

LAND VALUE REFORM IN NEW ZEALAND.

(For the Review.)

By ERIK OBERG.

Mr. Johan Hansson has published a booklet entitled "Jordvardereform pa Nya Zeeland" (Landvalue reform in New Zealand) which contains a number of his personal observations when he visited the island two years ago. As there is much in this little book which has not been generally published in this country, and as Mr. Hansson's book, being in the Swedish Language, is not available to most English speaking persons, a rather extended review, bordering on an abstract of the little book, may be in place.

The book contains five chapters, of which the first two deal with the experience of New Zealand previous to 1890, the third with the land value tax reform and its application, the fourth with the progressive land value tax, and the fifth with the results of local option in taxation, and the local or municipal land value tax.

A great many people labor under the mistaken idea that until the progressive steps taken by a liberal government of New Zealand in the early '90's, the political situation was one completely controlled by monopolistic and capitalistic interests. This, however, was not entirely the case. The harvest reaped in New Zealand during the last two decades had been planted by such men as Vogel and Sir George Grey long before. These men were the pioneers in the land value tax legislation for which the reformers in the '90's have received rather more credit than is their due.

In 1870 there was a white population of about 250,000 in New Zealand, but the country was in a poor economical condition, due largely to the persistent Maori wars which were originally caused by European "land grabbers." There was hardly more than 60 or 70 miles of railways, and the ordinary highways were in a miserable condition. Telegraph lines were scarce, and in general, the country did not possess any of the means for rapid growth which modern civilization demands. At this time Sir Julius Vogel was minister of Finance, and he proposed that the country obtain, during a period of ten years, loans amounting to \$50,000,000. for the building of railroads, highways, telegraph lines, etc. To pay the interest on this, which for so small a state was an enormous sum, he proposed that the land along the railway lines which belonged to the government should be leased so that the government would get full returns for its expenditures; the land in private hands which benefitted by the building of the railroads and other improvements, was also to pay part, at least, of the unearned increment, in the form of taxation.

This proposition for taxation, however, was not accepted with favor by the, at that time, very powerful landlord classes, and Vogel had to compromise in order not to have to give up the whole plan for internal improve-

ments. Subsequent events showed that a great mistake was made at this time. The national debt, instead of being wiped out by the increase in land values, as it could have been, has steadily increased, until today it amounts to \$350. per capita, or about \$1,750. per family. The improvements caused a wild speculation in land, instead of a normal, steady growth, and the country passed through a severe crisis which could easily have been prevented had Sir Julius Vogel's original plan been adhered to.

The work commenced by Vogel was, however, continued by Sir George Grey. Even before Henry George had completed *Progress and Poverty*, Grey, who had personally discussed the question of land value taxation with John Stuart Mill, proposed and had been able to carry through a measure for land value taxation. It was a very moderate measure, but the true principle was recognized. Improvements were to be exempted from taxation, and the value of land alone was to be taxed. The tax was small, only 0.2 per cent. of the total value of the land. However, the great landowners realized that this moderate tax was merely a beginning, and the tax reform which was carried through in 1878 was repealed the next year through their efforts, a general property tax being substituted.

Sir Grey's initiative, however, had not been in vain. He continued to labor for the cause of land value taxation during the remaining years of his life. He was in communication with Henry George, and met him in Auckland in 1890. Before his death, he had an opportunity to see part of his programme carried out by younger men and the newer forces in the politics of New Zealand.

While Sir George Grey's moderate land value tax of 1878 did not even get time to be practically applied before it was repealed, a special valuation of the land was nevertheless undertaken; and there probably is no country or state in the world where a better system for the valuation of land, irrespective of improvements, is in force, than in New Zealand. The valuation is carried out by the state, not by local or provincial bodies. This makes the system uniform, and eliminates local influences. An interesting fact is that the government has not found any special difficulties, even in agricultural districts, to separate land values from improvement values.

The land value in New Zealand, which in 1897 was \$550. per capita, rose to \$635. in 1904, and to \$800. in 1908. The national wealth of New Zealand amounts to about \$1,600. per capita, so that almost exactly one-half of the national "wealth" is represented by the value of the land. If this is the case in a comparatively undeveloped country, what must be the actual value of the land in the highly developed countries with large centers of commerce and manufacture!

An interesting result of the small land value tax in force in New Zealand is that the number of landlords possessing large areas has diminished since 1902, and the largest domains have decreased in area; but, as the value of the land has increased meanwhile, the actual value of the domains has not decreased.

