

THE EXAMPLE OF AUSTRALIA AND NEW ZEALAND

(Memorandum on Land Valuation addressed
to South American Single Taxers

By R. L. Outhwaite, M.P.)

It may with confidence, be claimed that the experience of Australia and New Zealand goes to show that when it is desired to initiate a system of land value taxation, the valuation should, in the first place, be compulsorily obtained from the landowners themselves. Land value taxation was first imposed in New Zealand and there the landowners were compelled to furnish the valuation under penalty. No difficulty arose and the subsequent tax was imposed with a minimum of friction. The latest land values tax to be imposed by an Australian State is that in Queensland which has just been adopted; the fact that in this case the owners are to be called upon to provide a valuation indicates that in the light of much experience, Australian Governments realise that this is the best method to adopt.

The most striking instance of valuation on these lines is in connection with the assessment of the taxable land of the Commonwealth of Australia precedent to the imposition of the Federal Land Tax. The Assessment Act was of a drastic nature—the landowners were called upon to furnish the value of their interests within three months under penalties which included fines for under-valuation and, in the case where the valuation appeared to be 25 per cent. under the true valuation, the onus was thrown upon the owners to prove that the valuation was not fraudulent and the land consequently not subject under the terms of the Act to confiscation without compensation. A land valuation commission was set up with power to supervise the owners' valuations and make provision for their correction. As a matter of fact, the cases of suspected under-valuation were few and the department felt called upon to return sums paid under the tax in the first year to owners who were considered to have over-valued their properties. The valuation presented fewer difficulties to the landowners than at first sight might be anticipated. In country districts the owners met at some central town surrounded by their properties and conferred together as to the value to be placed upon their acres. In the towns the owners with land fronting the same street met and conferred with a like object. In this way uniformity of valuation was secured.

It is clear that in the initiation of land valuation it is of paramount importance to call upon the owners of land to provide the data which they are best able to contribute. The State Valuation Department then has comparatively easy work in the matter of rectification and re-adjustment of values for the provision of a perfect valuation roll. This preliminary work accomplished, the State can, if it so desires, perform the work of future valuation.

In considering the Federal Assessment Act it has to be borne in mind that the Federal Land Values Tax which the Government sought to impose was not so much intended as a revenue-producing instrument, but as a measure to break up the large estates. For this reason the exemption was placed at the high figure of £5,000 of land value. This exemption, as in the case of other exemptions in land value taxes of the various Australian States, as also in the case of New Zealand, has already proved to be the cause of the tax not having the effect intended. It has led to a re-distribution of properties amongst owners and their families with the object of evading the tax with the result that land has not come into the hands of small users. It further results in the effect of a true land value tax in reducing the price of land not being achieved. Such a tax must reduce the price of land on which it falls by the amount of the value taken in the tax. But when a tax with an exemption

is imposed and land is sub-divided so that the value of each piece falls below the exemption point, then the owner is able to secure the same price as if there were no land values tax imposed. Those intending to initiate land value taxation cannot be too urgently warned not to fall into this fatal error into which Australasian Governments have been led for political reasons. At the same time, in considering the Federal Land Value Assessment and Taxation it has to be remembered that this system of exemption coupled with the graduation of the tax has led to complications and difficulties which would not arise in the case of a flat tax on all values. Before leaving this subject it may be pointed out that the action of the Federal Government was, to a certain extent, motivated by the fact that the various States had imposed taxes and rates upon land value and so the issue did not fall to the Federal Government solely to deal with. The experience of Australia leads to the conclusion that the best method for the initiation of valuation is to call upon landowners to value their land and to determine the value of the various interests therein. That this work should be supervised by a State Valuation Department. That a Land Values Tax without exemption or graduation should be imposed.

The advantage of the Australasian system of an owners' valuation is all the more apparent when we take into account the endeavour to secure a valuation of the land of the United Kingdom by way of officials. When the famous Budget of 1909 was introduced by the Chancellor of the Exchequer, Mr. Lloyd George, amongst its provisions were certain taxes which necessitated the valuation of land and the method of valuation was to be by way of the owners. These taxes, it may be remarked, were only regarded as of importance by the advocates of taxation of land values because they necessitated a valuation. The House of Lords had thrown out the Land Valuation Bill for Scotland which was to have been followed by a Land Valuation Bill for England and Wales, and it was recognised that the only way to secure a valuation, despite the opposition of the Landlords Chamber, was to introduce taxes into the Budget which necessitated valuation as the machinery of their imposition. As a matter of fact, for this reason, the Lords rejected the Budget and precipitated the conflict between them and the Democracy which led to the restriction of their powers. In the Budget as introduced, as has been said, an owners' valuation was provided for, but opposition on the part of powerful interests led to the abandonment of this method in favour of a State valuation. The valuation was complicated because it was in the main for the purpose of the imposition of the taxes such as the increment tax which found a place in the Budget, but which were no part of the demand of the land value taxers. They had demanded a flat tax on all land values and the disregard of their proposal by the Cabinet led to a multiplicity of complications in valuation and to little advantage being gained in the way of revenue. For five years the valuation has proceeded, thousands of officials were appointed, and millions of money were spent. Bitterest hostility was aroused among landowners, great and small, a maximum of irritation was created and in all directions the work of the valuers was challenged. And even now no valuation has been secured, though it is only fair to say, this in part arises from the departure in the Budget from the principles of land value taxation. In consequence, the United Committee for the Taxation of Land Values has drafted a memorandum urging the abandonment of all the duties relating to land imposed in this Budget in favour of a national flat tax upon land value. In order to expeditiously and economically secure a true value, this memorandum demands that the owners shall be called upon to supply valuation as regards properties not yet valued, and to record the value of the various interests in any particular piece of land where there is more than one interested party. It is proposed that the Central Land

Valuation Department and the main district offices shall remain in existence for the purpose of supervising valuations and compiling the valuation roll. As a result of the war and through the desires of the landowners the Land Valuation Department has been depleted of its officials, and public opinion would not support their re-appointment to the former number when an expeditious and economical method of valuation is to hand.

