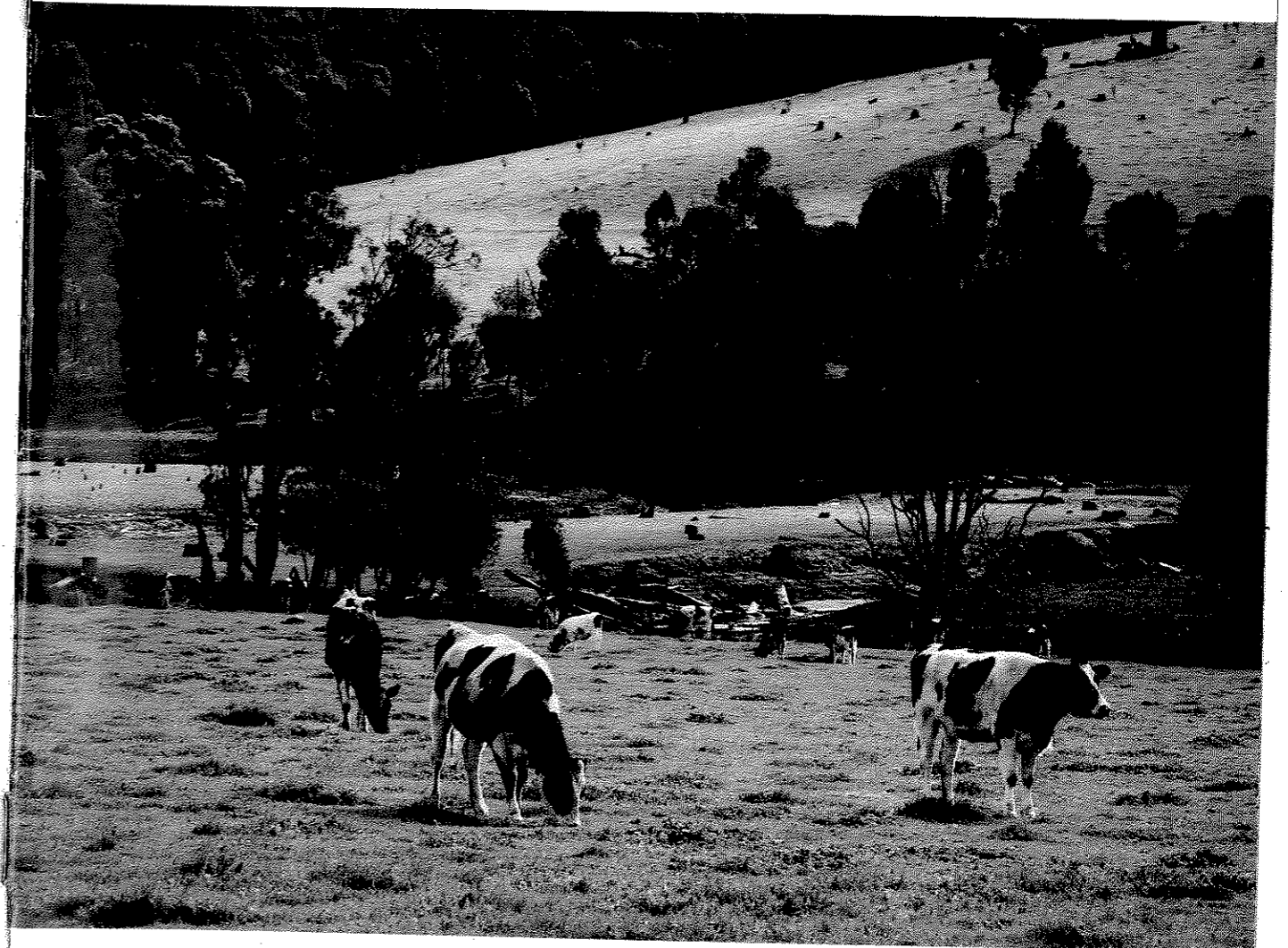


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# REHABILITATION OF RURAL INDUSTRY

*by*  
GRAHAM HART



A POLICY OF ACHIEVING PEACE AND PROSPERITY FOR ALL PEOPLE  
IN ACCORD WITH THE NATURAL LAWS OF  
POLITICAL SCIENCE.

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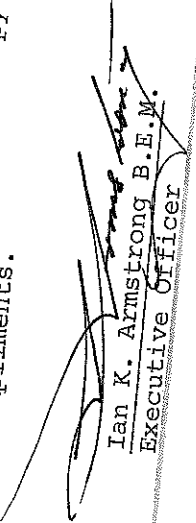
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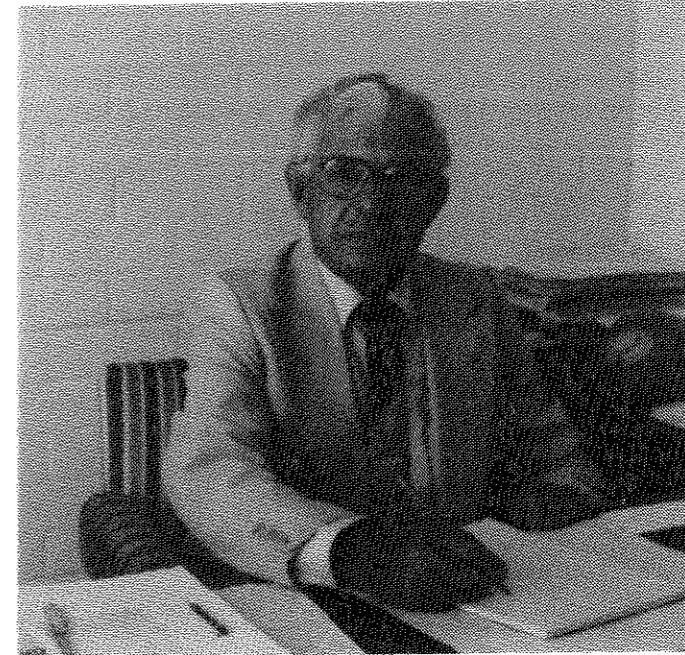
Secretary  
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17 September 1987

Dear Sir,

Please find enclosed a copy of "Rehabilitation of Rural Industry" with our compliments.

  
Ian K. Armstrong B.E.M.  
Executive Officer



**BIOGRAPHY**

Stanley Graham HART has been a prominent Industrialist in Western Australia for over two decades. His business interests have included S.W. Hart & Co. Pty. Ltd., Hart Holdings Limited, Graham Hart (1971) Pty. Ltd., and Graham Hart Galvanizing Industries Pty. Ltd.

A Pro-Australian and Civic Leader, he has represented his country 'Internationally' at Trade Delegations. He has travelled extensively, including England, Scotland and Wales, the Continent of Europe, U.S.A., Canada, U.S.S.R., South Africa, New Zealand, China, and South East Asia.

As a student of 'Classical Economic Science' and an active 'Georgist' Graham Hart has addressed International Conferences; and has published such books, as "Taxation the Power to Destroy", "The Choice", "Effective Voting", and "Sanity and Common Sense". He has also been a Co-Author of various other publications.

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\* *This booklet is dedicated to my mother, Edith Hart, my father Stanley Hart, and to my grandfather Alfred Noar, who from childhood, encouraged me to strive for social justice.*

\* *The criticisms of present day economic conditions depressing rural industry, and recommendations for a truly free economy, consistent with the rights of individuals to individually created property, and the rights of society to socially created property, are based on the writer's interpretation of the economic philosophy of Henry George.*

\* *"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends — those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth."*

*Henry George in "Progress & Poverty" 1879*

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INTRODUCTION

Socialist Governments, advised by "Empirical" Economists, do almost everything in reverse — fining people by vicious taxation for producing wealth. Permitting natural public revenue generated by public services to become private property.

Taxation extracted from wealth-producers can never be sufficient because of the disincentive effect of robbing people in proportion to their hard work and efficiency. Governments, therefore, borrow enormous sums from the money market, forcing interest rates up to levels which cripple those who require the use of capital. People and business enterprises impoverished by taxation, must also borrow excessively to pay taxes which often exceed their income, forcing interest up still further to spurious levels which industry and home owners cannot afford. Borrowing to the limit does not bridge the gap between public revenue and spending because interest payments soon build up to an alarming cost. Inflation then becomes necessary and interest rises still further to budget for the reduced value of money at the time of repayment.

The cost of supporting the Welfare State adds substantially to taxation, debt and inflation. The need of welfare services increase in proportion to the severity of taxation, debt and inflation, which destroys the profitability of competitive industry and commerce, and in consequence, denies many people the opportunity to work. It is all a vicious cycle. Empirical socialist policies have been erod-

ing the economy for a century. Every conceivable device has been tried to make them work, but the economy has worsened to such an extent that Australia now spends about 15% more than its income. The debt is handed down as an immoral legacy to the children of the next generation.

By comparison, classical political economy is a science which conforms with natural law. Results are predictable in advance. Wealth is distributed by market forces without the need for legal force or conscious effort. The whole of the earnings of labour and capital go to wealth producers as real wages and interest.

The value of public services is measured as rental-value according to the concentration of population and productive efficiency. Government services are restricted to functions which, by their nature, are necessary monopolies. Under such conditions taxation, public debt and inflation would be regarded as national sabotage and crimes against society.

Classical political economics is the essence of simplicity which requires no complex scholastic learning to understand. However to extricate the nation from the crippling mess of socialist experimentation into which it has degenerated, and expose the folly involved, will need patience and perseverance. The restoration of a prosperous and soundly-based rural industry is surely worth the effort, especially when it is realised that there is no possible alternative.

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## REHABILITATION OF RURAL INDUSTRY MILITANT REACTION

The whole farming community almost to a man is now aware that something is wrong, terribly wrong, with the economy in which farmers are obliged to operate. A move is afoot to organise farmers into an enormous pressure-group and by such means to secure economic justice.

It is surely an anomaly that Australia's most important industry, an industry which enjoys climatic conditions and other natural advantages second to none in the World, and which should set the pattern of prosperity for the nation has become a mendicant industry, virtually unrepresented in the Parliaments of Australia.

## A MODERN VERSION OF THE FEUDAL SYSTEM

There is an almost universal acceptance that taxation is necessary to support the functions of government. It is quite unknown that government services, if properly applied to satisfy a need, generate a fund which is adequate to pay the costs involved. This mistaken belief is probably the greatest obstacle in the path of economic reform and the rehabilitation of rural industry.

Oliver Goldsmith wrote in his poem, *The Deserted Village* — "A time there was 'ere England's griefs began when every rood of ground maintained its man. To him light labour spread her wholesome store; just gave what life required but gave no more". The poet was referring to the period in history known as the days of "merry England" prior to the industrial revolution and to the theft of the common lands from the yeomen farmers by acts of enclosure. This was the origin of taxation imposed on the products of labour. Prior to this period there was no taxation, no unemployment, no public debt and no inflation. The people were happy and contented under "the feudal system."

What is proposed in the following pages is a modern version of the feudal system with all its advantages, plus an enormous improvement in living standards made possible by the spectacular advances in science and technology, and a just distribution of wealth.

It would not be practicable under modern conditions to provide each householder with a plot of ground and access to the common domain, but it is entirely practical and just to recognise the right of all people to the socially generated rental value of land. Those who occupy the most valuable land in the cities would pay most, and those who use the least valuable land, in rural areas, would pay least. All would compensate their fellow-men (the

community) according to market value. This fund would be adequate for the necessary functions of government and the legalised robbery of taxation would be unnecessary. Most importantly, under the fiscal system proposed, nature would "yield her wholesome store" only to those who worked with hand or brain. No one would have the power to live without working at the expense of his fellow men.

Such principles have been set aside during the 20th century in which the greatest fortunes have been made, not by working harder, but from legal privileges to levy tribute upon those who work and save and invest their capital. This has been made possible by distorting the science of political economy and substituting empirical dogma, which denies the right of both private and common property and consequently of basic human rights. This is exemplified by the taxation, borrowing and inflation method of public finance which, because it destroys incentive and denies healthy human aspirations and progress, must progressively become more extreme and unworkable.

The Federal Treasurer has exposed the sterility of his government by the introduction of his "fringe benefits tax", which fines a business enterprise for providing parking facilities for its employees. How can such people, lacking even in elementary moral standards be expected to lead the Nation to prosperity?

The reader is asked to persevere with patience as the principles of good government unfold, and are contrasted with the unprincipled fiscal robbery being experienced.

## THE FALLACY OF TAXING IMPORTS

The country is desperately short of export income, yet fuel prices to farmers have more than tripled. Every form of competitive productive industry is taxed to the verge of insolvency.

Governments which emphasise the need for increased productivity pursue policies which result in 25% of young people, 70% of Aborigines, and in general about 600,000 Australians being priced out of employment, while multi-millionaire land-speculators are allowed to "milk" the profits of industry and the natural revenue of the State.

