

INTERNATIONAL NEWS

NEW ZEALAND

An amendment to the Dominion Land Tax was carried by the House of Representatives on 25th October (*Times* report). Its three main provisions are:—

- (1) A graduated super-tax on owners of land the value of which (apart from buildings and improvements) exceeds £12,500.
- (2) The reduction of exemption from the land tax on account of mortgages from £10,000 to £5,000.
- (3) Owners of land exceeding £12,000 in value are to be liable for income tax where such tax will be greater than their land tax liability.

The present Dominion Land Tax began in 1891. As amended in 1920, it comprises an ordinary tax of one penny in the pound on land the assessed unimproved value of which is under £1,000; a graduated tax where the assessment of unimproved value exceeds £1,000, the tax increasing by 1/20,000ths of a penny for every pound in excess of £1,000, up to a maximum of 7½d. per £; an exemption of £500 from the assessment of land of not more than £1,500 unimproved value, with a similar exemption for land valued between £1,500 and £2,500, except that the exemption is reduced by £2 for every £1 in unimproved value above the £1,500 point; and—in the case of land subject to mortgage—an exemption of £10,000 where unimproved value does not exceed £10,000, this exemption to be diminished by £2 for every £1 in value above £10,000.

The system of exempting some land from taxation (although it has a value apart from improvements), and of making the *rate* of taxation vary with the total land value possessed anywhere by the "owner" is wholly vicious. It leads to many anomalies and all-round mischief. For example, two areas of land in New Zealand of equal value (each £1,500) lie side by side. In the one case (because this "owner" has no other land) the Dominion Land Tax is 1d. in the £; in the second case (because this "owner" has much other land) the tax is 7d. in the £. Nearby there is a third area, also valued at £1,500, but held in three pieces each of £500 value by three separate persons who have no other land. On that area the tax is *nil*. This is an absolute travesty of the Taxation of Land Values, the principle of which is that the value of land is everywhere a public value, and should, pound for pound, make the same contribution to the public revenue. The contribution must be determined by the assessed land value in every case; never by the accidental circumstances of the "owner," whether "large" or "small." When this principle is mutilated, either by exemption or graduation or other method of discrimination, the revenue is defrauded and the land which is thus favoured by tax-relief, when it changes hands, simply rises in price. This is the way deliberately to promote speculation in land most wanted for development. As often as not, the best use of land is penalized, and in these and other respects the objects of the law-makers are defeated.

If the new Bill with its increased tax on land exceeding £12,000 in value is placed upon the Statute Book, it will carry still farther this process of discrimination. No doubt one of the avowed objects of the Government is to get revenue to balance the deficit, but the tax is also intended as a means to break up the big estates, which is important as a sign that the Government see the direct relation between land monopoly and unemployment. Dealing with that aspect of the question, Sir Joseph Ward said:—

"No thinking person would assert that there is not

sufficient potential wealth in the Dominion comfortably to support a million and a half of people, for such a statement would be ridiculous. What, then, is the cause of the trouble? I say unhesitatingly that it is the neglect to foster land settlement. We have secondary industries and they are expanding, but they cannot compete in the world's markets. The prosperity of the whole country is bound up in the products of the land. The widespread effect of a drop in the price of wool or butter is striking evidence of this. Accordingly, the only real cure for our present difficulties lies in the old slogan, "Back to the land." Increase the production of our primary products, and also the number of people on the land, and the market for our secondary industries is widened and stimulated, which means more work and trade for the people in the town."

These are wise words that statesmen everywhere may take to heart, including Sir Joseph Ward himself, who does nothing more heroic than tinker at a faulty land tax. If by the amendment some landowners are induced to sell some parts of their estates, only temporary relief will be obtained, and land speculation will reassert itself wherever the higher rate of land tax does not operate.

AN INTERVIEW WITH SIR JOSEPH WARD

The New Zealand Land Values League recently made representations to Sir Joseph Ward in the matter of the Budget deficit, the Dominion Land Tax and the local Rating of Land Values. The deputation was headed by Mr P. J. O'Regan, who submitted resolutions adopted by the League declaring, among other things, that inasmuch as Customs taxation already exceeds more than half the total taxation of the country, and as the income tax, in so far as it falls on production, is inequitable and impolitic, the only proper manner of meeting the deficit is by a flat tax upon the unimproved value of land.

The exemption of mortgaged land from taxation is an indirect method of repealing the most just and equitable of all taxation, and we hold that in taxing the unimproved value of land, no cognisance should be taken of mortgages.

The league condemns the manner in which the water rate is at present levied in districts where rating on the unimproved value is in operation, and urges an amendment of the law bringing the water rate into line with every other rate, that is to say, a flat rate upon the unimproved value of land.

The league opposes any proposal of which the effect would be to place more of the hospital and charitable aid expenditure on the Consolidated Fund, inasmuch as any diminution of the taxing powers of local bodies detracts from their importance and dignity, and tends to make the general Government a centralized bureaucracy.

The league protests against the policy of local bodies in applying the profits of trading concerns for purposes of general revenue, and holds that legislation should be enacted to prohibit it.

The practice of securing local bodies' loans for public works on the taxation levied on the transport industry is condemned. All loan moneys should be secured by a special rate on the unimproved value of the land benefited thereby.

The proposal to levy differential rates in boroughs is liable to great abuses, and, without committing ourselves to support the proposal, we hold that it should be surrounded by most stringent safeguards, including

(1) that no abatement of rating in respect of any land in boroughs should be allowed without the approval of the Valuer-General, who should be the sole authority to decide the matter; and (2) that under no circumstances should the aggregate rate revenue of any local body be reduced in consequence of differential rating.

