

THE NEW ZEALAND
LAND VALUE RATING
ASSOCIATION

OBJECTIVE -
ONE RATING SYSTEM ON
THE VALUE OF LAND

P.O. BOX 6038
AUCKLAND

N.Z. - CRUCIBLE FOR THE WORLD

Presented by Robert Keall
Hon. Secretary
Melbourne Sept 1993

Mr Chairman,
Ladies and Gentlemen

The theme of this conference is total tax reform by the year 2000. In support of that objective I have entitled my remarks "N.Z., Crucible for the world". Every day at this conference I've been confirmed in that view. Ever since the 1979 Centennial conference in San Francisco I have cherished the idea that one day an international mission or task force, perhaps under a mogul such as Floyd Morrow, might visit New Zealand with a view to exploiting the opportunity there is there as a demonstration of our cause to the world. The idea was discussed in Philadelphia and I believe is even more valid now. The global issues of this age are being hammered out in N.Z., faster and in more clinical conditions than anywhere else I know. There is a good evidential Georgist history and the jurisprudence of British law still applies.

Before outlining a proposal I must tell you just a little of the country, where we've been, where we're at and why I think we're the crucible for the world.

1. The Size of the Pot - Background

The country's population is slightly under 3½ million. It is about 1,000 miles from one end to the other and generally accessible even though a mixture of mountain and plain, bush and beach. Most people have an acquaintance with most of it, with friends or relatives all over. Any developments anywhere, including the weather, are monitored and broadcast by the hour.

It has only 2 tiers of Govt - Central and Local. No Senate or State Govts to fudge political thrust. That may change a little this year if Mixed Member Proportional Representation is adopted by the electorate for implementation 3 years hence, and if that decision sees the distance. Given a logical sequence of options and a little more time the Single Transferable Vote, I believe, would have been recognised as the real alternative to the present First Past the Post. It could yet be. There is the real prospect of a minority coalition Govt even under F.P.P. There is also a steady move towards Citizens Initiated Referenda which we might well be able to exploit along with the growing recognition of S.T.V.

The country has an indigenous Maori minority of about 12%, lately becoming more vocal as it becomes more mixed both tribally and racially but nevertheless retaining a 4% separate Maori representation in Parliament as an alternative option to the General Roll. Long-standing claims for past legal injustices have lately been addressed and often settled. There is a clamour for complete separation - as impossible as it is insistent. A recent Govt financed settlement of Maori commercial fishing rights enabling them to buy in was held by some in Maoridom to be a short-sighted commercial expedient as indeed it is, based on tradeable quotas (entitlements/enclosures) rather than annual licences. The difficulties of distributing tribal dividends have already created a crisis. Leisure fishing rights threaten to become exclusive to them, at least to some degree. Old land claims against both the Crown and possibly individuals stultify many development decisions and promote separatism.

Despite their professed rejection of the European view of private ownership as against communal ownership of natural resources they nevertheless collectively join the hunt, or some of them do, even though the European system is flawed somehow.

I often wonder if settling claims is just a cheap means of entrenching the principle of private ownership i.e. give them their 10%, we still have 90% and the principle is thus confirmed as the only way.

Each fresh claim begs the fundamental question: if one nation under the Treaty of Waitangi how do we ensure real equality of opportunity - for all, whether brown, white, black, red or yellow? A recent Asian invasion makes the last as topical as the first. (Will Sun Yat Sen's espousal of George find expression in his expatriate grandchildren?) Even the Maori Separatists concede that full employment would resolve their concerns.

In 1982 in his report on race relations called "Race Against Time" the Race Relations Conciliator, Mr Hiwi Tauroa said, "Much of this dispute (the general land issue) has arisen because of the differing philosophies regarding land. The philosophy of the Maori elders is that you do not own the land, you are only the custodians. Thus land is administered and controlled through multiple rights or through family or tribal connections. Ownership remains within one family or tribe and is handed on to the next generation. The Pakeha philosophy is the reverse. That is, you own land. It is a commodity to be bought and sold. It could be argued, he said, that there would always be clashes on land issues until those values were reconciled in law".

Whilst this would involve a re-think in both camps it is really up to the Pakeha to demonstrate the Western techniques that can achieve that "reconciliation in law" - be it Single-Tax, Rent, Royalty, Lease, Licence, Fee etc by contrast with an area stake-out somewhere up-river in the bush or beyond the black stump.

2. The Dross of over 100 years of L.V.T. on the Bubble

- (a) The country has had a unique experience of Land Value Taxation and Public Body Leases, before and after Henry George. The early Provincial Govts of last century drew their revenue from the sale and lease of land. Sir George Grey, twice Governor and then Prime Minister introduced a Land Tax in 1877/8 under the direct influence of John Stuart Mill. Grey corresponded with George and eventually met him in N.Z. in 1890 on George's voyage to Australia (App.I).