Farm products, together with minerals, provide the major export earnings of this Country, with which we can import any specialised and sophisticated products of other nations, upon which, high living standards depend. There is a mistaken but prevalent view that Australia should be self-contained, supported by the belief that imported goods cause unemployment and that Australians should be prepared to pay higher prices for locally made products. If this were true then export

industries would have to be phased out because other countries could not buy our products unless we took their goods in exchange. Over a period, the value of exports and imports must balance or currency values must be adjusted to correct the imbalance. Taxes imposed on imports increase prices to consumers and therefore reduce the quantity or the quality of exports. This in turn reduces the value of exports required to effect a balance of payments. The balance can be achieved by Australian farmers either accepting lower prices for the same quantity or else reducing the quantity for the same prices. Either alternative is injurious to farmers.

There is a second effect also that is equally disastrous to rural industry. The higher prices for imported goods increase the costs of secondary industries and services which support the farming industry. The net result of tariff "protection", as it is called, is to reduce farm income on the one hand, and increase production costs on the other.

#### THE FAVOURABLE TRADE BALANCE THEORY

A nation is said to have a favourable balance of trade when the market value of its exports exceeds that of imports. When "favourable" balances do occur, such are hailed with jubilation by the political adherents of the Party in office at the time, as a great achievement, the forerunner of prosperity. When there is a so-called unfavourable balance of trade, that is when credits build up in Australia, foreigners are encouraged to buy up our land and industries displacing Australian ownership.

#### TAXATION, THE POWER TO DESTROY

Practically all forms of taxation have the same effect. The increased costs are passed on at each stage of production and exchange until finally absorbed by the farmers and others selling against world market competition. The reduction in farm income is finally absorbed by a reduction in site-rent and land prices which register the effectiveness of Government services and policies in relation to profitable productivity of the industries concerned. This, in turn, is registered by market forces which are delayed by the ability or otherwise of the injured parties to hang on, hoping against hope for some fortuitous improvement. Land-owners, as such, are usually better able to resist reducing land-rent than are land-users able to demand rent reductions, but unless rent, ultimately, is reduced to a figure that will enable operative farmers to earn at least a subsistence level of income, rural production will decline.

The reader must endeavour to think of land-owners and land-users as separate people because their interests are at variance. This may be difficult to understand, but will be explained and the importance emphasised as the inquiry proceeds.

Because of inflation the downward movement of land-prices is not so noticeable, but real values, nevertheless, are represented in the market price structure. Australia did not begin to recover from the depression of the 'thirties' until there was a drastic reduction, in real terms, of fictitious land-prices and debts arising therefrom.

#### POLITICAL CHICANERY

All major political Parties in Australia support protectionist and high taxation policies. To whom then is the farmer to turn for economic justice and survival?

Taxation in all its present forms has such a devastating effect of discouraging production that budgets can seldom be balanced and governments must resort to borrowing and inflation. Servicing the National Debt, at the present time — 1986 — has risen to \$6,000,000,000 per annum. This is equal to \$400 per man, woman or child in the community, or about \$1,000 per head of the productive workforce. Taxes, debt or inflation must be increased accordingly to meet this annual commitment. Much of the borrowings are from overseas, and farm products must continue to be exported just to pay interest on the national debt and not for goods in exchange.

Many farmers are heavily in debt and interest rates are excessive because of government competition in the money-market, and because of inflation which is only an insidious form of taxation on rich and poor alike. Wealthy people, however, are better placed to protect themselves by judicious land speculation ventures, by investments in the money-market and in monopoly industries. By such methods it is possible, not only to be protected against the effects of inflation, but also to profit from it. The rich get richer and the poor get poorer.

#### PRESSURE-GROUP GOVERNMENT

If the farmer believes he can save his industry by united action in a sick economy and without research into the scientific principles of political economy, he should have a look at the range and political clout of others with similar ideas. These are listed as follows:

**Trade Unions** — spear-headed by the Builders' Labourers Federation, comprising in all about a third or more of the workforce. A B.L.F. workers' wage on a multi-storey building with all the perks

and overtime included, exceeds \$800 a week. Wouldn't the majority of farmers who work much longer hours, without penalty rates, like to change places with the industrial elite?

**The Public Service** — about one in three of the workforce.

**Land-speculators** — about 75% of the valuable land of Australia is owned by about 10% of the people. Is it any wonder that wealthy and powerful groups are able to control the media, the education system, and even "democratically" elected governments?

**Major Industries — Manufacturers, Builders, Commerce and Small Business.** — The representatives and spokesmen for such groups are mostly doing no more than fighting a delaying, losing battle against the Unions, and give no evidence of knowing where their true interests lie. Little or nothing is achieved for the rank and file of their members, not unlike farmers organisations. The sterility of contributions to the recent Tax Summit Conference bears witness. There was no real protest against taxation or swollen bureaucratic Government — only abortive attempts to shift the tax burden on to the "other fellow". One can only speculate on whether any real alternatives to the "status quo" were proposed for presentation, or were screened out by the organisers, the Government itself.

**'Do-Gooders'** — supporting an ever expanding Welfare State budget, regardless of why the need arises or who has to pay, and the day of reckoning to come. (About one quarter of the National Budget is spent on welfare services).

**Aborigines** — who are not allowed to work unless paid the white man's scale of wages, which many are not able, or do not wish, to earn. In consequence 70% are unemployed. Such people, and many fine people amongst them, are misled by agitators who do not demand the right to work but rather "land rights" (denied to the white community), to about one third of the Australian continent, plus taxpayer support at every turn. Discriminatory "land rights" without responsibility is not a recipe for national, or even Aboriginal prosperity.

Farmers comprise less than 6% of the community. What hope have they by the employment of pressure-group tactics alone? Practical proposals, that will support real progress and prosperity for the whole community, to whom farm products must be sold, are essential for rehabilitation of the farming community. If political policies beneficial to the whole nation had been introduced half a century ago, Australia would now have at least double its present population, living in prosperous

regional communities instead of being crowded into traffic-congested, slum-infested, crime-generating cities. The home market would benefit enormously and export industries based on such ideal conditions and natural advantages, with which Australia is blessed, would have the lowest production costs in the world.

#### WHY PRESSURE TACTICS FAIL

This is a vast subject and exposure must be limited to principles and selected examples:

Ignorance, and the selfish belief that one section of the community can benefit at the expense of others without sowing the seeds of self-destruction, are the greatest problems.

Shakespeare (Anthony and Cleopatra, Act II, Scene 1) in his own inimitable style exposed this fallacy in two short sentences. "We, ignorant of ourselves, beg often our own harms, which the wise powers deny us for our good; so find we profit by the losing of our prayers."

The world is governed by scientific phenomena. The physical sciences provide clearly observable penalties for breaking the laws of nature. Bridges would collapse, dams would burst, gas-mains would explode, and the pain and suffering inflicted would teach people not to disobey the law.

In the abstract sciences (Political economy is the science with which we are concerned), causes and effects are not so clearly related, but nevertheless, with observation and the application of reason and logic, the answers may be found. Moreover, the penalties of unemployment, poverty, rising crime-rates, etc. provide an incentive to discover the laws which relate. It is not evident that leaders who are elected to serve the farming community discharge their assignments faithfully and effectively. Ignorance and short-term personal advantage almost invariably interfere with their obligations to serve in the best interests of their constituents.

Sir John McEwen, for many years the most respected representative of the Country Party, played a leading role in structuring the Australian "protective tariff" policies, which have contributed so disastrously to the farmer's plight.

#### — The Sugar Industry Examined —

The sugar industry has been seriously injured with Country Party support. This was achieved, by an unholy alliance between the Queensland Government, the Colonial Sugar Refining Company and sugar-cane producers (as land owners). Each selected land-owner was issued with an assignment order, without which his cane could not be processed at the mill. Production was con-

trolled (restricted), the price of sugar was inflated, and "artificial" prosperity was created. The price of sugar-growing land, blessed with an "assignment order" rose enormously. The farmer prospered, not as a cane-producer, but as a preferred land-owner. The Unions of course, came in for their cut with inflated wages for the cane-cutters. Everything in the garden was lovely — for a time.

The results, which anyone familiar with the law of supply and demand should have foreseen, are now only too well known, but the stupid and wicked policies responsible never get a mention.

There was a flow-on of wage rises to other industries, which increased the cost of producing sugar. Newcomers to the industry had to pay inflated prices for sugar-growing land, much of which required mortgage finance, at rates which included spurious interest. (Real interest is the earnings of capital, and land is not capital). The most injurious effect however was the competition created in the market by Australian monopoly prices. An incentive was generated to produce sugar from beet, which otherwise was a more expensive method. Other sugar-producing countries operating under freer conditions could under-sell the Australian product.

More recently, in the United States, it has been established that sugar can be produced competitively from corn, which has introduced further competition. The Colonial Sugar Refining Company from its ill-gotten gains has wisely diversified into other investments.

The sugar-cane producer has suffered most, despite vast sums spent on advertising to stimulate the sale of a product which, without the monopoly imposed, is ideally suited to the North Australian climate. The damage which has been done cannot easily be reversed because production costs in this country, due to the enormous burden of taxation, plus regimented conditions which apply to all forms of industry, have limited our product to restricted markets. It is cold comfort to the genuine sugar-farmer to know that all other rural producers are now in much the same plight. The production and marketing of other farm products have not involved the creation of similar planned monopolies to the same extent, but steadily increasing costs arising from socialist experimentation and other monopolies have produced very similar results.

#### BOARD CONTROL OF RURAL INDUSTRY

Farmers are 'blessed' with:—

**A WOOL BOARD** which indulges in price-support schemes and levies the producer to cover its costs.

**A LAMB MARKETING BOARD**, which competes in the market and is able to effect a slight increase in prices.

**AN EGG BOARD** which levies the producer and increases costs to the consumer, thereby restricting demand. Periodically, there is a glut of unsaleable eggs.

"A licence is required to operate a poultry farm and because the issue of licences is restricted in order to limit production and thereby increase prices, the licence, if purchased from a producer has a market value of about \$25 per hen (1986). That is \$100,000 for 4,000 birds, plus the cost of land, buildings, equipment and stock".

Because of cut-throat competition, the cruellest of conditions have been introduced to the poultry industry. Two birds spend their life-time in a cage so small that one bird cannot turn around unless the other bird moves also. Artificial daylight produces more eggs over a shorter life and artificial feeding replaces the diet normally available under free-range conditions. Australia, of all places, with its enormous land mass, should not permit such suffering and stupidity. The R.S.P.C.A. looks the other way in the interests of cheaper production. Free-range conditions produce a far superior product which would be demanded by customers in a free and prosperous economy.

**A WHEAT BOARD**, which pays a guaranteed price. This has recently been reduced because of a fall in world prices.

There are, also, many other Boards, Committees and bureaucratic forms of regulation intended to advantage the particular industries involved.

It is not claimed that, in all cases organised marketing is undesirable, but in a free society, private enterprise would fill the roll more effectively, at lower cost and without the need of monopoly and regimentation. There is no doubt that some benefits to producers have been achieved by socialist methods, but such benefits are at the expense of price increases to local and export consumers which largely cancel out the advantages.

#### THE PROBLEMS OF REHABILITATION

It is not suggested that the problems of rural industry can be resolved overnight by abolishing all the Boards and restrictions imposed, and that free and open competition will in some miraculous manner restore prosperity to the industry. The problems lie much deeper and involve an examination of the whole fiscal system, particularly the conditions of land-tenure and the raising of public revenue.

Both Mr. Whitlam and Mr. Fraser made genuine attempts to reduce tariffs, but were obliged to retreat in haste when the short term effects became apparent.

Enormous sums have been invested in "hot house" industries for which the nation either does not have sufficient natural advantages or the home market is not adequate to support the necessary specialisation involved. Vast sums also have been invested in homes, amenities and public facilities to support the workforce employed in such ventures.

#### EMPLOYMENT OPPORTUNITIES

Until such time as there is full or near full employment for all able workers, it will be nearly impossible to deal with the economic problems affecting Australia's basic industries. There must be alternative employment and capital investment opportunities available before any real and measurable reduction of protective tariffs and taxation generally is possible.

We are faced with the problem of uneconomic industries which are maintained at the expense of basic industries. There are many potentially viable forms of enterprise which would support employment in a free economy, but these cannot get off the ground or cannot long survive in an economy in which about 46% of the net profit is confiscated by taxation.

This is serious enough, but when a substantial part of the funds extracted is not used efficiently to regenerate employment but is used to impose positive restrictions on industry and employment, then the Nation is facing eventual insolvency. The demand for the goods and services of some companies has been destroyed to such an extent by taxation, that losses instead of profits result; but payroll tax still has to be paid. In such cases the company concerned must borrow at about 20% to finance payroll tax, in addition to losses sustained. Could anything be more wicked? To fine people for organising employment, to steal more than the whole of their profits by taxation, and then force them to borrow at extortionate interest-rates to finance their losses?

The farmer is mostly exempt from payroll tax which he thinks hurts only the other fellow. This is not so, all taxes increase prices which are passed on to basic industries to a point at which export becomes unprofitable. Farmers are similarly placed with indirect taxes which quite frequently exceed the profit on their operations.

