SALES TAX

versus

Land Tax

AUSTRALIAN LABOR PARTY PROPOSAL

- REPLACE UNJUST SALES TAX
- BY REVENUE FROM LAND VALUES
- DELETE £10,000 EXEMPTION

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Price: Four Pence.

Big Step Forward—

Reform Proposals

At the Federal Conference of the Australian Labor Party held at Brisbane, March 1957, an important alteration was made to the Party's political platform by the deletion of the £10,000 exemption clause from its land values taxation proposals.

Mr. Clyde Cameron, M.H.R. for the Hindmarsh Division in South Australia, moved the motion to strike out the £10,000 exemption, and suggested that the revenue obtained by the unjust Sales Tax, now levied upon commodities required by wealth producers, should be collected from a tax on the unimproved value of land.

Mr. Cameron produced such sound arguments in favor of the proposed change that his motion for the deletion of the £10,000 exemption and the abolition of the Sales Tax was carried unanimously.

QUICK REACTION.

When announcement of the change was made in the daily press, vested interests became alarmed at the prospective loss of a special privilege and commenced propaganda to confuse the real issue.

Among the more prominent opponents to the proposal was The Taxpayers' Association. This was to be expected, as that organization cannot, by any stretch of imagination, be regarded as having sympathy with any measure designed to implement any phase of social justice. Other lesser lights drew upon their fertile imaginations to put forth fallacies that would cloud the real issue. This was done to confuse wealth producers who had not a good knowledge of fundamental principles, hoping thereby to make them believe they would not derive any benefit from the proposed change.

One of the star objections was that wealth producers would not gain anything from the removal of the £10,000 exemption from the Land Tax and the abolition of the iniquitous Sales Tax.

THE "STAY PUT" TAX.

The representatives of vested interests brought forth the old, hoary fallacy that the amount paid in land values taxation by the holders of big estates would be passed on to the workers by an increase in rent, and also by increased prices for commodities. This is mere wishful thinking on their part — if it is not deliberate misrepresentation. If these representatives of vested interests had even a kindergarten knowledge of political economy they would know that whilst economists disagree on many points, all are agreed THAT A LAND VALUES TAX STAYS WHERE IT IS PUT AND THERE ARE NO MEANS WHEREBY THAT TAX CAN BE TRANSFERRED BY THE LANDHOLDERS BY INCREASING RENT AND BY AN INCREASE IN THE PRICE OF COMMODITIES.

In view of the fact that this change of policy by the deletion of the £10,000 exemption from the Land Tax may receive considerable prominence and misrepresentation during the forthcoming Budget session of the Federal Parliament, we think it will assist the cause of REAL REFORM if we examine the proposals fully and give sound reasons why we consider the Australian Labor Party should be commended for its action in making these policy changes which will be of great benefit to those who do the useful work in society.

Before presenting the arguments to prove that a tax on land values cannot be transferred, we give the payments under the existing Sales Tax, and the amount that would be payable by workers who would be brought into the tax-paying arena when revenue is collected from land values, instead of by taxing their necessities as at present.

THE SALES TAX.

The amount of revenue collected from Sales Tax during the financial year 1955-56 was £110,000,879. This represented a tax of £11/16/2 PER HEAD OF POPULATION.

The estimated revenue from Sales Tax for 1956-57 as set down in the last Budget was £130 million — approximately £13/12/0 per head.

It is important to note that the above-mentioned £110 million paid into the Federal Treasury as Sales Tax DID NOT REPRESENT THE ACTUAL BURDEN PLACED UPON CONSUMERS. The Sales Tax is paid into the Treasury by merchants and, like all other taxes apart from a tax on land values, is added to the cost of commodities and passed on to the consumers of the goods and paid by them, PLUS A PROFIT ON THE TAX, as well as upon the goods. This profit on the tax is a legitimate business charge. The people in business are put to extra expense by reason of the extra staff needed to handle Sales Tax matters, and the payment to the Government of the Sales Tax means extra finance from the banks, hence higher interest payments. Merchants are made compulsory tax collectors for the Government, and act without any remuneration for the service rendered.

If we assume the merchant's profit upon the Sales Tax collection is 10 per cent. — a low figure — then the amount that came out of the pockets of consumers in 1955-56 was at least £121 million, or approximately £12/2/0 per head.

