

of land values and the 1920 valuation was made with that in view. The present Government has announced that it has land-value rating for local purposes under consideration. Mr. Kristensen mentions that the effect of the legal restrictions on rents, owing to war conditions, has been to diminish the assessments of the selling value of land.

NATAL

Mr. Geo. Burgess, Durban, submitted on 4th June a paper to the Natal Society for the Advancement of Science and Art entitled "Every Man's Wages: How to Increase them Permanently."

We were privileged to see Mr. Burgess's paper in MS. It is a brilliant statement of the doctrine expounded by Henry George and the author is to be congratulated on having got an audience for it before the Society for the Advancement of Science.

A summary of the paper was reported in the NATAL MERCURY, and Mr. Burgess has sent us a number of reprints, making a quarto four-page leaflet. We shall be glad to send copies of the reprint to anyone making application.

It is interesting to know that the Natal Provincial Government are considering proposals for the Taxation of Land Values. The question has been frequently alluded to in current sessions of the Union Parliament.

AS IN SPAIN, SO IN ENGLAND

EL IMPUESTO UNICO gives the following as a "very exact summary" of recent tariff discussions in the Spanish Parliament:—

A MANUFACTURER.—The Government tariff does not sufficiently protect my industry, because the foreigner can sell for two what it costs me six to produce. Therefore, higher duties should be established, and every obstacle to the introduction of the raw materials, which I need for my manufactures, should be taken away.

A PRODUCER OF RAW MATERIALS.—What do I hear? Isn't the production of raw materials an industry, and more deserving of protection than yours? Is it not better to be independent of the foreigner for raw materials, than for manufactured articles? What ought to be done is to increase the tariff on the former, and to lower it on the latter, in order that the worker may obtain manufactured products more cheaply, so that wages may go down, and consequently my costs of production.

THE REPRESENTATIVE OF THE GOVERNMENT.—Gentlemen: The Government has made a profound study of the question, and believes that, with the duties which are set up in the proposed tariff, a reasonable protection is granted. Protection is certainly a very good thing, but there are certain limits which experience shows should not be exceeded. Besides, it is necessary to bear in mind the interests of the Treasury—one of the objects of the tariff. *In medio virtus.*

A CONSUMER.—And what about me? Does anyone remember me?

Nobody answers, and the session is closed.

F. V.

We do not seek to spoil the Egyptians. We do not ask that what has been unjustly taken from the labourers shall be restored. We are willing that bygones should be bygones, and to leave dead wrongs to bury their dead. We propose to let those who, by the past appropriation of land-value, have taken the fruits of labour, retain what they have thus got. We merely propose that for the future such robbery of labour shall cease—that for the future, not for the past, land-holders shall pay to the community the rent that to the community is justly due.—HENRY GEORGE, *The Condition of Labour*, p. 81.

DEFECTS OF THE AUSTRALIAN FEDERAL LAND TAX

Evidence Submitted by Mr. F. H. G. Cornwall to a Royal Commission

The Federal Land Tax in Australia was introduced in 1910 and was mainly intended as a means to "break up large estates." It is an annual levy on certain land-owners. The assessment on which the tax is levied is the total sum represented by the value of all the land, apart from improvements, owned by the taxpayer in Australia. If that taxpayer is an absentee he is taxed on the total land value of the land he owns. If he is a resident, he is taxed on the total land value, less £5,000. All resident owners of land are exempt from the Federal Land Tax if the land they own does not exceed £5,000 land value.

The tax is graded according to a somewhat complicated scale, which has been changed since the Act was first passed and is now as follows, with 20 per cent. added to all amounts payable:—

ON RESIDENT LANDOWNERS

For so much of the taxable value as does not exceed £75,000 the rate of tax per £ is 1d. and 1-18,750th of one penny where the taxable value is £1, and increases uniformly with each increase of £1 of the taxable value by 1-18,750th of one penny.

For every £ of taxable value in excess of £75,000 the rate of tax is 9d.