There is an additional and most important reason why a competitive free-enterprise society is not possible while massive involuntary unem-

ployment is tolerated. In a tax-ridden economy land-owners, as such, have bargaining power superior to labour and capital. Land may remain idle almost without cost whereas the worker must be fed, clothed and sheltered, etc., and capital must be stored, protected against the destructive forces of nature, and used effectively to earn interest and replacement, before becoming obsolete. Under such conditions, in the absence of a wage-fixing system, wages and deferred wages (interest) would be forced down to subsistence levels as in India or South America, or to a level, if land-owners were wise enough, at which the maximum advantage could be extracted.

It is necessary to think in terms of land value rather than land area. Values of course peak in the great cities and vary with the population supported.

"The best centrally-located acre in Perth would have a market value of more than \$12,000,000. The equivalent in Melbourne or Sydney would be two to three times higher."

Farm-land, exclusive of improvements, by comparison, is priced from zero for the least productive land in use to a few hundred dollars an acre, depending on fertility of soil, proximity to markets and public services available.

All employment arises directly or indirectly from the use of land, therefore the conditions of land-tenure or land-use hold the key to full employment, which will be seen as this examination continues. When equal bargaining-power is restored between the three factors of distribution, then, and not till then, will it be practicable to dispense with the farcical wage-fixing system and all who perform honest work with hand or brain will command the market value of their labour, and be obliged to pay tribute to no one.

Under conditions of full employment, government-controlled marketing boards would be unnecessary, and the immoral attempts to boost prices by restricting production would not be tolerated. People then could choose the industry most suited to their talents and which would yield the best return for their labour.

Land owners would be required to pay the market value, as rent for public revenue, in return for the advantages afforded and for security of possession of their holdings. Taxes could then be abolished, exempting the farmers, not only from the taxes he now pays directly, but also indirectly on all his purchases.

#### THE FARMER WEARS TWO HATS

Under present conditions, farm-land is increasing in market value while the returns from its use

are actually diminishing. There are temporary troughs in land prices but the trend is to increase faster than the return to labour and capital. Before the farmer can decide what political policies are in his best interests, he must consider whether he wants a prosperous industry, good prices for his products and steady markets available, or whether he wants to gloat upon a valuer's assessment of the site-value of his land, capitalised as land price.

Unless the whole taxation system is scrapped, the Treasurer eventually will succeed in wrecking the economy. Taxes have such a devastating and disincentive effect on production, that budgets can seldom be balanced, no matter how much is taken. So new methods of bleeding producers are continually in the sights, it may be a capital gains tax, it may be a wealth tax, death duties or even, may the Lord preserve us from the greatest folly, a value-added tax. The farmer, in order to get his support for the new taxes proposed, may be let off comparatively lightly, or even exempted at first, but his turn will come when the pressures of National insolvency becomes bad enough and unemployment worsens. We are almost at this stage now, with a public debt of ninety one billion dollars or \$15,000 a family.

#### LAND OWNERSHIP AND SPECULATION

There are two classes of people involved:—

A. The passive land-owners who include:—

The primary producer who wants to get on with growing crops or raising stock and with running the family farm.

The small family-man whose ambition is to own an unmortgaged home.

Manufacturers, both large and small, wholesalers, retailers and commercial interests.

Such people only want security of tenure and the opportunity to apply their labour and capital, or even enjoy the satisfactions of owning their land without being commercially involved. — Such pursuits support both the individual and the common-weal and injure no one.

By the specialisation of industry, exchanges and services (economists call it 'the division of labour') prices are reduced and goods are displayed to advantage.

B. The active speculators who make either a business or a hobby, or both, of buying and selling land, developed or otherwise. The most astute and those who can afford large investments, operate in selected areas for preference, but will seize an opportunity to make a dealer's profit wherever it may be found. In the process, land speculators, as

such, do not produce wealth or render services, but create an artificial scarcity of valuable land by holding it out of use, or partly unused, for long periods, thereby increasing prices to the bona fide land-users. Such methods are particularly effective in a growing community. Land prices and speculator's profits rise as population increases and as science and technology discover and devise new methods of production, which also increases the demand for land.

The "modus operandi" is well known and may be interesting to summarise:

Buy land in the path of progress; on the fringe of an expanding city and when the time is ripe, have it rezoned from rural to residential.

Get the ear of politicians and planners; discover in advance where a new highway or bridge is to be built, a new industry or housing settlement is to be located; buy up from unsuspecting owners before the project is announced.

Buy land with river and ocean views.

Buy selected areas suitable for high density residential rezoning.

Involve socialist Governments in joint ventures where possible to gain a tax advantage during the holding period.

Get special high-rise concessions, by cultivating the right people, in preferred areas that obviously could not be generally permitted without ruining the area and causing public outcry.

Acquire strategically well-located land in relation to future development wherever it may be, and then promote the advisability of accelerating such development in the interests of progress. Become a 'public-spirited' person.

All those in group A, ie. the wealth producers, despite their land-holdings would be immeasurably better off by the abolition of taxation and the raising of public revenue from the unimproved site-value of land, especially the farmer, because 65% of his production is sold to export markets. Higher costs, arising from taxation and the counter-monopolies in the labour market, and due to price-support schemes, can be recovered to an extent by increasing charges for only 35% of farm products sold on the home market, but the farmers' costs are increased correspondingly.

#### ENTRENCHED MONOPOLY SUPPORTS

It is estimated that about 10% of the people own approximately 75% of the valuable land in Australia. (The ratio is even worse in the older countries). Ninety percent of the people who would benefit from a free-economy have the voting power but, without an understanding of economics, have no

knowledge of the mechanics of 'liberation', and in the absence of leadership, are easily influenced by the propaganda machine. In the main, all that is necessary to delude them is to suppress vital information or feature and support reactionary reform groups heading in the wrong direction.

The power of land-monopoly is seldom mentioned in the press, in Parliament or in the institutions of learning.

#### THE EARLY LIBERALS

Land reform was actively pursued in England in the first decade of this century, with the active support of Campbell-Bannerman, Asquith, Lloyd George, and Winston Churchill, who in their turn became Prime Ministers of England. The British farmers were solidly behind them. A motion to value the lands of England and impose a small land tax was actually carried in the House of Commons.

The following is an extract of one of Churchill's famous addresses on land reform:

"It is quite true that land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies — it is a perpetual monopoly, and it is the mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public."

"Land which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position — land, I say, differs from all other forms of property in these primary and fundamental conditions."

The House of Lords, with the support, to their eternal shame, of the Ecclesiastical Peers, delayed the measure, which it could not lawfully negate, until the great war turned the attention of Englishmen to the survival of their Country, and the "War to end War" became a terrible prelude to the holocausts and depressions which have continued in one country or another to this day.

#### LESSONS FROM HISTORY

It was the Prussian landed-aristocracy who did a deal with Hitler to support their privileges in return for the Chancellorship. The wily Von Papen and the octogenarian President, Von Hindenburg, were double-crossed by the Austrian corporal, together with the German people.

Most wars have their origin in the land-hunger of the masses and in markets restricted by tariffs and embargoes. The Russian Revolution is the most notable example. It started as a genuine measure for land-reform under Kerensky inspired by the teachings of Henry George, Leo Tolstoy and other patriots, but the short-lived Kerensky Government was overthrown by Lenin and Trotsky who led a blind, bloody and ignorant reaction similar to the French Revolution.

In this regard it is interesting to note that a group of economic students known as the "Physiocrats" advised the King, — Louis the XVIth — to take the taxes off the people's food and necessities, and make the wealthy land-owners pay for the privileges they enjoyed. The King was persuaded but was overruled by the Nobility, most of whom eventually lost their heads in consequence.

There are still people who say it can't happen here, and turn a blind eye to the increasing influence of Communists in the absence of any semblance of genuine reform. Divide and rule is the apparent order of the day; blacks against whites, employees against employers, females against their menfolk, destruction of the family-unit, youth against society, and bureaucrats against the people. Yet the disparity of income continues to widen and the crime-rate increases. The origins of most forms of strife and reaction can be shown to be rooted in the continued maintenance of land-monopoly in society.

Liberal principles have been forsaken by the Liberal Party and the genuine interests of working people have been betrayed and forgotten by the Labor Party, which has traded counter-monopolies for justice and equity — Government jobs for productive work, supported by ever-increasing punitive taxation and regimentation.

Those who oppose the collection of the socially-generated value of land for public revenue and the abolition of taxation have much to answer for, — in the blood of those who have died in vain and continue to die from poverty induced illness, in the sweat of those who earn but do not receive, and in the tears induced by hopelessness and frustration. Fortunately the just and practicable proposal to change the fiscal structure and the conditions of land-tenure, is also in the self-interests of land-users.

#### THE EUROPEAN COMMON MARKET

The population of the member-nations comprising the European Community is considered large enough to be self-sufficient and able to maintain a farm products support scheme. Inflated prices however, have benefited only the land-owners and

not the land-users as such. Pre Common Market land prices in the dairying industry in England averaged about 500-600 pounds a hectare. These have now increased to about 3,000 pounds a hectare, while small land holders and tenant-farmers (land users) are barely able to make a living. In fact their real incomes probably have actually declined, and the small land-owner-farmer receives less than the wages paid to his employees.

Artificially inflated prices for dairy products have stimulated production and reduced consumer demand to such an extent that a huge surplus has to be stored at enormous cost, and when the cold-storage facilities are loaded to capacity, the surplus is dumped periodically on the world markets to the embarrassment of local producers in the other countries affected. These countries in turn retaliate with demands for higher protective tariffs, and so the trade war gains momentum.

#### AGRICULTURE IN THE U.S.A.

American experience has been much the same as in Europe. Farm products have been subsidised by various support schemes, even to the extent of paying farmers to reduce production. Higher prices have reduced demand and the plight of the farmer has steadily worsened. In 1973 the average American farmer's debt was less than half his annual income. Ten years later the debt represented about twelve times his annual income. The farmer's debt is substantially increased by land prices, which increase because of subsidised production and marketing, and the failure of governments to collect site-rent for revenue.

A devastating trade-war is looming between the 'European Economic Community', (E.E.C.) and the U.S.A., which is in the mood to match the dumping tactics of its European competitor. How can the Australian farmer be expected to survive under such frightening prospects? The Australian Government has taxed, borrowed, inflated and squandered the nation into virtual insolvency and is able to finance its operations only by passing the debt to posterity. (Including the farmers' children). The Nation's overseas indebtedness has risen 20 times in 15 years and has now reached a peak of 80 billion dollars. The annual interest bill of about 10 billion dollars, which is steadily increasing, will have to be borrowed and added to the debt. It is just not possible for the Australian farmer to continue to receive subsidised or preferential support from an insolvent National Government. Nor is it possible to keep a land speculation industry primed with approximately 40 billion dollars of unearned income annually, which is supported in addition to the tax, debt

and inflation structure. Fortunately much of this amount is not commercialised, but remains as paper value — the equivalent of rent enjoyed by those who own and use their own land. The speculator — land-dealers, however, rip off very substantial tribute without rendering any service in exchange.

The only security Australian Governments can offer to support its borrowing is an immoral undertaking to rob future generations.

The U.S. farmers are becoming as restive as their Australian counterparts and Congress cannot be expected to consider the welfare of the Australian rural industry in preference to the needs of its own people. The only possible alternative for the Australian Nation is a drastic reduction in taxation, borrowing and inflation in order that farmers can become more competitive. This involves an enormous reduction in the cost of Government, which in turn is not possible without full employment. Full employment can only be achieved by the creation of attractive conditions of land-use, and a prosperous and solvent rural community can only be based on a prosperous national economy.

#### SUCCESSFUL FARMERS

As with all types of industry not protected by monopoly, some do succeed in making a profit, while the majority struggle for survival and some are forced into insolvency.

In the case of rural industry, the farmers most likely to succeed are:—

- i. Those who own a farm their grandfather pioneered.
- ii. Those who are particularly gifted, energetic and possess exceptional management ability.
- iii. Those who have been lucky, taken the risk of excessive borrowing to put in a larger crop and have been rewarded by good rainfall and a bumper harvest in the first year.
- iv. Those who have been prudent and have not taken the risk of excessive borrowing.

But for the rank and file who have not been financed by a wealthy ancestor, have had to rely on their own efforts and withstood bad seasons as they came, the results have been little better than survival, and many have had to walk off the farm.

#### FALSE PROPHETS

Farmers throughout the World have been advised to prepare for an increased demand for their products, because, due to urban encroachment on farm land, the area available for rural production is diminishing, while World population is steadily increasing. This is perfectly true and it appears to make good sense to borrow the neces-

sary funds several years in advance of farm products being ready for the market. What has not been taken into consideration is that the potential demand is in "third World", impoverished countries, in which land-monopoly is even more firmly entrenched than in Australia, and in consequence, unemployment, poverty and hunger are worse than in this country.

How then can the farmer expect to be paid for his expanded production?

