

THE QUEENSLAND SYSTEM OF SINGLE TAX MUNICIPAL RATING.

ITS ORIGIN AND RESULTS IN OPERATION.

By H. F. HARDACRE, M.L.A.

As in the vision of the Prophet the Spirit was not in the earthquake or whirlwind but in the still small voice, so in our own times the beginnings of great things are not always accompanied by mighty upheavals or tumultuous noises marking their advent, but often commence silently and almost unobserved. In such a manner was ushered into the world in the year 1890 a simple but far reaching and important Reform that is now rapidly extending throughout the world and is destined to be of great service to mankind. I refer to the Queensland system on Single Tax principles of Local Government rating on land values only irrespective of improvements, which is fast becoming famous, and is being adopted by municipalities in many different nations.

It came into operation in Queensland (for the first time anywhere) under an Act entitled "The Queensland Valuation and Rating Act of 1890," which imposed the new principle of rating imperatively on the whole of the Local Authorities of Queensland, some exceptions being made in certain districts of land held under leasehold tenure from the Crown, and of mining land in respect to which the uncertainty of the mineral values underground made the application of the principle difficult.

THE QUEENSLAND EXAMPLE FOLLOWED.

For many years thereafter Queensland stood alone in the adoption of the principle in Australia, but so simple was the system and so manifest its advantages that at length the adjoining State of New South Wales was induced to try the system, and its legislature passed an Act in the year 1906 making it possible for any of its Municipal Councils to adopt it, subject in certain cases to a vote of their respective ratepayers. The passing of this measure was almost immediately followed by the adoption of the system by all the Shires and by a very large proportion of the municipalities in that State, and the number has since increased to such an extent that very few are not now entirely under its operation. So successful has it proved not only in Queensland but also in New South Wales that in the next adjoining State of Victoria an immense popular opinion has also grown in favor of its adoption. A bill with the object of applying the principle recently passed the lower house of Parliament, and only failed to become a

law through its rejection by a very small majority (I think of only 1) in a second chamber elected on the most conservative franchise for the election of any House of Legislature in Australia.* In South Australia there is also an Act in force making rating on unimproved land values optional by any of its local authorities, and under it a number of municipalities have adopted the system. From the general satisfaction given by the system where in operation and its extending popularity there is little doubt that it will shortly be the principle of levying rates universally existing throughout Australia.

PRINCIPLE ADOPTED ELSEWHERE.

But its adoption is not confined to Australia. It has extended widely also to other countries. In New Zealand no fewer than one hundred and twenty Local Authorities now rate on unimproved land values, including such important cities as Wellington and Christchurch. British Columbia (which, by the way, was until recently in direct steamship communication with Queensland, and no doubt through that means of intercourse became influenced) has followed Queensland's lead in this matter, and is now in itself a conspicuous example of success in the operation of the principle, and is being rapidly followed by other cities in the Canadian Dominion. Edmonton, Lethbridge, Calgary, and Lloydminster (the portion only which is in Alberta) are amongst recent notable examples, while according to the latest information at the time of writing, the Government of British Columbia has announced its intention to apply the system to all its municipalities within its entire area. In Germany, it is said there are now some hundreds or more municipalities levying rates on unimproved ground values only. In Great Britain there are indications in utterances by the Rt. Hon. Lloyd George outlining Rural Reforms, that the line of advance will be by the adoption of local rates on the same principle.

In view of the growing importance and widespread adoption of this system, it may be of interest to give an account of its origination and the results of its operation in Queensland in which State it first became a law, and has now therefore been longest in force.

HOW IT ORIGINATED.

In the year 1890, in Queensland, a Conservative government was in power, which proposed as a means of meeting falling revenue, to impose a property tax (i.e. upon land and improvements combined.) In consequence of the unpopularity of this Treasury proposal that Government was shortly afterwards defeated in Parliament, and was succeeded by a liberal ministry under the Premiership of Sir S. W. Griffith. One of the actions of the new

* The Bill has been passed into law since this statement of the progress of the movement was written.

