

of enabling the large owner to cut his losses and in part to evade the tax by selling in smaller blocks to persons who have to pay less tax or perhaps none at all and will therefore pay a higher price. The graduated tax is, therefore, more beneficial to the middle class of owner, whose land value does not exceed £5,000, than it is to the poor man who wishes to buy or rent a house or a farm. The principle of the tax is vitiated by the exemption, and the person whom it is most desired to help secures the least benefit. We hope that the Labour Party in this country who have written the taxation of land values on their programme will profit by this Australian experience and will not dilute the principle of a uniform tax on land values.

Urban Congestion and the Rating of Land Values.

We have dealt on various occasions with the contention that the rating of land values would conduce to congestion of building, but we take leave to refer to it again in connection with the remarkable statistics relating to Sydney (N.S.W.), which will be found elsewhere in this issue. The rating of land values has been applied more drastically and completely to the city and suburbs of Sydney than anywhere else in the world. The rates levied are comparatively high, ranging from 2½d. to 5½d. in the pound, and if any evil results are to follow they should surely be evident. The contrary has been the case. There has been a rapid increase of population, but it has been greatest in the outermost zones of the metropolitan area and least towards the centre. The rating of land values has had the effect of releasing for use land on the outskirts that had been held up for speculation and allowing an equitable distribution of population. We may quote the passage dealing with this question in the separate report of the Departmental Committee on Local Taxation (1914):

It is contended by our colleagues that the natural corollary of these arguments must inevitably be that the proposed change in the basis of rating will add to the congestion of buildings. This contention seems to assume that the area within which building can take place is strictly limited, and that, because a reduction of the rate in respect of buildings (accompanied by an increase of the rate in respect of sites) will tend to stimulate building, there will be a greater quantity of building on the same area, and consequently increased congestion. On the contrary, in our view one of the most important effects of a differential rate on site values will be an enlargement of the area of land available for building, and this for two reasons. The imposition of a charge upon land which is not built on will have a certain effect in inducing owners to utilise such land, or bring it into the market, without undue delay. Secondly, a reduction of the charge in respect of buildings will tend to reduce the builder's existing financial risks, and make him more ready to undertake the building of houses. On this point, therefore, it is probable that the effects of a site value rate will be in a direction contrary to that anticipated in Chapter X. It is well known that working class tenants much prefer cottages and small houses to block dwellings, and only occupy the latter when they are compelled to live near their work and consequently near the central portions of the town, where land is dear. The demand for house accommodation which will be stimulated by our proposals will thus not be a demand for the provision of more—but rather fewer—houses to the acre, since the desire to inhabit a cottage dwelling is usually accompanied by demands for more air, more space, and a garden. In these circumstances it is quite improbable that the increasing demand for more space in connection with houses should be in any way checked. In our opinion it would be facilitated by the operation of the proposal we submit.

This contention is amply justified by the effects of the rating of land values in Sydney (page 151).

Damning with Faint Praise.

Answering a letter received from the Rev. W. Drury, *Common Sense* of June 1st grants that "there is much force in his argument" in favour of rating land values; but its further comment is not very intelligent. "To a certain

extent," it says, "local rates are a tax; it is largely for this reason that we have advocated heavy licence duties on motor vehicles, because these vehicles impose a burden on the rate-payer by wearing out his roads. Every heavy motor vehicle, in fact, means a tax on the poor man's house. Undoubtedly land in towns ought to be rated on its real value—a much better method than the Land Value Duties of the 1909 Budget—but this value would be lowered in the process."

Common Sense is said to stand for Free Trade, and could no doubt make a cogent statement proving the iniquity of tariffs and tracing their incidence to higher prices paid by the consumer. But imports into one town from another it would gladly tax. Free Trade for internal exchanges must be denied because the upkeep of roads "taxes poor men's houses." Let the upkeep of the roads, says this licence-duty advocate, be paid by a general increase in the prices of goods carried by the labour-saving motor vehicle. In this contorted fashion *Common Sense* introduces matter that has nothing whatever to do with the case in point. It obscures what it set out to discuss, namely, the fact that rates as at present assessed are a penalty on buildings and improvements, and are an encouragement to high rates and land speculation. Roads could be and should be modernised to bear modern heavy traffic, and their cost should be borne, like the cost of other public services, by levying rates on land values. But here another objection crops up: "The value of land would be lowered in the process." Surely it is one of these claims made for the rating of land values that it would break down the monopoly price of land in and around towns and elsewhere. It demands approval on that account.

The Case in a Nutshell.

The case is quite plain. High priced land is made higher by all improvement, and desired land is held out of use for a further rise in value. This monopoly or speculation in land is the abiding obstacle to the housing reformer. Land values taxation will break the monopoly and lower the price, and this in turn will lead to cheaper, better housing. But, suggests the critic, "land values will fall and public authorities would lose revenue by this system of taxation, and in course of time they would find the basis of assessment diminish and disappear." But what is wanted is cheap land for housing and all kinds of municipal expansion and trade, and how is this to be obtained by a tax on motor traffic, or by any tax on trade? A land tax will cheapen land and facilitate trade. A motor tax will burden this industry, maintain the price to the trader and stiffen land monopoly. That is the economic law on the subject and it cannot be argued out of position. The memorial policy of the Land Values Group fits in here: A flat tax of a penny in the pound on the capital value of all land, the proceeds to be devoted to the cost of certain services locally administered, but mainly national in character—Education, Poor Relief, Police, and Main Roads. This plain policy will take for the use of the community a publicly earned value as, and where, it appears and it will do this by leaving the road open and free to all industrial and social progress.

Its Advantages.

The advantages of this policy have been summarised as follows:

(1) To take the burden of rates off dwelling houses, factories, mills, workshops, plant and machinery, mining works, shops, warehouses, offices, and all industrial and business premises and all farm buildings, drainage, fencing and other agricultural improvements;

(2) To break down the barriers which land monopoly now opposes to municipal, industrial and agricultural development and enterprise, and thus to cause the land everywhere to be used in ways more advantageous to the workers;

(3) To make it possible for more, better and cheaper dwellings to be provided in towns and villages, to make small holdings and