Henry George also corresponded with the 23 year old MP for Buller, P J O'Regan (Rolland's father, App.II). In 1893 the Rating on the Unimproved Value Act giving the right to a poll was introduced under the auspices of P.J. O'Regan I understand and was passed in 1896.

By 1922 the land tax introduced by Grey accounted for 10% of the Govt's budget. By 1972 it was 0.4%. By 1985 90% of all municipalities had by poll adopted Land Value Rating which supplied about two thirds of Local Govt revenue. On that evidence we recommended Land Value Rating be made mandatory and that the Land Tax be allocated to Local Govt. This would have neatly distinguished Local from Central Govt revenue systems and given Local Govt a vested interest in the Land Tax. As Land Value Rating had become so widely accepted and virtually a non-issue our membership dwindled. Rolland planned to develop the membership around the wider objective of Leasehold tenure when his health failed. Meantime it needed only stronger rationalised regional units of Local Govt to accept a devolution of function from Central Govt with increased Rates and tax-deductibility, for the quiet revolution to have been achieved, i.e. intensifying the good at the expense of the bad.

Our clear representation then was that the economic impact of funding restructured Local Govt would either defeat the Govt's social and economic policies or would be the means of achieving them - full employment foremost. (App III). With a studied disregard for even Rolland's representations what should have been a bloodless revolution was sabotaged, by "friends" at the New Right of the Labour Party. At this low point we were marvellously helped by the international support we received.

In 1989 the meritorious restructuring of Local Govt occurred reducing 231 Local Bodies to 73. At the same time, outrageously, the right to demand a Rating poll was withdrawn, following deviously contrived reversions to Capital Value Rating in Dunedin, Christchurch and Wellington. This was followed further by an attempt to make CV Rating irreversible, whether already in place or subsequently adopted - by Council resolution only now. That failed. But the surreptitious pressure remains to steadily increase direct user and Uniform Annual Charges, to reduce the General Land Value Rate accordingly to the point where changing it to Capital Value will be of little consequence, and then perhaps to reverse the process. Already Land Value Rates now account for only about one third of local revenue - a drop by half in the last six years.

Nevertheless, a recent attempt at reversion to CV in Waitakere on the Auckland isthmus was soundly rejected 8:1, likewise even more recently in New Plymouth and in Southern Hawkes Bay. Other such moves have also been vigorously stopped by the locals, even without a formal poll.

As for Uniform Annual Charges I must concede that in terms of Local Govt services there is a case in logic to be made which we have to recognise. 100 years ago land values reflected the existence or otherwise of local services say 1 mile from the Post Office. Now, all have the same basic services, leading to an arithmetical division of costs. The advantages of location and view are certainly proper issues for the wider community, but are no concern of the local council as far as services go. Any inroads into that greater value of location, view etc must be on the basis of income tax-deductibility with devolution of function from central to local govt. On our side politically it is generally true that a straight Land Value Rate without U.A.C.s means lower Rates for the majority. But without the right to demand a poll even on C.V. least of all on U.A.C.s it becomes an obscure issue to carry. With a broad band of ratepayers in the middle affected only marginally if at all, the contest is between the extremes of rich and poor.

These are real problems now of the progressive approach as a means of achieving a full land value tax.

- (b) We have lately encountered strong opposition coming from the Greens. Whereas once we virtually wrote their manifesto they now shuffle behind a belief that a Land Value charge would lead to over-intensive use. They ignore the reality that a speculative capital sum, ossified in a mortgage is far more likely to lead to "mining" than a Rent annually adjusted to market conditions. It was pressure from the Greens that removed a substantial Land Tax from the New Labour Party Alternative Budget as the price of the Alliance.

They also claim that Capital Value Rates preserve the lovely ambience of yesterday. To that end they would put the whole of society in a strait-jacket of decadence in order to preserve a few specific buildings best protected by Preservation Orders.

- (c) We have twice now had to seek an assurance as to the impartiality of the Valuation Dept in Rating changes. The suggestion has been that the Dept might favour Capital Value Rating because it made their role more important and thus their jobs more secure.

- (d) Restructuring Local Govt in 1989 reduced 231 Cities, Boroughs, Towns and Counties to 73 Cities and/or Districts. This often involved the amalgamation of adjoining rural and urban areas previously administered separately, each raising and spending its own funds. A flat land value rate across the new unit could mean a rural run-holder paying for pink paving in High Street and for fountains in the Square as well as for his country roads.

