

General Principles That Should Apply in Taxation

I should perhaps explain my background, so you can understand why my consideration is probably very different to most other people, ---- particularly the predominance of accounting type people at the recent public meeting in Melbourne. I have an Agricultural Science degree from University of Melbourne, and worked at [removed for privacy reasons] and with [removed for privacy reasons] research Group at CSIRO (He has produced probably more commercially useful inventions and patents than the whole of CSIRO otherwise has in its history.) From this I learned that the key to solving problems is to define those by the questions you ask yourself about them. The breadth and diversity of your general knowledge, experience, and understanding are important. I built my own house and other buildings with my own hands. I have owned and driven trucks. I have a very diverse engineering workshop where I make useful things and repair difficult problems for people; much less than otherwise because I have full care and responsibility for an autistic son. ----- If you have a handicapped child you are severely handicapped both socially and financially.

I am interested in basic economics and the social and political history thereof. I followed Shakespear's advice, and learned from Alan Lloyd, Sir Samuel Wadham, and Alex Heywood, and through reading of Henry Ford, who was one of the greatest practical economists who ever lived. Curiously, his success flowed from constant intent to create benefit for as many other people as he possibly could.

I have also represented the community as a councillor in Local government. This gave me most distasteful understanding of a level of government that operates the most oppressive, inequitable tax for its substantial funding that could be imagined. It is calculated on figures that are hypothetical. I have also seen how badly the structural limitation on the power of the people's representatives has cultured the development of Orwell's Animal Farm and the operation of Parkinson's Laws. In the bureaucracy you have greed, self-indulgence, patronage extending to appointment and promotion involving improper promiscuous associations, and expenditure which councillors have not specifically approved or is concealed by the woolly blanket of accounting. These people are supposed to be employed specifically for the primary benefit of the community. And yet the actual workers tend to be regarded by them as lower life. ----- I am afraid I have become very cynical and distrustful of people suffering delusions of adequacy and indispensibility: Metaphorically, it would be wonderful if all spin-doctors could be centrifuged to separate their mitochondria.

General Principles That Should Apply In Taxation

In complex society, Taxes are not merely means of raising revenue for the functions of government, but also need to be understood and designed as instruments of incentive and disincentive. Taxation is a most important tool entrusted to democratic government for control and order of society according to the wishes and benefit of the people. There is an overriding responsibility for fairness derived from the articles of agreement of the great conference of June 1215, upon which our law has been built. And it is essential that the control through taxation has a view to the distant continuing future as well as the present.

Taxes need to be designed as instruments of incentive and disincentive. The system should encourage activities that are compatible with the values, wishes, and needs of society; and to discourage or prevent those that are not.

We need to tax waste, pollution, destruction of the environment, and the squandering of our resources. We need to tax greed, and unreasonable gain of self advantage to the detriment of other people. We need to tax usury and deliberate impoverishment of other people so savagely that there can be no profit in it.

We have long taxed the consumption of toxins which are detrimental to health such as nicotine and ethanol, even though the revenue hardly pays for the financial damage.

We need to un-tax employment and tax the causes of unemployment.

Tariffs are anachronistic. They are arbitrary and indiscriminate, and do not address the magnitude of the problems that we have. That is not to say that we do not need import tax; but that should be such that it allows other countries to compete in our market through inventiveness and genuine efficiency. But the system should not encourage export

of jobs because employment costs in other countries provide greater profits to corporations and clever entrepreneurs. We need to tax global warming. The causes of global warming are essentially economic. If you want to control or stop global warming you have to do this through economic policy and control. There is no other way.

Finally in this section, you need tax that diminishes the need for tax. This is the most efficient, elegant, and acceptable quality a tax should have.

I will expand on some of these general thoughts in separate sections of this submission.

Council Rates are a tax completely without conscience or social responsibility. Their basis is hypothetical "Market Value" of people's home or property, without respect or interest in their income. But income is a very much better determinant of ability to pay. People who enjoy very adequate income tend to be very satisfied with the amenities local government provides for the rates they pay. But those at the lower end of the socio-economic scale continually have to deny themselves or their family things that may be really necessary; and they have little or nothing for optional spending. When people have severe commitments in proportion to their income, it is the council rates that cause most pain. It was a disgrace that war hero Sir Edward Dunlop was forced to sell his home where he lived for many decades because he could no longer afford the council rates in his retirement.