It is generally considered that the average family consists of five persons, man, wife and three children. It will, therefore, be seen that the average family paid in Sales Tax during 1955-56 £59/0/10, if the profit is ignored, or £60/10/0 if this profit is taken into consideration.

THE LAND VALUE TAX.

We will now consider the rate of tax in the £ that will be required to make good the deficiency in revenue caused by the abolition of the Sales Tax. The population of the Commonwealth is approximately 10,000,000. Under normal conditions economists consider that land values work out at £200 per head of population. This would represent a land values assessment of £2,000 millions for the Commonwealth.

Taking this assessment as a basis for making up the revenue deficiency by reason of the abolition of the Sales Tax, a tax at the rate of 1/2 in the £ would produce a revenue of £116,666,000, or approximately £6½ million pounds more than the Sales Tax revenue in 1955-56.

It is necessary, however, to take into consideration the effect of our policy of inflation upon land values as expressed in money terms. Inflation has not only sent up the price of commodities, but in similar manner it has increased the price demanded for land.

Therefore, while land values may rightly be based on £200 per head in normal times, it is ridiculous to allow that basis to remain during the present period of great inflation.

It is a well-known fact that land values in the main streets of our capital cities have increased enormously—as much as £4,000 per foot frontage has been paid for it. Rural lands in many areas have changed hands at from £600 to £1,000 per acre.

If we assume, on a conservative basis, that land values per head of population have increased to at least £400 per head, the assessment of the land in the Commonwealth would be at least £4,000 millions, and not the £2,000 millions of normal times.

Taking these inflationary figures as a correct basis for comparison, a rate of 7d. in the £ would produce a greater revenue than was obtained from the Sales Tax in 1955-56.

COMPARISON OF TWO TAX SYSTEMS.

With the two tax systems before us, we are now in a position to make comparisons and demonstrate to wealth producers the benefit they would gain from the proposed change in the Australian Labor Party's Land Tax policy.

Let us assume that the average area of land held by a laborer is one with a 50-feet frontage and a depth of 150 feet. The area is valued at £10 per foot frontage, giving it a value for assessment purposes of £500. Taking the normal pre-inflation value of land, the landholder, paying at the rate of 1/2 in the £, would pay in Land

Tax £29/3/4 as against the £60/10/0 now paid as Sales Tax.

However, we have shown that the rate in the £ needed on present-day values to raise the equivalent of the Sales Tax revenue would be only 7d. in the £, hence the land tax payable on £500 of land value would be £14/11/8 — a saving of £45/0/0 for the year because of the abolition of the Sales Tax, and the substitution of a land value tax in lieu thereof. Furthermore, if the area of land held by the laborer was assessed at a lower figure than £10 per foot frontage, the benefit gained by the proposed change would be greater.

THE EXEMPTION FALLACY.

Exemptions of varying amounts have been introduced into Federal and State Land Tax legislation. The idea behind these exemptions is that small landholders will benefit by not being called upon to pay land tax, and it is right that big landholders should contribute on a higher scale to prevent them monopolizing our natural resources.

History shows the fallacy of such ideas. Where an exemption has been granted, ~~to~~ big landholders, many of these holders nominally subdivided their holdings by transferring sections of it to members of the family, each of them getting the benefit of the exemption, consequently the revenue was defrauded and the purpose for which the exemption was granted was defeated.

Let us face the facts and see what the granting of an exemption means. The exemption of £10,000 (now abolished by the Australian Labor Party) provided that a landholder could hold land to the value of £10,000 without contributing to land tax revenue. If we take this £10,000 of land value as being the capitalized value of the land rent at a five per cent. basis, it will be seen that the annual rent of that land is £500. Therefore, while the exemption remained a plank in the policy of the A.L.P., that organization was virtually saying to the landholders: "WE ARE GRANTING YOU THE RIGHT OF APPROPRIATING £9/12/3 PER WEEK OF THE COMMUNITY CREATED LAND VALUE — A VALUE WHICH SHOULD GO INTO THE PUBLIC TREASURY

TO PAY FOR THE SERVICES WHICH HAVE BROUGHT THESE VALUES INTO EXISTENCE." Looked at from this angle, it will be seen that the change in the A.L.P.'s exemption policy was long overdue.

THE INJUSTICE OF EXEMPTIONS.

