

TESTIMONY FROM NEW SOUTH WALES

Thirty Years of Local Rating on Land Values

The following is taken from an address by Alderman J. R. Firth, at the Henry George Centenary Dinner in Sydney, New South Wales, on 4th September, at which, according to the *Sydney Morning Herald* report, 400 guests were present. This address was also broadcast from 2 BL, one of the Commonwealth of Australia's broadcasting stations.

In 1891, Henry George visited Australia, proclaiming by word of mouth the truths set out in *Progress and Poverty*. He addressed crowded and enthusiastically favourable audiences everywhere. His visit to Australia made a profound impression on political thought, particularly in New South Wales.

In 1896 the George Reid Government abolished the tariff, except on narcotics and stimulants, and imposed on the land values of the whole State a tax of one penny in the pound, with a statutory exemption of £240.

Mr Carruthers, afterwards Sir Joseph Carruthers, became Premier in 1904. He proposed that the State Land Tax be abolished, but that all Shires and Municipalities be given the power to rate on land values only, or if the Council so decided, to rate improvements also.

Although the Government's parliamentary majority was very small in the Lower House and non-existent in the Upper House, Mr Carruthers persuaded both Houses to pass this enormously important measure—an Act, which to-day, thirty-three years after, still keeps N.S.W. in the lead as far as the legal application of Henry George's principles is concerned.

Nearly every Shire and Municipal Council in the State at once adopted rating on land values only. Two or three Municipal Councils decided to rate improvements, but the ratepayers, *i.e.*, the landowners, demanded the poll to which they were entitled under the Act, and in every case the polls resulted in the decision of the local Council being reversed and rating on land values only being adopted.

This radical change in the raising of Local Government revenue took place in 1908, and covered the whole of the State, with the exception of the City of Sydney, which operated under special Acts of Parliament. Amending legislation was passed in 1916 and the City of Sydney came into line.

It may be suggested that Local Government rating is not important—may I point out that in 1936 £5,500,000 was raised by local rating on land values.

GREAT PROSPERITY

The immediate result of the change over in 1908, *i.e.*, from rating improvements to rating land values only, was to make it unprofitable to "hold land for a rise." All owners of vacant land became desperately anxious to sell—they had to use their land themselves or let someone else use it—there were more sellers than buyers; prices of land were radically reduced and would-be home-owners were given the opportunity to secure home-sites at reasonable prices and on very reasonable terms. Thousands of houses were built, particularly in the suburbs, where hitherto land speculators had held land out of use, hoping to sell at enhanced prices. The building of these houses employed labour, not only in the building trades, but also in allied industries, *viz.*, bricks, cement, timber, etc.

From 1908 to 1914, when war broke out, this State, and this city in particular, enjoyed great prosperity—a prosperity legitimately created by the releasing of

natural forces; not illegitimately by the borrowing and spending of huge sums of money under the motto, "After us the deluge."

Another result of the radical change in rating in 1908 was to spread our growing population over a large area—instead of living in terraces in congested suburbs people built cottages with sunshine all round them and Sydney spread out rapidly in all directions. To-day Sydney, with only one and a half millions of population, occupies more area than London, with six times our population.

We denounce Sydney's slums, and so we should; but by comparison with other large cities Sydney has virtually no slum areas—the great masses of our people are housed in decent surroundings with plenty of sunlight round the house. This is the result of making land available at reasonable prices.

HEALTHIER SURROUNDINGS

The people who, to-day, live in slums would move out into healthier surroundings—the slums would be replaced by factory buildings or, better still, the slums might be torn down and the sites used for parks and playgrounds.

Another advantage of our system of rating is that it makes it much easier for a municipality to secure land for parks and playgrounds. Under the old system of rating it paid to hold land out of use waiting for an increased value which was sure to follow the growth of population.

Under the system of rating land values the landowner pays rates on the value of the land and pays every year whether the land yields a return or no, and if values rise, his rates also rise; therefore, unless he can make a quick sale at much enhanced prices it does pay not for him to speculate. He approaches the local Municipal Council, offering his land or a portion of it at a very low price so as to escape paying rates on it, and also with the hope that if the Council makes a park out of a portion of his land, such action may help him to sell the balance of his land at a decent price.

One important result following the adoption of our rating system has been the reduction of rates on houses, factories, office buildings, shops and the like, the revenue thus lost being made up by rates on vacant land, land which under the old system paid no rates.

One other important by-product of rating on unimproved land values is that capitalists no longer invest in vacant land, hoping to sell it later at an increased value—this was a common and very often a profitable practice thirty-five years ago. The land speculator spent nothing on the land, merely held it, while Sydney grew and the pressure and needs of the added population enabled him to "reap where he had not sown."

Notwithstanding the very prosperous times of 1908 to 1914, and of 1924 to 1929, no land boom reared its ugly head—no land booms with their following crashes—with their following misery, disappointment and poverty.

Our rating basis, having been in existence in Sydney for thirty years, has resulted in the bulk of our population enjoying pure air, plenty of sunshine and, generally speaking, healthy surroundings, and as a natural result we have one of the lowest death rates in the world, also one of the lowest infantile mortality rates.