If anyone wanted to design a bad and inappropriate tax, Council Rates might be a model. State Government have assigned to local government the recipe and ingredients of Extortion, and urged them to cook with it. It must be said that many bureaucrats and bureaucracies do so with great enthusiasm; for even as further responsibilities have been placed on councils without proper funding to support this transfer, the major income stream for councils has remained property rates. There are major problems of fairness in basing rates on a Valuation. This is only reasonable for people who own multiple properties; or those who constantly buy, renovate/improve, sell, and move on to gather earnings from the operation. Both situations serve to constantly increase the hypothetical "market values" of all other properties in the area, and thus increase the rates of everyone else whose homes are not and may never be on the market. Peoples' rates constantly increase to their disadvantage according to what other people do around them. And it is very difficult, intimidating and stressful for ordinary people to challenge valuations. And improvements that permanent residents venture to make to their home or property, even if it is elimination of pervasive weeds like blackberry, or painting or re-roofing that might be necessary to prevent serious deterioration, also cost them in increased rates. And it matters not whether the owner has the wherewithal to pay someone else, or do the work themselves if they cannot afford otherwise, it all is as if the improvement signifies ability to pay more to the council. In a sense, it would be better for the general community if there was no rate increase for improvements; because the cost of materials is money and economic activity that cycles locally. To people of limited means this is a discouragement to spend money on their home unless strategically before selling it; because they have to pay more to the council while the council does no more for them after than the little it did before. (Or so it may seem to them.)

Now while the genuine market value of properties varies by postcode and is naturally much higher in affluent areas, anomalously the rates per dollar of rateable "value" is inversely related. Heavily populated, up-market councils have colossal rate revenue for similar salary burden; but CEO's, "Directors" under the CEO, engineers and other functionaries who are either essential or statutorily mandatory all expect the same salary and perks, no matter how affluent or impoverished the council is that they are employed by. And it is the city people who can afford themselves holiday or weekend second homes by the sea or in the country, who drive up the market price of land outside the city. And they are often offended or puzzled at how much less in amenities they see for their rates in the country than the city.

Expenditure and indulgence of staff is a serious financial problem of local government that has been structurally placed beyond the control of the community's elected councillors. Council has only power to appoint a CEO, supposedly answerable to council though this seems to be limited in practice; particularly if there are no councillors who are tough-minded in the interests of the community. The CEO has responsibility for the hiring and management of staff; and councillors have limited influence even in imperative external re-deployment or re-education of staff who are dishonest, lazy, incompetent, and in their dealings with the community "free-range" rude. This is despite the fact that councillors listen to complaints from the public; and an important part of their

responsibility is in quality control of council organisation.

Councillors are given no information that could enable them to judge whether people that are appointed to staff have suitable experience, education, and attitude; nor any consideration of the appropriateness of the financial cost.

And the perks and conditions can be an unconscionable rort. Mobile phones, mobile internet devices, and extra laptops can proliferate. The number of cars and utilities owned by Council on behalf of the community should be exactly the number that are required for council use, and should be garaged always at the depot unless there in particular occasion of work need for someone to take one home. This is not so. The number of motor vehicles, and the type, depend on the number of staff that they wish to allocate them to for "full private use". In 18 months pushing BawBaw Shire bureaucracy for details of use, need and cost, the result was three reports about marginal facts that carefully never provided council with the information needed. In fact, numerous staff have used council cars to commute to work from as far outside the shire as the Melbourne metropolitan area, the Mornington Peninsula, and the Dandenong Ranges. The former CEO daily drove to and from his MtEliza home in a top line 4wd waggon. That must have cost ratepayers around \$300 per week for fuel alone. Vehicles are traded at 40,000km, which is barely run-in distance for a modern car. One Director changed into a new 4wd waggon just prior to about 3 months long service leave with his family and caravan. Ratepayers payed for his trip on his council fuel card at Northern Territory fuel prices. They say this sort of thing is their entitlement because of the salary sacrifice and full private use.

Now this private use is very restriced practice in State Government departments. Every night the car park beside the state offices in Smith Street Warragul is locked full of red plate vehicles. And the Department of Human Services staff who come weekly to work with my autistic son are compelled to return the government car they use; and drive home in their own. There is no reason council staff should have greater priviledge. As for corporate practice, if private business wishes to provide cars and car use to its staff then it has to factor this off its profit; and that is a choice that makes its products and services less competitive in the market. This is no justification for council minions to assume to themselves such benefits at the cost to ratepayers, many of whom are always at the bottom of the financial scale. Staff who are payed even \$1000/week, let alone \$3-5000/week are certainly able to afford their own transport. And the few figures that slipped out inadvertently to Council last year would indicate that ratepayers constantly carry a capital load of around \$2 ½ million for ownership of the cars apart from running costs.

