

## Reply to Mr. Hyder

Henry George, in Chapter I, Book VI. of *PROGRESS AND POVERTY*, argues that greater economy in government (although in itself desirable) is not a sufficient remedy for the unjust distribution of wealth. If the State or the municipality collected less public revenue by cutting down all forms of wasteful expenditure, the taxpayers would not long enjoy the benefit. The saving would ultimately go to the owners of land in increased rents. Mr. Hyder uses that argument, which is unanswerable, to misrepresent Henry George by substituting one form of words for another. Taking a sentence out of its context and distorting it he makes Henry George, who proved that public economy would but raise land value and leave wages at subsistence point, maintain that the abolition of taxation *upon improvements* and the transference of taxation to the value of land alone would have the same effect. He "cites" *PROGRESS AND POVERTY* so artfully that those who have not read the book are left to understand the exact opposite of its message and purpose.

The New Zealand Report quoted by Mr. Hyder is contained in the *Papers Relating to the Taxation of Land, etc.* (Cd. 4750), published by the British Government in 1909. The Report is a little unequal. Mr. Hyder happens to have selected from it one remark congenial to his view and object. That remark is followed by two whole pages which discuss the results of land value rating in New Zealand. Summarising reports received from a large number of local authorities, the Land and Income Tax Department states that:—

The effect on urban and suburban land has been very marked. It has compelled owners of these to build or to sell to those who would; it has thus caused a great impetus to the building trade.

The tendency of this system is not to increase rent, but, on the contrary, as the tax becomes heavier it tends to bring into beneficial occupation land not put to its best use and so reduces rent.

In addition to land being put to its best use, it tends to reduce rents and the values of residential sites by the large increase of these made available. The form of speculation in land unused and help for a prospective increment is rarely met with in recent years.

These observations are the more significant as they refer to results obtained (up to the year 1906) from only a small instalment of the rating of land values.

Similar authoritative evidence of the working of the system in New South Wales and in Western Canada has already been given. Mr. Hyder ignores it. He only repeats the assertion that it is "perfectly clear" that the rating of land values does not produce cheap land nor lessen the toll which landowners impose on the community. The Chairman of the Hudson's Bay Company gave a different testimony at the last annual meeting (30th July, 1920) of shareholders. They had to sell their land or develop it themselves because taxation on the value of the land, whether used or not, was so very heavy. To the Hudson's Bay Company it was indeed a case of both "*post hoc*" and "*propter hoc*."

The land boom in Western Canada was of course followed by a natural slump, but the collapse of the speculation was hastened by taxation imposed all the time on the value of land. The speculators, obliged to pay taxation whether the land was used or not, were forced to let go (except in some municipalities where councils illegally refrained from taking proceedings against defaulters), and large areas of idle land reverted to the community. That has been the generally admitted effect of the rating of land values in Western Canada. Lieut.-Col. Wm. Grassie, an authority on Canadian affairs, contributed an article on the subject to the *MANCHESTER GUARDIAN* of 15th June, 1920, and stated: "Holders of vacant city and town property were even in a worse position (after the slump in values) than owners of revenue-bearing properties. Taxes were high and had to be paid, and many owners of such property were forced to sacrifice their holdings. As late as the spring of 1919 one could buy for cash choice sites for as low as one-fifth to one-tenth of the price paid in 1913."

It is precisely after a boom in land that the taxation of land values is most urgent and is certain to have the most far-reaching and beneficial results; for it is after a boom that land with-holding begins to operate with the greatest harm, owners refusing to sell or lease in the obstinate hope that prices and rents will return to the level reached during the boom. A "slump" has set in whose main feature is denial of access to land. We are going through that experience now in this country, with the iniquitous handicap of a rating and taxing system which, by exempting vacant land and penalising all improvement, seems deliberately designed to make for permanent unemployment and industrial depression.

The rest of Mr. Hyder's argument is statistical and is more or less reiteration of what has already been answered. As to land valuation in New Zealand, there is nothing to add to our previous remarks save to correct the impression that the "recent revaluation shows a further increase of £33,000,000 in the value of land" since 1919. We are informed that in New Zealand there has been no "re-valuation" of all the land. Assessments are revised from time to time in the different districts and at irregular intervals. In recent years the net result has shown large increases over previous valuations, many of them quite out of date. The £33,000,000 referred to (the actual figure is £35,000,000) is for the most part included in the sum of £181,000,000, the aggregate increase since 1902.

Mr. Hyder's further explanation does not help to clarify his reasons for alleging that land was sold in South Australia at £10,149,840 per acre, and that land value rating com-

pelled purchasers to pay such a monstrous price. He did not have the facts, since shown to be so disastrous to his calculations and conclusions. He regrets the error which made him figure with £233 instead of £1,233 "per foot," thus arriving at a price of £10,149,840 per acre instead of £54,722,548 per acre. He excuses all his blunders with the amazing plea that in any case the £10,149,840 per acre "was not obviously inconsistent with the facts, as proved by the pamphlet on land value rating" issued by the United Committee.

With what facts in LAND VALUE RATING is this preposterous sum of £10,149,840 *per acre* "not obviously inconsistent"? One of the objects of that pamphlet was to show the part played by land value as such wherever systematic valuation affects the separation of land value from the value of improvements. It was demonstrated that the assessment in this country of the rental value of land and buildings *in their existing condition* is not strictly speaking a valuation and provides no criterion of the true value of land and improvements either as separate subjects or as a combined subject. The Birmingham City Treasurer's estimate of the land value of his city was shown to be a pure guess without any data to support it, and his £30,000,000 figure was contrasted with the facts ascertained as the result of practical valuation in other countries. In the pamphlet the only Australian towns named are Brisbane, Metropolitan Sydney, and the business section of Sydney, called the City of Sydney. Land value in these towns was assessed in 1917 as follows :—

Brisbane .. ..	£6,364,000
Metropolitan Sydney ..	£67,939,000
City of Sydney .. ..	£31,131,000

These assessments work out at an average in Brisbane of £1,808 per acre and £136 per head; in Metropolitan Sydney at £713 per acre and £87 per head; and in the City of Sydney £9,357 and £293 per head. From them Mr. Hyder draws the unwarranted inference that because the City Treasurer said the whole of Birmingham land could be bought for £30,000,000, *therefore* land is much cheaper in England than in Australia. *Therefore* it is quite possible that land in some unnamed place in South Australia sells for *ten million pounds per acre*, therefore land value rating makes land dear, no matter what errors were committed in working out the calculation or in overlooking the fact that land value rating was not even in operation in that place!

After all, careless as the Secretary of the Land Nationalization Society may be in his methods of reasoning, he at least admits that a substantial tax on vacant and under-used land tends to loosen the grip of the speculator. The hostile critic could not be expected to say more, and his admission disposes of all the ingenuity with which he tries to maintain the opposite view.

A. W. M.