So when we regard the comparative ease and economy with which valuation through the owners has been secured by the Australasian Colonies in contrast with the difficulties which have arisen in the United Kingdom in connection with State valuation, the former method still appears as the beneficial one for the initiation of a system of land value taxation.

It may be remarked that in the various States of Australasia where the system of rating upon land values has been adopted the work of valuation has been done by the Municipalities whose officials have been accustomed to the determination of values.

It may be added in conclusion, the writer having had an intimate acquaintance with the work, that Australian precedents should be regarded with an eye to their failures as well as to their successes. The exigencies of party politics have frequently led to the violation of principle in the application of land value taxation. An exemption is an error of frequent occurrence—this has been provided for to mitigate the hostility of small owners of land and as has been shown, operates to the detriment of the landless, because it has prevented the land values tax operating to reduce the price of land. The proper method to meet the small user of land who is generally taxed already to more than the full annual value of his land by way of other taxes falling upon his industry, is, concurrently with a tax upon the value of his land, to relieve him of these other and greater burdens. The soundest system of a levy upon land values existing in Australia is to be found in the rating system of New South Wales. Of recent years New South Wales has swept away the old system of rating upon the capital value of land and buildings and imposed all rates upon the value of the land alone. This, with the exception of Central Sydney, which has not followed the example of all Sydney Suburban Municipalities. But a majority has recently been returned to the City Council pledged to the levying of rates solely upon land value, and it is therefore to be anticipated that shortly the whole of the rates of New South Wales will be raised in this way. Experience has so fully justified this reform here, as elsewhere, that no reversal of the system is possible. After a multiplicity of endeavours to solve the problem by other methods, the taxation and rating of land values holds the field as the only effective weapon for the destruction or mitigation of the evil of land monopoly.

Do you remember when I stood on the steps
Of the Court House and talked free-silver,
And the Single-Tax of Henry George?
Then do you remember that, when the Peerless Leader
Lost the first battle, I began to talk prohibition,
And became active in the church?
That was due to my wife,
Who pictured to me my destruction
If I did not prove my morality to the people.
Well, she ruined me:
For the radicals grew suspicious of me,
And the conservatives were never sure of me—
And here I lie, unwept of all.
—Epitaph of George Trimble in "Spoon River Anthology,"
by EDGAR LEE MASTERS.

THE DEMAND FOR LABOUR

"A demand for commodities is not a demand for labour."—MILL.

You quote this as a self-evident maxim in your April issue. Would you be good enough to expand it in your next issue for as it stands it seems to me obscure?

Yours, &c.,

NOT-QUITE-CONVINCED.

We readily admit, with our correspondent, that Mill's dictum and his presentation of it is somewhat obscure. He works it out in his *PRINCIPLES OF POLITICAL ECONOMY* (Book I., Chapter V., §9) and arrives at a sound conclusion, though some of the arguments advanced in its support are not fortunate; especially where based on the theory that labourers cannot set to work unless there is capital to support them. The expression "demand for labour" gives rise to misunderstanding.

There is only one real demand for labour and that is the demand which in the nature of things exists within the labourer himself, and which arises from his desire for food, clothing, shelter, &c. He works because he wishes to get these things and in his own requirements creates the demand for his own labour. The "demand for labour" does not necessarily imply the existence of more than one human being, so that to ensure labour we need not pre-suppose any demand at all in the sense in which that word is commonly used, *i.e.*, the demand coming from one man and the labour from another. In the case of men living isolated lives, like Robinson Crusoe, labour would clearly go on without any demand for commodities or labour as the word is commonly understood, for demand in that sense would not exist and yet neither commodities nor labour would be lacking. Each man would supply his own labour and his own commodities. The same is really true when men live in communities and exchange their services and commodities. The motive of each man in working is to supply his own wants, and not those of other people who are supposed to "demand" his labour. All desire food, clothing and shelter, but when, say, three of them specialise and become respectively farmer, tailor and builder, exchanging the products of their work ("demanding" each other's commodities) it would not be true to say that the farmer tills the land because the tailor and the builder want to buy his corn, that the tailor makes clothes because the farmer and the builder want coats, or that the builder builds houses because the farmer and the tailor want shelter. In reality they each of them labour at their special calling because one and all want food, clothing and shelter for themselves, and they specialise simply because by so doing each man can get more of the three things. Were any of them to change their demand it would not mean either an increase or decrease in the amount of labour, but only a diversion of labour from one thing to another. Should the farmer one day prefer a carpet to a coat, we can well imagine the tailor putting in part of his time carpet making. But the change would not affect the amount of labour in demand—it would only affect the kind of work done. The demand for commodities, therefore, determines what kinds of things shall be produced, but not the amount of labour. What does determine the amount of labour is the intensity of the labourer's own desires for things that he wants and the extent to which he enjoys freedom of access to the means of producing them—the land.

W. R. L.

One cannot hold another down in the ditch without staying in the ditch with him; in helping the man who is down to rise, the man who is up is freeing himself from a burden that would else drag him down. For the man who is down there is always something to hope for, always something to be gained.—BOOKER WASHINGTON.