Nor does Capital Value Rating change it although it has been used as an excuse for change. The solution is that the respective urban and rural costs have to be identified and a Differential rate applied so that each sector enjoys the benefits of a Land Value Rate but not at the expense of or subsidised by the other, for Local Govt functions. This in fact is currently being done by honest men and women even without assistance from Georgists, as they seek to retain an equitable cost/benefit relativity, nicely achieved in New Plymouth notably, with a combination of Land Value Rate, Differentials and U.A.C.s.

So that whilst Land Value Rating seems entrenched it is nevertheless under threat - a combination of insidious political opportunism exploiting honest realism to achieve atrophy.

- (e) There are other valid practical problems that cannot be resolved at the level of Local Govt Rating. A hydro dam in Otago, as part of a state-owned generating corporation should be paying a Resource Rental for the site, the water and the dam, to the Govt or even to the Regional Council or more likely 50/50 each on an agency basis. Relying on a Capital Value Rate in lieu keeps all other rates down because the dam carries the can, and so entrenches Capital Value Rating despite the best intentions of Councillors. In terms of Rates Local Govt's responsibility is to maintain a road to the power house, which is a different dimension from Resource Rentals. Whilst Regional Govt can and should administer both it indicates the limitations of a land value tax as such.

None of these problems denies the validity of taking the Rent of Land for Revenue. All they do is to demonstrate the limitation and hazards of a local Land Value Tax even though I believe any Rent charge should be collected through a local regional agency on behalf of and shared with central govt. These are simply practical problems involved with a progressive tax approach. Whilst we would all like to see our aspirations realised through any agency it is counter-productive not to recognise genuine difficulty where it occurs.

3. The Fiery Furnace of Economic Reality

Over the years from say 1900, N.Z. like the rest of the world, was seduced by socialism and Keynes. The Labour leaders of yesteryear inspired initially by George, weathered wars and depression but later succumbed to the easy prosperity of protectionism, welfare, controls, inflation and borrowing. The theme was hijacked by the Conservatives for its political advantages so that by 1984 our cool stores were bursting with subsidised meat we couldn't sell, making rich farmers richer and land prices higher; our traditional European markets had dried up but we had not developed new ones; our credit had run out; interest rates and inflation were unreal and unsustainable. The time had come to return to reality. The reality was that all the "prosperity" we had enjoyed in terms of social welfare had been on borrowed money. The reality was that as of say 1930 real wages had been at subsistence level; any "progress" had been capitalised in land price exacerbated by continued inflation. Thus real wages must now remain depressed for some time to come.

Lower wages and low interest rates have now to some extent validated the land price we have collectively over-invested in. However without the crutch of inflation and with any future trading advantages still being captured in land

prices, wages must remain low and unemployment persist - authoritatively confirmed in fact. We know that any sustained growth will not be shared equitably. Growth in "The ECONOMY" will be great for those who own "The ECONOMY".

Ostensibly to repay debt we've lately sold our utilities, state assets and natural resources, often overseas with remitted dividends replacing public debt-servicing. In the name of greater efficiency to reduce Govt expenditure we have not just corporatised but privatised our natural monopolies in transport, broadcasting, communication, power, ports etc with more to follow. All done in alarming haste with blatant lies and a determined disregard for securing any public interest which could at the same time employ the private sector, the advantages of competition, accountability etc. There is even a move to privatise the administration of justice and law and order. Privatising the Queen's chain is proposed.

The real aim of course is not fiscal balance but the opportunity to buy in and to buy outright. Whereas these assets, utilities and resources should be the source of future revenue by way of Resource Rentals we are, presumably, to rely on an ever-diminishing income-tax base to finance an ever-increasing social welfare demand. On a user-pays basis wages will be seen to be inadequate to meet even personal responsibilities, without extra charges for social welfare. The simple logical proposition is that reducing low incomes still further with a tax cannot increase them in total. A tax on low incomes cannot generate enough for free health, education, superannuation, dole, accident compensation etc to make up the shortfall.

At the same time the proceeds from trading in the natural monopolies and resources will be captured in tax-free share price gains. As the gap between rich and poor increases the advantage of owning the earth will become apparent. An income tax may (unjustly) re-distribute uneven levels of income but not the uneven levels of unjust wealth.

The unlimited laissez-faire of last century is re-visited - we are back to 1879. Then it was George v. Marx and Keynes. Now it's George v. The New Right. How do we get it right this time?

4. Now the Mould? The Shape of Things To Come - Proposal

A The prime-need is for an outline exposition of our case -

- "The Rent of Land for Revenue, Resource Rentals for Revenue, Natural Monopoly and Utility Licences."
- The inherent inadequacy and injustice of income tax.
- Access to the earth as the basis for all other employment.
- The difference between private enterprise and the private ownership of the elements of life.