ON ABSENTEE OWNERS

For so much of the taxable value as does not exceed £5,000 the rate of tax is 1d. per £. For so much of the taxable value as exceeds £5,000, but does not exceed £80,000 the rate of tax is 2d. and 1-18,750th of one penny where the excess is £1 and increases uniformly with each increase of £1 in the taxable value by 1-18,750th of one penny.

For every £ of taxable value in excess of £80,000 the rate of tax is 10d.

The important point to notice is that the amount of the tax on any given piece of land depends not alone on the value of that land, but also on the total taxable value of all the land owned there and elsewhere in Australia by the owner. Let us take, for example, two adjoining city lots A and B owned by residents in Australia, and suppose that each lot is worth £5,000. Lot A is owned by a person whose total landholdings in Australia do not exceed £5,000 in land value and is therefore exempt from Federal Land Tax. Lot B is owned by a person whose total landholdings in Australia are assessed at (say) £100,000 land value. The total Federal Land Tax on the owner of Lot B is £2,775, which is equivalent to about 6½d. in the £ of £100,000. Lot B is taxed along with the rest of this owner's holdings and the tax on it amounts to £128. Thus one piece of land valued at £5,000 is exempt from taxation. Another piece of land, also valued at £5,000 is taxed 6½d. in the £. Between these extremes there are all kinds of anomalies in the incidence of the tax upon land of equal value.

Such taxation is not the Taxation of Land Values. The Federal Land Tax has proved in its working, what can be easily argued in theory, how much harm and injustice the "big estate bursters" have done by the policy of exemption and graduation.

MR. CORNWALL'S EVIDENCE

The defects of the tax, how it is passed on to the buyer of small parcels, how the Commonwealth loses revenue thereby, how development of valuable city land is prevented by enforced subdivision, and other objections, have been stated and explained in the very informing evidence submitted in November last to the Australian Royal Commission on Taxation by Mr. Frank H. G. Cornwall, Solicitor in Melbourne and ex-Mayor of Malvern,

Victoria. The evidence is too lengthy to reprint in full; we reproduce some of the more important passages.

"By the general principles upon which Land Values Taxation is justifiable there should be neither exemptions nor graduations. The owner of £100 of land values ought to pay one-tenth of what the owner of £1,000 worth of land values pays. The owner of £1,000 land values one-tenth of the amount paid by the owner of £10,000 and so on. One hundred individual owners each holding £1,000 of land out of use are inflicting as much injury on the community as one owner of £100,000 holding his land out of use. I can nowhere find any principle upon which to found a justification for exemptions or graduations as applied to land value taxation while as a vote-catching expedient it may be an admirable device for the popularity-hunting politician."

"The Act as passed only recognizes as an evil large holdings. While it is true that on an average the small owner uses his land more effectively than the large owner, I deny that large holdings are necessarily an evil and contend that subdivision in the case of valuable city properties is undesirable in the interests of the community, and that in the same interests aggregation is desirable."

Mr. Cornwall takes as an example of the incidence of the Federal Land Tax, nine imaginary properties in Melbourne side by side, each having a value of £1,000 per foot frontage. The example is based upon the actual taxation levied upon the site of the Equitable Buildings at the corner of Collins and Elizabeth Streets as compared with the taxation on the sites of small shops in Collins Street to the west of the Equitable Buildings.

Of the nine properties, one has a frontage of 144 feet, and is owned by one taxpayer. The land value at £1,000 per foot front is £144,000. After deducting the exemption of £5,000 the taxable value is £139,000. This is taxed at the rate of 6d. in the £ of £75,000 and 10½d. in the £ of £64,000. The total tax is £4,755.

Each of the remaining eight properties is separately owned, and the £5,000 exemption is deducted from each. The land value of each at £1,000 per foot front is £18,000. The taxable value is £13,000. This is taxed at the rate of approximately 2d. in the £ and the total tax on the eight properties is £885.