In the course of his statement, Mr P. J. O'REGAN said that the unimproved value of land in New Zealand was £300,000,000, but the Dominion tax collected was less than £1,250,000. That was a state of affairs that could not be allowed to exist. The League was opposed to Customs taxation, and the fact that the Customs provided more than half the total taxation was absurd, indefensible and inexcusable. He concluded by saying that it was Sir Joseph Ward who had introduced the local taxation of land values.

Sir JOSEPH WARD said he had read the resolutions carefully, and he thoroughly understood their purport. "Of course," said Sir Joseph, "it is unnecessary for me to tell you that you are ahead of public opinion."

Mr O'REGAN: "We don't think so, sir. We are ahead of newspaper opinions, but not public opinion."

Sir JOSEPH WARD: "What I mean is that I don't think the country is prepared to go to the extent that is recommended in some of your resolutions." It was true that he had been responsible for the introduction of rating on the unimproved value, and he had never regretted it. He would like to see it made general.

Mr. O'REGAN: "We are going to make it general."

ONTARIO

On his return from the International Conference in Edinburgh, Mr A. C. Thompson, Secretary of the Single Tax Association of Ontario, sent us a set of the letters (seven in all) that were issued two years ago to 1,000 members of the Service Clubs of Toronto. The letters are so built up in series as to make a well-connected story. Liberal use is made of passages from *Progress and Poverty*, as well as of the striking argument given in L. F. Post's *Outlines of Lectures*, comparing two towns to illustrate that land value is the true measure of public revenues. The letters were sent anonymously over the signature "A Business Man" and contain, besides the "borrowed material" thus fitted into place, arresting facts and considerations for the business people to whom they were addressed. Some facts given in regard to Toronto (these relate to the year 1927) are of special interest:—

TORONTO ANOMALIES

"Would not a newcomer to the City be struck by the variation of the size and qualities of the buildings which adorn or disgrace, as the case may be, our main streets? On Yonge Street, between King and Richmond Streets, for example, on land valued at many thousands of dollars per front-foot, are thirty-eight old buildings two and three stories high, the value of each of which is less than that of two feet of the land on which they stand. In fact eight are worth less than one foot, nine less than six inches, seven less than four inches, and one actually occupies land two inches of which is assessed at more than the value of the building. On Queen Street, in the neighbourhood of the City Hall, are buildings assessed at \$100 and \$200 on land assessed at \$750 to \$850 per front foot. On Adelaide Street, Richmond Street, King Street, Jarvis Street, and, in fact, on any of the main streets in the heart of the City, tumbledown ramshackles, some vacant, some rented, can be seen, and there seems to be little tendency to replace them by new and up-to-date structures. Why is this?

"The reason is that it is considered by the owners to be more profitable in the long run to wait till the

growth of the City and the enterprise of others make these sites so valuable that the owners may get big prices without themselves risking capital in improvements, than it is to build during the interval. The carrying charges are small by reason of the low assessment on the land and the virtual exemption of old buildings. Many of these out-of-date buildings are rented for sufficient to pay the taxes and perhaps give a return on the original investment. But, should an owner have sufficient enterprise to erect a new building, the assessment of his property is so increased that the revenue he derives frequently does not give the ordinary return to capital. Other owners are deterred in consequence."

This special piece of propaganda by the Ontario Association recalls the famous "Letter to Business Men" that Joseph Fels issued some twenty years ago.

DENMARK

The monthly journal, *Grundskyld*, organ of the Henry George League (the "National Union for Land Value Taxation and Free Trade") is always of exceptional interest. Its service to the movement cannot be overestimated. The November issue, for instance, has instructive articles on Marx and George, on Karl Kautsky and the Social Democrats, on Stock Exchange Speculation, on the question of Compensation and Increment Taxation, on Mortgages and Land Value Taxation, etc. A useful feature (steadily maintained when Parliament is in session) is the monthly political review, and on this occasion telling passages are quoted from the debates on the Finance Bill. This November issue is, however, specially noteworthy for the five-page article (continuing the account given in previous numbers) which deals with the International Conference in Edinburgh. It is admirably illustrated with photographs of 17 of the members, thus honourably noticed as having taken a leading part. All concerned express their appreciation to the editor, Mr S. Berthelsen, for this kindly compliment.

The latest book publication to hand from Denmark calls for warm congratulations to the author, Mr J. L. Björner. It is entitled the *Frihandelens Fane*—The Banner of Free Trade—and those who have read Mr Björner's paper under the same title as presented to the International Conference will be prepared to believe that here we have an outstanding contribution to the cause of Free Trade in its fullness. The book contains many amusing illustrations by Mr R. Storm-Petersen—who has skilfully given expression in this way to the pleasing irony of the author in his excellent pages making fun of the protectionist fallacies. And Mr Björner is equally merciless in his handling of the Free Trader who fails to carry the question further than the mere removal of Customs barriers.

HOLLAND

An exceptional service has been rendered by Mr H. Kolthek, former member of the Second Chamber of the States General, who has translated into Dutch the abridged edition of *Protection or Free Trade* by Henry George.

The book is published, price 3 florins (5s. 5d.), by the firm of W. J. Thieme & Co., Zutphen, in good print and well bound, making altogether 177 pages. It contains Mr Philip Snowden's Foreword, an introduction by Mr Kolthek and various necessary footnotes for the Dutch reader, as well as an additional Appendix on Henry George and the Physiocrats in which use is made of the information Mr Axel Fraenckel contributed in his paper to the International Conference in Edinburgh.