

THE DISTRIBUTION OF WEALTH AND LAND VALUES

An Australian Demonstration

One of the commonest objections raised by those who are invited to consider the land question is that land is of little importance nowadays. It is sometimes fortified by the observation that this is a manufacturing country, and that we do not even grow our own food. This fallacy arises from failure to observe that land is necessary for manufactures as for other purposes. It is the source of all raw materials. It is the site upon which manufactures are carried on and goods exchanged. Indeed, the most valuable land is not that used for agriculture, but that in the great cities. Moreover, every article which is imported from abroad has to be paid for by the exchange of articles produced by land and labour at home.

Abstract argument, however, does not always carry conviction. It may, therefore, be of interest to give the results of an actual investigation disclosing the relation of the land value of a country to its total wealth. The data relate to the Commonwealth of Australia and are to be found in a report by the Commonwealth statistician, Mr G. H. Knibbs, entitled *The Private Wealth of Australia and its Growth*, published at Melbourne in 1918.

The conclusions in his book are based partly upon the War Census of population, wealth, and income taken in 1915, and partly upon a computation made by Mr Knibbs on the "inventory method." He also discusses the use of probate returns as a means of computing national wealth, but comes to the conclusion that they do not lead to results of sufficient accuracy.

The returns obtained from the War Census were probably incomplete, because of the circumstances under which it had to be taken and because of a natural inclination upon the part of those making the return to anticipate that it might be used for purposes of taxation and therefore to understate the values. The totals so obtained were about 7 per cent below the total obtained by the "inventory method." The census, however, revealed some significant facts that the other could not.

According to the census, 16 per cent of the residents making returns had no assets or were in debt, and 42 per cent had assets of from £1 to £100. Taking the three lowest classes together 73 per cent had assets less than £250 each and owned 7 per cent of the aggregate assets disclosed.

Taking the other end of the scale 10 per cent of the returns showed assets exceeding £1,000 each, and they owned 78 per cent of the total; and less than two per cent had fortunes exceeding £5,000 but they owned 47 per cent of the total.

The statistics published do not show the proportion of land values included in the assets owned by each group, but as the census included furniture, clothing, and other personal chattels, it may be assumed that the proportion of land value owned by the poorer strata was relatively small.

This conclusion is confirmed by the particulars returned of the number and value of the freehold estates owned. Of the persons owning freehold land, 38 per cent owned land of which the land value was under £100; another 20 per cent owned land of land value lying between £100 and £200. These two classes formed 58 per cent of the owners, but they held less than 7 per cent of the total land value. The following table may also be of interest:—

DISTRIBUTION OF LAND VALUES.

Land Value of each holding.	Percentage of owners.	Total Land Value. (£000,000)	Percentage of value.
Under £500 ...	78	74.7	16.4
£500-£1,000 ...	10	48.2	10.6
Over £1,000 ...	12	333.0	73.0
	100	455.9	100

These figures will make it clear how much more advantageous to the smaller owners it would be to have national revenue raised by means of a land-value tax rather than by tariffs and similar diffused taxation or even by income tax. The attempt of the larger owners to identify their interests with those of the smaller owners is fallacious. This conclusion is fortified by a table which gives a correlation of average income and average wealth. This shows in the case of incomes under £50 the income is 345 per cent of the wealth; in the case of incomes of £50 to £100, the ratio is 161 per cent; in the case of incomes from £100 to £150, the ratio is 58 per cent. The ratio continues to fall at each grade of income. In incomes of £750 to £1,000 the ratio is 9 per cent; and in incomes of over £5,000 the ratio is 6.5 per cent. In other words, the smaller the income the more it depends upon earning and less upon investment.

It is important to note that the smaller owners although numerous own but a small proportion of the total value; and that the land they own is more highly improved. The ratio per cent of the land value to the improved capital value in the case of holdings of land value under £100 was 27; in holdings of land value between £500 and £600 it rose to 41 per cent; and in holdings of land value exceeding £5,000 the ratio rose to nearly 52 per cent.

It is clear, therefore, that taxation based upon the improved value penalizes the smaller owners and relieves the wealthier ones.

The total assets of all persons and bodies owning property in Australia disclosed by the census amounted to £1,503 millions.* This included freehold estates of a declared unimproved value of £455.8 millions. It thus appears that 30 per cent of the assets consisted of land values. This is a remarkable figure and goes a long way towards providing a statistical answer to those who doubt the importance of land in economic life.

