taxation is "peanuts" compared with what it should be paying for the benefits it gains from holding exclusive possession of the land sites on which its premises are now situated.

There are other important benefits flowing from collecting the rental value of land. One is that the unimproved value of land can't be disguised or hidden. Another, is that building blocks now held vacant by land speculators would have to be put on the market because the speculators couldn't afford to go on paying the rental value of the land they are holding out of use. The other, is that a valuable piece of land can't be shifted to the Cook or Channel Islands.

Every minute, of every day, the gross injustices of the present system of taxation is staring us in the face. And yet, we still allow the media barons to blind our vision to a better way of raising government revenue.

However, the good news is that there is a limit to public trust in the media. It can't forever convince the 2.3 million living in poverty that they are well-off. The media can't forever convince the 600,000 who can't find work that work can be had for the asking. And, if we properly present the case for collecting the rental value of land in lieu of indirect taxation and heavy income tax, the media won't be able to hide the truth of what we assert, no matter how hard it tries to do so.

By collecting the rental value of land, we find a form of revenue that can't be passed on to the consumer as is the case with other forms of taxation now paid by Big Business.

Why do I make that assertion? I make it because if a city-based business attempted to pass on its rental obligation to its customers, they would always have the option of shifting their custom to a business address in a lower rental locality; say, in the suburbs.

Indeed, the benefits of rental revenue is so obvious, it is a mystery working people, farmers and small businessmen have taken so long to see it compelling logic.

One-third of our whole workforce is now employed in the Public Service. Many of them are usefully employed; but too many have to spend all their working hours administering a totally unjust system of taxation.

I turn again to the practice of earlier Georgists in describing the collection of the rental value of land as a "tax"; when by no possible yardstick of correct terminology can it be so defined.

It is sad that Henry George, whose genius gave us the answer to the mystery that causes poverty to go hand in hand with progress, should have used the term "single tax" to describe the collection of the rental value of land. It is amazing that a mind so acute in the areas of political science, philosophy, economics and sociology, should lack such an elementary understanding of words and psychology as to call "rent" and "tax".

No landlord wanting to let a house or home unit would be so silly as to describe his required rent as a tax. That would be a certain way of not getting a tenant! If there is a landlord in my audience who doubts my contention that the word "rent" is preferable to "tax", I invite him to try the following experiment:

Next time he is seeking a tenant, try saying to the applicant, 'I will let you have my premises for a tax of \$100 a week; or, if you prefer, you can have it by paying me a rent of \$100 a week.' Just try it! I did; and I found an instant revulsion at the prospect of paying me a "tax" for possession of a flat for which the tenant was quite happy to pay "rent".

Farmers who resile from the concept of a "land tax" will at once see the benefit of rent collection when it is explained that the rental value of land is not related to acreage; but to the special advantages possession of a piece of land confers on its holder.

The rental value of even the most fertile farm lands in high rainfall areas will be infinitesimal compared with a few square metres of land lying in the pathway of the many thousands of potential customers who work or shop in our great cities each day.

When this is pointed out, farmers will then understand that the rental value of a quarter acre of land in the busiest part of a great city would always be many times greater than the rental value of a quarter of a million acres in some parts of the State, or maybe two million acres in the Kimberleys.

Working men and women living in our suburbs, where the economic rent of their various house blocks is quite minimal compared with even one foot of street frontage on which the city's skyscrapers are built, will also see the advantage to be gained by paying the rental value of their land in return for the abolition of today's heavy direct taxation and the even greater benefit that will come to them from the abolition of indirect taxation which they cannot see, but which their pockets feel.

I have said that this elementary truth has been hidden through the brainwashing exercises of the monopoly-controlled media. I have already pointed out that even our Labor leaders have lost sight of their Party's earlier commitment to collect the rental value of land. By that, I mean the value of land minus the value of its buildings and all other improvements.

But the media moguls haven't completely succeeded in burying the truth and justice of Georgist philosophy. And, it is to the everlasting credit of men like Graham Hart, the Armstrongs, the Williams, the Majors and our Victorian stalwards, Mr. W.H. Pitt, Dr. Ken Grigg and people like South Australia's E.J. Craigie, and A.G. Huie of Sydney, that the correct principles brought to the world by Henry George are still alive and well.

In fact, both Messrs. Craigie and Huie were continuing their propaganda for social justice when they were nonagenarians. The names of both those men will appear on the Honour Roll which will one day be prefaced with the inscription: "Well done thou good and faithful servants".

In point of fact, Georgists can now say that the truths they promote are beginning to find ready acceptance by an increasing number of people as the failure of current taxing policies become more evident. And, as the country lurches deeper and deeper into the mire created by present day fiscal policies, the correctness of our land policy will be gladly embraced by all except that wealthy and useless minority which is now permitted to grow fat on the misery of the majority.

Speaking of the "majority", brings me to making the observation that it is pleasing to note that Georgists accept as a political reality that the big battalions on election day are those who have always voted Labor. They are the "natural" allies of Georgists; because they have most to gain from a return to Labor's former commitment to collect the rental value of land.

Many of the traditional Labor supporters are disillusioned with the policies of the Hawke Government. They are worried by the "rich mates" syndrome that appears to have won more from Labor than it ever got from the Liberals.

In all the years the Liberals were in office they never dared to introduce Labor's dividend imputation scheme under which income received from fully franked dividends are made free of income tax and company tax is reduced to an all-time low of only 39 cents in the dollar. A Liberal Government will certainly continue this aspect of Labor's "reform" to allow John Elliot and his rich mates to receive dividends that could reach as much as \$2,000 a day free of taxation.

The Liberals will be quite happy to live with Labor's decisions to have a deregulated banking system, a floating dollar manipulated by foreign currency speculators and a near-record rate of interest.

The Liberals will still allow takeovers to be financed by foreign borrowings with interest payments eating into our balance of payments and pushing up our foreign debt.

When, and if, the Liberal's gain office, we will still have a Government that will allow takeover merchants to charge their interest payments as a tax deduction. There will still be no control over the inflow of foreign money for buying up Australian land, our natural resources and established industries.

We will still have Ministers hob-nobbing with millionaires and giving them favoured treatment over that accorded the little people.

There will still be 20,000 homeless children being depraved by drug pushers and sexual deviates.

There will still be 600,000 decent men and women unable to find work; and we will still have 2.3 million of our fellow Australians living below the poverty level.

Under a Liberal Government we will still have our print and electronic media monopolised by Murdoch, Bond, Skase, Lowy and Packer. Executive salaries and Company profits in monopoly industries will still be reaching record levels while real wages of the more useful units of wealth production will be falling with each increase in the Consumer Price Index.

With a Liberal Government, negative gearing will continue to push the price of homes beyond the reach of the ordinary wage and salary earner; and still nothing will be done to come to grips with the spiralling costs of food, clothing and other necessities of life.

A Liberal Government would certainly complete the aim of some Labor Ministers to sell off the people's bank and airlines to private profiteers.

The public is becoming wary of major political Parties which accept large donations from wealthy vested interests. They know that these donations are never motivated by altruism; but in expectation of some special favour which is usually at the expense of others.

That is why the scene is set for Labor stalwarts, i.e. the ordinary men and women living in their modest suburbandwellings, to demand a return to first principles; the most important of which is to restore Labor's long-held commitment to collect the rental value of land so that the burdens of present day direct and indirect taxation can become a thing of the past.

So, having spoken much longer than the time limit I was given, I now formally declare these new premises open for business.

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