An examination of the statistics relating to the Federal Land Tax illustrates how revenue was lost because of the £5,000 exemption in the Federal Land Tax Act, and how this special privilege gave concessions to the few at the expense of the many.

Everyone interested in public documents is aware of the fact that all governments are shy about giving details in relation to land tax collections. One would be justified in thinking there was a conspiracy of silence to keep the facts from the public.

Up to 1942 a general analysis of the Federal Land Tax payment was given in the Annual Report by the Commissioner of Taxation, but since the Twenty-fourth Annual Report of 1943, detailed information has not been published.

An examination of the details in that Report shows that out of the total population of the Commonwealth, only 18,862 individuals, 3,059 companies,* 2,450 absentees — a total of 24,371 landholders were assessed for and paid land tax to the Federal Government. 10% (1942)

Although the actual unimproved value of the land in that year would not be less than £1,000 millions, the following figures reveal the great privileges enjoyed by a majority of landholders:—

	Unimproved Land Value	Land Tax Assessed	
	£	£	
Town Land Assessed	158,111,146	2,917,531	1.8%
Country Land Assessed	118,757,840	895,132	.75%
Total	£276,868,986	£3,812,663	1.4%

The area of Country lands assessed was 62,701,713 acres.

These figures illustrate the iniquity of the £5,000 exemption. They show that out of £1,000 millions of

* 12½%

land values, less than £277 million was assessed for land tax purposes.

Although the exemption when introduced was alleged to be for the benefit of small landholders, the fact that people with £5,000 of land values could hold it out of use for speculation and evade payment of taxation has played a big part in compelling home seekers to pay excessive prices for home sites, and been one of the main causes of the acute housing problem.

THE NATIONAL DEBT AND LAND VALUES.

The Commonwealth and States National Debt to June 30, 1956, was £3,888,594,400 or £412/10/0 per head of population. The interest paid on this debt for 1955-56 was £127,237,612.

The major portion of this huge debt has been expended on social services such as roads, railways, bridges, harbours and other public utilities for the convenience and assistance of the general public. This expenditure has been responsible for the great increase in land values, yet, despite this fact, Governments have foolishly and unjustly allowed these community created land values to go into private pockets, then have added insult to injury by imposing a heavy tax burden upon the wealth producers of Australia.

It is pleasing to note that the Australian Labor Party at its March Conference has made a start in rectifying the evils of the past, and we trust they will continue on similar lines until all taxes are removed from industry.

CAN A TAX ON LAND VALUES BE TRANSFERRED?

Having dealt at length with other details relating to the tax change, we now come to the star fallacy used against it, and will endeavour to submit convincing evidence that the assertion that the tax can be passed on is contrary to fact and will not stand logical examination.

We commence this examination by quoting what the authorities have said on this important matter:—

"Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenants, to whom the landlord is obliged to allow it in the payment of the rent." — Adam Smith, "Wealth of Nations," Book 5, Chapter 2.

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer." — Thorold Rogers, "Political Economy," 2nd edition, Chapter 21, page 285.

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. . . . A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State." — John Stuart Mill, "Principles of Political Economy," Book 5, Chapter 3, Section 2.

"A land tax levied in proportion to the rent of land, and varying with every variation of rents . . . will fall wholly on the landlords."—Walker's "Political Economy," page 413.

"The incidence of the ground tax, in other words, is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would nevertheless be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. The tax simply diminishes his profits." — E. R. A. Seligman, "Incidence of Taxation," pages 244-245.

"A tax on rent would affect rent only: it would fall only on landlords, and could not be shifted. The landlord could not raise the rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation and that obtained from land of every other quality." — D. Ricardo, "Principles of Political Economy and Taxation," Chapter 10, Section 62.

"The way taxes raise prices is by increasing the cost of production and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax upon rent compels owners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land for speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land." — Henry George, "Progress and Poverty," Book 8, Chapter 3.

It will be noted from the above quotations that economists confirm our statement that a tax on land values cannot be passed on, and now we deal fully with the two aspects of the assertion:—

(1) That the landlord passes it on in increased rent, and

(2) That the business man passes it on by increased price of commodities.

Dealing now with the No. 1 contention, we desire to make clear what RENT really is. As the term Rent is usually used, it is of a composite nature. It represents pure GROUND RENT for the site upon which a building stands, plus INTEREST for the use of the structure erected upon the site. It will be generally admitted that if one person provides another with a factory, shop or dwelling, the person enjoying the use of same is morally bound to pay for the service rendered. This payment should be made to the person providing the service, and no government has a moral right to take any part of it into the public treasury.

