

**Productivity Commission Submission**

**National Competition Policy analysis**

Production = Land + Labour + Capital + Entrepreneurship

In essence by continuing to derive more income from Company Tax (a tax on Capital) and less from Land Tax, the Australian Government is reducing the wages of Labour in Australia for the same Unit Amount of Production when we apply this to the above equation. In a scenario where Land, Labour and Capital are equal factors a halving of Land and Capital costs would allow for a doubling of Labour wages with the same level of Production / Productivity per unit cost.

Capital Markets relate to Industry Production and Productivity, when share prices go up it reduces the cost of capital for that nation and so a highly capitalized share market reflects a low cost of capital for the nation to invest in new business innovation. Unfortunately, in Australia we are obsessed with favouring property and land investors to the tune of a 10 trillion dollar mega bloated capital market for residential property alone, which in the case of land price increases does no good for anyone from a productivity point of view as land cost is a negative input cost increase for production whereas high share prices are a positive input cost reduction for production.

Labor productivity is a separate issue, but, Land and Capital are basically Land as a cost so the lower the price of Land the better and the more Capital the better so the higher the share prices the better for Production / Productivity.

As such, Company Tax burdens and innovation attracting company taxation needs to be considered in Australia and should be replaced by higher Land Taxation, the most efficient tax in the world according to the OECD. This would see Higher share prices lowering the cost of Capital and giving more Capital for Production, while also seeing Lower land prices lowering the cost of Land, in one re-emphasis reducing 2 of the 3 major cost inputs to Production / Productivity and allowing Labour to be less productive and therefore higher paid for the same amounts of overall Production / productivity in the economy.

In essence by continuing to derive more income from Company Tax and less from Land Tax, the Australian Government is reducing the wages of Labour in Australia for the same Unit Amount of Production.