What actually has happened in the underdeveloped countries is that living standards have deteriorated even further, and governments have accepted an increase in poverty and mortality arising from malnutrition. Moreover, the developed nations have worsening economic problems at home, and are less able to afford assistance to nations which are not willing to help themselves for the usual reasons. The unearned incomes of the privileged classes must be drastically reduced and eventually abolished if justice is to be dispensed to the underprivileged starving masses.

Money-lenders also persuade the farmer that he has too much plant tied up in relation to its short period of use and that the same equipment can handle double the duty, as of course it can. "Get big or get out, young man" is the catch-cry, so many farmers take the risk of buying more land at outrageous prices with borrowed money and at inflated rates of interest.

One bad season at the wrong time will spell disaster, or force the farmer to work for years just to pay interest, so-called, (which is not true interest, but tribute paid to operators in an artificially-inflated money-market).

Land has no cost of production, and no labour ingredient. Therefore it is neither wealth nor capital and cannot earn interest.

If all site-rent was taken for revenue, land price would disappear. Only real capital would then be available as security and real interest would be earned.

#### REAL AND SPURIOUS INTEREST

Because many farmers are so heavily in debt, it is necessary to discover why borrowing, which has averaged a 5% return for centuries, now costs about 20% or more. Economists write reams on this subject and talk of the balance of trade, devaluation and the necessity to attract overseas capital to invest (and speculate) in this country.

The following is a simple explanation why:—

Insolvent governments spend in excess of their incomes, without tangible asset-backing as security, and make heavy demands on the money-

market. It is not possible to borrow wealth from the future, but it is possible by the manipulation of a fiduciary currency, to transfer a debt to posterity (unborn children included). The securities which money-lenders accept, is the belief, which all politicians affirm, that governments will continue to confiscate, by taxation, a substantial portion of the products of the labour of future generations, and that this form of theft will be meekly accepted by those whose credit is pledged, notwithstanding that, since they were not consulted, no moral obligation to pay can exist.

Taxation imposed on people and corporations, including those which are not earning profits, obliges them to borrow, which in turn increases the demand for credit. The payroll tax is probably the simplest example. Firms which are actually making losses nevertheless must borrow to meet the tax liability. The same applies to some extent to other forms of taxation, which is mostly legalised theft.

When the rental-value of land, which is generated by society, is not taken for public revenue, it will be capitalised as land-price. The acquisition of land for productive use will then involve a substantial volume of mortgage-interest finance. If rent were to be taken for revenue on a pay-as-you-earn basis, no borrowing or lending would be involved and the demand for credit would recede.

Inflation is simply the process of injecting additional credit into the economy, mostly as payment for public services which, to a large extent, are wasteful or not a proper function of government. Because of price increases which result from inflation, industry and commerce are obliged to increase their recourse to borrowing.

Those who make a business of lending money include an extra premium for insurance against the risks involved. Under present socialist forms of government the risk-factor in trying to operate a business is increased enormously. For example, Unions with the most 'clout' can extract increased charges because of their power to disrupt production and exchange in essential industries. Greater risks apply to those engaged in such industries, unless there is a compensating monopoly-factor which enables producers to pass on higher costs to consumers. This is not the case with export sales.

Banks impose higher interest rates on highly competitive industry, ie: on those least able to protect themselves because their profit margins are lowest. Governments also subsidise interest rates for home loans. This is one of the methods used by politicians to buy votes, which puts a corresponding strain on interest rates generally.

It will be seen from the foregoing why interest rates charged to those forced to borrow are excessive and much higher than would apply in a free economy.

Under free and prosperous conditions with full employment, true interest would be about 6%. In Switzerland, interest rates are fairly steady at about 4%. As the international banking centre of the World, it would be fatal for Switzerland to increase interest rates by resorting to fiduciary finance and inflating its currency as we do in Australia. It is also enlightening to compare the operations of the New Zealand Socialist Government which has forced interest rates up to about 25%.

The debt-ridden Australian farmer is now paying about 4% true interest, depressed by taxation and wasteful Government expenditure, and about 14% or more in spurious interest representing provision for inflation, the operations of governments in the money-market, enforced private debt to finance taxation, etc., borrowings secured by land-value which is not capital, and for added risk in an unstable economy. It has been estimated that strikes and disruptive tactics employed in the meat industry during the six months prior to October 1985 cost exporters about \$7,000,000 in hard cash. To this must be added the damage caused to Australia's reputation as a reliable exporter, which in such a competitive market is the ultimate of selfishness and stupidity.

In a free economy in which there were full employment opportunities, any Trade Unionist who felt that he was underpaid or badly treated would be able to transfer his talents to other employment. The Civil Courts would award due damages against any person or group that caused financial loss to others in breach of stated or implied contract obligations. Under present conditions only on the rarest occasions, is elementary justice applied against the Trade Union movement.

#### THE VITAL DECISION

No one can criticise the farmer, having lost hope of making a good living from using his land, for looking to the rising price of land for his salvation. The difficulty is that he must either sell the family farm to "cash in" himself, or die, for his wife and children to benefit. But in both cases the land and home they love must be disposed of and a way of life abandoned.

If the taxation system was abolished and governments collected the socially generated site-rental-value of land for public revenue, the selling price of land would fall ultimately to zero. This

might represent about one-third of the farmer's total assets (on paper), which would be lost when the property was sold. However another farm of equivalent value could be had for the same price. The use-value would not be affected and the rewards of farming the land would greatly increase.

The farmer must decide whether he wishes to succeed as a producer of farm products or receive a lesser benefit at a later period as a land-owner; **he can't have it both ways.**

No great harm is done to the economy by the profitable sale of farm-land here and there as the necessity arises; it may even be said, with justification, that those who sell their farm-land at a profit are only receiving a measure of compensation for the unjust taxes paid during a lifetime of hard work. But for all farmers to line up with the institutions of land monopoly and speculation, (as they must to preserve the capitalised value of the rent of their own land), billions of dollars of tribute will continue to be paid by the working community to the few, who "toil not neither do they spin", living mostly in great affluence on the labour of others. Moreover, the present structure of society under misgovernment will continue to deteriorate — ever-increasing taxation, debt, inflation, interest rates at 3 times the natural level, chronic involuntary poverty and unemployment for the underprivileged, a widening gap between rich and poor, increasing regimentation, crime, vandalism, corruption, monopolies, sinecures and waste, and above all, progressive loss of freedom, faith in human nature and the joy of living.

#### THE HORNS OF A DILEMMA

Under the tax, debt, and inflation structure of the economy, it is almost impossible for the average farmer to help his sons become established as independent farmers during his lifetime. To buy farm-land he must compete with the big speculators, pay extortionate prices and incur a debt upon which it will be almost impossible to earn the going rate of interest. No, the kids must wait until dad dies to follow the vocation they have grown up with and learned to love.

The farmer is not an economist, and in common with the working population, generally has been brain-washed by the media. His natural instinct tells him that it is all wrong to be fined for working or when buying supplies, by indirect taxes passed on as price increase, but where can he learn otherwise? Certainly not from politicians, university professors or even from businessmen who believe that taxation is the only means of raising public revenue.

For the man who produces the basic elements necessary to feed and cloth the nation, to find himself unable to earn a living equivalent to standards enjoyed by city workers, not even by working double the hours, must be hard indeed to accept.

#### THE TAX STRUCTURE EXAMINED

**Income Taxes** — The farmer as a low-income earner thinks he is not greatly affected, but upon reflection, must realise that taxes imposed on his supplies are passed on as increased prices on everything he buys. **Such increased costs cannot be passed on to export markets.**

**Company Taxes** — These have exactly the same effect.

**Payroll Tax** — This most iniquitous of all taxes is the major source of income of State Governments. It has the effect of fining people for providing employment in a country bedevilled with poverty and chronic unemployment.

The farmer is exempt unless he is also engaged in another form of industry and employs more than about 15 people, in which case wages paid on the farm also are assessed for this imposition. Payroll taxes must be paid whether or not the employer is operating profitably. Those firms which are making losses must borrow at exorbitant interest rates to pay taxes, together with vicious fines for late payment. Politicians are silent on the matter of ability to pay. As with other taxes, payroll taxes are passed on, where possible, in the price of goods and services sold on the home market. Rural industry is affected mainly by the increased cost of processing and distributing farm products, which reduces demand.

**Customs and Excise Duties** — The farmer is well aware of the effect on fuel costs and he does get some relief, but the ultimate cost to him is about doubled by taxation. There are three separate rebates on fuel used on the farm, available to Western Australian farmers. 1. Commonwealth subsidy on diesel fuel to be claimed in retrospect for 12 months usage only. 2. The State Government issues a licence which entitles farmers to purchase diesel fuel at reduced rates. 3. Rebate on petrol used on the farm only, to be claimed quarterly or half yearly. The form-filling required is complex, onerous and is not on a uniform basis. Rebates do not apply to transporting stock to the market.

The farmer is also aware of the impact of customs duties on imported equipment used on his farm. To this must be added the higher costs of uneconomic sheltered industries. A fuel bill of \$500 a month even for a one-man farm would not be unusual when plowing, seeding, harvesting,

marketing and development are taken into account. The charges of sub-contractors and suppliers also include the impost on fuel. All-up, the annual cost of customs and excise duties for the average farmer could easily run to \$4,000 per annum or more, which is equal to the cost of breeding about 12 head of cattle.

**Stamp Duties** — (including Federal and State Taxes on bank deposits and withdrawals, also on motor vehicle registrations). These sneaking, often unnoticed taxes, altogether, exceed payroll taxes. The insidious effect of taxes on mortgage agreements is that these add to the last payment discharged; during a period of 25 years interest paid might well be treble the cost of the tax originally imposed. Good news for the money-lenders, but bad news indeed for borrowers, and a shocking indictment on governments. Many farmers, struggling under a burden of debt at interest rates which they have no hope of earning, are seeking to renegotiate their mortgages at lower interest rates with foreign banks now becoming established in Australia. If they are successful, stamp duties will be charged by State Governments on the transfer of securities, in addition to legal and accounting fees which also are the highest on record in this country. Such taxes bear no relationship to the necessary services of government, and to fine a man who is struggling for survival is offensive to any concept of decent behaviour.

**Taxes on gambling, liquor, tobacco and vendors' Licences** — These are claimed to have a repressive effect on bad habits and foolishness. But by the same token, such taxes have the opposite effect on governments, since they are always the winners, and therefore create a vested interest in perpetuating the habits claimed to be discouraged. It is strange that politicians do not consider taxes, which bear on labour and production, to have a similar discouraging effect, which of course is well-known to those who pay.

**Sales Tax** — This was first imposed as a "temporary" measure by Prime Minister Scullen, to provide funds to relieve the misery of the depression. This harsh and stupid tax has now been increased to a peak of 30% on luxuries, which are considered to be an extravagance which only the rich should enjoy.

**Capital Gains Tax** — Such have now been introduced to Australia for the first time in a fairly innocuous form, but it can be predicted that once the "foot is in the door", because Governments are insolvent, the incidence and severity will insidiously increase. The name "capital gains" is a misnomer, capital deteriorates from the day it is produced. Only land-value increases. **It is much**

**more practical to collect the full site-rental value for revenue and abolish all taxes which bear on production.** If capital has increased in value, it is because maintenance costs have been incurred; the tax, therefore, is a further impost on production. The tax applies only at the point of sale, and therefore inhibits sales to worsen unemployment and poverty.

It would only add to the farmer's mental depression to examine further, all the lesser taxes and charges to which the community is subjected.

### PUBLIC SPENDING

For the current year, 1985-86, it is estimated that government spending in Australia will be 15% in excess of revenue received. The difference will be accounted for by increased borrowing and inflation. According to Wilson Tuckey, M.P., reported in the West Australian 12/9/86, "in four Hawke-Keating Budgets, Australia has borrowed \$24,000 million — the equivalent of six Australian wheat crops". All this is tolerated in order that land-speculators may rip billions of dollars annually from the working community.

If all the lawyers, accountants and clerks whom taxpayers are forced to hire to assess and minimise their tax liability, are taken into account, then at least one person in three is working for the government. Japan is able to function more efficiently with only 7% of public servants. Australia must surely be the most over-governed country in the World with more than 30% public servants.

The new tax laws introduced in September 1985, have increased the cost and complexity of tax-collection, a further increase in the number of public servants is inevitable. To this must be added the number to be engaged in introducing and supporting the proposed **identification card system**, said to be necessary to curb tax evasion and crime. \$35.5 million has been provided in the August 1986 budget for this purpose.

Any law which is incapable of being enforced even at enormous cost is a bad law and should be repealed. This is most certainly true of all the taxes which bear on incomes and production.

### HONEST WORK — THE REMEDY?

Wages have been maintained by Trade Union counter-monopolies, and the standard working week has been reduced in the mistaken belief that every person employed keeps another out of a job. The truth is that every person employed provides work for others. We should therefore work harder and longer hours, as the farmer and other self-employed people do when they are in financial

difficulty. The 38-hour week is now seen to be a major disaster, which the country cannot afford.

