

THE SINGLE TAX REVIEW

A Record of the Progress of Single Tax and Tax Reform
Throughout the World.

THE SINGLE TAX MOVEMENT IN NEW SOUTH WALES, AUSTRALIA.

(*For the Review.*)

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EXPLANATORY.

This statement of the position of the movement to tax land values instead of improvements, trade and industry in the State of New South Wales, Australia, is written with the desire to place before the readers of the *THE REVIEW* a brief historical account of the progress of Georgian principles, together with an explanation of recent advances, and an outline of the prospects for the future.

A FREE TRADE STATE.

New South Wales alone among the seven colonies of Australasia until Federation was accomplished followed the example of Great Britain by practising free trade. It was not free trade, as Single Taxers understand free trade, but it confined the tariff to a few good revenue producing lines and refused to tax all kinds of goods for the purpose of assisting local industry, by giving manufacturers the right to tax the people in higher prices. It was the British system of free trade pure and simple and it left the land problem alone. There were a few protectionists, however, and on two or three occasions when they attained office on other issues they imposed a number of duties. These lapses from free trade, however, were short, and the offenders were promptly fired out at the succeeding general election.

HENRY GEORGE.

It was found, however, that the old system of free trade was open to attack. While it did good it was insufficient because it ignored the land question. It was at this point that the solution of the great economic problems of the age put forward by Henry George came under our notice. His book, *Progress and Poverty*, was like seed sown in a fertile soil in New South Wales. Enthusiastic disciples invited Mr. George to visit Australia and he responded by coming and delivering a series of addresses. They proved invaluable, especially in this State. The new policy was grasped by the free traders who des-

pute the protests of a few of the old school, associated a tax on land values with freedom of trade. This became the great issue at the general election of 1894 and the free traders won handsomely. Duties to the extent of of about £800,000 were remitted, and a tax of one penny in the pound was imposed on land values. An exemption of £240 off all estates was allowed, and an income tax was also passed. Both these latter proposals were unsound, but a great deal was gained in giving legislative recognition of the principle of taxing land values and establishing free trade upon a sound basis.

FEDERATION.

But a new cry arose. It was held that steps should be taken to federate the Australian States and to build up a nation in this quarter of the world. It took hold of the people, more particularly in some of the other States, but the people in this State viewed the scheme with a great deal of hesitation. As brought forward it made it practically impossible to avoid the loss of free trade. We were doing well, our tariff was the freest in the world, we had a taste of land value taxation and it was exercising a wholesome influence, and we thought that Federation could be purchased at too high a price. While the protectionist States had nothing to lose by a federal protectionist tariff, we had a good deal to lose, and on that account a very large vote was recorded against the Federal Bill in this State, although it was carried.

NEW CONDITIONS.

The first Federal Prime Minister was a New South Wales representative and he assured us that his intentions were very moderate. Experience proved, however, that he gave way to the violent fiscal heathenism of members of the Government from the other States, as the first thing done was to bring in an extreme protectionist tariff. Our members in the Federal House were mostly free traders and they put up a great fight. It took nearly two years to get that tariff through and they succeeded in cutting down proposed duties by over a million a year. Since that time the free trade cause has apparently weakened, and the prospect is that we will be forced to submit to a number of higher duties before very long. Now it is essential in adopting the Georgian Policy to remit present taxes when land values are taxed. The land tax referred to remained because it was a State matter. The indirect taxation imposed by the Federal Parliament was an additional burden. Federation soon became and is very unpopular. We are overtaxed. The Federal Parliament has the power to tax land values, but proposals to raise Federal revenues from land values instead of imposing Customs and Excise duties, have not yet been taken up by the politicians.

IN THIS STATE.

After the Federal Union was accomplished in 1901 the Single Taxers decided to devote their energies chiefly to getting a measure passed through the State Parliament to establish a system of local government and to give municipalities the power to impose their rates on land values only, instead of on the rental value of land and improvements. That seemed to be the line of least resistance. Our State covers an area of 198,000,000 acres, but until recently

only 1,810,000 acres were under the control of local authorities. All public expenditure outside that small area was under the control of the central Government in Sydney. Members of Parliament for country districts had to act as general agents to get as much money spent in their electorates as possible. It was often deemed more important to have a good local or "roads and bridges" member than a man who understood public questions and who was able to legislate in the interests of the whole community. The roads and bridges class of members did not want local government, for with it the only excuse for his presence in Parliament would be gone. But he used to say that he was in favor of it because it was universally recognized as an urgent public necessity.