Council has no means of knowing whether fringe benefits tax is propely paid on such items as cars and phones, or exactly who pays what in the overlap of private use and work. It is "private staff business", and apparently hidden in the accounting.

In review of local government tax, just how the money is spent is important to its contributors. The control of waste and personal benefit are most vital. This is an area which definitely needs revised structure of control, and whether that be through restoration of council powers over the bureaucracy, or through state or federal overview and intervention, I make no suggestion. It is vital to control extravagance, and to remove to occupation properly suited to their abilities, those few and expensive people who are a cost burden but of little benefit but a substantial nuisance to the community.

Local government is supposed to exist primarily for the benefit of the community. To the extent that it does not, or to the extent that it provides unreasonable benefit to its inner circle, its operation or existence is hard to support.

There are ways in which the Rates system needs alteration if not elimination. To the extent that rates place unreasonable burden on people with low income in relation to their responsibilities, it is unsupportable. This goes back to the very beginnings of Common Law. One of the articles of agreement between the Crown and the people in June 1215 was that people should not be UNREASONABLY TAXED or taxed to ruin. Rates are unreasonable to the poorest people. And if anyone is unable to comply, the bureaucrats are mercilous in their efforts to compell

payment; even in expectation or indifference that people may be forced from their home. Now this is contrary to the natural duty of public servants to the public, and it is also unreasonable. If the practical guide of the Magna Carta stipulated that a person's tools of trade and means of earning a living, and merchant's stock should be free of amercement, it could be argued that a person's home should also reasonably be protected: Shelter is one of the primary requisites for human existence. And if you cause harm or deprivation to people, that deprivation can be transmitted to the next generation and even beyond. The intimidation and harrassment and stress to people through council's enforcement is appalling.

Suggestions for Reform of Rates

- 1) people on pensions or welfare benefits should be exempt from rates, or pay only a specific percentage of their income.
- 2) Noone should pay a greater percentage of their income in rates than the shire CEO.
- 3) Families and individuals who own one home only should pay what rates there are at a minimum level, except perhaps for such home/property above some threshold level value.
- 4) People who own more than one home anywhere in Australia should pay a penalty level of tax to local governments, but on a sliding scale according to the number of homes. (There would be need to tax more generously those people whose multiple ownership results from the building of new homes.)

I give an example I know of dating back about five years... One of my friends and his wife decided to sell their home in the Yarra Valley and move to NSW central coast to live near friends. As soon as they signed a sale contract they went straight to Wingan to buy another home. The day they arrived, a person from Sydney landed in town with enough proceeds from one rental house there to purchase nine houses at the low end of the market. This move multiplied their rental income by probably a factor of 7-8x. This cost my friends many thousands of dollars in what they had to pay for what they bought.

Now the real concern is the social inappropriateness of activity which "farms" low income people for rent, while simultaneously inflating values and diminishing supply of the sort of housing stock that young people in particular are most often able to enter the housing market. This sort of anti-social activity should probably be recognised and discouraged by the tax system.

- 5) State and Federal government departments should pay appropriate tax to Local Government Councils for property ownership in their areas.
- 6) Federal Government should reimburse to councils the amount of income tax payed on behalf of management and workers. Income tax of Federal Government employees goes straight back to Federal Consolidated Revenue. It is Tax Recycling! The income tax of local government employees is virtually a direct contribution to Consolidated Revenue by shire ratepayers, in which the contributing ratepayers are not means-tested! -----

I hope I have set out usefully some understanding or perspective of Local Government, and the problems of its structure, operations and spending, and situation of the least affluent of its ratepayers. My suggestions above are perhaps just some of the possibilities that might change the present unsatisfactory situation towards one that is closer to ideal; but they are also intended to provoke thought that will lead to that end.

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Taxation in Relation to Energy Use, Global Warming, and Climate Change

Humans collectively are vandals of our environment. And there is a growing plague of us. Furthermore, the worshipped Globalisation has enabled the most greedy, wasteful, wanton, and vandalous to exploit areas far from their own. Now in Nature, every plague has been followed and neutralised by a catastrophe. And the obvious approaching catastrophe is already developing in global warming and climate change. Unfortunately, few politicians are very good at recognizing imminent disasters because that ability, and the consequential precaution or remedy may be perceived as often more likely to alienate than attract votes. The communication needs to be good and appropriate. So maybe what I am going to suggest to you may cause problem with your politicians.