The problem, however, under present conditions, is that increased productivity would require greater or more effective use of land; which would stimulate land-prices, and we are back to square one. The added value of extra production, ultimately, would benefit land-owners only, as such, and not labour and capital. Employment opportunities would not generally improve and the high tax-structure would have to be maintained to support the Welfare State. There is no possibility of restoring prosperity to the farmer, or to anyone else in competitive industry, unless the Government collects its "natural revenue" and abolishes taxation, debt-financing and inflation. The counter-monopolies would not then be necessary.

### SOCIALISM BY TAXATION

Socialism by taxation, with all its defects, is far more efficient in supporting the production of wealth, than State ownership of "production, industry, distribution and exchange" — the Socialist philosophy. State-run industries make losses instead of profits because there is no incentive, and effective management is not politically acceptable. Under modern methods of socialism by taxation, the producer is allowed to hold the titles and certificates and organise production. If he is successful the State steals about half the profit, or much more in some cases. By either method there is a denial of the right of private property and loss of individual freedom. The Socialists haven't yet got around to nationalising land as they have in Russia and China, but give them time!

Although the tax-structure is intended to redistribute wealth for the benefit of the workers, in actual fact the gap between rich and poor continues to widen for the enormous enrichment of land-speculators. This is inevitable when governments fail to collect their natural revenue.

What is proposed is the only system of government which has regard for the freedom and natural rights of the individual.

As Henry George so clearly expounded in chapter 3 of "The Conditions of Labour", "We would simply take for the community what belongs to the community, the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual: and, treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions, save those required for public health, safety, morals and convenience".

No private business could function if it failed to charge for the goods it has produced or the services rendered; neither can governments which are only big business in many respects. The great iniquity is to allow the favoured few to collect what society has generated and which governments should use to serve all the people. An even worse effect is that site-rent is capitalised as land-price in terms of speculative future value, increasing with the growth of population and the advance of science and technology. Is it any wonder that the genuine land-user remains poor while the land-dealers and speculators become rich? Rich enough to buy controlling interests in many industries, to influence politicians and the media to their own advantage, despite all the tenets of justice and human behaviour, and the rights of personal and collective property.

### LAWS GOVERNING THE DISTRIBUTION OF WEALTH

The laws of political economy are few and simple, but the effects of breaking the laws are not so obvious as in the physical sciences. No one would even think of disregarding the law of gravity, for example.

**The Law of Rent** — Ricardo's law of rent is the "key" to the distribution of wealth in a free economy. Classical economist John Stuart Mill, truly stated that no-one could forecast the effect of any legislation who did not understand Ricardo's law of rent. The respective values of wages, interest and rent are determined by market forces. Any interference with the market by legal force or otherwise, confers disadvantages on some and obliges them to pay tribute to others.

It is believed that the law of rent was first stated in 1777 by Dr. James Anderson of Edinburgh. However it was given prominence by David Ricardo, a London stockbroker, and is referred to as Ricardo's Law of Rent.

The law, with bracketed insertions by the author in order to make it clearer and to include the satisfaction of desires, other than productive — (river views for example) is stated as follows:—

"The rent of land is determined by the excess of its produce (or satisfactions) over that which the same application (of labour and capital) can secure from the least productive (or desirable) land in use". The least productive land in use is "marginal" land which bears no rent and therefore the whole of the returns are to labour and capital."

The law of rent has never been seriously disputed by economists of repute, however, it is generally ignored by those responsible for advising governments and formulating statute laws. Such

people have been dubbed "empirical" economists because empiricism means experiments used and applied without science. Simply stated, in terms with which the farmer is familiar, it means that if the poorest land that men will consent to use yields, say 1 tonne of wheat to the hectare and a more desirable block yields 2 tonnes for the same effort, then the returns to labour and capital are 1 tonne and the return to rent is 1 tonne also. In actual fact the advantages of closer settlement and social amenities also are a consideration.

Upon reflection it is obvious that a farmer is equally well-off paying rent for more desirable land, than paying nothing for marginal land.

Farmers working in remote areas send their produce to central markets where population is concentrated, and in consequence rents are higher. The presence and activity of the rural community contributes to rental-values in the cities and it is proper that the rural population should participate also in the rents it has helped to generate. (Through the services of government).

Because, in general, no one will work for an employer for less satisfaction than he can get by working for himself, "real" wages are determined by what can be earned on the poorest land in use, ie: on rent-free or marginal land.

**The Laws of Wages and Interest** — Rent, therefore, also determines the laws of wages and interest. What remains after rent is taken is shared by labour and capital. Real wages and the earnings of capital fall as rent rises and vice versa.

When better land is monopolised and kept idle or underproductive for speculative gain, an artificial scarcity of available land is created. This forces labour and capital to use even poorer land that will yield, say, only .8 of a tonne per hectare. Wages and interest fall accordingly and rent increases as a proportion of production. The proposal to abolish taxes and collect site-rent for public revenue would make it unprofitable to speculate in land. This would enable labour and capital to gain access to land of better quality that will yield, say, 1.5 tonnes per hectare. Wages and real interest will rise correspondingly as rent is reduced.

It should be noted that capital is wealth used to aid the production of more wealth instead of being consumed directly. To use a very simple illustration — if a farmer takes time-off from harvesting potatoes by hand to make an implement that will speed up the process, then the extra yield, although delayed, must compensate for the non-productive time taken to make the tool. The value of using capital to aid labour in producing wealth is measured by supply and demand in the market,

and expressed as interest. Interest, therefore, is wages the satisfaction of which is deferred. This means that the law which applies to wages also applies to interest. Labour and capital therefore share a common cause in the distribution of wealth.

The conflict which Trade Unions generate against "capitalists" (those who provide the capital and organise the employment of labour) therefore is contrary to the best interests of all who do useful work. When land-speculators take the lion's share of production, "the bone" that remains to labour and capital is smaller than it should be, and there is fierce and unnatural competition between workers and "capitalists". It is obvious that workers and those who invest capital have a common interest because, when wages are high, the use of capital is stimulated in order to contain rising costs, and interest rises. When wages are low the need to use capital is reduced and interest falls. (this applies to real interest and not to spurious interest which responds to the artificial manipulation of fiduciary currency in a debt-structured economy).

HUMAN RIGHTS AND PROPERTY

The first principle with which the raising of public revenue must be consistent is recognition of the right of property.

Property consists of the product of a person's labour applied, either directly or indirectly, to land. There are two kinds of property — individual property and common property.

If the person did not exist neither would the wealth he or she has created, or the services rendered, which will exchange for wealth. The right of property therefore exists in the product of a person's labour, to confiscate which is theft.

As people choose to settle in communities, personal, social and business relationships develop, from which locational advantages arise. Some locations closer to the centres of population, naturally, are more valuable than others in more remote areas. The particular advantage, conferred by society to each land-holding is measured in the market as "economic rent".

If society did not exist, rent would not arise. Rent therefore is common property which belongs to the community. Public services are necessary to make it possible for people to live and work in closely-settled and regional communities. Stated in another way, it is the value of such services which causes rent to arise, otherwise it would not be possible for people to congregate in cities, towns and even in farming areas which require

transport facilities, etc. The misappropriation of "economic rent" by those who have not created its value, therefore is theft, which cannot be sanctified by legal enactment.

People naturally and instinctively desire to have personal and business relations with each other because — "All men seek to satisfy their desires with the least exertion". This is the law of Motivation, which stimulates them to specialise in production and to exchange their products to mutual advantage.

The law of supply and demand determines the relative values of the products and services of each member of the community, and measures the advantages to each land-holder of the location he chose to occupy. Through the free price-structure the producer is directed how, when, and where, the greatest returns will result from the application of labour and the use of capital.

Interference by governments with the law of supply and demand by artificial wage-and-price-fixing edicts, the denial of the right of private property by taxation, the denial of the right of common property by failure to collect rent for public revenue, and all the interferences to production and consumption by bureaucratic socialist governments, is like sending a ship to sea without a rudder.

Whenever there is violation of the right of each person to "satisfy his desires with the least exertion", there will be a reaction, which in an uninformed society, will result in crime, vandalism, disorder, poverty, unemployment and all the stress-related symptoms.

COMPARATIVE OPERATIONAL COSTS

The writer's family owns a 1500-acre cattle and sheep farm into which development costs are poured every year, with continuous voluntary labour at week-ends and on holidays. This farm is taken as a typical example because the actual operational costs are known and the problem of making a realistic estimation of costs in a free economy, is therefore, more easily undertaken. The location is in the coastal region 130 km south of Perth. There is a 4 km water-course frontage on one boundary from which water is pumped to grow summer crops. The annual rainfall is about 860mm. Soil types are variable. River-flats of "bungham" clay are subject to occasional flooding and produce about 10,000 bales of hay per season. Summer feed in addition to pasture is grown on land irrigated with water pumped from the river, which accounts for the high fuel consumption.

There is a 40-acre peat swamp on the property which cannot be used to potential capacity for

growing summer crops because the outlet drain needs deepening. Despite repeated requests over the past 20 years and the payment of substantial drainage rates, the authority concerned is inactive.

In the following comparative schedule, Column A represents actual costs for the year 1984-1985. Column B is an estimate of costs that should apply in a tax-free economy and with site-rent paid to the Government on behalf, of the community to which it rightly belongs. (Cost differences are also shown as a percentage of Column A).

| Item | Operational Costs  | A\$      | B\$      | %    |
|------|--|----------|----------|------|
| 1    | Fertilizers — Chemicals                                      | 3,383    | 2,537    | -25  |
| 2    | Fodder Purchases   | 278      | 208      | -25  |
| 3    | Petrol, Dieseline and Lubricants                             | 7,583    | 4,550    | -40  |
| 4    | Freight & Cartage  | 1,091    | 818      | -25  |
| 5    | Motor Vehicle Repairs & Maintenance                          | 2,838    | 2,128    | -25  |
| 6    | Equipment Repairs & Maintenance                              | 2,213    | 1,660    | -25  |
| 7    | Seed   | 1,450    | 1,087    | -25  |
| 8    | Shearing & Crutching   | 1,809    | 1,357    | -25  |
| 9    | Breeding Improvement Experiment                              | 330      | 247      | -25  |
| 10   | Veterinary Expenses  | 660      | 495      | -25  |
| 11   | Stock Purchases  | 3,574    | 3,574    | —    |
| 12   | Insurances   | 3,918    | 2,938    | -25  |
| 13   | Expendables  | 1,862    | 1,396    | -25  |
| 14   | General Expenses   | 1,027    | 770      | -25  |
| 15   | Electricity (Subsidised)                                     | 535      | 803      | +50  |
| 16   | Depreciation   | 8,500    | 6,375    | -25  |
|      | SUBTOTAL   | \$41,051 | \$30,943 | -25% |
|      | ADMINISTRATION COSTS   |          |          |      |
| 17   | Telephone  | 1,160    | 870      | -25  |
| 18   | Bank Interest on \$20,000 @ 18% (reduced to 6% at Column B.) | 3,600    | 1,200    | -66  |
| 19   | Bank Charges & Taxes   | 687      | 344      | -50  |
| 20   | Office - Bookkeeping - Accounts                              | 1,500    | 1,125    | -25  |
| 21   | Accounting - Company & Taxation Rtn's                        | 1,250    | 626      | -50  |
| 22   | Payroll Tax  | 1,261    | —        | NIL  |
|      | SUBTOTAL   | \$9,458  | \$4,164  |      |
|      | PUBLIC CHARGES AND SALARIES                                  |          |          |      |
| 23   | Local & Drainage Rates Site Rent —                           | 4,249    | 9,182    |      |
| 24   | Salary, Farm Manager, Net                                    | 12,587   | 13,587   |      |
|      | Income Tax   | 1,962    | —        |      |
|      | Voluntary Labour   | —        | —        |      |
|      | SUBTOTAL   | \$18,798 | \$22,769 |      |
|      | TOTAL EXPENSES   | \$69,307 | \$57,876 |      |

|   |          |             |
|---|----------|-------------|
| Sales   | 62,915   | 62,915      |
| TRADING PROFIT OR LOSS  | -\$6,392 | +\$5,039    |
| Add the value of stock calculated for tax purposes at \$10 per head of cattle and \$1 per head of sheep | \$6,000  | \$6,000     |
| NET PROFIT OR LOSS  | -\$392*  | +\$11,039** |
| The improved results for the year in a free-economy then would be                                       |          | +\$11,431   |

\*This sum represents a loss of .6% on Sales.

\*\* This sum represents a profit of 18% on Sales.

NOTE: There is real depreciation of capital but no tax allowing for such in a tax free economy.

The stock-carrying capacity could be increased substantially under profitable operating conditions. 18% return on sales is a low rate of income in relation to capital invested. This is common to stocks and shares, high-rise city buildings and to all forms of investment which afford protection against inflation and tax-free "capital gains" (increasing land prices).

Annual returns will improve as land prices decline and ultimately it is realised that there is no profit to be made from speculating in land — as the economy is relieved of the necessity to provide unearned income to land-dealers and when there is no pressure to inflate the currency and force interest rates to uneconomic levels.