IN THE MUNICIPALITIES.

In towns which had been incorporated the local authorities were working under an act that was nearly 40 years old and had only been slightly amended during that time. The leading features of that act had been copied from previous British legislation. Radical alterations were absolutely necessary, and as in the case of rural government, had been promised year after year for a great many years. We were chiefly interested in reforming the method of imposing rates.

THE OLD RATING SYSTEM.

To explain the old system I may say that local councils had power to levy up to one shilling in the pound upon nine-tenths of the assessed annual rental value of property, or in the case of vacant land, upon five per cent. of its assessed capital value. It worked out in this way. A house worth 10/- per week, built on land worth £50, was assessed at £26 per year, nine-tenths of that is, say £23, which at 1/- in the pound meant a revenue of £1 3 0 per annum. Five per cent. of the £50 capital value of a similar block vacant was £2 10 0, so that the rate at a shilling in the pound was 2/6. To show the character of this burden upon industry, here are figures showing actual examples. These figures as well as others were used by us in letters to the press and on leaflets to show the urgent need for reform.

Rates on vacant land. Rates when Improved. Increase in Taxation.

£ s. d.	£ s. d.	£ s. d.
3 6 4	23 13 9	20 7 5
1 16 0	17 11 0	15 15 0
1 4 9	19 10 3	18 5 6
2 9 0	25 14 9	23 5 9

In these cases good sized blocks of land were improved by building terraces of houses. That was the state of affairs when the law was honestly enforced. Any owner of vacant land could put a fence round it and let it for grazing purposes, and then it was regarded as an "improved property" and rates were paid on the rental. Here is an example of a rich man who had a piece of land worth £15,000, with a ring fence round it, let for 15/- per week for grazing cows. Afterwards when population in the locality had sufficiently increased and the Government had built a tramway to that suburb, he put up

a lot of showy jerry built cottages, and sold them on the time payment system, and some of them were sold several times over.

PROPAGANDA WORK.

Having a good cause, knowing what we wanted and being willing to work to attain it, we organized meetings, issued leaflets, wrote letters to the papers and so on. It occurred to me that it would be a good plan to try and get a statement of our case inserted in every paper published in every municipality. In order to do so it was necessary to give the letter a local coloring, as we could not expect papers all over the country to put in the same letter. So I had a letter typed, leaving spaces where I could insert the name of the town, the amount of its unimproved land values, the value of improvements, its present rates, the amount in the pound upon land values only which would yield a similar sum, which was also given (these two items I worked out from the official data), and the amount of outstanding rates due to the council, because its powers to enforce payment were insufficient. This outstanding money amounted to a large sum in many instances and was chiefly due on the vacant land of owners whose whereabouts were not known, or payment could not be enforced for other reasons. For four years in succession I sent a letter on these lines to the press and as many as 100 papers put it in in the course of a few weeks. We found this method one of the most effective ways of bringing sound principles of local taxation under the notice of a very large number of people.

INTERVIEWING MR. CARRUTHERS.

A little over four years ago we asked Mr. Carruthers, who was then leader of the Opposition in the State Parliament, to grant us an interview. He readily agreed to this and we talked the matter over with him. He was sympathetic, showed a clear and ready knowledge of Georgian principles and gave us assurances that he would pass our views into law if he gained a majority at the election and attained power. We supported him. It was a long, hard campaign, but he never faltered, and he won by a small absolute majority over the two other parties. He became Premier and is still in power after nearly three years.

A FRESH ASSURANCE.

Shortly after the new Premier assumed office a large deputation waited upon him and stated the case for reform, and urged that early steps be taken to give it effect. In reply, Mr. Carruthers said he needed no advocacy of the principle to convince him of its soundness. He had long since come to a conclusion similar to that expressed by the speakers. In plain terms he outlined the existing state of affairs and pledged the assistance of the Government to the work of reform.

THE SHIRES BILL.