ORIGIN OF GROUND RENT OR LAND VALUE.

"Ground Rent" is the payment made for permission to occupy a certain portion of the earth's surface. Seeing that no person made the land, no one has a moral right to charge another "rent" for the use of same. Payment should be made by the individual to the public treasury. The reason for this should be manifest to all. Where land is of equal productive value, and there is no advantage of situation, rent does not exist. It is only when the possession of a certain area gives an advantage over some other site that we find people competing for the exclusive use of the favored situation and rent then comes into existence. The advantages attached to land are many and varied. In farming areas a piece of land may be desired because of the greater fertility of the soil, or by reason of it being adjacent to a road, railway, water service or a shipping port. Land value, or ground rent, rises because these public utilities have been provided, and the possession of the land in close proximity will enable the landlord to receive the full benefit of such services. The same applies in the urban areas.

Sites in the main streets of our Capital cities are more desired than in any other streets in the States. This is due to the fact that people congregate in great numbers in those centres and a considerable volume of trade is transacted. The presence of so many people demands that special facilities should be provided, so in these areas we find excellent roads and footpaths, a splendid lighting system, and efficient protection against fire and pestilence. The result of these conditions is made manifest by high land values, or ground rent, which are obtainable for these favored sites.

GROUND RENT SHOULD GO INTO PUBLIC TREASURY.

It should be apparent to all that ground rent, or land value, arises solely from the presence of the community and the expenditure of public money on necessary public utilities. Justice decrees that as the community creates this value, it should be taken by the community to defray the cost of public services. There is no sound argument against such a policy. Unfortunately, those who have been trusted with the government of the country have neglected to conserve the rights of the community, and today private individuals collect this ground rent, or land value, that is the natural fund to defray the cost of government. Yet when it is suggested that these publicly created land values should be taken into the public treasury, a cry goes out from vested interests who assert that no benefit would be derived by the people, as landholders would simply pass on the tax in increased rent.

DEMAND DETERMINES GROUND RENT.

Having dealt with the nature of ground rent, how it arises, and where it should flow, we now propose to show the impossibility of passing on the land value tax. (The word "tax" is really a misnomer. The correct term should be "DUE." Ground rent is a payment "due" by the individual to the State for services rendered.) The word "tax" is used because it is more generally associated with the levying of revenue.

How is rent determined? It is by the competition of individuals to obtain the exclusive possession of a favored site. It is DEMAND and not taxation that determines ground rent. Putting more taxes on the land will not make it worth any more for use, and certainly will not increase the desire for it by competitors. It should, therefore, be evident to all that if all revenue was collected from land values, it would not be possible for existing landholders to transfer to their tenants the amount paid by land value taxation. Let us illustrate this point to make it clear to readers. We will suppose a piece of land is let for £100 a year ground rent. Let us assume that the owner under the present system of taxation pays to the government £10 of this £100 rent. Is there any indication that this £10 tax has any influence in fixing the present rent at £100? Supposing that next year the government decided to take another £10 of the £100 in land value tax, could the owner then add the £20 tax to the tenant's rent, making it £120? Assuming that the following year the land value tax is increased by an additional £10, and so on, by annual increases the tax is £100, an amount equal to the full ground rent of £100, would such a condition make it possible for the owner of the land to raise the tenant's rent to £200? If such a thing was possible, if the land was nationalized and rented to the highest bidders, the holders could shift the tax to their sub-tenants. No person in his right senses would accept such an absurd idea, yet we find opponents of land value taxation do not hesitate to state that a tax on ground rent, or land values, can be passed on.

THE TAX CANNOT BE PASSED ON.

It should be apparent to anyone who gives the matter serious consideration that such a thing is impossible. Imposing the tax on land values has not increased the productive power of the land, has not increased the DEMAND for that particular site, consequently the landholder could not get any more rent from the tenant for the use of it. All that the collection of the land value tax has done is to TRANSFER THE RENT OF LAND FROM THE LANDHOLDER'S POCKET TO THE PUBLIC TREASURY.

BENEFICIAL EFFECT OF THE CHANGE.

