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RATE PAYERS ARE YOUR RATES MUNICIPAL JUSTICE OR LEGALISED ROBBERY

?

DEMOCRATIC REPRESENTATION UNDER THE
HARE-CLARK SYSTEM

By Dr George Howatt

ESPECIALLY COMMISSIONED FOR THE
GOVERNMENT OF TASMANIA

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THE GREATER PRINCIPLE BEHIND SITE-RATING

Although the practical legislative programme which we advocate is often expressed in slogan form as "Rate Site Values" or "Tax Land Values," it should be remembered that these are means to an end and not the end itself.

The more embracing principle behind these measures is that what has been produced by the individual through his labour and without negation of the equal rights of others should be tax-free. In short, that a person should not be taxed or rated according to his own industriousness.

This is really the more powerful form and it might well be that more rapid extension of the acceptance of our principle could be reaped by increasingly pressing our appeal in this form.

It has all the force of an axiom — a self-evident truth. There are few individuals or interests that will attempt to argue that persons should be taxed according to their own industry. We want the end result that the house which the individual has built himself or paid someone else to build shall be un-taxed. We want the farm buildings, fencing, cultivation of the primary producer to be un-taxed. And similarly we want the buildings and other improvements of industry and commerce to be tax-free.

All these things are the result of individual effort and are unrelated to the operations of the taxing authority. That authority has no moral right to levy tribute upon them.

Our real objective is that homes, farms and other improvements made by the individuals concerned should be freed from rates and taxes. But we also recognise that governments at various levels perform necessary services which require public revenue to be raised by the taxation machinery.

In site-value rating campaigns the real issue ultimately decided is whether buildings and other improvements shall continue to be taxed or become tax-free. This is the central and most important decision. It carries with it the inevitable corollary that in un-taxing the improvements produced by individual effort we must correspondingly increase the rates or taxes on the site value which is produced by the community collectively. This people-created value is the natural and legitimate source for public revenue. No hardship or injustice is caused to anybody in levying upon it.

The effect of shifting rates and taxes from the value of owners' improvements to the value of sites depends on the extent to which the gain from the removal of taxes on the improvements is offset by the increased taxes on the site value. This depends on how well-improved the property is. For most properties with homes upon them the net result is a saving, which is usually substantial. For vacant land and other under-developed holdings the saving on improvements is negligible and the net effect is an increase. But the owner knows that he will not be penalized if he improves the property and this has powerful psychological effect upon his willingness to undertake improvement.

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PROGRESS

MESSENGER
DELIVERY

No 14

TO THE HOUSEHOLD
EXECUTIVE

A Tasmanian Journal to Advocate the Rights of the People in the Land

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

PUBLISHED BY THE HENRY GEORGE LEAGUE (TASMANIAN DIVISION)
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"PROGRESS"

The PRICE of LAND IS YOUR ENEMY



"FIRST SECURE THE LAND" is a well known real estate slogan. Something so obvious seems hardly to need comment. But although land has no cost of production — it is already there to start with — it nevertheless costs so much to secure. WHY?

LET'S TRACE THE PROBLEM THROUGH.

As society grows, it offers scope for more and more specialized trades and skills and services. In addition, there are the ever-increasing amenities provided out of public funds. The effect is that each individual, in attending to his own interests, unconsciously adds his quota to a situation wherein every member of the community finds, in a thousand different ways, added convenience, widened opportunities, and other means of saving himself effort — advantages none of which could exist in the absence of organized society.

Thus people by their very presence, automatically co-operating as they do in a community, create the means for satisfying each man's natural desire to improve his standard of living without working longer or harder.

Obviously, as far as the individual is concerned, any advantage to him from community growth depends on just WHERE it occurs: a new school, a new industry, a new shopping centre or a new transport or power service, immediately confer advantages upon that particular location. In rural areas there is the added factor of natural differences in productivity; then again, there is the special advantage in the site with a favoured view.

So the worker living close to his job can save on fares; the farmer on more productive land can earn extra income over his neighbour; the retailer in the strategic position has a much greater potential turnover than the shopkeeper in a suburban backwater; and home owners in the more sought-after suburbs enjoy the intangible satisfactions of a "good address".

Coming back to the estate agent's advice: "To secure these advantages you are first obliged to secure the land". And in competing for land, people confer value upon its title, the "value" of anything being the amount of human effort it can command — the amount that people are prepared to pay for it!

So, although land has no cost of production, it has, to its occupier, a very real cost arising from the obligation to compete for its special advantages. And this cost is quite inescapable. It reflects the continuing value to the whole community of the services maintained within it; and this value becomes the source for a continuing flow of income. If this income is accounted on a yearly basis, it may be described as the ANNUAL SITE RENTAL VALUE of title to land, or, more shortly, the rental value.

How is this value assessed? It is not arbitrarily fixed either by owner or by occupier or by the government. It is established in the market by public competition — the interaction between individual assessments of effort saved, convenience gained, satisfactions enjoyed and opportunity secured through that particular location.

To repeat, the desirability of any particular piece of land, depending upon its location or productivity, makes the possession of its title the source for a potential yield of income.

The question now arises: If the occupation of land has a cost — an outlay — then who should be on the receiving end of the resultant income?

It was the government which, as trustee for the community originally granted the titles to land now held by individuals throughout the community and it is the government which now continues to protect and to service those titles, thereby maintaining their value. Therefore government should collect the annual rental value of land titles as "THE EARNINGS OF COMMUNITY". If, however, by default, government fails to be paid thus for its services, it permits the rental value of land to attach to the ownership of title itself. This rental then forms a transferable source for individual income, and, becoming treated as the dividend on a private investment, it is CAPITALIZED as a lump sum into the selling price of land — to be speculated in and mortgaged, bought or sold, like any expendable commodity.

Here, then, is the origin and nature of LAND PRICE — the improper diversion of land rentals from community income into privately capitalized gain. This happens only because of the mistaken idea that land title confers a privilege that is absolute, and which owes the community nothing for the services which the community must continually provide.

Because of this, the speculative hurdle of land price is created, and governments resort to high levels of inflationary taxation for their revenue.

Thus, for example, in 1960, \$5 millions in taxes on goods and earnings were paid to private title holders for the Tullamarine jetport site. But if a proper view were held of the obligations that go with the privilege of title holding, then land at that particular location would have been returning, through the rental value of its title, about 250,000 dollars to revenue annually; taxation could have been correspondingly reduced, and there would have been no "capital" price as an obstacle to the project.

THIS, THEN, IS THE ISSUE AT STAKE:

We must stop thinking in terms of the lump sum of land price, and we must learn to think in terms of the value of land as an annual rental value.

For a healthy economy, government must channel the entire flow of land rentals into public revenue, thus destroying land price, the enemy of us all. To "first secure the land" would then be no problem!