government to meet the treasury difficulties was to call a halt to the system of granting a large endowment or subsidy to local authorities annually, as had been the custom, and in lieu thereof give them larger rating powers, and throw upon them larger responsibility in the matter of raising revenue for themselves. "To give endowment," said the Premier, "meant to raise revenue by taxation and scatter it again." With the object proposed therefore, there was introduced in the year 1890 a Bill entitled "The Valuing And Rating Act of 1890." It is generally believed that the new bill had the Single Tax or unimproved land value principle of rating embodied in it by the Premier, Sir S. W. Griffith, on its introduction, but such belief is incorrect. The measure was in some respects really a retrograde step. The method of rating previously existing had been upon the Annual Rental Value of Land and Improvements combined in the cities and towns but in country districts the value of the improvements was exempted, as in the passing of the former measure it had been considered essential in the interests of an undeveloped territory that improvements should be carried out without the owners being taxed for making them.

A VERY PROPER BUT UNRECOGNIZED EXEMPTION.

This exemption was made without any recognition of the importance or even the principle of rating on unimproved land values, as the country land was near large pastoral areas held under leasehold from the Crown. The new measure proposed to continue the method of rating on the Annual Rental Value of Land and Improvements, and to extend the system to country districts, in both cases however with a limit of 1/s. in the £ on the annual rental value, and if higher rates were required, then above that amount they were to be imposed on the capital value of the land and improvements on a percentage basis. The Premier, Sir S. W. Griffith, in moving the second reading of the Bill discussed the question of exempting improvements and rejected it. He said:

"The first question that arises, if we intend to give local authorities additional powers of taxation, is upon what basis should we allow them to increase the rates? Should we allow them to impose their rates upon the annual value of the property in their respective districts, or should we put the increased rates on the unimproved value? There is a great deal to be said for that, but on the other hand there is the fact and it ought not to be lost sight of—namely, that the occupiers of improved land really do more to injure the roads, or rather to produce the wear and tear which requires repairs to the roads and the construction of bridges, and also derives more benefits from the public works than the owners of unimproved land. It is notorious that nearly all the wear and tear arise from the occupation of land highly improved as in the cases of factories, mills, and many other

things of the kind. So there is a good deal to be said for retaining in some cases the power of taxation on improvements. I confess that it would be more symmetrical to place all the burden on the unimproved value of the land, on the other hand for reasons which I have pointed out, that would not always be fair because persons who have highly improved land derive much greater advantage from the improvements carried out by the local authorities than those who have not." (Queensland Hansard," Page 870, year 1890.)

He then summarized the proposal of the Bill as follows:

"After considering the matter, the Government came to the conclusion that the fairest way would be to make the same rule apply to all lands, but not to allow the local authorities, under any circumstances, to impose a greater rate than 1/s. in the £ of the annual value when improvements are taken into consideration, and that when they require additional revenue they shall obtain it by levying a rate on the Capital Value." (Hansard, Ibid.)

MR. WILLIAM STEPHENS.

It was this mixed measure of unscientific rating for which Sir S. W. Griffith was in the first instance responsible. The real legislative author or introducer of the principle into the Queensland Parliament was a Government supporter, Mr. William Stephens, then representing South Brisbane, who had considerable experience in local authority matters, and had been Mayor of the Municipality of South Brisbane. Mr. Stephens was by no means a Single Taxer in general theory, and had probably never read a line of Henry George's great work, "Progress and Poverty," but being a man of blunt sagacious common sense had become favorable to the principle so far as it was applicable to Municipal rating rather as a result of practical experience of the evil effects of, and evasions under, the pre-existing systems. A speech by this member on the second reading of the measure caused the new principle to be adopted in the Bill in lieu of the unscientific and mixed proposal. It is well to put on record this speech which caused such an important and far-reaching change in the principle of the measure. He said:

"I would like to say a few words in connection with this Bill. From what I have seen of the world I believe that if anything is to be effective, in order to get the best results, it must be simple. But I am sorry to say that this Bill is not simple. It will confuse members of Parliament, and if it will confuse them I do not know what the Aldermen, Divisional Boardsmen, Valuers, and Clerks will be able to make of it. I have read it carefully through three or four times and I must confess that I have some difficulty in understanding some of the clauses. Of course, the leading features of the bill are the powers of valuing, ascertaining the capital or the annual value, and the powers of rating. Clause 13 is much the same as the present law, and I believe it is far too long and too complicated. The first subsec-

tion in reference to annual values—in fact the provision with respect to annual values should be left out, and those dealing with *taxing improvements should also be left out*; in fact there should be a *single tax on the unimproved value in every case*. (Italics by the writer H. F. H.) I do not see why one man who is enterprising and borrows money to improve his property, having perhaps to pledge all he has got to make these improvements, should be taxed for that while the man who holds the adjoining allotments for speculative purposes should benefit by his improvements. I think the man who holds his land for speculative purposes should be taxed heavier than the man who is game to stake all he has got and improve his and the adjoining property. If there were a simple provision by which all the land should be valued on the unimproved value it would be much fairer, and it would be much easier to understand.”