We are experiencing climate change. At the recent public meeting in Melbourne I left for you a Farmers and Community Connect calendar, which shows a plot of annual rainfall in BawBaw Shire from 1991 to 2007. Someone has drawn a line of best fit through these points. Statistical analysis shows that this trend line is highly significant. Annual rainfall has decreased by more than 35% over that period! This is not a Drought. This decline over 17 years is a Trend.... Looking at the rainfall records from 1894, not yet analysed, it is likely the line of best fit will be horizontal.

Our use of hydrocarbon fuel is critical. And what is most critical is that our use of this becomes frugal, and is limited where possible in the future to what is essential and unavoidable. Our national resources are of four types; gas, oil, coal, and oil shale. Gas, coal, and oil shale are plentiful, though oil shale involves difficulties in its useful conversion (though it provided historically the fuel for the pioneer motor cars of Benz and Daimler in Germany). But it is all of distant pre-historic origin. It is in finite quantity, and there needs to be some assessment officially made as to how long humans need to live on this island continent of the planet. Government which represents Australians needs to protect and conserve these resources for the future. Should this be an expectation of 100, or 1000, or 100,000 years future for our descendants? I don't know; but I do know that it will not be possible to reconstitute useable forms and quantities of gas, oil, and coal in those time frames. And there may not be a total and sufficient alternative energy generation from solar, wind or lunar (tidal flow) power universally accessible before all the oil and gas is gone.

We really have to plan and control the use of our hydrocarbon fuels. And the most wasteful and inappropriate use of this is what is exported. And by export we surrender all control of the pollution in its burning. What is most extraordinary is that the prices paid for export gas and coal are so fractional compared to what Australians have to pay.

It has been stated in the media that Natural gas from the NorthWest Shelf is sold to major markets in Asia at less than 5 cents/litre. And that is in liquid form. Now to be shipped to Japan and China in floating thermos flasks, a huge amount of energy in natural gas has to be expended to refrigerate and compress it to liquid form.

The critical temperature above which methane cannot exist in liquid form is -82.5 degrees celsius, and the critical pressure is 45.8 atmospheres. Boiling point is -161.5 degrees celsius. The specific heat is 0.4502 calories/gram/degree centigrade, which is roughly twice the amount of heat required or taken in raising or lowering the temperature per gram one degree celsius than two other gases whose physics are similar otherwise, ie oxygen and nitrogen. (This determination was at -115 degrees Celsius.) And then the latent heat of liquefaction/vaporisation of this gas is a massive 138 calories per gram!

This means that every gram of methane must be further refrigerated at a temperature below the critical temperature to change it from gas to liquid state at the same temperature. All that means that a massive amount of energy from burning natural gas is required to convert it to liquid for shipping. That is certainly in the region of 1 to 1, with the waste ratio increased again by use of cargo for gas turbine propulsion of the ship. What floating bombs; and what suicide ships if

something goes wrong. They apparently ride with low freeboard, so who knows how one might handle the sort of extreme weather that we can expect unexpectedly from the global warming that the gas helps to fuel.

Our coal is so cheap that the Japanese are reported to be using it as landfill to extend their real estate into the sea, well knowing that it is now bought at a miniscule fraction of its true historic value. It is an investment safely stored against future need.

What uses has natural gas for us? It is a relatively clean fuel of carbon dioxide, because so much of it becomes innocuous water when it is burned (chemical formula CH_4). Apart from domestic, industrial and commercial heating, it is an excellent motor transport fuel. It gives a very clean exhaust, and because it has excellent anti-knock properties it can run on a very high compression ratio for great efficiency and economy. Like LPG, there is negligible carbon contamination of the engine oil, which extends the useful life of that, too. It has to be carried in a bank of small diameter high pressure storage bottles. People who have with domestic natural gas can equip themselves with a high pressure pump facility that can refuel their car through their home meter if they have their car adapted.

Compressed Natural Gas is an excellent supplement fuel for diesel vehicles. Fed into the intake air upstream of the turbocharger, methane catalyses the combustion of the diesel. Diesel engines otherwise always run with excess air up to 85% injected diesel of the theoretically correct amount of for the air charge. Beyond that you get an unacceptable amount of partially burned fuel residues in an un-camouflaged smoke screen. And these residues are chemically nasty, and always present even when running minimum fuel proportion. With gas supplement you get total combustion of the diesel, and the total conversion of its chemical energy into propulsive power. Because you can use all the intake oxygen with the combined fuels, there is a further increase in efficiency through gas physics, and the total performance is better. Then you can further substitute methane for diesel at full combustion up to 50% ratio litre /litre, which gives reduction in the proportion of carbon dioxide to water as you would chemically expect. You get an engine capable of maximum fuel conversion efficiency with a dead-clean exhaust.

By exporting natural gas we are selling a precious asset for a cupfull of chaff, and feeding national inflation through wasteful use of expensive transport fuel.

