THE ADEQUACY OF SITE REVENUE.

(a) The problem stated.

A common objection to the Site Revenue theory is that the annual rental-value of all privately occupied sites would be insufficient for the needs of government. Those needs are usually envisaged as including a massive expenditure upon defence and the Health-Education-Welfare (HEW) sector. Yet this is the very expenditure which is much less necessary in a Site Revenue economy [1]. It is ironic that when, 100 years ago, the Site Revenue theory was first mooted, all quarters feared governments would get too much money and thereby grow tyrranical[2]!

(b) The position in logic.

Site Revenue is the amount which a site holder is prepared to pay for use of the site amidst the services (including governmental administration) surrounding and enriching it. It is logical that this rental will be sufficient to meet the expense of these services, with something to plough back into enhancing productivity.

All taxation diminishes the amount that citizens can proffer for land, either in rental or price. All taxation is, therefore, at the expense of rent. If taxes were ended and Site Revenue were not collected, then both private rents and land prices would jump. When, however, Site Revenue is publicly collected instead of taxes, then the economy can flourish without artificial restraint. Land price would be destroyed and private rents in respect of improvements would remain about the same. Improvements in economic health, productivity and competition, however, would steadily increase the rental-value of sites and swell the Site Revenue fund.

In theory, total Site Revenue would at least equal the volume of all present taxation, of all speculative "capital gains" and locational profits going into private hands and of all interest payments [3].

Ethically, the amount of Site Revenue which might be collected is irrelevant. If Site Revenue is indeed the only proper source for public finance (as reason and equity indicate) then public administration must adapt to that supply. Government, or public administrators, must "cut their cloth according to their purse", by dividing the cake according to priorities and limiting expenditure to what is available. Nevertheless, it is interesting to investigate the approximate Site Revenue which might be available.

(c) Facts and Figures.

Local government in all States levies its income by rates upon sites. 261 councils levy their rates partially or entirely upon the Nett Annual Value (NAV) of sites including their improvements; 594 local councils do so upon (unimproved) site values (SV) [4]. These figures are available[5] however the the valuations upon which they are based are up to seven years old. It is possible to update old valuations by studying the rate of increase apparent from fresh valuations. This is often about 20% yearly6, twice the rate of inflation, reflecting the speculative and protective nature of land-buying. Furthermore, there are many valuable sites exempt from valuations. These include all government-occupied sites, hospitals, schools, churches, exploitable forests, fishing rights, parks and mineral resources.

Using these guidelines, detailed investigation[7] indicates that the SV of rateable land in Australia at June 1984 was $150bn. This should be doubled to take account of the many valuable sites at present exempted from rating and of the improved demand for sites which elimination of taxation, as an imposition upon initiative, would enable. It must also be remembered that taxes (especially sales tax and tariffs) add severely to prices such that governments, as the largest purchasers of goods and services, at present spend a lot buying back their own taxes! Updating this figure to June 1987 gives a crude value of $500 bn. for all Australian Site Values.

Governments now consume 44% of Australian income and employ one person in three. In 1939 governments took only one-quarter of community income. The number of wealth consumers now exceeds that of wealth producers. Even so, our governments are unable to live within their income. The Australian public debt now stands at $100bn. and annual interest payments upon it are twice the defence budget. The economy of the "lucky country" only appears to be operating with some degree of normalcy, and to be avoiding the rampant inflation and corruption of a banana republic, due to these massive inflows of foreign capital.

Budgetary estimates put projected Federal government revenues for 1986 at $64 bn; and total income for all State and Local governments during that year (from sources other than Commonwealth grants) was 22 bn. Total income for all government in Australia, at an inflation rate of 10%, may therefore be projected for I987 at $100bn. This amount could well be halved because a Site Revenue civilization would greatly reduce the need for expenditure on the Defence and HEW-sector[8] (over 60% of outlays); for an extensive bureaucracy and even, carried to logical extremes9, for any but the most marginal "government expenditure at all.

NOTES.

1. See our pamphlets "The Legitimate Scope of Government"; "Site Revenue and Defence"; "Site Revenue, Health and Education" and "Site Revenue and the Welfare State".

2. Steven B. Cord Henry George: Dreamer or Realist? University of Pennsylvania Press, 1965; p.67.

3. On this last aspect, see our pamphlet The Effect of Site Revenue upon Currency and Interest Rates.

4. See our pamphlet "Site Revenue and Local Government in Australia."

5. These can be abstracted from Australian Bureau of Statistics publications on "Local Government Finance"; Catalogue # 5502. SV, on average, is 8.5 times the NAV [See G. Hardy, "Site Values of Australia" in Progress, Jan. 1985 p.6].

6. A.B.S. records (Catalogue #5502.3) that in 1980 the SV of Brisbane City (including non-rated land), according to a 1972 valuation, was $1,888m. In 1982, on the strength of a 1979 valuation, the SV was $2925m. In 1985 it was $2953m. A 1979 valuation of Hobart gave a total NAV of $67.5m in June 1980. This increased by small annual increments until a 1984 valuation put the figure at $129.5m. Similar rates of increase appear throughout Australia in most areas, whether urban or rural.

7. See A.R.Hutchinson Natural Resources Rental Taxation in Australia Tooronga Press 1977; "Site Values of Australia" by George Hardy in Progress Jan.(p.6) and April (p.7) 1985.

8. See footnote 1 above.

9. See our pamphlet "Site Revenue and Utopia".