The beneficial effect of the application of such a policy would soon be apparent. With ground rent going into the Treasury, it would no longer be profitable for speculators to hold land out of use in anticipation of a rise in value. Land would be liberated to all on equal terms, and legitimate users would be able to secure possession—not by paying a purchase price—but merely by paying the annual rent into the public treasury. The taxation of land values would cause speculators to loosen the stranglehold they now have on the source of all production, and with so much land available to users, there would be no means whereby landholders could pass on the tax by increased rent, assuming they were foolish enough to try and do it. No person with a sound mind would pay more than the annual use value for land under such conditions. In view of the facts submitted, we feel justified in saying we have proved the fallacy of the contention that the land value tax would be passed on by an increase in rent.

AN ECONOMIC FALLACY.

We now deal with the fallacy that business men will pass on any land value tax they are called upon to pay by increasing the prices of the goods they sell. If, as claimed, the taxation of land values, or the taking of ground rent, for public purposes affects prices, it would naturally follow that in those business centres where the highest land value tax is levied, there the highest prices would rule. We know that such is not the case.

Suburban people come to the city and buy because they imagine they can get goods cheaper there than in their own suburbs. Goods can be purchased in the main business streets of our great capital cities at the same price — or lower — than they can in the suburban areas. Yet in the busy city business centres land values are up to as high as £4,000 per foot frontage, where suburban business sites may be valued at from £50 to £100 per foot. How is this possible? It is due to the fact that ground rent, or land value, does not affect price. The prices of all labor products are fixed by what is known in political economy as "the marginal pair."

"MARGINAL PAIR" DETERMINE PRICES.

A "marginal seller" is the most anxious seller whose supply of labor products is sufficient to affect the entire market for a particular class of goods. A "marginal buyer" is the determiner of prices upon his side of the market; and this person is the most indifferent buyer whose participation is necessary to exhaust the supply of such labor products in the market. To make this fact clear we propose adapting an illustration from the writing of Mr. Oliver R. Trowbridge, who has dealt with the subject in a very convincing manner.

Suppose that in a given market, at the beginning of the fruit season, 100 cases of peaches are received and offered for sale. This fruit is perishable and must all be disposed of quickly in order to avoid loss. Let us suppose the supply is divided among three or four dealers, and that it is necessary to dispose of the entire stock upon the day of its arrival. There are in the market five families able and willing, if necessary, to pay 30/- per case for the peaches, ten other families who are capable buyers at not exceeding 20/- per case; fifteen other families, at not exceeding 15/- per case; seventy others at not exceeding 10/- per case; and all the sellers are aware that, from the state of the demand, their entire stock cannot be sold unless the market price becomes as low as 10/- per case. In the ordinary course of business in such circumstances, each dealer marks his peaches at 10/- per case.

On the next day 150 cases of peaches are received and the capable demands of the 100 families above-mentioned remains the same, but in addition to these there are 50 families who will buy peaches at not exceeding 7/6 per case. The price of peaches for that day will be 7/6 per case. If the price at which the entire stock can be disposed of is not known to the dealers in advance, the market price may start higher and fall during the day, but at any given time the price tends towards uniformity among all dealers.

KEEN COMPETITION FOR BUSINESS.

For the sake of clearness of illustration we have made use of a perishable product in a market in which the price may fluctuate from day to day. If we now change the illustration to some article not immediately perishable, we shall find that the market price is relatively constant from day to day, but that such change of prices as may occur result from the demand of the most indifferent, but necessary buyers. This fact is recognised by all merchants, and especially the large dealers in a market where competition among sellers is close. They not only strive to secure a large share of the trade of those whose demand for a given labor product is so great that they will buy it somewhere without urging — but they constantly seek to attract buyers who are practically indifferent. Full-page advertisements in the daily paper, elaborate window displays and tempting prices are resorted to—not only to attract the people who want the goods in question, but also to create desire in those who otherwise would not buy at all. It is not the people of wealth driving to a store in a motor car who fix the price of staple articles, it is the people of small means who are just on the verge of spending hard-earned money in some other way. The merchant must dispose of his whole stock on hand before it becomes shop-worn, and for this reason he caters with low prices to those with whom it is a matter of the turning of the hand whether or not they will buy. These marginal sellers and buyers in any market constitute the "marginal pair," and they are the determiners of market price in normal conditions.

GROUND RENT THE RESULT, NOT THE CAUSE, OF HIGH PRICES.