There is more use and value to natural gas. It is an potential raw material for plastic manufacture. Methane is too short because it has only a single carbon atom to be used for polymerisation to make plastics; but in chlorinated form it can sometimes be useful for adding a methyl unit to something else as in pharmaceuticals. However, the lesser quantities of other things that come out of the ground with the methane, such as ethylene and ethane are plastics raw material.

The simple answer to the question whether we should be selling gas to our industrial competitors is that it should only be used in Australia. It has too much future value to us, and it returns to the nation little beyond the employment and lubrication of a relatively small number of people. Major geological assets should be seen as property of the nation as a whole.

We are providing fuel for climate change in our near north, and it does and will affect us adversely. It is the same ocean north and south of the equator between Australia and the Americas, and the atmosphere is continuous above. And the displacement by as much as 150km of their centres, of the southern ocean weather systems that normally carry significant protective and productive rainfall across the southern regions of Australia has meant that they may even pass below Tasmania, and the mainland has become more arid and unproductive. These cyclonic events are also reduced in radius by a further 50km, so their contact as they sweep across our southern edge so they deliver much less rain. Also the increased atmospheric burden of pollution provides such nucleation for rain that these systems are drier. This was first observed to affect the rainfall of Perth because it is north of us; and we have experienced it over the last 13-14 years.

Australia used to produce food enough for 160million people before political ineptness brought change of land use. It would never be possible now because there is no longer enough water where and when it would be needed. Our external contribution to climate change is

unsustainable or we are unsustainable. What has to be done must be done, no matter how unpopular it may be externally and with benefitted individuals and corporations. Politicians may not generally be good at foresight and avoidance of approaching crises unless there is voting popularity attached. This is a matter of community consultation and communication.

Disaster of climate change is already with us as the event in February showed us. Without enough ground and vegetation moisture in peak summer, areas of Australia which affect residents will burn uncontrollably. And the loss and damage is not only social and financial, but there is compound damage to the environment including CO₂ loss to atmosphere from infrastructure and vegetation, and energy investment in replacing lost buildings and fencing.

We have to quickly realise that some activities encouraged by tax concessions can cause damage and casualties. Rules have to be changed. Last year a decision we made in BawBaw Shire council to refuse a planning permit for a "carbon credits" type investment plantation at Narracan was overturned by VCAT. The reason we deemed it inappropriate was that it is in an area of steep country closely surrounded by a large number of lifestyle homes. The main access roads are narrow, and one of the main close ones is so narrow with eroded edges that even two cars that meet have to pass very slowly and carefully. In a fire there would be little access and no safety for residents or fire crews. Tasmanian blue gums in particular are fire-ball trees, and have high volatile oil content which vapourises, ignites, and may travel in front of the fire with appalling speed. *Pinus radiata* also burn very fiercely. What environmental benefit does carbon credit tax incentive have if tree farming that will trigger massive loss when it burns. The carbon fixation of these plantations is only temporary, as they are planted to be harvested; so a proportion of fixed CO₂ will always be recycled to atmosphere. (The concept of carbon credits probably has limited merit anyway, except to financial manipulators and corporations who seek to offset pollutionary practice.)

Another problem that became expensively evident in the Black Saturday fire is the dangerous nature of un-managed Landcare plantings. The Bunyip Forest fire roared through Labertouche. There is a 370 acre city-owned farm to the east of Forest Road. I understand that the grass in the wide fenced boundary plantings were as high as the fences; and when the fire hit them it accelerated in whatever direction they lay rather than only with the wind. Within few minutes it reached Jackson's Track, thence to ravage Jindivik, and down Fishers Road with the wind to Drouin West, where a number of homes were lost. There needs to be careful thought given as to circumstances and with what restrictions native replantings should be encouraged. Likely fire should be an overriding consideration.

Though popular belief is that growing trees is the best way to sequester carbon dioxide from the atmosphere, there is a safer and quantitatively far better way.

In soils, organic matter contains Carbon, Nitrogen, Sulphur, and Phosphorus in a set ratio that is invariable irrespective of soil type. Carbon comes from photosynthesis of plants, and Nitrogen ideally from fixation from the atmosphere by the root nodule bacteria of legumes. A small amount is also fixed annually by lightning during thunderstorms. To increase soil carbon content, it is necessary to add mineral fertilizer of sulphur and phosphorus, and also Potassium which is the predominant monovalent cation of plants. Vary many soils are naturally low in potassium, and you do not want this to be a limiting factor. With non-exploitive management of grazing or cropping, the capacity for permanent fixation of CO₂ in the farming areas of Australia alone is immense in terms of world CO₂ production. The increased organic matter content improves productivity and soil moisture retention, and it does not as readily burn as a fire passes. (By contrast, if you look at the undisturbed soil of dry sclerophyll forest it is pale and often almost devoid of that sort of organic matter, while trees and undergrowth are fire-accessible fuel.)

