A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: "*The Social Heritage*: The National Debt, which he (the citizen) did not create, becomes a national credit which is a reflection of the national capital which he did create. His budget is not required to balance because his wealth is always increasing. He does not require to fight for foreign markets since obtaining foreign markets merely means a longer working day.

"Having more leisure he is less likely to suffer from either individual or national nerve strain, and having more time to meet his neighbours can reasonably be expected to understand them more fully.

"Not being dependent upon a wage or salary for subsistence, he is under no necessity to suppress his individuality, with the result that his capacities are likely to take new forms of which we have so far little conception."

Monopoly of Credit – C.H. Douglas, 1950

INTERNATIONAL TREASURER OF THE YEAR by Jeremy Lee:

Australia has a globe-shattering record for producing famous Treasurers. It was *Euromoney Magazine* which once lauded Paul Keating as the international treasurer of the year. After all, he de-regulated the economy and allowed the entrance of foreign banks into Australia under the argument it would give Australians cheaper and more efficient banking services. To cap it off, he sold 'the peoples' bank' (the Commonwealth) to private purchasers.

But, surely, he has been overshadowed by the latest incumbent Peter Costello. Costello is the man who campaigned to oust Keating's Labor government by driving the Debt Bus round the electorate, pointing out the heinous increase in Australia's foreign debt at the hands of the ALP. The fact that foreign debt has doubled under his wise administration is neither here nor there apparently.

This is the art of true 'treasurership' – to say exactly the opposite of what you intend.

In March 2001 Treasurer Costello told Australians, without, for once, his usual smirk, that the Liberals had always been a "low-tax party". During the same month Max Walsh, at that time Editor-in-Chief of ***The Bulletin***, pointed out that total taxes were at a higher level than at any time in Australia's history. His article said, inter alia:

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"In fact, the Howard-Costello government is the highest taxing government in Australian history. The chart pictured is derived from data collected by Jim Hoggett, the director of economic policy at the Institute of Public Affairs and records the growth of all government spending – as a percentage of GDP – over the past four decades.

"If we look specifically at the Commonwealth, then its tax collections this year (including the GST) will reach 25.7% of GDP. The Hawke Government's biggest tax grab occurred in 1986-87 when it went into its anti-Banana Republic strategy. That amounted to 24.4% of GDP. As for the profligate Gough Whitlam, well, in 1974-75 he managed to lift taxation collection to 21.1% of GDP ...."

Whitlam, Hawke and even Keating pale into insignificance as tax-gatherers when compared to Costello. And he does it so disarmingly! The GST, he told us, would mean drastic reductions in other taxes, including income tax. But the latest evidence makes mincemeat of his claims. ***The Weekend Australian*** (18-19/5/02) told us:

"Peter Costello is the highest taxing Treasurer in Australia's history, with each of his seven budgets raking more revenue from workers and businesses than those of Paul Keating ....

"Mr. Costello also risks becoming the nation's most miserly tax-cutter, as his latest Budget has left him with little scope to reduce personal income tax rates before the next election due in early 2005.

"The data from the federal parliamentary library shows that income tax has returned to 17 percent of GDP, a level Mr. Costello previously regarded as unacceptable.

"In arguing for a GST in 1998, Mr. Costello said the old system was 'unfair to families and costly to business ....'"

When he made that statement, Australia's income tax was 17% of GDP. The GST would enable big reductions in income tax – or so he claimed. But here we are, back at pre-GST levels.

<u>BRACKET-CREEP IS 'RACKET-CREEP'</u>: Not only has Costello successfully operated another 'pea-and-thimble' trick, but he is set to gain a huge windfall in extra taxation – estimated at a possible $6 billion – as a result of 'bracket creep' – the extra taxation from wage increases. ***The Australian Financial Review*** (17/5/02) gave this example, as a result of the recent 4.4% increase in the basic wage:

"Take the example of how the $18 a week pay rise will affect a single income family with one child earning $567.80 a week. This award wage rate aligns with a special class tradesperson or senior clerk.

"The cost to the employer is at least $23.40 a week (once on-costs of superannuation, workers compensation and payroll tax are taken into account). The family can expect to receive just $7.14 a week and lose access to their health-care card.

"At the same time the Government will benefit to the tune of $10.86 through the increased tax payable and the lower family assistance payments which will be provided.

"The situation is more acute for a dual-income family with two children earning $620.10 a week.

"In this case, the cost to employers is $35.10 a week but the family receives just $12.02. Most of the couples' entitlements flow to the Government....."