To accomplish his purpose, the Premier divided the work. First of all, he mapped out the State, outside the municipalities, excluding the Western division, where the population is very small, into 133 Shires. A council of six members was provided for, and they were intrusted with the sole control of strictly local affairs. The power to levy rates on land values was unlimited,

but our Legislative Council, or Upper House, inserted a maximum of 2d in the pound. A general rate of two-pence, however, is ample in almost every case, while in many a penny is sufficient. But for all that, the principle of a limit is bad. Where the Shire Council has to levy more than a penny, the Government assists with an endowment. The amount of money available for this purpose is fixed, while the ordinary revenue will increase with the increase of population. It is to help Shires where the country is rough, the land values low, and the road expenditure heavy. If a council wants money for a special purpose, or for some part of the Shire only, it can impose a special or local rate for the necessary revenue without limiting its power to levy the general rate of 2d. A special or local rate may be levied on the unimproved value of the land, or on the improved capital value. The Council has the option. If the Council puts the special rate on the improved value the ratepayers can demand a poll and compel it to put the rate on the unimproved value, and *vice versa*.

MUNICIPAL REFORM.

In the next session the Premier brought forward his bill to deal with all municipalities except the City of Sydney. Its general principles were similar to the Shires Bill, but it gave wider power. Municipalities must levy a rate of a penny in the pound on the unimproved value of land, and may raise any further revenue required in the same way ; but it is optional, first with the Council, secondly, with the ratepayers—if the Council goes against their wishes. As in the case of the Shire's Bill the Legislative Council stood in the way. It sought to limit the local authority's power to levy rates on land values only to 2d, as in the Shires. That would have seriously affected the financial position of some of the councils. The Government refused to agree to the amendment. Of course, the Upper House could have rejected the Bill altogether and the Government could have resorted to extreme measures to enforce the people's will. But the Premier, who is a wise man, preferred to gain his purpose by adopting a conciliatory attitude, and it was successful. Municipal councils have practically unlimited rating powers.

WHAT THE NEW SYSTEM MEANS.

Now, I want to show what these changes mean, so that the reader may see their true character. The assessed value of land for taxation purposes for the financial year ending on the 30th June, 1905, was £129,000,000. The exemptions, however, reduced the actual taxable amount to £76,000,000, and the revenue from land tax for the year was £332,530. The new Local Government Act, as the consolidated measure dealing with rural and urban areas is called, controls land values to the amount of £101,690,670. In the Shires the land values are £67,131,466, and the penny rate will yield a revenue of £279,714, while 2d. will give £559,428. The land values in the municipalities are assessed at £34,459,210. In them a penny rate would yield £143,580. The municipalities, however, require an additional sum of £250,930. Every penny of this additional sum, in every instance, may be imposed on land values only, but as already explained, it is optional with the people themselves.

THE REVENUE FROM THE LAND TAX.

The land values in the City of Sydney and the Western Division amount to rather more than one-fifth of the total. Under the old act (which still holds good in them), with exemptions they will pay, say £66,506, suburban and country municipalities without exemptions, £143,580, Shires without exemption, £279,714; total, £489,800. As the Shire or municipality imposes its penny in the pound without exemptions, the State Government ceases to collect its penny with exemptions. The assessment of land values upon which these calculations are based is ten years old throughout the greater part of the State. Without going into details, I may say that we estimate that the fair average selling value of the land is one-third more than the present assessment. The local authorities are already revaluing the land, and will be required by law to do it every three years. Assuming that the new assessment shows that the land is worth one-third more than the old assessment, and I believe it will, then the revenue which must be raised from the land tax at a penny would be £653,060, nearly double the sum received when Mr. Carruthers became Premier. But that is not all. The Shires may rate to 2d. and the municipalities practically as much as they like. Then rates for special purposes may be imposed on land values only. Further, land leased from the Crown is also ratable, its unimproved value being taken as twenty times the annual rent. A very large area of land is held in this way. It will probably be found that when the new Local Government system is in complete working order, that the amount of revenue, which *must* and *may* be raised from land values, taken together, will amount to £1,500,000 a year. A great deal depends upon the people themselves. It is no longer a matter for the State Government. It is in the hands of the people. Some of us would have liked to see rating on land values made compulsory throughout. That, however, was too drastic a step to be successfully taken. The Premier has done what he could, and I may say that it is more than most people expected.