He then gave instances of what had occurred in South Brisbane in the way of evasion of rates under the existing system:

“There were three lots of land in each case valued at £4000—all in the same street and all of the same value. The owner of the first was an innocent honest man and the land rated at 10 per cent. according to the Act at 1/s. in the £ annual value, he was adjudged to pay £20. The owner of the second was a little more cute, and he saw that if the land was a little improved the annual value would be taken at 5 per cent. on the capital value. As his allotment was fenced on two sides and the back, he merely built a two-railed fence in front. His land by that means became fenced or improved, and his rates were placed at £10. The third owner was even shrewder. He thought he would do a little speculation, and he put up a wooden cottage valued at £300, which he let at an annual rent of £75. The court said that this man had improved his land the same as the neighboring land—all neighboring land had wooden buildings upon them, and he had built a wooden cottage and shop. The Bench therefore decided it would assess him at two-thirds (according to the Act) of the letting value of £75—that was at £50, which at 1/s. in the £ came to £2 10/s. A fourth man might have escaped altogether and the law could not have got at him at all. I will explain what I mean. A man adjoining my allotment had a fairly large house, and it is leased at £3 a week. The tenant complains that his yard is rather small and I tell him he can have my allotment and occupy the two allotments as one property. According to the Bill he will be rated on two-thirds of the rental value of £3 and I should pay nothing.”

He then concluded:

“My opinion is that the capital value of the Fee Simple without improvements should be taken in every case because in that way we should get at everybody. Such a system would be easier to understand, it would be simpler and fairer than the present system and would give better results.” (Hansard, page 900, year 1890.)

EFFECT OF THE SPEECH.

Mr. Stephens' speech had a marked influence. Member after member endorsed his views and expressed their favorable attitude towards the new proposal to such an extent that the Premier, bowing to the wishes of what had evidently become a majority of the House, moved on coming to the Committee stages of the Bill the postponement of the measure with a view to adopting it. After an interval of postponement during which the suggested method with numerous consequential amendments were provided, the Committee stages of the Bill were again entered upon, and the measure then passed with the almost unanimous concurrence of members on both sides of the House—Conservatives as well as Liberals. And so the new principle of rating solely on the capital value of land irrespective of improvements became law for the first time in any community.

Mr. Stephens is still alive and not much beyond the prime of life. He is no longer a member of the Legislative Assembly but was not long ago appointed a member of the legislative Council of the State. In anticipation of this article I recently wrote him asking him to give what information he could concerning the passing of the measure, together with his present views upon the system. In reply I received the following interesting and historically valuable letter:

Waldheim, Ipswich Rd.,
Annereley,

South Brisbane, Feb. 6th, 1913.

H. F. Hardacre, Esq., M.L.A.

Dear Sir.

I have your letter re Municipal Rating of property, and will gladly give you any information that may be of any help or use to you. Sir S. W. Griffith was Premier, and I sat just behind him. From my position as Mayor of South Brisbane and Chairman of two other Divisional Boards, besides being a ratepayer in three or four local authorities, it soon appeared to me that the rating on the rental value was very unfair, as the man who spent his money developing the country was taxed for his industry, while the speculator who held the land in its natural state got an unearned increment value from his neighbor's industry. He was also let off much easier in often paying only half the rates of an industrious citizen. When Sir Samuel Griffith introduced his Bill I wanted to speak on the subject, and I told him so. He said there was not time, and not to delay the passing of the Bill. I pleaded hard to be allowed to say something on the valuation and rating clauses as I considered they were wrong. McIlwraith said, "You can have ten minutes to show us what's the matter with them," which was not half enough time, I spoke very rapidly so as to get in as much as possible. Jones, the principal shorthand reporter at the time sent me a bit of paper

with the following words on it while I was speaking "For God's sake, go a bit slower, we can't keep near you." When the ten minutes was up McIlwraith said, "Take a little more time and tell us what ought to be done. It's easy to be a critic." When I had finished he said, "Get the Government printer to print the amendments you want," which I did, and took them to Sir Samuel Griffith. He said he would look into them, and he might adopt the method, which would save me any trouble of drafting the amendments. Later he said he would adopt the new idea.

