

The RESOURCE RENTALS FOR REVENUE & JUSTICE
Association (International)

Pay for what we Hold or Take, not what we Do or Make

4.08.03

Where to from Here for the Share Market ?

Commerce is the life of every community. Essentially it is the exchange of labour-based goods and services. **Introducing into that exchange process the speculative, capitalised value of artificial, unearned, tradeable rights that produce nothing, distorts the legitimate exchange process.** It also introduces a dominating political element which adds to the confusion. Dealing in this “non-tradeable”, “non-producing”, “service” sector has become a sacrosanct industry, and the only prospect of profit.

Whereas speculation in commodities stimulates production and generates employment, speculation in *ownership rights* to natural resources instead of using them, inhibits production, depresses wages and dividends, and causes unemployment, on a 4:1 ratio¹.

The rogue factor inflates the currency (more obscured than clarified in the CPI); distorts and strangles the stock exchange periodically; starves production of capital instead of assisting it; causes unemployment and social problems. It drives the share market to desperately but vainly search for capital gains in the absence of dividends from genuine earnings. The inevitable paroxysms that once developed over decades are now compressed into months. Access to cheap money makes it worse. Dear money indiscriminately depresses production as much as the speculation. The ‘remedy’ becomes part of the malady. So-called recovery tends to be short lived and carries the seeds of its own collapse. Fraudulently “manufactured” income lately, has made it worse. OPEC oil settlements in Euros instead of US dollars (*unreported in the U.S. Press!*) will have implications for the US economy and global trade. A return to Deficit Budgets, and a new low 1% interest rate have failed to revive the US sharemarket. In fact it has fallen and raised the spectre of deflation. The historical record of recovery may now be no precedent for the future. This dilemma is recognised by smart investment managers planning for greater security.

The solution is to convert *natural monopoly rights* from private, tradeable property rights, to an annual rental in favour of the community, **in lieu of taxes** *i.e.* Resource Rentals for Revenue.

Political inhibition about implementing Resource Rentals for Revenue is often due to a fomented misconception that any such charge is an attack on private property rights. In fact it is an affirmation of true property rights, both private and communal. Taxes on production are as great a breach of private property rights as is the theft of the economic rent properly due to the community. Taxes plunder the rewards of labour in addition to the misappropriated rent and can never compensate for the consequentially depressed wages.

Justifying the theft of the rent on the grounds of having bought the rights does not apply to stolen goods or slaves. Natural monopoly rights, licences and the like are granted by the community and should not be alienated. They can never be converted to personal property. Even the “fee simple” estate in land is by definition a holding on trust, (amplified elsewhere). Recent privatisations retain a nominal leasehold element. A valid title can never be given to stolen property. The American Civil War was fought over the natural right of slaves to be freed, without compensation (but see below).

This social misfeasance is promoted by allowing as a tax-deductible expense the costs of financing the purchase of the right to the tax-free unearned gain which causes the problem - negative gearing to farm economic rent and inflation! The same mechanism can be used to reverse the process *i.e.* Resource Rentals can likewise be set off against income tax. This avoids the claim for compensation.

Being charged for the resources we hold or take instead of for what we do or make, would tax resources into use instead of pricing them out of reach - with a tax concession accordingly. It would stimulate production, establish the level playing field, and normalise the stock exchange as a thermometer of the good health of the whole community.

For more information ask for “Economics In One Lesson”

¹ Every person engaged in primary production (farming, forestry, building, mining, fishing, transport) generates four more jobs downstream.