SOME INTERESTING FEATURES.

The definition of the unimproved capital value is: "The unimproved capital value of land is the amount of the capital sum for which the fee simple estate in such land would sell under such reasonable conditions of sale as a bona-fide seller would require, assuming that the actual improvements (if any) had not been made; and also allowing a reasonable deduction for profitable expenditure by the owner or occupier on visible and effective improvements which, although not upon the land, have been constructed for its drainage, for its prevention from inundation, or otherwise for its more beneficial use. In the case of mining lands, the output may be considered in determining what is the unimproved value. Ratable land, which is the property of the Crown, and not held under lease, license or tenancy, can only be rated on its unimproved value. Rates are payable by the landowner. Where a mine is leased both parties are liable, but between themselves each is liable according to his interest in the land. The first of these provisions does not affect the ultimate liability to pay

the rates where private agreements are made concerning them. Overdue rates are to bear simple interest after six months. When land is sold the seller must notify the Council. The occupier of land, where the Council is unable to recover from the owner through absence from the country or other causes, must pay the rates and he may deduct same from the proceeds due to the owner. When rates cannot be recovered, the Council may take possession of the land at the end of four years. It may use, or lease it, but must keep a separate account of the proceeds, so that the owner may take possession on the settlement of his liability should he return. If he does not return in sixteen years the land becomes the property of the Council.

THE EFFECT ON THE PRICES OF LAND AND WAGES.

I have been asked, "Does, or does not a tax on unimproved values have as a first effect a depression of land prices and a rise in wages before its effect is felt in municipal finance." As soon as Mr. Carruthers attained office and made it clear that his pre-election promises were to be fully honored, the amount of land in the market for sale largely increased. The anxiety to sell and the moderate range of prices—as prices of land go—produced the argument on the part of opponents that a land tax was unnecessary to check speculation in land and keep prices down, as there was more land in the market at low prices than the public wanted. When the Premier took office there was a large number of unemployed in Sydney. There was a feeling of want of confidence in the ruling authority. The defeated Conservative Government had professed much, it had lived on the cry that it was the friend of the working man, and dabbled in socialistic experiments. Socialism is such an indefinite term that it is not easy to associate it with general public injury. If we take the acknowledged definition of the term by socialists it partly fits the so-called socialistic experiments we have had. So that the failure of such experimental legislation is not admitted by socialists as an argument against socialism. For all that, my opinion is that socialism has had a deadening influence on public life. In spite of the boundless pretensions of socialists I am bound to say, that any good they may do is more than counterbalanced by the mischief. In the last three years there has been a great change. No man need be idle now if he is willing to work, and a larger number of immigrants are coming to the State than at any time for a great many years. The change is not all due to the determination to tax land values, for the administration of the Liberal Government has been good all round and the seasons have also been good, but there is no doubt that the attitude of the Government on the question of rating has been most beneficial. Its effect in municipal finance is not felt yet, as the large amount of preliminary work in a few districts only is complete and the land value rate notices sent out.

SOUND GEORGIAN PRINCIPLES.

It will be seen that the work accomplished is based upon the soundest Georgian principles. The rates on land values are not additional, they are a substitute for rates on improvements. In any centre where the people are alive to their own interests and take full advantage of the law, a man will be

able to improve to any extent he likes without being called upon to pay one penny extra in rates.

FOR THE FUTURE.

The elections which are usually held every three years are approaching and it may well be asked how will the Government fare ? I regret to say that I hesitate to express an opinion. A Government that institutes administrative and legislative reforms in the public interest must hit the vested interests of some private individuals. It has nothing to enable it to command the special support of any particular class because it does not confer special favors. A vested interest created by, or assisted by legislation, will find money to help the party that helps it. In the same way a vested interest adversely affected by legislation will find money to fight the Government that passed it. I do not think that the landed interest will seriously hurt the Government, because it has given local councils power to rate land values. The justice of that reform is so evident. The Government has passed drastic legislation dealing with the liquor trade and gambling. It was needed, but those who profit by living on the vices of the community are up in arms. So that although I hope for a successful issue on account of the general excellence of Liberal rule and its sympathy with our objects; still there is a danger of lapsing from it for the reasons given.

THE GOVERNMENT POLICY.