Explanatory Notes

25% has been deducted from operational expenses which is accounted for as follows:—

44% of the G.D.P. (gross domestic product) is absorbed by taxation for public revenue. 40% is the figure conservatively used. 35% of this 40% is deducted to cover the rent ingredient in the cost-structure and for real wage increases above the present "take-home pay" that could be anticipated in a prosperous economy in which there is no unemployment and therefore equal bargaining power is restored to labour and capital. This leaves a remainder of 25%.

40% has been deducted from fuel-oil costs because there is a 66% tax imposed. 66% on cost is equal approximately to 40% off retail prices. Electricity cost, at present subsidised has been increased by 50%.

The farm manager's net wage has been increased by \$1,000. He would also benefit from the reduced costs when spending his income. In addition to his salary, the farm manager receives free accommodation, rations, electricity, petrol and telephone, which is a normal allowance.

No doubt the Federal Treasurer intends to have such supplementary income evaluated and taxed under his fringe benefits imposts. This, in addition, will call for more form-filling and increased accounting fees.

The Accountant's fee has been reduced because there would be no taxation and therefore no Company returns needed. The farm-owners' financial position in a free economy would be their own business and the concern of no one else.

No deductions have been made in respect of stock purchases or sales because farm product prices are fixed generally in the World market.

Local drainage rates would be absorbed within the site-rental charge which would suffice for all tiers of Government.

The rental charge of \$9,182 has been arrived at by taking the official valuation of capitalised rent at \$230,800, which includes a speculative expectation of future gains, due to population increase and to advances in science and technology. Twenty percent has been deducted to cover such anticipations which would reduce the capitalised rent to present capitalised use-value, ie: to \$183,640. Current site-rent is then arrived at by the normal method of assessment at 5% of the net capitalised value.

The U.L.V. assessment which is \$378 per hectare is considered to be reasonably up-to-date.

The total value of the property as a going concern is estimated as follows:—

|   |                  |
|---|------------------|
| 1. Assessed land value  | \$230,800        |
| 2. Improvements — clearing, pasture development, water supplies, fencing, roadways and buildings etc. | 450,000          |
| 3. Equipment and motor vehicles   | 34,000           |
| 4. Stock  | 135,000          |
|   | <u>\$849,800</u> |

The land price at about 50% of value of improvements does not appear to be understated, but it may well be too high.

The total capital investment which consists of improvements, plant and stock is valued at \$619,000. The unimproved land-value, (U.L.V.) is not capital and moreover is due to social growth, not to the efforts of the farm-owner. It therefore should not yield a private income.

If there were an owner-tenant relationship, the owner would expect to recover a lease rental equal to the value of site-rent plus interest on improvements at current rates. This would not be possible under present conditions and the owner would have to be satisfied with all he could get

after leaving a minimum living allowance to the tenant.

This has been the experience in England where tenant-farming is quite a normal arrangement.

It is of interest to note that the land-value has increased from about \$30,000 to \$230,000 in approximately 25 years, but has yielded no income except what had to be spent on capital improvements.

At 6% of capital invested (\$619,000), excluding land-value the farm income should be not less than \$37,140, which could easily be realised within a short period in a free-economy, plus a reasonable return for voluntary labour and a bonus to the farm manager.

At interest rates of 18% the annual yield should be three times as much, ie: \$111,420, to equal the return from investment in the money-market, which is quite impossible.

Once something approaching real profitability is reached, it would pay the owner handsomely to offer the farm manager an incentive bonus based on results achieved.

The example given may or may not be typical of average costs, but from the vociferous complaints of farmers reported in the press and observation of steadily-rising costs, it cannot be very wide of the mark.

It is painfully obvious that the average farmer under present conditions, is paying more in taxes, direct and indirect, than his meagre income from invested capital. Rural industry is so depressed at the present time, that it would be very difficult to realise on assets at normal values. If there were to be a move to foreclose by the banks, many farmers would just walk off their properties. They really only exist as caretaker-managers for financial institutions. It is obvious that those farmers who are heavily in debt are in a hopeless predicament.

It is believed that wheat and sheep farmers are in much worse trouble than cattle and sheep producers in good rainfall areas in the South West coastal plains.

Let it be assumed that a wheat-farmer has a \$1,000,000 investment in property, improvements, equipment and stock, not including land-value. If not too heavily in debt, he could be making a small profit or at least breaking even. If this sum were to be invested in a building society at current interest rates, the annual return would be in the order of \$150,000 less say 50% direct tax = \$75,000; for which no effort or skills would be required. At 6% in a free-economy the return from the farmers invested capital should be \$60,000 tax free.

In the present state of the rural economy he

would be lucky to net \$30,000 less say — one third tax = \$20,000 or, if heavily in debt, would be losing money after paying bank interest.

What a shocking exposure of the tax-structured economy, when without effort, a wealthy investor can receive a handsome return while a skilled farmer, producing essential products upon which the whole nation depends, must survive, if he is lucky, on a quarter of the return to investors, or otherwise live in constant fear of insolvency.

Australian people working in protected industries are living at the farmers expense.

### SIMPLIFIED ACCOUNTING

An account would be received quarterly, half yearly or annually for **site-rental** due to the State on a pay-as-you-earn basis. There would be no interest to pay on mortgages based on land-price (capitalised rent) and no other forms of taxation or tribute to be paid for legalised monopolies. Licences and registrations would only be required in the interests of public health, safety or conveniences.

The cost of reticulated services, if provided, would be limited to cover production and distribution, but not capital costs which would be reflected in rental-value. Obviously land served by water, gas, electricity and telephone facilities, etc. would be worth more than unserved or partly-served land. Consumption or usage charges would only apply in order to discourage waste, particularly for water, which will become a scarce commodity in Australia as its population increases.

Accounting services, instead of being used to deal with the legalities of a taxation system, the injustice and complexities of which are beyond precise definition and enforcement, even at enormous cost, would be used to analyse costs in relation to returns, and assist the farmer to use his labour and capital in the most profitable direction. Accountants at present are virtually an expensive extension of the Taxation Department.

### RURAL PROSPERITY

If rural industry received a fair return, related to hard work, good management and wise capital investment, such income would be spent in ways that would benefit the nation and stimulate employment. In a free-economy it would pay to use land, but speculation would be unprofitable. Land-users would pay the market-value of the opportunities and advantages afforded by their particular holdings, and nothing more — no taxes or imposts of any kind would be imposed.

In the event of drought or a series of bad seasons, the unimproved rental value of the farm land would fall because of market forces. This would provide automatic relief without the need to go cap in hand to the bureaucracy.

Insurance against such eventualities also could be afforded to cover loss of profits, etc.

### ALARMING STATISTICS

In the 1984-1985 season, total farm income in Australia, adjusted for inflation, was only about three-quarters of its value in 1981-1982, and about half its real value compared with the 1979-1980 season.

The farmer is caught between steadily-rising production costs and declining income. The most savage increases are for taxes and charges imposed by governments, coupled with high interest rates, for which governments also are responsible due to their policies of planned inflation and increased borrowing.

In Victoria since 1980 there has been an average increase of 40% in farm operational costs, not adjusted for inflation. During this period government-controlled prices and charges have increased by 60%. In the same period the average price of farm output increased by only 13%.

Not all branches of rural industry were similarly affected. Price-support schemes and subsidies cushion the blow for some farmers, but in all cases real incomes have declined. It is interesting to note that the Federal Government is now considering a proposal to pump \$150,000,000 into the Sugar industry.

Between the years 1980 and 1984, according to the Bureau of Agricultural Economics, vegetable and dried vine fruit growers suffered most, with their incomes declining by 73% and 64% respectively.

Wheat and live-stock producers suffered a 25% decline, wool-growers 13%, pig-raisers 8% and dairy-farmers were the least affected with 3% decline. The average income decline was 21% and average cost increases 6%.

Those farmers who are heavily in debt will be in a hopeless position facing a 45% rise in interest rates, unless there is a radical change in government policies.

The figures quoted have been reproduced from 'FACTS', published by the Institute of Public Affairs.

If it is any consolation to impoverished farmers, they have some mates among the leaders of industry.

According to Joe Keeling, finance editor of the "Daily News", (W.A.) in an examination of wages and salaries in 14 developed countries, Australian workers (if they are lucky enough to have a job), are the fourth highest paid, and Australian executives are the third lowest paid, the latter receiving only 37% of the salaries of their counterparts in the United States. Many small businesses, operating under cut-throat conditions and battling for survival, cannot afford to pay their executives a scale of wages to match the artificially-inflated rates that some Trade Union members receive. It is these people the Socialist Labor Government affronts with its 49% tax on fringe benefits which formerly were some minor compensation for the disabilities imposed and a contribution to self-respect.

When all factors are taken into consideration, such as increased unemployment and insolvency in the catering industry and among its suppliers, loss of profits in the automobile industry, loss of tax on wages and profits, increased welfare payouts and the wasteful cost of collection, it is unlikely that such taxes will yield a net return to revenue. In the farming industry the value of accommodation, rations, etc, could well be assessed at \$100 a week, which would attract a tax of 30 to 49 percent, depending on employment conditions.

Karl Marx declared that destruction of the middle classes — the entrepreneurs, the organisers of employment and self-employed people — was an essential prerequisite to the collapse of the "capitalist" system, and the establishment of a Communist dictatorship. We are well on the way — taxation, of course, is a most important weapon; coupled with the destructive effects of land-price, profligate government spending and prohibitive interest rates, this is a witches brew that spells impending disaster.

#### PRESERVATION OF THE SOIL

Man is a land-animal. Without the life-sustaining qualities of land, he cannot live.

Land is the heritage of this and all future generations. The prime function of government is to ensure that its quality and utility is preserved in perpetuity. We know how the utility of land can be destroyed by soil erosion, salt encroachment and receding rainfall, etc.

Historians tell us that the Sahara Desert was once the granary of the Mediterranean countries, and there are many instances of the destructive effects of over-cropping and over-grazing. This is well-known to rural industry, but how do you tell a farmer who is heavily in debt and struggling for

survival to spell his paddocks, reduce his herd, introduce organic fertilizer, drain his land, diversify his operations or adopt any of the well-known methods of soil-conservation?

If farmers were freed from taxation, debt, and all the crippling effects of socialist government policies, improving their land would be not only of prime consideration to themselves, but the nation would also insist that such obligations be accepted. For their own part, governments on a regional scale would provide for main drainage channels, re-afforestation projects and conservation of the national heritage. This is already carried out to some extent and agricultural scientists are well aware of what is needed. But when governments are deprived of their natural revenue, and have to rely on disincentive taxes for the provision of essential services to land which benefits directly on 6% of the population, it is not difficult to appreciate why the more powerful pressure-groups are able to direct the expenditure of public income into capital areas, to attract population to generate unearned income from rising land-prices for the benefit of the favoured few.

The media, from time to time, even lists panels of multi-millionaires in order of their affluence based on privilege to bleed the working people, as if the existence of such a class was an achievement to be admired. Enormous profit increases have just been reported (August 1986) for the three largest speculative groups in Australia. One of the latest manoeuvres is to form development corporations composed of government and multi-millionaire consortiums to build highrise hotel and office accommodation. It is significant that such "enterprises" are usually located in areas in which there is expectation of rising land-prices, but not necessarily a public need. The Superannuation Board and the State-owned bank are often involved in order to minimise taxation.

The net result will be to worsen the plight of existing competitive industries and create further traffic congestion, but more people will be brought into city areas and land-values will rise to provide further unearned income for the privileged few. Most of these new projects have no prospects of earning more than a few percent. Public equity will then be acquired by the "right" people, at a greatly reduced price. This is the pattern that such ventures have usually followed in the past. The rake-off for a few people, not forgetting the selected builder and the Builder's Labourers' Federation which controls all major city development, will by far exceed any possible benefit to the State.

It used to be a firmly established principle that where-ever public moneys were involved, competitive tenders had to be called. The new multi-millionaire based, consortium arrangement, is provided with public funds but relieved of the normal ethical conditions.

It is not a function of Government to provide hotel and office accommodation. The former industry is already over catered for, and the demand for centrally-located office-space is created artificially by the need to administer the largely unnecessary complexities of modern government. For such reasons our basic industries are being taxed and regimented into insolvency, and basic conservation and environmental protection obligations, which are a proper function of Government, languish for lack of funds.

#### THE CONCENTRATION OF LAND-VALUE

It is just 101 years since "Social Problems", by Henry George was published. In chapter XX George shows that the working farmer has most to gain from a "tax" (as it was then called) on the unimproved value of land, and the abolition of all taxes which discourage employment and production.

The following excerpt could have been written for this generation:

"While at first blush it may seem to the farmer that to abolish all taxes upon other things than the value of land would be to exempt the richer inhabitants of cities from taxation; and unduly to tax him, discussion and reflection will certainly show him that the reverse is the case. Personal property is not, never has been, and never can be, fairly taxed. The rich man always escapes more easily than the man who has but little; the city, more easily than the country. Taxes which add to the prices bear upon the inhabitants of sparsely-settled districts with as much weight, and in many cases with much more weight, than upon the inhabitants of great cities. Taxes upon improvements manifestly fall more heavily upon the working farmer, a great part of the value of whose farm consists of the value of improvements, than upon the owners of valuable unimproved land, or upon those whose land, as that of cities, bears a higher relation in value to the improvements."

