

# New Zealand's Foundation for LVT

DR. ROLLAND O'REGAN has remained the key figure in the campaign for land value taxation in New Zealand, and as his country offers one of the few working examples of this method, he is widely quoted in Henry George classrooms and in real estate news. Although he could not be present he sent a conference report in which he characterized New Zealand's fiscal system as selective taxation on economic rent of land applied by a small national land tax, and through taxes on land value levied by local authorities.

Referring to the economy of his country where there is public ownership of large amounts of land, including mines and forests, as well as transport and power, Dr. O'Regan wrote, "land value taxation is a priceless weapon to achieve the destruction of land monopoly, but the gains thus made will need to be institutionalized by a change of tenure from freehold to crown leasehold." Canberra (capital of Australia) and Hong Kong, he suggests, "point the way and are worthy of the most serious study by progressive Georgists." He admits the leasehold pattern is far from perfect but believes it is important to devise a really effective leasehold which will secure the present and future economic rent completely to the community.

The pressure of population on natural resources is still being cushioned by a continual reclamation of waste lands and new technological processes making lands formerly regarded as useless, valuable for production, especially regarding timber trees. New technological processes have increased the productivity of large areas of marginal back country land, giving the effect of an increase in the quality of land. Expansion in the timber and fishing industries, the discovery of

natural gas, and good prices abroad, have contributed to a very buoyant economy.

The increasing population, which has passed the two and a half million mark, has led to considerable industrial diversification in light industries. Employment opportunities are still extremely numerous and out-number the available applicants. As time goes on, however, and the inevitable increases of population occur, the pressure on natural resources will increase and land values will rise substantially. The evil effect of the private monopoly of land will then become more apparent. Now is the time to lay the foundation for the future, and the handful of people who are interesting themselves in these questions, he said, "deserve well of their country."

In New Zealand those who understand George's principles are few, but the land value method, having long been accepted, is defended on its merits even where the citizens are not aware that it originated with Henry George. What seems to be indicated for the future then is for the few Georgists to ally themselves with other forceful groups that may be moving in the desired direction. What the Georgists have been working for, and their contribution has been impressive considering their number, is adoption of one universal system of local taxation based on land values alone. This would result in improved methods which would lower taxpayer resistance.

Dr. O'Regan believes some advances are within the realms of possibility since powerful social forces are at work. For instance, the Labor party has been lukewarm on land value taxation but might in the future "do battle for the restoration of the crown leasehold as against freehold."

A further political objective which

he sees would be to persuade the government to distribute the national land tax to local bodies to finance capital works. This would give a welcome increase to the revenue of the local bodies, but it would create a huge vested interest in favor of preserving and even increasing the existing land tax.

In 1922, out of a total tax revenue of £16 million, land tax yielded 10 per cent of the total. In 1963 the yield had risen to 43 per cent of the total. Though its advocates hoped for a steady increase, there has been none since 1963 because of the introduction of other legislation. By every device possible, politicians of all parties have held the yield of land value taxation around the million pound sterling mark, chiefly by varying the exemptions and the rates. In 1962 the yield climbed to £2,018,000 so in 1963 a 50 per cent rebate was granted to cut the tax to its customary level. Yet it has never been repealed in spite of constant and repeated agitation by protesting groups. No one would dare to suggest granting an outright gift of £20 million in capitalized tax to the richest men in the country.

New Zealand has local option in local government, that is, the rate payers can by vote decide if local rates will be levied on the capital value (U.S. method) or annual rental value (British method). In all cities where the system is in effect all efforts to rescind it by vote have failed. However, in polls taken to initiate it, the results have failed. Those municipalities which already have it appreciate its benefits and protect them. But in Auckland where the last poll was held the oppo-

sition, aware of the lush profits to be made through speculation, waged a fierce battle, mainly in the press, and won. This was a setback, but not a total or permanent loss.

Fortunately this island country has a long experience of land value taxation in practice, especially at the municipal level. Because the local bodies need more revenue, however, a mounting attack is being made on the system throughout the land. City councils using the unimproved value rating are casting greedy eyes on the many multi-story flats and fine office buildings in those areas which have been rating on the unimproved value for a long time. These superior improvements are, to some degree at least, a result of the rating system. In Wellington the amount and quality of new buildings is especially dramatic. The government appointed a committee in 1963, as a result of constant pressure, which included advocates of a modification of the system of rating on unimproved value, and some who would abolish it. Their recommendations, not yet considered by the government, proposed various forms of subsidies, limitations, compensations and compromises aimed at "white anting" the land value tax.

The future of this issue will certainly be watched with interest around the world. Despite increasing opposition, Dr. O'Regan thinks advances can be made if enough people will make an effort. Like his celebrated father, he has been a powerful, lifelong protagonist for this reform. Rolland O'Regan is a practising surgeon in Wellington and chairman of the New Zealand League for the Taxation of Land Values.

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**Joseph Jespersen, a New York faculty member, found a report by Alice Taylor Day (Columbia University Forum, Spring, 1964) showing "less marital discord in Australia than in the United States, because the Australian family is more hospitably treated by its environment. In this "paradise of material prosperity" the living standard is high and "material benefits are distributed relatively evenly." Much of the government revenue in Australia is raised by taxing land values. She doesn't attribute the low divorce rate to honest taxation, but — why not?**