It is an article of faith of Environmentalists that organic fertilizer is supreme. While compost is excellent for vegetable gardens and I can assure you that poultry manure is the most potent encouragement for fig trees, nitrogen tends to suppress the legumes. As plants obtain sulphur and phosphorus, the carbon in the organic fertilizer is returned to atmosphere as CO₂! Mineral

addition is the only way to increase soil organic matter, and government should encourage this by subsidy or concession.

We frequently hear how sheep and cattle are so bad in production of greenhouse gases, and that farmers must be taxed because of this. There is element of Furphy in this, because it all depends of balance of management. (Furphy watercarts often came to be used for removing waste from milking shed to paddocks in the flat irrigation dairy areas before the advent of manure pumps: Thus a Furphy became a cart-load of cow manure or its indistinguishable equivalent.) Actually, horses are also large and numerous herbivores with a facility for microbial cellulose digestion.

Unfortunately this is in the appendix, so the product of its chemical engineering is much wasted. So horses' ability to produce methane should not be ignored. Rabbits are smaller and potentially far more numerous animals with the same digestive flaw as horses. However they fortunately practise nightly the revolting habit of coprophagy, so they do not waste the products of digestion.

(Incidentally, the advice of Environmental Scientists should often be heard with caution; because in their training there is often little substance in awareness of essential sciences, particularly physics and chemistry; so their understanding can sometimes be impaired.)

The progressive increase in soil organic matter as described above is exactly the genesis of our fossil fuels in pre-history, but on a grand scale in swampy environment. Immediately before the Olympics, China discovered to their distress just how efficiently algae produce bulk organic matter from plentiful CO₂, sundry essential waste nutrients, and water in their aquatic sports venue. You would hope they buried it, and continue to harvest and bury it; so it may eventually turn to natural gas for them to use. Maybe this process could be used near point of emission to trap CO₂ from coal power stations.

I conclude this by emphasising that government has responsibility to the nation to conserve our resources for the distant future, and to do everything within our sovereign power to control and diminish climate change of earth. This will require discouragement by use of the tax system, encouragement in other directions, and a tough hide in face of some people's self-interest. What needs to be done must be done; and people will realise and appreciate that. And what is done must come from the most balanced understanding.

I hope what I have written hurriedly in these contributions is helpful, interesting, and largely devoid of errors, typographical or in fact. It is very difficult for people to be completely correct in broad areas where there are lots of strong opinions not necessarily grounded completely in fact, when the facts are difficult to gather or define.

In addition to my background in agricultural science and local government as already mentioned, I also have family-related and personal experience in farming sawmilling, and slightly even in plantation forestry.

The Global Financial Fiasco was totally predicible except in the timing. The structure was a house of cards. But while so much attention has been given to financial consequences at the upper level, the real cause and problem has grown at the bottom of the economy. The consequences of the mortgage default in USA have been widely publicised; but the fact that the impoverishment has been created by the export of people's jobs in manufacturing has been largely ignored. The impediments that have deterred governments from taking steps to set world economies straight are in the power and influence of extremely wealthy and involved people. It may well be that problem can be managed by tax also. Imagine a political donations tax, starting at 10x the size of a donation above, say \$50 to any political candidate or party; but increasing at an exponential rate with the size of the donation beyond that. Such a measure would totally break any improper influence which results in government decisions that substantially advantage corporations at the expense of communities.

To understand the total situation, you have to be aware of the basics of economics, and the social, political, and economic history of Britain, and of the rest of the world as it was affected by Britain. There is a close parallel in history with what current so-called Economic Rationalism has caused.

A central key of understanding is the knowledge of the distinction between money and wealth. Money is an artificial commodity. It is purely an exchange medium which is established by governments for our convenience in trading, and for their convenience in taxing. And it needs to circulate like blood in the veins.

Wealth is createable and has more substance. It is something that results from people doing or making something that is of value, use, and significance to someone, or to society as a whole. The economy does not function or prosper as it should if you focus on money and ignore or neglect the activity that creates wealth. It seems that many people in politics and government do not understand the significance of this, and it is in the interest of powerful interests to ignore it perhaps.

