

# Land Tenure in Hawaii

UNTIL about 1850 the system of land ownership in Hawaii was a feudal one with the land vested in the monarch. Freehold ownership was then introduced as a result of the great Mahele (division) but the Hawaiians did not hold the principle of ownership of land as being very significant. As long as they could occupy the land, raise taro and catch fish they were happy. It is not surprising therefore that the white men who had started coming to the Islands about 1820 managed to acquire the title to most of the land. In 1956 twelve people owned 52 per cent. of the private land in the Islands and sixty owners accounted for 80 per cent. The predominant system of tenure was leasehold.

Writing in *Land Economics*, John J. Hulten, an appraiser from Honolulu, pointed out that it was the view of researchers in 1957 that the leasehold system, while tending to encourage efficient agriculture, acted as a deterrent to changes in land use. The consequences were to be found in high urban land prices and the use of land which was costly to develop. Many acres of land suitable for residential development were either lying fallow or used as pasture. The system of property taxation rested on assessments which reflected existing rather than potential or "highest and best" use values.

Since 1957, however, the Hawaiians have introduced significant land reform measures, based on the philosophical concept that the land resources should be utilised in a manner that will result in optimum benefit to the people.

Six specific actions were taken:—

\* A Land Study Bureau was established in the University of Hawaii to collate information.

\* A State Planning Office was set up to develop an outline development programme and assist the County planning authorities.

\* Tax assessments were raised to the highest and best use under planning classifications of (a) single and double family residential; (b) apartment, hotel or resort; (c) commercial; (d) industrial; (e) agricultural and (f) conservation.

\* Legislation was introduced to give the State power to compulsorily acquire land parcels of ten acres or more for housing development.

\* Legislation was threatened to give leaseholders the option to purchase the freehold of their land.

\* An amendment to property tax legislation was passed to reduce the tax rate on buildings relative to that on land.

Of the measures cited above, Mr. Hulten considers the last to be of the greatest significance. "Under the old law," he wrote, "slums and deteriorated buildings were in effect subsidised by persons constructing modern improvements on their properties as these old structures paid

little or no taxes while new improvements paid a maximum tax. The effect of this Amendment has been to give a tax credit to those who invest capital in a new building by taxing the building at a lower rate than the land. It also performs a second function of placing a tax penalty on idle land as the rate on land increases in proportion to the decrease in tax upon buildings."

Mr. Hulten went on to explain that although Hawaii with its limited land area ranks as the fourth U.S. State in terms of *per capita* property values and although property taxes account for a relatively small percentage of total taxation, the effect of the tax reform against a background of rising population will be to stabilise land values, or at least to slow down the rate of increase.

While some people would no doubt argue that some of the Hawaiian reform measures go too far in the direction of control, others no doubt regret that the property tax amendment did not exempt improvements from taxation altogether. Nevertheless, it must be agreed that a positive approach has been taken towards ensuring that land is utilised for the community's benefit. Much land has already been sold for development and many owners have disposed freely of their holdings without waiting for statutory leasehold enfranchisement to be brought forward. To date the powers of compulsory acquisition have not needed to be used.

The Hawaiian tax reform is an extension of the Pittsburgh Graded Tax Plan, and although limited in scope, provides an adequate platform for further progressive measures in the future.

As Mr. Hulten pointed out: "Land ownership and land use is probably the most critical and most explosive issue plaguing mankind. Revolutions have been fought over it . . ." The struggle in Hawaii is still going on.

## PAY CASH

WHEN Bonaparte took the consulship the condition of fiscal affairs was appalling. The government was bankrupt; an immense debt was unpaid. The further collection of taxes seemed impossible; the assessments were in hopeless confusion . . . At the first cabinet council Bonaparte was asked what he intended to do. He replied: "I will pay cash or pay nothing." From this time he conducted all his operations on this basis . . .

When the first great European coalition was formed against the Empire, Napoleon was hard pressed financially, and it was proposed to resort to paper money; but he wrote to his minister: "While I live, I will never resort to irredeemable paper." He never did, and France, under this determination, commanded all the gold she needed. When Waterloo came, with the invasion of the Allies, with war on her own soil, with a change of dynasty, and with heavy expenses for war and indemnities, France, on a specie basis, experienced no severe financial distress.

—Andrew Dickson White  
*Fiat Money Inflation in France*