To my mind it is still the only fair and proper way of raising money for local government. Say, two men owning two pieces of ground of the same unimproved value have the same opportunity of making money out of it. Why tax the energetic, industrious man who is prepared to make the utmost use possible of his land by clearing, building, or otherwise spending money on it, on the improved value or rental basis, and let the other speculator or miser pay only on the unimproved or rental value, which would be very low. The first, not the latter, should receive all the encouragement possible in a young and new country like Australia. In other words, the tax should be on opportunity not on industry.

WM. STEPHENS.

A postscript conveyed the following personal particulars:

Wm. Stephens, M.L.C., born 1857; eldest son of the late Hon. T. B. Stephens. Father second Mayor of Brisbane; Son first Mayor of South Brisbane. At present President of Stephens Shire Council.

And by the following mail came in accordance with a request I had made a personal photo.

In response to this latter I sent the following reply:

Hon Wm. Stephens, M.L.C.

July 2nd, 1913.

Dear Sir.

I am in receipt by this morning's mail of your letter re the origination of the present system of Municipal Rating in the "Valuation and Rating Act of 1890." It is very interesting and valuable. Australia has given the world many things of great benefit, for example the Torrens Title system, and the Secret Ballot known as the Australian Ballot. But I am of the opinion that she has not given the world anything more valuable than the Queensland Municipal rating system which you were fortunate enough to get introduced, and for which I hope you will get, as you deserve, the credit. Did you ever read Henry George's "Progress and Poverty?" If not, you should read it, and you will find most eloquently pointed out the many evils arising from allowing land values made by the industry and enterprise of some, and by public expenditure, to be speculated in and snapped up by others, and that the remedy is to impose rates and taxes on those land values for the same reasons and on the same lines as you proposed in 1890.

With kindest regards,

H. F. HARDACRE.

Although there is good reason to believe that Mr. Stephens had never read "Progress and Poverty" and that the conclusions he had arrived at with respect to rating on the capital value of land irrespective of improvements were largely the outcome of his personal observation, experience, and native common sense during the time he was Mayor of South Brisbane, yet there is little doubt that the teachings of Henry George (perhaps unconsciously) influenced him. For shortly prior to this time (1888 and continuously onwards to about 1892) there existed a Land Value Taxation League in Brisbane, consisting of a number of enthusiastic admirers of Henry George (amongst them being the present writer) who actively engaged themselves in publicly advocating and propagating the principles embodied in "Progress and Poverty."

(To be continued.)

THE SINGLE TAX AND NATURAL WEALTH.*

(For the Review.)

By PHILIP H. CORNICK.

* We pronounce no opinion upon this singularly able article, and leave to the economic sharps of our movement the anticipated criticism it will provoke.—EDITOR SINGLE TAX REVIEW.

Public opinion in the United States has been profoundly stirred within the past few months by reports of conditions that can be considered as nothing short of civil war in three widely separated mining regions: First, in West Virginia, next in Michigan and now in Colorado. The mine owners blame the Unions; the miners blame the mine owners. Federal, State and private commissions have prepared, and are still preparing, reports on the subject. One recommends suppression of Unions; another, a minimum wage law; still another, closer Government regulation of mines. The Conservationists, who remember how fiercely Colorado has fought them, take advantage of the turmoil to shout, "I told you so;" the Socialists, with redoubled energy, advocate immediate government ownership and operation of mines. The Single Taxers, appalled by these occurrences as all thinking men must be, are bending to their work everywhere with more determination than ever to put their plan into practice. They, alone of all the reformers, have laid the foundation of their plan on sound economic laws. And yet, is the Single Tax, after all, applicable to the mining industry?

That it will go a long way toward relieving the economic pressure that today make strikes in all branches of industry inevitable, no fair-minded student of the subject can deny. But will it solve the problems directly