The features of the Government Policy which more directly concern us consist of remissions of taxation and its attitude on the land question. The income tax is to be abolished as far as incomes from personal exertion are concerned—that is, about two-thirds of it, and various vexatious stamp duties to the amount of £130,000 are to be remitted. The freights and fares on the State railways have already been reduced by £325,000 per annum and the school fees in primary schools have been abolished. These remaining, together with several other small amounts, total £720,000 per annum. They are assured to the people except the income tax and the stamp duties which are to go after the election if the Government retains the confidence of the people. On the land question the Government proposes to appoint a board to value and report on all estates within the rainfall belt which are not more than twenty miles from the railway. Three alternatives will then be placed before the owners. First, the owner may sell to the Government at the board's valuation. If he does the Government will subdivide and sell to land seekers. Second, the owner may subdivide and sell direct to settlers; that is what the Government wants him to do. Third, the Government may acquire the estate at any time it chooses at the assessed valuation, even if twenty years have elapsed and population has doubled its value. The Government also believes in the freehold title to land, the ownership of land to be subject to the payment of rates and taxes imposed, or that may be imposed from time to time.

THE OPPOSITION POLICY.

The Opposition proposes a progressive tax on unimproved values on estates worth over £5,000. That exemption is to be allowed on all estates. The second £5,000 is to pay a halfpenny in the pound, and the third £5,000

a penny, and so on. Then it proposes to resume estates and to subdivide them for settlers. It is not in favor of remitting any present taxes, and proposes in addition to the progressive tax a graduated income tax, a tax on absentees—that is, on owners of property who live in England and elsewhere—and increased probate duties on estates worth more than £20,000. It also proposes to dabble in various socialistic experiments.

WHICH IS THE BETTER ?

Which of these policies is the better from a Single Tax point of view? On this point Single Taxers are not unanimous, so I will give my own views, and they are representative of most Single Taxers here. First, the proposed remissions of taxation are justified on two grounds. We have a large surplus and taxes on incomes and stamp duties are unnecessary burdens upon industry and trade. There is nothing to justify the Opposition's proposed new taxes. Second, the re-purchase of land from private individuals for purposes of settlement is indefensible. It secures the owner values in hard cash which he has not earned, and the Government entering the market as a buyer of land assists in forcing up land values, and that is against the interests of all who want land for use. The Government recognizes this clearly. In two portions of the State it proposes to build railways. In one case the line will go through an estate of 25,000 acres. So it is resuming the estate first and then it proposes to build the railway, so that it will secure for the public the added value due to its railway from the thousand farmers which it hopes to settle on the land. The other case is similar, only there are four or five estates holding 25,000 acres between them instead of one. Then the determination to fix the value of large estates now, so that they may at any time be resumed, if the owners do not subdivide themselves, is dictated by the same desire to secure to the people the increment due to public development. The Opposition policy of resumptions and the progressive land tax are based upon similar considerations. Third, the progressive land tax, is it just? As land values are due to our presence and needs, arising independently of the owner, we are justified in protecting the public interest by securing to the people the values which they have created, but we are not justified in taxing some landowners while exempting others. It must apply to all in proportion to the land held. The advocates of the progressive tax say that it is not for revenue, but merely to force the land out of the hands of existing large holders. New Zealand experience is instructive on this point. It produces a considerable revenue and has developed a new form of dishonesty. A number of landowners have divided their estates among the members of their families, and so in a large measure escape taxation. Fourth, the freehold or leasehold title. I do not attach much importance to the question of title, neither did Henry George. If public services are defrayed from revenue raised from land values, it is immaterial whether it is a tax on the value of freehold land, or rent from leasehold land. The advantages are in favor of the freehold as the average man prefers to be the owner of the land. If we let him be the owner and defray public expenditure by means of a tax upon its value, we submit to a strong sentiment, or shall I say prejudice, in favor of the freehold,

without injury to the public interest. On the other hand the leasehold involves re-appraisal of the rent. In many cases it would be difficult to effectively carry out, and it means an uncertainty that is undesirable. Then it affords unscrupulous men great opportunities. Recently we have had some astounding revelations of illegitimate trafficking in leased Crown lands. Over a million acres were improperly dealt with. The lands Minister of the previous Government and various politicians were involved, and the law has not been strong enough to bring the offenders to justice.

