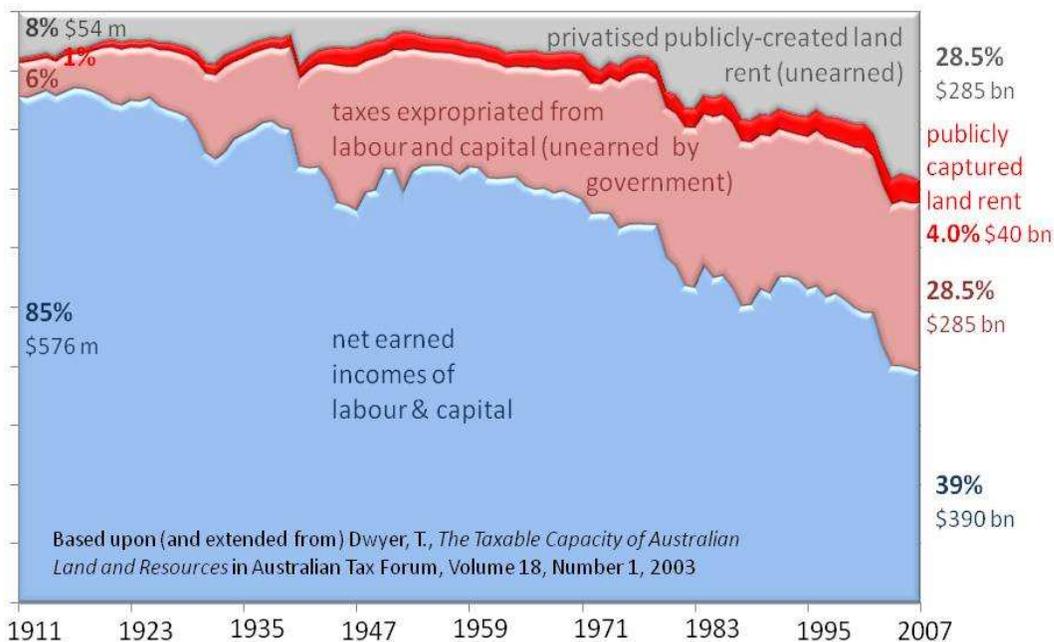


## GDP as earned and unearned incomes



The above graph depicts Australia's gross domestic product descending into an economic depression because a badly-designed tax system has finally choked off effective demand - almost completely. This unique portrayal separates earned incomes from unearned incomes and closely approximates what has taken place in other economies.

Why is it 'unique'? Because it at last assesses the extent of rent within the economy. In economic terms, rent is the annual value of a nation's land. It's literally a natural source for revenue, because no individuals have created it. It's the value that the public and community infrastructure gives to the land as we work away at our jobs each year. Although it is a surplus value (because it's community-generated, not a production cost), we capture only 12% of it to the public purse (less than \$40 billion of \$325 billion) in Australia. The graph shows that rent is now sufficient to replace taxation at all levels of government. i.e. If we were to collect it all, there would be no need to tax (or fine) labour and capital for working!

Although it would do away with the taxation of labour and capital were we to capture our land rent for necessary government, we've permitted landowners to retain 88% of it, even though they've done nothing to earn it. And, of course, those who get the greater part of our rent are those who own not only the most land, but also the most valuable land.

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<http://www.prosper.org.au/2009/01/28/ineffective-demand/>

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