
Competition and Flat Rate Tax; Good Medicine

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29th September, 2005-09-29

This year's Mont Pelerin Society meeting in Iceland, (Aug. 2005) held many fascinations for this Australian member.

Firstly, there is the remarkably inverse relationship between Australia and Iceland, whereas Australia at the beginning of the 20th century had the highest living standard in the world, Iceland was possibly the poorest nation in Western Europe.

But, at the end of the 20th century Australia had fallen to 16th place, whilst Iceland had risen to be vying for top spot.

The reasons for this warrant close study in the light of the current situation where, despite Australia's abundance of natural resources, combined with record export prices, we are not winning the battle at balancing "our financial books".

The dazzling array of Presidents, Prime Ministers and revered economists at the Iceland meeting, guaranteed a high level of debate and as the speakers were protected by Chatham House rules, with their papers made available to members only. Presenters' permission is required prior to any external reporting. In some cases this was granted and by courtesy of The Brussels Journal - www.brusselsjournal.com - by clicking on the following links you can access these Mont Pelerin Society "samplers".

They offer:

- An article on Czech President Vaclav Klaus's warning for the dangers of "Europeanism";
<http://www.brusselsjournal.com/node/206>
- An interview with former Estonian Prime Minister Mart Laar on the flat tax revolution he instigated:
<http://www.brusselsjournal.com/node/202>

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"Those who expect to reap the benefits of freedom must undergo the fatigue of supporting it"....Thomas Paine

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- An interview with Mont Pelerin Society President, Victoria Curzon-Price:
<http://www.brusselsjournal.com/node.201>
- An article about “Europe on the road to serfdom”:
<http://www.brusselsjournal.com/node.200>

Success stories flowed freely and a common thread through so many was the ease and success following the rapid adoption of

.....**Flat Rate Tax**

Apart from reference to the above paper, the former Estonian Prime Minister, Mart Laar, modestly commented that his being an historian, rather than an economist, was good for Estonia as one of the first things he did when being elected Prime Minister was to ask for a good book on economics, so he could gain some ideas on how to get their stagnant economy moving.

Someone gave him a copy of “*Free To Choose*”, by Milton & Rose Friedman (Pan Books).

Among the many ideas he gained from this book was the benefits gained by instantly moving to a Flat Rate Tax system instead of the Marxist-Leninist system of escalating taxes that have unfortunately decimated so many western economies.

Former Prime Minister, Mart Laar, modestly stated that the idea was so appealing and simple he didn’t realize that he was the European pioneer of introducing such a tax.

It has proved to be extremely successful. When they introduced it in 1994 at a flat rate of 26%, it enabled them to enjoy rapid economic growth and pay off Estonia’s national debt. Consequently they are now cutting the rate to 20%.

Even Vladimir Putin’s Chief Economic Advisor, Andrei N. Illarionov, admitted that Russia’s moves to a 13% Flat Rate Tax is the best thing they have done and people now are actually paying their taxes, and on time too!

Eleven countries in Europe have now activated their economies by moving to a Flat Rate Tax system and it is like snowball in motion.

This Flat Rate Tax revolution is getting larger as it quickly rolls from country to country, where competition ensures that the best ideas win.

Australia must choose quickly, to either compete or turn our back on the benefits that will accrue from bulldozing our unwieldy and uncompetitive tax system to one side.

If you wish to know just how unwieldy, uncompetitive and particularly costly Australia’s tax system is, please click on the following link to download Dr. Alex Robson’s C.I.S. paper “The Costs of Taxation”.

<http://www.cis.org.au/Publications/policymonographs/pm68.pdf>

Other links:

- “Shrinking the Tax Code, Growing Liberty” by Daniel J Mitchel
<http://www.insideronline.org/archives/2005/summer/summer.pdf>

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- “Tories to Consider Flat Tax Rate by Matthew Tempest” – Guardian
<http://politics.guardian.co.uk/economics/story/0,11268,1564505,00.html>
- “A taxation system that would leave everyone better off” by Louise McBride
The Australian 19th September, 2005, pge 8.
<http://www.newstext.com.au>
- “A Just Tax System Buys Personal Responsibility”
A New Zealand view from Bruce Logan – Maxim Institute
http://www.maxim.org.nz/main_pages/news_page/M050923.php



Former Estonian Prime Minister, Mart Laar, 2nd from right @ Mont Pelerin Society 2005

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