OTHER CONSIDERATIONS.

Apart from the text of these policies there are other considerations which must be taken into account. Mr. Carruthers, the Liberal leader, is a free trader. As the reader has seen, he has taken our cause a big step forward. He understands Georgian principles and he has always acknowledged his sympathy with them. He has repeatedly attended the Henry George anniversary. And if he is not going into the coming election just on the lines that we think best, it is not from want of sympathy with us. It is because of his intensely practical turn of mind in seeking to do what he believes to be practical rather than to risk failure in attempting what he thinks is at present impractical. Then he has to safeguard what he has already done with sympathetic administration until it shall be firmly established. Mr. McGowan, the Opposition leader, is a protectionist. He has always advocated taxing labor instead of liberating it. He does not understand Georgian principles. He regards us with suspicion. He has never shown any sympathy with us, and the progressive tax which his party puts forward is a caricature of genuine reform. So that while he claims to be a champion of labor he will not take one honest step to give it the freedom which can alone be of lasting service to it.

THE NEXT STEP.

Now let me briefly explain what we think should be the next step towards the Single Tax goal. Our system of government is threefold, the local councils, the State Government, and the Federal Government. We have therefore to tax land values for State and national revenues and to remit existing taxes. There are two principal ways to do this. Our railways are owned and operated by the State. The money to construct them was borrowed in England, and the interest on cost has to be paid out of the earnings. The Railway Commissioner therefore has to charge rates that will pay for working expenses, maintenance and interest. Railways do one thing to perfection; they enrich the landowner. They are a great convenience, but they don't raise wages. The lands which we have sold are owned by 13 per cent. of the population. Probably half the value of land to-day is directly due to public expenditure in constructing railways and tramways. We have spent about £50,000,000 in that way. As the landowner is enriched he should pay the interest on the cost. The interest must be made a charge upon land values. Our proposal is to make the interest a charge upon the revenue from taxation and to impose a tax on land values without exemptions to meet it. It is estimated that it would require two pence halfpenny in the pound to do it. When this change is made the railway freights

and fares can be reduced about 40 per cent. Such a change would prove of incalculable benefit to our workers and producers. As users of land and idle speculators will be taxed alike to pay the interest, it will be seen that the user of the land will be rewarded and the speculator penalized, thus reversing the existing order of things. In Federal politics we must fight to have food, raw material, tools and machinery placed on the free list, and for any other reductions we can get. There is room for a substantial reduction without recourse to revenue from other sources, but when further revenue is needed, our land values are ample for all requirements.

IN CONCLUSION.

In conclusion, I may say that I have tried to give an outline of past history, directing special attention to recent advances and an explanation of future prospects and intentions. I have long been convinced that the Georgian Policy may be realized in our time. The agitation must, however, be conducted on intelligent lines, backed by ceaseless energy. It needs all the sympathy and co-operation of every one who believes in it. Its slow progress is due to lack of these essentials. Let me say to your readers—many of whom were in the fight before I was—let us blend intelligence, human sympathy, persistence and financial strength in furthering the movement, and let us do it liberally.

SYDNEY, New South Wales.

 THE RIGHTS OF INFANTS.

Written in 1796 by Thomas Spence.

For some interesting comments, together with an account of the finding of this paper by Henry George in the Reference Library of Manchester, England, see article by Henry George, Jr. on page 40.

Open thy mouth for the dumb.—Prov. xxxi. 8.

And pray, what are the Rights of Infants? cry the haughty Aristocracy, sneering and tossing up their noses.

Woman. Ask the she-bears and every she-monster and they will tell you what the rights of every species of young are. They will tell you, in resolute language and actions, too, that their rights extend to a full participation of the fruits of the earth. They will tell you and vindicate it likewise by deeds that mothers have a right at the peril of all opposers to provide from the elements the proper nourishments of their young. And, seeing this, shall we be asked what the Rights of Infants are? As if they had no rights! As if they were excrescences and abortions of nature! As if they had not a right to the milk of our breasts? Nor we a right to any food to make milk of. As if they had not a right to good nursing, to cleanliness, to comfortable clothing and lodging. Villians! Why do you ask that aggravating question? Have not the