The above illustration should prove that ground rent, or land value taxation, is not taken into consideration in relation to the fixing of prices of commodities. The price of products exists before ground rent or land values accrue, and instead of ground rent affecting price, IT IS AFFECTED BY PRICE. The HIGHER THE PRICE OF PRODUCTS THE HIGHER WILL BE THE RENT, the lower the price of products the less will be the rent. Price does affect ground rent and enters into it and affects it at its upper limit.

A farmer who pays high land value taxation gets no more for his wheat on that account. But if prices for wheat are high, he will pay more rent for the land on which it is grown. And as we have already indicated, the prices of goods sold in the high land value business sites of our great cities are not higher, but in many cases lower than the prices ruling in suburban shopping centres, where land values are much lower. A merchant DOES NOT RAISE HIS PRICES BECAUSE HIS GROUND RENT IS HIGH, but pays high ground rent because his net profits at current prices are great. Ground rent, or land values, from the point of view of market prices of products, is a RESULT and not a CAUSE.

LABOR AND CAPITAL BETTER EMPLOYED.

The question may be asked: Why can the business men in the high land value sites of our great cities pay the high land tax levied and still sell their goods at the same price (or lower) than their competitors in the suburban areas, where land values are so much lower? It is because they have more favored sites for the transaction of business. Their Labor and Capital is more constantly employed. Where one sale is made in a given period of time in a suburban store, twenty may take place in the busy city store, owing to the greater number of potential buyers who parade the thoroughfares. In the principal streets of our cities people congregate in great numbers to do business in those areas. The margin of profit made on each sale is no bigger (it may be less) than that obtained by the suburban storekeeper, but, owing to the greater volume of business transacted, it enables those on the valuable business sites to sell at the same price as those selling on the lower valued locations, and out of their profits they are able to pay the higher land value tax.

BUSINESS ABILITY NECESSARY FOR SUCCESS.

We have already shown that the ground rent paid for the possession of land was determined by the demand for sites. Competition is keen for the occupancy of the city business centres, consequently land values are high. The people who occupy those sites know the selling price of goods before they obtain possession, and if they have not the business ability to do the required volume of trade to enable them to pay the land value tax, or ground rent, there is no means whereby they can increase the prices of the goods they sell and thus transfer to their customers the tax levied upon them. Any such attempt would at once be check-mated by people refusing to pay higher prices than those ruling for the same class of goods in stores situated in areas where the land values were lower.

MONOPOLISTS KNOW A LAND VALUE TAX CANNOT BE PASSED ON.

A farmer who grows wheat on land taxed at £10 per acre gets the same price for his grain as the man producing on land where the land value tax is only on £1 per acre. Butter producers get the same price for butter, irrespective as to whether they pay taxation on low or high land values. Market gardeners are in the same position in regard to their fruit and vegetables. It makes no difference whether the land they produce from is taxed at £100 or £20 per acre. Most people are prepared to freely admit this fact is connection with these primary industries, but for some unexplained reason they assert that the law which operates to fix the price of primary products does not act in regard to the prices of goods sold over the counter in towns and cities.

The working of the principle is clearly seen in connection with primary products, but owing to the ramifications and complexities of secondary business the principle is not so clearly seen. Nevertheless the law operates in connection with the fixing of prices in ALL industries.

A point worth remembering in regard to this passing-on fallacy is that the Legislative Councils — the House of Privilege — will pass other forms of taxation without protest, but to them the taxation of land values is anathema, and they consistently oppose such a measure. If, as claimed by vested interests, the land value tax can be passed on, why do not these representatives of special privilege pass the measure and allow their friends to pass it on? The reason is they know that the land values tax cannot be transferred.

CONCLUSION.

The arguments we have given should be of assistance to our readers, especially those who are associated with the Australian Labor Party. It is only by having a sound knowledge of principles that they can give an effective reply to those who seek, by misrepresentation, to discredit the A.L.P. for making a stand for just principles of taxation. There is no sound argument against the abolition of the £10,000 exemption, and securing revenue from land values instead of by the unjust Sales Tax.

This is one step in the direction of removing the stigma that the exemption meant "class legislation," and we trust the time is not far distant when the Party will also abolish the graduated land tax payments, and place the tax on an all-round basis. The just settlement of the land question is the ONE WAY to establish social justice, and it should never be forgotten that "they who control the land of a country control the lives of the people who must live upon the land."