In 1891, the year that marks a new era in New Zealand, the general property tax was abolished, and a land value tax was substituted, but this tax is not fixed on a quite equitable basis. It is "progressive." All land owners whose land value does not exceed \$2,500. are exempted from the land value tax. There were 72,000 such landowners in 1906. When the land value does not exceed \$7,500., land to a value of \$2,500. is exempted; and smaller exemptions take place until the value reaches \$12,500. The tax is only 0.4 per cent. of the value. When the value of the land exceeds \$25,000., a special "progressive" tax is added.

The exemptions cause a great deal of difficulties in equitable taxation. Owners of property which is not exempted divide it up in the names of the members of the family, wife, sons or daughters, and escape thereby the tax either wholly or in part.

While thus the land value tax imposed by the state suffers from several imperfections, the land value tax imposed by the municipalities is far more satisfactory. Partly even this is along a compromising road, but it is more nearly in harmony with the requirements of just taxation.

The municipalities in New Zealand have local option in taxation and may derive all revenues from the value of land, except that water, gas, electric light, hospitals and public charity must be paid for either by direct payments for services rendered or by special taxation; but for all other municipal needs revenue may be obtained from the value of land.

Palmeston North was the first town to avail itself of its right to tax land values, and did so in 1897.

The present mayor of the town stated to Mr. Hansson that the land value tax "made Palmeston." The population has doubled in 10 years, and the value of the land has increased from three to four times; which is interesting in view of the fact that a tax on land values, according to some of its opponents, would "rob the land entirely of its value."

On March 31, 1907, out of 312 municipalities in New Zealand, 95 voted on the question of land value taxation, and 72 adopted the tax reform then. Of these 42 were larger or smaller towns. A large number had previously adopted the system. Up to March, 1908, *no municipality which had adopted the land value tax, had returned to the old method of taxation.*

Attempts had been made to induce them to do so by those interests which are now prevented from exploiting their fellowmen, but without success. Since that time, however, in one case a relapse has occurred, due to doubtful and shady methods on the part of the opponents of the land value tax. Mr. Hansson personally visited the town, and found that the cause of the return to the old system was not due to any dissatisfaction with the principle of the land value tax. As a proof of how satisfactory the land value tax has worked during the short time it has been in force, the following statistics are presented:

During the years from 1901 to 1906, the population in the towns which had applied the tax on land values increased by 29 per cent., while the popu-

lation in the towns applying the old system, increased but 15.5 per cent. The value of the improvements in the former towns increased 82.3 per cent., as compared with 36 per cent. in the latter; and, last but not least, the value of the land in the towns where it was exclusively taxed increased 105.2 per cent., while the land value in the town with the old system of taxation, increased but 51.9 per cent. Thus, the land values and the improvement values both grew in a much more rapid ratio in the towns applying the tax where it could not be shifted; and the increase in population tells the story of the desirability of locating in towns where this tax has been adopted.

LITTLE ESSAYS ON A BIG SUBJECT

(*For The Review.*)

By J. W. BENGOUGH.

I.

THE HATRED OF DRY SUBJECTS.

I am waiting for the gentleman of the home and am permitted to do my waiting in the library. I do not own many books myself, and perhaps this is why I can never go into a well-stocked bookstore, or a private reading room like this, without being conscious of an inordinate craving, a voracity which longs to consume the whole of the contents. Well, here I lounge about with what I hope is not a blameful covetousness, and my eye happens to fall on a solid looking volume—"Political Economy." I take it down through some unexplainable impulse, because while I love books, I hate dry subjects. I am twirling over the pages and looking with disapproval on the close, hard, unbroken print, when the man of the house comes in, and I can't help muttering as if to him, "dry, dry—intolerable!" He recognizes the book and looks at me in pitiful surprise. "Dry you call it?" he says. "I thought you loved your fellow-creatures and believed with Pope that 'the proper study of mankind is man.' I always supposed that you were partial to poetry, pathos, humor,—to all the precious elements of that mysterious thing we call life?" "You are right, my friend," I reply—"and that is just why I have no stomach for the Dismal Science, with its interminable desert of statistics, computations, abstractions and technicalities. Mathematics never had any charm for me, and I always think of Political Economy as the dreariest species of mathematics." "For a just man you speak wildly," he replied. "You are condemning the Subject, when what you really mean to condemn are some individual authors who have written upon that Subject. I do not deny that Political Economists as a rule are dry, but I affirm that there is no topic in all the range of literature in itself more absorbing, charming, genial to a man of human sensibilities, than the Subject they attempt to deal with.