Mr Knibbs made an alternative calculation of private assets in Australia, partly based upon statistics of valuation of land and improvements and other statistics obtained for public purposes and partly upon estimates of the values of furniture and other articles based, e.g., upon the number of inhabited rooms. The result of this estimate showed a grand total of £1,619 millions, of which land and improvements accounted for £1,106 millions, or 68 per cent. The War Census showed that out of the total value of land and improvements returned 46½ per cent was land value. Applying this factor to the figure in Mr Knibbs' estimates we get a total land value of £512 millions which is 32 per cent of the total assets. The result agrees closely with that obtained from the War Census. (It may be mentioned that a somewhat similar estimate, relating to the year 1903, was made by Sir T. A. Coghlan, government statistician for New South Wales, which showed that land formed 38 per

* This is after deducting the value of holdings of Commonwealth, State and Municipal securities, which largely represent a debt owed by some of the inhabitants to others.

cent and houses and permanent improvements 32 per cent of the total assets.)

It may be added that a considerable amount of land value is taken in taxation for Commonwealth, State and Local purposes in Australia. An estimate of the amount so taken in 1915 is to be found in our issue of July, 1918. It is £5,589,000. The selling value of land is reduced on this account, and if the reduction is taken at 20 years' purchase of the tax levied it amounts to £112 millions. Any comparison between Australia and other countries would have to take account of this factor.

PROFESSOR GUNNISON BROWN On Economic Science and the Common Welfare

The supply of college text-books on political economy which do not present that subject from an extremely conservative standpoint is very limited. We, therefore, welcome a sixth edition of Professor Harry Gunnison Brown's treatise.* The author is Professor of Economics in the University of Missouri and his students are fortunate in having this manual at their disposal. The present edition, although revised in places, is substantially the same as the previous one.

The presentation is attractive and likely to stimulate attention. The first part of the book deals with a number of practical problems such as Monopoly and Monopoly Prices, Trade and Protective Tariffs, Regulation of Railway Transport Charges, and Trade Cycles, which are important in themselves and which provide an introduction to the second part which deals with the theory of value, and with the general problem of the distribution of wealth as between rent, wages and interest.

If any criticism might be offered of the first part, it is that perhaps an undue stress is laid upon banking and monetary influences in the causation of the trade cycle. The reviewer admits the necessity for a sound banking and currency system, but, even if we accept the proposition that the immediate cause of the depression is the credit crisis, more stress might be laid upon the speculative increase in land values which is the ultimate cause of the credit crisis itself. On the other hand, Professor Brown submits an effective reply to the theory that business depression is caused by excessive saving.

The chapters dealing with the causes of interest and the rate of interest are somewhat stiff reading, but the chapters dealing with wages and the rent of land are wholly admirable. The latter sets out the case for taxation of land values and deals with the objections of economists and others in very convincing fashion. Particularly useful is Professor Brown's skilful exposure of the various specious pleas which are made for reducing taxation on real estate, involving as they do reduction of taxation on land values. He very properly points out that increase of the income tax, which so many people regard as the ideal method of taxation, if it leads to reduction of taxation on land values will make the lot of the common man worse than it is at present by increasing the price which must be paid for access to land. His treatment also of the advantages which would accrue to the farmer from more taxation of land values and less taxation of human effort is of great value, especially at the present moment when so many people, both in this country and the United States, are advocating policies whose only ultimate effect must be

to increase land values and make the position of the farmer worse than before.

The direct and practical handling of these and other topics makes this a book of great value, even to those who may not desire to study the more abstract aspects of economic theory.

Accompanying this book is an 85-page supplement of "Questions and Problems" arising out of the subjects treated. This is one of the best things of the kind that has ever been done. The student will find it invaluable for self-examination, and the ordinary reader will find it stimulating as indicating the kind of question one ought to be able to answer if one really has a grounding in economic science. It may be added that the supplement is not a mere repetition of what appears in the book but introduces some valuable new matter.

F. C. R. D.

The population of London is moving outwards. In 1923 the tube was extended into the Surrey fields at Morden. Now that station is handling the largest volume of traffic on the whole Underground system.

Thus are enormous land values created. But, stupidly, the community leaves private interests to enjoy them.—Mr W. G. HALL in a special article in the *Daily Herald*, 17th August.

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The *Estates Gazette* (15th August) devoted four-and-a-half columns to reprinting the leading passages in the London County Council Report on the Rating of Site Values. The Council has had the Report reprinted as an official document, together with an extract from the Minute of the proceedings relating to it. The price is 6d. and copies may be obtained from our office.

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