Henry Ford clearly understood this concept; and he may have been the greatest practical economist of all time: And he became fabulously wealthy and successful through his efforts to create the greatest possible simultaneous benefits to his workers, his suppliers, dealers, customers, his country, and people everywhere as possible.

Today, corporations exist for the maximum financial benefit of their shareholders and management; and there is often too little government control on these in the manner in which they operate to generate their profits. And through limited liability corporations, whose existence was first allowed by the British Companies Act of 1862, the control of wealth was separated from its ownership. And the conscience of its owners no longer influenced the means used to increase their wealth.

Now since tariff protection of manufacturing started to decline several decades ago, industrial production for the needs of countries like Australia has been progressively exported. Tariffs were anachronistic and arbitrary, and did not really serve their intended purpose accurately, because they protected local manufacturing from the competition of efficiency that should have brought about their improvement. The problem now is that the vast proportion of manufacturing jobs have been exported to countries across the globe where labour costs are least. This is a consequence of the re-invention after 150 years of Benthamite "Laissez faire" economics, dignified with the modern title of Economic Rationalism. And the dis-employment of the manufacturing workforce is a direct parallel to the disemployment of the traditional English craftsman. The employment of his wife and children in the factories has analogy in the occupation of people in low-wage regions across the globe. Rather than Globalisation, this might better be called the Feral Globalisation of Manufacturing Industry.

In essence, the problem exists because international exchange rates bear no sensible relationship to the costs and rewards of manufacturing labour; nor to the needs for existence that are affordable with those wages. Manufacturing product should compete for market share purely

on the basis of quality, inventiveness, and efficiency of production; no matter where it is made or sold around the globe. Market advantage should never be because of subsidy, or low wages and working conditions. (You will note that Henry Ford never established factories in Latin America to manufacture the cheapest possible cars for the American market. He started as a Michigan farm boy, and he had very strong social responsibility. If he had imported Fords from Mexico he would have put his own people out of work. When he built factories in other countries including Australia, it was so people in those countries could build his cars within the structure of their own economy which they could afford.)

It is fairly simple to design a Level Playing Field Tax. Its application and collection would be straightforward and simple, in that its collection would be from importing corporations. Its revenue would be immense, and it would have to be graded in to encourage manufacturers to re-import manufacturing jobs as they re-entered production locally. The tax would be unaffected by any change in currency exchange rates. The formula would be as follows:

- 1) take the price of an item at factory door where it is made.
- 2) Multiply this by the cost of an hour's manufacturing wage in Australia (in Australian dollars), adjusted pro rata for cost of annual leave, sick leave, long service leave, maternity leave, worker's compensation and superannuation etc.

Divide by the price in Australian dollars of 1kg of rice. (This could be any basic commodity common to both Australia and to the exporting country.)

- 3) Multiply by the cost of 1kg of rice in the manufacturing country in the currency of that country.

Divide by the cost of an hour's manufacturing wage in the exporting country, adjusted as above according to cost of additional benefit as above.

This calculation gives the Taxed Price, and the Tax is the Taxed Price minus the Factory Door Price.

Now this operation does not need to be accurate to the nth degree, because the problem of the present inequity probably amounts to between one and two orders of magnitude.

To take a specific example: The late Roy Heywood of Garfield Engineering made architectural hardware for 20-30 years. About 15 years ago he took big steps to consult his bank manager, and arranged finance to buy the latest and best computer controlled production lathe. He then studied at an operational method instruction course provided by the supplier. One of the other participants was a gentleman from the People's Republic of China. Now though Roy was never a traveller, he was always interested in how people lived, and talked to the man through the interpreter.

This man ran a workshop put in with Australian money of some twenty of those lathes.

For this his earnings were A\$40/month in our money. Of this he could save \$8/month.

The workers on the floor who fed stock into the machines and took away the product and the machining swarf earned \$18/month, which was all consumed by living expenses with no surplus to save.

Now quick calculation of comparison with Australian wage rates at the time for both machine work and middle level management showed that the difference between here and China then was a factor of 100x. Now this difference will have undoubtedly diminished since then, but it will still be so substantial that smart operators will still continue manufacturing in low wage countries. Both they and the retailers they preferentially supply derive the greatest profit margins.

There are many problems, anomalies, and consequences in all this.

- 1) When raw materials for manufacture are mined and exported to manufacturing countries to try to balance the cost of trade, we lose control of quality, pollution, and efficiency.
- 2) The cost of energy and manufacturing materials is far cheaper to our trading partners than

to our local industry.