It might shock Coalition members – although this is doubtful – if it was pointed out that they are operating a 21st century equivalent of Karl Marx's *Communist Manifesto*. Marx listed and advocated ten steps for vesting all economic power in the hands of the State. These included the abolition of private property, elimination of the rights of inheritance, a heavy, graduated income tax, and a state monopoly of credit. The Fabians, not so violently revolutionary as Marx and Lenin, suggested a programme of "gradualism" along Marxist lines was the way to proceed. They were prepared to maintain the illusion of 'private property' for example – so long as the 'owner' had no control over his property. We can see clearly how this operates in the draconian environmental laws applying to landowners.

The heavy, graduated income tax has been extended to *all* forms of tax through indexation. Under such a system, neither the wage-earner nor the employer can ever catch up. Every wage rise is lost in price rises and a heavier burden of taxation.

The huge taxation Mr Costello has managed to achieve would probably even shock Karl Marx, who saw a tax-take of 25% of income as sufficient to transfer equity from the individual to the State,

Both C.H. Douglas and the late Dr. Geoffrey Dobbs dealt at length with the question of taxation. Douglas, in his *"Dictatorship by Taxation"* pointed out firstly, that all modern taxation is inflationary, having at some point to be recouped in prices; and secondly that it is a form of theft, taking from the individual a combination of inheritance and income and transferring it to the State, without any choice in how it is to be spent.

The totalitarian mind in power convinces itself that it knows best how to spend other peoples' money, and make other peoples' choices. This is the real evil which in Acton's words, *"corrupts absolutely"*.

All of which, ironically, is happening at a time when technology is making it possible to collect what little taxation should be needed without the heavy, time-consuming machinery of the past. The Debit Tax would do away forever with tax-returns, massive tax depertments, and tens of thousands of laws and regulations.

<u>A NEW FORM OF TITLE</u>: It is now being proposed, in New South Wales at least, that an entirely new form of title, entirely divorced from land, be introduced. It would be title over water. Currently, water allocations for irrigation are at the whim of the Minister, who can grant, decrease or withdraw water rights. The new proposal is that rights to water should be permanent and transferable separately from land titles.

As demand for irrigation grows with the technological ability to irrigate bigger areas, the price of water has sky-rocketed. ***The Weekend Australian*** (18-19/5/02) gave an example:

".... Traditionally, water licences were linked to land. But in the wake of the 1994 agreement between

all the States to reform water use, land and water are now being traded separately, with dramatic results.

"Bruce Gunning, a Moree-based real estate agent who specializes in irrigation water, said: 'Water is the fastest appreciating asset in rural Australia'.

"In Moree in 1980 a standard 972Ml licence was $150,000. 'They are now $1.67 million'.

"Mr. Gunning said separating land and water titles 'will enable greater tradability of the water'.

"But the NSW Farmers Association, along with the State's irrigators, rice growers, cotton growers, the shires association and the Australian Bankers' Association, argue that they need more certainty over water titles ...."

Why should the Australian Bankers' Association be interested? Because water secured by title-deeds would be a new form of equity against which banks could create and lend credit, storing the new form of title alongside the other title-deeds in their "security-portfolios".

It is clear that the enormously-increased pressures on Australia's rivers and subterranean water catchments have produced both an environmental crisis and an escalating bone of contention between irrigators, as well as cities that continually demand more water.

But this proposal will solve nothing and create exploitation, conflict and monopoly in the period ahead. It will be another nail in the coffin of the family farm, which may have the water falling on its land traded above its head. Licences for dams and conservation of water for stock will become the norm. The big irrigators will have a field day. A small-holder in, say, Inverell may find the water that falls on his acres the property of an investor in Melbourne or, worse if the General Agreement in Trade and Services (GATS) goes through New York.

As we have said before, the designs by Australian innovator P.A. Yeomans, offer the perfect alternative. He started with the idea of "catching the water where it fell". A Key-Line-designed farm could retain over 90% of the water that fell within its boundaries in a normal year, holding it in specially-designed dams at "key-points" in the land's profile, feeding it back as controlled flood irrigation onto adjacent slopes. He went further, showing how cities should be designed to conform to land-flow, conserving their own water, and making less necessary dependence on huge, far-distant dams.

The Yeomans Key-Line idea is the "Small-Is-Beautiful" solution to current water-wars, also guaranteeing the future of the family farm in Australia. The massive, chemical-intensive, monoculture nature of our irrigated areas of Australia is surely mute testimony to the need for a new direction.

Anything but a new, bank-dominated share-market in that which "droppeth like the gentle rain from Heaven upon the place beneath".

Rain comes through the grace of God. It is a form of blasphemy to make it the property of the Stock Exchange.

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