"The truth is, that the working farmer would be an immense gainer by the change. Where he would have to pay more taxes on the value of his land, he would be released from the taxes now levied on his stock and improvements, and from all the indirect taxes that now weigh so heavily upon him. And as the effect of taxing unimproved land as heavily as though it were improved would be to compel mere

holders to sell, and to destroy mere speculative values, the farmer in sparsely-settled districts would have little or no taxes to pay. It would not be until equally good land all about him was in use, and he had all the advantages of a well-settled neighborhood, that his taxes would be more than nominal."

What the farmer who owns his own farm would lose would be the selling-value of his land, but it's usefulness to him would be as great as before — greater than before, in fact, as he would get larger returns from his labour upon it; and as the selling value of other land would be similarly affected, this loss would not make it harder for him to get another farm if he wishes to move, while it would be easier for him to settle his children or to get more land if he could advantageously cultivate more. The loss would be nominal; the gain would be real. It is better for the small farmer, and especially for the small farmer with a growing family, that labour should be high than that land should be high. Paradoxical as it may appear, small land-owners do not profit by the rise in the value of land. On the contrary they are extinguished.

The truth revealed in the foregoing statement is confirmed and reinforced by an examination of land-values in Australia in 1985. As nearly as can be estimated under the unstable economic conditions which prevail today, — in terms of unimproved land value. — One acre of central city land is equal to 40,000 acres of the best wheat-growing land. One acre of the best residential land with river views is equal to 12,000 acres of good wheat-growing land. One acre of inner-suburban land zoned for high-density residential occupation is equal to 4,000 acres of good cattle - and sheep-producing land. One acre of select residential land without panoramic views is equal to 20,000 acres of low-rainfall wheat-growing land. One acre of central industrial land is equal to 3,000 acres of average cattle - and sheep-country. One acre of suburban industrial land is equal to 1,000 acres of poorer cattle - and sheep-producing land.

The foregoing examples prove conclusively where the land-values lie, and consequently where public revenue would be drawn from if based solely on "economic rent". The present drift of population from the country to the cities is having a corresponding effect on land-prices which rise as population density increases. However, since all secondary and service industries are supported by basic industries, an insolvent rural community will, in turn, bring disaster, to the metropolis, if present trends continue.

There is a saying that "figures can't lie but liars can figure". Statistical information in this booklet

has been gleaned from various sources in respect of which the degree of accuracy is unknown. Although the reader is asked to take a cautious view of statistics, the supporting evidence appears to be so overwhelming that the farmer's plight might be even more serious than indicated.

#### THE "PITT STREET FARMER"

The Pitt Street, Collins Street, St. George's Terrace, or whatever Street farmer might apply in the different States, is intended as a derisive expression in the same sense that Communists refer to "Capitalism" as synonymous with exploitation. It is true that certain people, making excessive profits, are attracted to buy unprofitable companies with a view to minimising current taxation and have relied on so-called capital gains to take their profit in the future. Farming from this view point is not so attractive as it used to be. The tax man has plugged most loopholes and in the process also has denied the working farmer some desperately needed relief from the crippling effects of taxation. There is no such stigma attached to other methods of investing capital, in the share market or, indeed, in land-speculative ventures in non-rural areas. No one complains when a multi-million dollar syndicate induces a Local Authority or a Government Minister to change the zoning of recently-purchased land and further millions of unearned profits result.

There is no good reason why capital investment in farming properties should differ from any other form of capital investment. When taxes are abolished and society is paid its natural revenue, capital investment in any sound venture can only be beneficial, both to the investor and to the community. It is speculation for the purpose of exploiting the labour of others that is anti-social. This would be impossible in a society based on scientific principles and natural law.

In the just conditions of land tenure and use that is here proposed there would be equal opportunities for all the different interests involved in farming, together with all productive effort. The owner-farmer, the investor-farmer, the tenant-farmer, the share-farmer and indeed the farm-labourer, would all receive a just return, fixed in the free-market, for their labour or capital investment contribution to production. Such conditions would apply equally to every other form of industry.

A most important consideration is that the public service, living under preferred conditions, at the expense of many impoverished people, could be reduced to about one third of its present strength, and still be proportionally larger than, for example, in Japan.

There would be no basic monopoly in the land — our national heritage, — or a need of all the multitudinous counter-monopolies, with the Trade Union movement in the van, imposing intolerable regulations and on-costs on people who just want to be left alone to work. The robbery of public debt and inflation bequeathed as a legacy to our children, would not be tolerated by decent people. All that is necessary is to apply the same business principles which are essential for the solvency of industry, and, indeed, for the domestic economy. Involuntary poverty and unemployment would then be impossible.

The poor people would be only those who avoided honest work. Many such people are now in the multi-millionaire class, paraded before us as examples of success to be admired, reaping honours from generous gifts of charity with funds extracted from working people because of the legal right to levy tribute.

#### THE FARMER'S OPTIONS

When clearly understood the farmer's options are:—

To support a free-enterprise society and make an honest profit from using his land, or  
To continue the tax structured socialist society in which it will become increasingly difficult to make a living, but with the expectation of leaving an unearned legacy, included in his assets, when he dies, or sells his property — assuming there is no change in the economic structure of government. This legacy will consist of the unimproved capitalised rental value of his land (land price). The value of improvements to his land, also included in the selling price of the farm, will not however, be as substantial as would be the case in a free-economy because taxation and its accompanying restrictions will offset, to some extent, the unimproved land-price component of the estate.

#### THE DRIFT INTO ECONOMIC CHAOS

What follows is a summary of the conditions which attach to land-use in a socialist-structured economy:—

The present scale of taxation continued with little or no reduction, and with the possibility of increases, together with new taxes being introduced. For example, 'capital gains' taxes and death duties are inevitable. It is only a question of how long such legalised robbery can be postponed.

Crime and the cost of maintaining law and order will increase because taxation is robbery and it is not realistic to expect the people to be more honest than their government. In addition, there are the temptations caused by idleness, pov-

erty, injustice and frustration. Corruption is probably the greatest problem to be faced in a socialist, tax-based economy. When artificial regulation is substituted for the law of supply and demand, the opportunities for bribery and corruption are unlimited. Almost daily the press features some new disclosure, but without sufficient evidence upon which to base positive corrective action.

The 'Quango' (best described as an autonomous committee vested with powers by government) is one of the favourite methods of providing "jobs for the boys", wasting public money and interfering with industry. There are literally dozens of quangos, the activities of which seldom see the light of day. The Sunday Times (Perth) reported in its issue of 8/9/85 that the Urban Land Council, described as Western Australia's most lavish Quango, operating with doubtful legal authority, had debts of nearly \$22,000,000 written-off by the Federal Treasury.

Vandalism, drug-abuse and other forms of escapism will increase. Is it likely that 20% of unemployed youth and 70% of unemployed Aborigines, together with the general body of jobless people, will remain quietly at home twiddling their thumbs?

Monopolies, sinecures and waste, inseparable from a regimented society will continue to increase and worsen as socialism gains momentum.

Inflation (disguised taxation) will continue as a permanent feature of the economy because, as taxes destroy the incentive to produce, public revenue based on production must decline. The short-fall can only be made up from devaluing the currency and borrowing.

Increasing indebtedness in the private sector is inevitable because taxation-induced poverty deprives the producer of the capital needed to keep abreast of competition and the consumer of many of the modest luxuries needed to lessen the drudgery. The public sector, deprived of its natural revenue and unable to finance from taxation, must resort to borrowing on an increasing scale, to meet the rising rate of interest on debts including those incurred by previous improvident governments.

Interest rates (which should be about 6%) will, with the inclusion of spurious interest, continue at about 20%, which is more than three times the normal earnings of capital. Any temporary reductions will be too late for many stricken farmers.

Over-government which is always bad government, must continue, at about three times the necessary size, to support an entrenched bureau-

cracy. Young people are growing up and reaching the voting age, who have never known anything different, and will be influenced by promises of continually increasing hand-outs.

Mental health will continue to deteriorate because of the stresses caused by poverty, injustice and a regimented society. The rate of suicides and homicides has already reached alarming proportions.

Effective defence will remain virtually impossible. Governments cannot afford to keep up with advancing technology.

Many young people have never had a job and seek to avoid what they have never experienced. Others break their hearts because of being denied the normal aspirations of manhood and womanhood.

A class-conscious society will continue to be generated by Marxists, setting blacks against whites, workers against the boss, woman against their men-folk, pressure-groups lobbying for preferential treatment, etc., while the gap continues to widen between the multi-millionaire class and the jobless, the former spawned by immoral temptations to gamble in the people's estate, and the latter denied even the right of access to the earth.

Monetary manipulation will continue to support the demand to spend now and pass the bills to the next generation, if its citizens are foolish enough to pay.

The drift from the land will continue as taxes increase and farming becomes even more unprofitable. Governments will do anything for farmers and small business men except get off their backs.

Artificial price-support schemes will continue. The inevitable result will be over-production of unsaleable products. There are already surplus stocks of wheat, eggs and other commodities interspersed by occasional shortages. This is usually followed by licensing production for the purpose of restricting output.

The prohibition of Aborigines being allowed to work for what they can earn will continue, seemingly, in order to protect the white man's job — and as compensation, governments will tinker with ill-considered "land rights" promises not available to white men, some of whom must work for a quarter of a century, just to get the title to a tiny home-site.

Is all this to be endured to enable the farmer to cash-in on socially-generated land-price "pie in the sky bye and bye", in the twilight of life when, the

prospects of enjoyment are on the wane? Farmers should try living now, and do something for their children while they are young enough to share their joys.

Also to be reckoned with is the growing threat of land nationalisation which the ageing farmer may escape, but will his children, and for how long? (The Labor Party in the U.K. is already drafting proposals to nationalise certain classes of land).

"Everyone who uses land, either directly as in farming, or indirectly for their home-site or in any form of secondary industry and commerce, would be much better-off if taxes were abolished and site-rent became the sole source of public revenue."

### TRANSITION PROBLEMS

We must, however, also consider the ageing population and the infirm who are past benefiting from the abolition of taxes on production. The annual rental-charge would in such cases be deferred until they die or their property is sold. They would also benefit greatly from reduced prices as sales taxes and other indirect taxes are removed, particularly from fuel and public utilities which are increasing at an alarming rate. The Western Australian Government is said to have increased taxes and charges by more than 50% in less than 3 years.

In a buoyant economy with a just distribution of wealth, generous old age and invalid pensions could be afforded and paid as a right, free of means-test, as some measure of compensation for the contribution to rent and taxes paid during the working life-time of the older generation.

There is also a problem when people have paid high land-prices, in recent years, perhaps from their hard-earned savings. For young people, a future tax-free life-time and the abolition of spurious interest on the home or business mortgage would afford generous compensation. Fortunately not so many people without even a part-time working future are involved, and some form of compensation in cases of hardship would not be unreasonable.

The national income would increase as the idle rich and the idle poor rejoined the workforce. People would not be forced into the boredom of premature retirements — the unwanted discards of a sick society. The cost of assisting those in genuine need during the transition period would be infinitesimal compared with the alarming growth of the national debt with its impossible burden of spurious interest payments.

The problem of considering each individual case on its merits would be difficult. For this reason it is proposed that the full collection of 'economic rent'

should be phased-in over a three-year period, with taxes reduced correspondingly. The abolition of taxes such as payroll taxes, fuel taxes and sales taxes, imposed on people or firms not making profits, would have a high priority in order to halt the alarming increase in poverty and insolvencies.

From an opposite view-point (it must be considered), land speculators, who with legal sanction have been robbing people for years, will not be expected to compensate their victims, because this would be impracticable. The beneficial effects of the collection of economic rent for revenue would be felt before being fully implemented, once it was realised that there is no profit to be made from land-speculation.

### CONCERTED ACTION NEEDED

It has been a comparatively simple exercise to demonstrate the evil effects of governments attempting to rule in defiance of laws of economic science, and to make a comparison with the natural order. To advise the rural community how to deal with the effects, which together with greed and ignorance, have reigned supreme, no matter which political party was in office, is a much more difficult and formidable task.

Yet the attempt must be made. There is a saying — "thrice armed is he who hath his quarrel just", and the Australian people, if they can only be made to understand, may be trusted to do the right thing. There is still a remnant of the spirit of Anzac in the Nation. When one considers the mateship and the supreme sacrifice of so many of our finest young men, who believed they were fighting to make the World "safe for democracy", dare we betray them by failing to make the effort?

H. G. Wells believed that socialism would corrupt the nation and its leaders to the extent that even the instinct of self-preservation would be lost. Appearances are that Wells was right. Let us prove him wrong.

How do we set about such a task?