- 3) Quality of manufacturing stock material may be below desired standard, whether it be metal, chemical, plastic, or textile.
- 4) Imported product may be totally unacceptable by local standard. For instance, polyacryamide moisture absorbent material which is the effective component of packaging pads for meats may either come from original sources in western Europe and Scandinavia, or from China. The European material contains no unreacted acrylamide monomer. Chinese material is much cheaper, and contained considerable monomer; certainly initially. The material had no regulatory safety approval. And the monomer is carcinogenic. I stopped buying meat with absorbent pads from the two major supermarket chains who used this because it was cheap.

Then major supermarkets used absorbent pads imported from China, with material that was said to meet standards. The pores in the permeable paper envelope were so open that small particles of polymer could escape and hydrate on the surface of the product. These tiny smooth balls could just be seen with the naked eye; and this is totally unacceptable contamination of edible product. People should not eat chicken dusted lightly with polyacrylamide.

Chinese milk contamination with an organic nitrogen supplement is known. Since the fuss died down there has been foreign taste in sweetened condensed milk from local supermarkets.

And quality of many Asian plastic products, such as 10 litre buckets are so poor that they are virtually a single use item, if you are lucky.

- 5) Some product, such as ornamental brassware, is flimsy and without practical or ornamental usefulness. People only buy it because it is so cheap.
- 6) It is not possible to buy clothing fabric, let alone known quality fabric at a price that will enable anyone to save money by making their own clothes.
- 7) Workers overseas seldom earn enough to be able to afford the product they themselves make.
- 8) In every country's population there is a wide range of ability and suitability for different work and careers. People who are suited to manufacturing now often cannot find work to which they are most naturally suited, and which provides them with job satisfaction and a reasonable standard of living.
- 9) Lack of suitable satisfying work tends to lead to welfare dependence, and use of recreational pharmaceuticals which involve serious social and health problems.
- 10) A country can only be wealthy if the majority of its people are engaged in working, for reasonable reward, to make or do something that is beneficial and necessary. Australia is no longer like that. There are far too many people out of work on welfare, or involuntarily in temporary or part-time work, or in phoney jobs or work that does not accord with their abilities and interest. This is all an unacceptably high overhead cost on the community.

Sooner or later many countries will have to control and reconstruct their economies with a Level Playing Field Tax much as I have hypothesised for you. The alternative to this is continued and worsening social and economic and financial decline. The American sub-prime mortgage disaster basically happened because so many working class people could not service their loans because their jobs had been exported. And the major beneficiaries from the export of manufacturing jobs are not the people who fill those jobs, but the entrepreneurs and the retail giants. Predominance of cheap imported product leaves small, independent, and specialty retailers in a disadvantaged competitive position compared to major retail corporations.

Australia was once a wealthy country. It has become a massive consumer of variable quality imported manufactured product, to balance which trade we have become a massive low cost supplier of low-cost mine product and energy. And that cheaply exported fuel makes an a detrimental contribution to the climate change which will eventually make areas of our country uninhabitable in all likelihood.

The sort of change that I suggest we shall have to make will obviously not please some very wealthy and influential people and corporations. They have enjoyed advantage over the rest of the community through influence and not merit. And advantage always entails disadvantage to someone else. And no-one would ever need to grieve for them in change, because the inevitable consequence of no change may at the end be as bad for them as it was for the clever American financial operators who surfed the financial system so that others drowned in.

International trade is only necessary and justifiable if it is beneficial. And in this all governments have a primary responsibility to their own people, not to corporate interests or the World Trade Organisation.

Unnecessary shipping is a huge and continuing waste of a precious fuel resource which is not renewable.

I know that what I am trying to argue and explain is not what some people would agree with. I must apologise that my computer and communication skills may not have allowed me to express exactly what I wanted to say as perfectly as I wanted in this hurried effort.

Nothing in economics remains immutable. Change will always cause other change that will need further adjustment. Government has a responsibility to control the economy and financial system for the benefit of the community; and you have to keep aiming for improvement.

A Level Playing Field Tax would be a tax that diminishes the need for tax, and this is the most elegant quality a tax can have. It would increase employment and diminish unemployment; and provide suitable and satisfying work for people for whom there is now no possibility of a suitable and satisfying life. It would help correct social, economic, and financial problems. And it would permit elimination of other taxes that are oppressive or difficult and costly to collect.

I would remind you of some wisdom of Charles Kettering of Delco and General Motors, who was one of the greatest and most inventive intellects of the early 20th century. This is relevant in science, engineering, economics, and politics. “When you look at a job, and you think the fellow must be crazy, you have to pay attention to that. One of you may be crazy, and you need to find out who it is. It makes a lot of difference.”

I may not be right, or I may not be completely right. I would like to be. But I just hope my effort in this is in some way useful.