The one large property and the eight small properties are of equal value—£144,000. The large property, fully improved and effectively used, is taxed £4,755. The eight adjoining properties, which are put to an inferior use, are taxed £885.

"If the eight small properties were purchased by a single company, possibly comprising thousands of individual shareholders, with the object of demolishing the antiquated buildings and replacing them with a simple modern structure of up-to-date architecture with every modern convenience, thus increasing the undesirably small amount of office and shop accommodation available, the tax on the small properties would be increased from £885 to £4,755."

"This must clearly have a discouraging effect on city building enterprises and I urge that large holdings, apart from the fact that they tend to an increase in the supply of shops and offices would probably materially improve the architectural features of our cities. If, on the other hand, the tax were on a flat rate, the ownership of a single 18 feet site where the land was very valuable would tend to be unprofitable and the owners would in time either combine and erect a suitable structure or sell to some Company with the same object."

"What the community wants is effective use of land. There is no sense in taxing the single owner of £50,000 worth of land value, but exempting the ten owners among whom he may subdivide it. The community want the

£50,000, the £5,000, the £500, and the £50 owner alike to put their land to the best use. In the same way the owners of £50,000, £5,000, £500 and £50 all receive special benefits from the community and ought to pay in proportion to value. I know of no good reasons for departure from the flat rate. If the general principles on which land value taxation is based are correct, the exemption of the smaller owner is unjust."

LOSS OF REVENUE

Calculations based on the figures given in the official publication *THE PRIVATE WEALTH OF AUSTRALIA* by Mr. G. H. Knibbs, the Commonwealth Statistician, show the general effect of the exemptions. The position as on 30th June, 1915, is estimated as follows:—

Land value taxable	£200,000,000
Less exemptions	£65,000,000
	<hr/> £135,000,000
Exemptions	65,000,000
Land value holdings of less than £5,000 free from Federal Land Tax	£300,000,000
Total Land Value	<hr/> £500,000,000

"Of the land value of Australia 27 per cent. only in 1915 paid Federal Land Tax and 73 per cent., including exempted amounts of taxed owners, were tax free. According to the table on page 43 of *THE PRIVATE WEALTH OF AUSTRALIA*, which represents the position as on 30th June, 1915, approximately 12,182 landowners were taxable and 706,387 landowners were unfairly exempted."

FURTHER CONDEMNATION

In a covering letter to *LAND & LIBERTY*, enclosing copy of his evidence, Mr. Cornwall instances the operation of the tax in rural districts. Some clients of his were recently paying Federal Land Tax on a sheep station of 50,000 acres with a land value of £150,000. It was decided to subdivide and sell. The areas of most of the blocks were under £5,000 land value, and therefore exempt. The seller does not sell subject to the rent-charge of an annual tax. Buyer and seller know that the small blocks are exempt. The seller demands and the buyer gives the full value of the land just as if there were no tax at all. The enormous landowners are encouraged to subdivide. They are not encouraged to use. Their place is taken by smaller owners who may be users or non-users.

Another case is quoted of a large area of land sold near Melbourne on the verge of Toorak, a fashionable suburb. The owner had been paying Federal Land Tax at the top rate. He sold it in small blocks to people who, not being payers of Land Tax, paid him the full price. If the tax had been at a flat rate, the buyers would have paid the seller a smaller price, as if they were buying land subject to a rent-charge. The owner would have got a smaller price and the Federal revenue would not have been reduced by the sale.

"This kind of thing," writes Mr. Cornwall, "is going on daily before my eyes. In the centre of the city a decent block of city land ideally suitable for handsome shops and good offices, instead of being put to that (its best) use is carved up into small shop frontages and put to uneconomic uses, because thereby the vendor escapes a high rate and the purchaser buys with a £5,000 exemption and subject to a low tax rate. My view is that our city is being ruined both in appearance and convenience. The whole system is a vile abortion and those who write in praise of it have no conception of what could be done if neither exemption nor graduation spoilt matters. I want you to realize the absurdities and graduated tax produces, its utter unfairness and the positive harm it does."