The farming community is irate. How can this anger against monstrous injustice be turned from being reaction to calculated organised achievement and ultimate success? Firstly, let an assessment be made of those who have most to gain — organisations which should close ranks and join issue with the farming community. Small business which provides employment for about half the nation, is already beginning to organise, but its leaders appear to be the same old gang, with old discredited policies refurbished for the occasion.

The Australian manufacturers, who, to date, have relied upon the sheltering of industries behind protective tariffs and mild restraints

against militant Unions, could be made to see the light, with proposals that would ensure a buoyant economy, near-full employment and alternative opportunities for investment, tax reductions and reduced costs, in advance of the complete removal of trade restrictions. The Chambers of Commerce have always favoured free trade but, without an understanding of how this can be achieved, have never been identified with the vital reform of the conditions of land-tenure.

Master builders, architects and other professionals in the Construction Industry should only need their attention drawn to the stimulus that lower, and ultimately zero land prices, would bring to their industry, which is probably more closely related to the efficient use of land than any industry other than farming. The Building Industry Congress, with the support of Sir Albert Jennings, once endorsed the proposal to untax buildings and improvements and collect land-rent, for Local Government revenue.

The system advocated herein is currently the basis of the greater part of L.G. revenue in the mainland States of Australia. The machinery already exists for its extension and the abolition of taxation. In this regard Australia has the advantage over the U.S. and the U.K. We are off to a flying start.

Imagine the accelerated demand for housing if young couples could acquire their home-sites on a pay-as-you-earn basis, without having to pay land-price of — say \$20,000, plus \$40,000 interest, before the final payment is made. Moreover money borrowed for the building would be at 6% instead of a tax-payer-subsidised 15%; not to mention that the abolition of taxation would make it possible for a more spacious and comfortable house to be built.

Insurance companies have much to gain, but the benefits are not so easily appreciated. Their leaders look on high interest rates as a boon that will enable business to be attracted by high bonus payments arising from investments in the money market. It is becoming recognised that under inflationary conditions, endowment policies are not really a good investment. Like most other investors, the insurance industry recognises that land-speculative investments generally are more profitable than investments in productive industry.

We would reverse the process, making it easier to sell life insurance by offering more attractive returns, not eroded by inflation, and also abolish the unfair competition of government agencies.

The average working man, of course, would be much better off if he contributed nothing more to

public revenue than the rental-value of his home-site, but because he is brainwashed and dominated by Union pressures, it would be too costly in the first instance, to solicit his support. This will come in due course, when the Socialist bureaucratic empire begins to disintegrate and real prosperity returns to the nation. The support of "right-wing", non-Communist dominated Unions might be forthcoming if policies were skilfully presented to them.

### POLITICAL POLICY CHANGES

The political Party that comes first to the realisation that it could remain in office indefinitely, riding on a wave of real prosperity, should readily adopt and put into effect the policies advocated herein.

The Liberal Party need only be referred to its foundation policies which created the British Empire — the greatest association of nations the World has yet known, and referred again to what has been the result of the abrogation of such policies — the eclipse of once Great Britain to become a second-rate nation with the loss of its empire. The Liberal Party is virtually without a policy, other than a timid echo of Marxist — and Keynesian-inspired dogma. Its attempted switch from direct to indirect taxation, which would have shifted the burden to those least able to pay, fortunately for the Liberals, was stolen by Labor and emphatically rejected by the Summit Conference.

Privatisation, now being trumpeted, essential as this may be, will not work unless accompanied by collection of the people's natural revenue. All that will be achieved by tax reductions without land reform is a stimulus to land-speculation, a greater artificial scarcity of land, and higher land-prices, reaching levels beyond the reach of industry and prospective home-site buyers with rising inflation, debt and interest rates, plus an increase in poverty and unemployment.

Any alternative government which succeeds the present extreme socialist administration, will be faced with such an economic mess that, without the implementation of policies consistent with natural law, its task will be hopeless. One futile uneasy term of office is the best that can be expected, followed by an even more extreme "left wing" government. It is doubtful if the nation can survive another such cycle, similar to the Whitlam-Fraser-Hawke record of disasters.

If the farming interests, after examining the arguments presented in these pages, could organise a representative conference of the listed groups with full opportunity for unbiased consideration, then concerted action might well be

achieved. Rural industry can be rehabilitated and prosperity restored to our beloved country.

A first essential would be the endowment of a chair of Classical Economic Science with the teachings of Henry George, the World's greatest economist, included in each of the Australian Universities. When such people as Einstein, Tolstoy, Sun Yat Sen, Helen Keller, Churchill, Lloyd George and many others, have extolled the writings of Henry George, can an impartial examination be refused?

Only in the case of a war of survival can there be any justification for the confiscation of property by taxation or any other means, because one man's life cannot be measured against another man's property.

Millions of unfortunate people are dying needlessly every year in the Third World because ignorant monopolist governments deny them the protein-rich foods necessary for survival. To sell food in such markets, under present conditions, costs must be contained and reduced. Australia could become the most prosperous nation on earth, at the same time setting an example of stable economic management to the under-developed Countries. Good Government, once introduced to our customers for farm products, would result in such a demand that our only problem would be how to accelerate the rate of rural production.

#### THE "NEW RIGHT" PRESSURE GROUP

Yet another misleading label has been added to political confusion by a formidable array of businessmen, politicians and disillusioned civil servants. Its policy to establish fair industrial relations with Trade Unions, a reduction in taxation, the size and functions of government and of public expenditure, is undoubtedly what the country needs, however, such objectives are not possible of achievement without the basic fiscal reforms advocated herein. Such policies are not new and at one time were endorsed by the Tory Party of England, currently by groups who describe themselves as Libertarians, by the now defunct "Workers"-cum-"Progress" Party in this country, and indeed are very similar to the policies of the Conservative Party Government led by Margaret Thatcher in the U.K. Attempts to implement the Conservative policies have created record unemployment and poverty in England and Scotland with the farming community most seriously affected.

The reason known to Classical Political Economists for over a century, is that all taxation, monopolies, sinecures and wasteful government

expenditure, ultimately are at the expense of rent, and all reforms, therefore, are to the advantage of land-owners as such. This anomaly arises from the superior bargaining power of land-owners as compared with labour and capital (land-users). This country is torn between the Ultra Conservative Right-Wing Socialists who would serve only the interests of land-speculators, and Left-Wing Labor Socialists who want to tax everything that moves or shows any signs of animation, and who believe that wasteful public expenditure creates jobs. In either case the land-dealers are laughing all the way to the bank.

Traditional Liberal, middle-of-the-road policies recognising the right of both individual and common property, never get a mention. People who do not know that land is the staff of life, the sustenance for this and all future generations, and that the conditions of land-tenure are of paramount importance and the key to a free economy, are in need of re-education. Further empirical experiments, with such a record of proven failure, inconsistent with natural law and economic science, would spell disaster for Australia as it has in the Mother Country.

#### THEORY AND PRACTICE

In the foregoing pages the farmer has been given the theory of a truly free-enterprise economy with supporting statistics and practical examples; however the problem remains that society has been corrupted and criminalised by the fiscal-structure and by bureaucratic regimentation to such an extent that it is difficult to distinguish between truth and falsity, integrity and dishonesty.

Political pressure-groups seeking short-term self-interest, regardless of ultimate consequences, have clouded even the clearest of propositions to such an extent that it is difficult for good people to conceive of a society in which it would pay to be honest, and that public revenue can be raised in such a manner that incentive to produce is actually stimulated and not destroyed.

The proposals set out herein are demonstrated as being beneficial, in theory, to all who do honest and useful work. It should also be established beyond reasonable doubt that in practice, from a view-point of self-interest, the farming industry would again become profitable and the rural community would be much better off. This is not as easy as it may seem. The whole economy has been distorted to such an extent by empirical dogma, by artificial palliatives, by interference with natural law, by making legal crimes of natural habits, and, in short, by over-government and bad government, that nothing is clear. It is fright-

ening to learn that in the past 20 years 48,000 new laws and regulations have been inflicted on the Australian community, many in breach of freedom and human rights.

Nevertheless an attempt has been made to show that, not only the land-owner-user-farmer, but also the land-owner-investor-farmer and the tenant-farmer will be better off despite the paper 'losses' which would accompany the disappearance of capitalised rent, ie: land-price.

#### APPENDIX I ABORIGINES AND THE LAND

Contract employment would also be available for Aborigines or regular work on the stations in return for what they could earn. There could be no exploitation under conditions of full employment freed from artificial regulation. Aborigines who wished to better their condition could also acquire and develop their own land without assistance from governments or being a burden on public revenue. They would have exactly the same opportunity as white people, and neither black nor white people would be obliged to pay tribute to land speculators.

All the current propaganda in support of "land rights" for Aborigines which are not available to white Australians, should be exposed as the dangerous nonsense it really is. If successful, the granting of "land rights", so called, would turn Australia into a divided, instead of an integrated nation — still without conferring tangible benefits on the native people.

If Aboriginal welfare is a genuine consideration, why is there so little mention of conditions of employment and the need to improve social conditions with dignity through their right to work? In 1968, wage fixing tribunals under political direction fixed the minimum wage for which Aborigines could be employed, at well above average earning capacity and at rates which farmers could not afford to pay. This caused mass unemployment of Aborigines, 70% of whom now live on the dole plus perks not available to the white man. Politicians consider this preferable to allowing Aborigines to work for what the market will bear.

Enforced idleness, money for nothing and being plied with alcoholic drink, to which they are not accustomed, is a diabolical combination. A once care-free and happy race, at one time a valued and integral part of the pastoral industry, is being destroyed and degenerated to please impractical Socialist theoreticians.

In a free-economy there would be no dole available to able-bodied people of any colour, and wage rates would rise because of full employment, but

not beyond the farmers capacity and willingness to pay.

#### APPENDIX II DEMOCRATIC ELECTIONS

A truly democratic system for all elections throughout the Nation would give tremendous support to the task of rehabilitating the rural economy. **Proportional Representation** (P.R.) is the best system yet devised for ensuring that the largest number of people are represented in parliament and in Local Government. No radical experimentation is necessary, P.R. is already in successful operation for the Senate, the State Parliament in Tasmania and to a considerable extent for Local Government in New South Wales.

Single-member electorates are prone to gerrymandering and in general restrict the elector to two policies. In this country the choice is between the more extreme form of Labor socialism or the milder Liberal socialist policies which have become a timid echo of the former. Under P.R. in theory, the number of candidates is not limited, but in practice, should not be less than 5 or more than 13 per electorate. This ensures that many shades of political thought may be represented in government, depending on the number to be returned from each electorate. Majorities are thus obliged to compromise with minorities which historically include the studious and more responsible section of the community.

The catch-cry from the more extreme socialist section is for "one vote one value" with the object of reducing representation in rural areas and increasing this in the cities where militant Unions mainly operate. The rural vote is loaded to compensate for the disadvantages of tariff "protection" and other policies which favour city-based speculation and monopolies. This loading is of little help to the farmer because, as stated, in single-member electorates the choice is confined mainly to the degree of socialism that must be tolerated.

It is not realised, that unless the elector's vote helps to elect the candidate of his or her choice, that person is effectively disfranchised. In Australia, with preferential voting, about 45% of votes cast have no value at all. In England, under the "first past the post" system, with three candidates, it is possible for 66% of electors to be disfranchised. Britain has only had a majority government once since the turn of the century. Under P.R. in a ten-member electorate, only 10% of votes can have no value.

Under P.R. a National Party, with policies supporting a truly free-economy, could draw support

from the whole State to represent, not only the farmer, but also small business and all genuine people willing to work for an honest living, who, at present, have no effective voice in government.

Voting should not be compulsory; apart from the violation of freedom, it is courting disaster to force a person, ignorant of civic affairs, to vote. Compulsory voting is imposed by those who realise that an ignorant person can more easily be influenced by propaganda than an educated person. In order to assist people living in remote

situations, the conditions of postal-voting should be relaxed to permit optional voting by mail.

There is ample literature available to explain the operation and advantages of Proportional Representation.

Most importantly, however, it is essential that farmers understand the principles of political economy and ensure that their representatives conform with the immutable operation of Natural law. Just another political party with the same discredited policies has no hope of success.

#### **THE PROBLEM**

Taxation, Debt and Inflation,  
are  
Destroying and Criminalising Australia,  
making  
Multi-Millionaires Richer,  
causing  
Unemployment, Poverty and Misery,  
in  
Primary Industry and Small Business,  
driving  
Farmers off their Land,  
with  
Spurious Interest Rates.

#### **THE REMEDY**

is  
Simple, Costless and Effective,  
making  
Land Use Profitable and  
Land Speculation Unprofitable,  
by

#### **ABOLISHING ALL TAXATION**

and

#### **COLLECTING THE SOCIALLY GENERATED RENTAL VALUE OF LAND FOR PUBLIC REVENUE**

#### **THE RESULT**

Better Government at One Third the Cost  
in a  
Truly Free Economy,  
with  
Full Employment of Labour,  
Real Interest at about 6%  
and with  
Monopolies and Corruption Abolished.