The whole document must be brief enough for widespread distribution and rapid assimilation, using diagrams and terse generalisations directed at those who might be expected to recognise the issue when it's presented. (App.IV). It may well be supported by a bibliography for journalists, academics, economists or the movers and shakers by whatever name, e.g. Power in the Land, From Wasteland to Promised Land, Progress and Poverty, Graham Hart's latest Outline etc.

It might specify, whether as interim or permanent measures; that -

- (i) All Land Value charges - Rates, Taxes, Leases, Rentals etc should be Taxation Credits set off against any other taxes payable.

- (ii) Crown and Public Body Leases should be updated and reviewed annually. In N.Z. Regional Govt is the obvious administrative unit.
 - (iii) A moratorium on present titles should be set at say 50 years hence or at earlier death. This would allow time to adjust mortgage investments appropriately. Think of the effect on land prices and the re-direction of capital that would have.
 - (iv) Such other mechanisms as Georgists, lawyers, valuers or administrators might recommend to apply the principle appropriately to broad acres, city sites, minerals, water, radio/T.V.channels or whatever else.
- B. It should be delivered throughout the country simultaneously - say a million copies at \$2-\$3 a copy. At least some of the cost would be recoverable from supporters.
- C. That mass penetration should be accompanied or preceded by some appropriate action that would compel attention to it. In Melbourne two years ago I suggested a legal injunction or Constitutional Court action requiring the Crown to collect its Rent. I am told that wouldn't work, not yet anyway. Some eminent legal opinion suggests that over the centuries land has been effectively or de facto alienated.

Other competent opinion seems to disagree. That at least invites examination. The very terminology of land title indicates its historicity. (App.V). If it can be changed one way, it can be changed back, as Parliament is now supreme. In any event we must verify the legal position. It is not for us here to hold a Kangaroo Court on such matters, even if we are in Australia.

If there is no evidence on which to mount a legal claim then I say if someone can develop a Bill of Human Rights surely we can mount an equitable case based on what we regard as evidence, e.g.

- (i) The Commission of Enquiry into Land Tenures, Final Report 1976, chaired by Justice Rae Else-Mitchell. Also his address to Planners in 1966.
Land Value Rating and Land Tax in Australia and New Zealand.
The Report of the Brisbane Rating Committee in 1989.
The success of the 2-Rate initiatives in America.
Recent studies affirming the adequacy of only some economic rent.
- (ii) The Public Bodies Leases Acts of New Zealand and Australia which demonstrate some of the machinery by which our plans might be implemented and the practicability of our claim.
- (iii) The Hong Kong leasehold example showing its maximised use of labour and capital, and again its practicability.
- (iv) The graphs and data by Bryan Kavanagh showing the cause of the financial disasters in Australia and N.Z. over the last few years (App.VI).
- (v) What about Progress and Poverty by Henry George?

If there is no evidence to support a legal action then at least our exposition should call for an enquiry to compel attention to our case. If there is no such evidence after 114 years then this should be our last conference.

If N.Z. can rely on a Commission's findings to introduce MMP surely we can use similar evidence for our cause.

In the 1960s N.Z. had a Royal Commission on Banking and Finance to explore the claims of Social Credit. Why can't we generate the same exposure? We have the evidence - historical, theoretical, empirical. Why not C.I.R.? (Citizens Initiated Referenda).

If native races can collectively lay claim to what they regard as theirs in order to secure some measure of individual rights, surely we can successfully propose a range of Western techniques (tax, lease, licence, rent, royalty, fee) that will satisfy both collective and individual rights for the rest of us, indeed for all of us.

If anything the Separatists sensing the flaw in the European system and wanting out, should be our best allies. Indigenous rights will be best served by an equal share in 5th Avenue, Collins Street, or Queen Street rather than relegation to an out-back reserve. To enlist their support we need to communicate our case quickly. How many Aborigines, Red Indians or Maoris are prominent in or even members of the Georgist movement? Do we wait for all or even any of them to read all or even any of George's books? Or can we provide an updated, concise, comprehensive outline of our case giving effect to native lore in terms of British law? There is a mood and an intelligence out there gasping for it.

Whatever the approach and whatever the outcome it would at least inform the populace and challenge all political parties. Hopefully it would inspire some direction in the present destitute climate and the confused, bewildered, impatient political scrapheap. For this year's election we expect 4 major Parties and up to a total of 12 Parties said to be contesting all 99 seats, all promoting various forms of the mixture as before. Part of the fall-out could be some degree of Proportional Representation ipso facto.

When the dust settles there may well be opportunity for a Georgist Party by whatever name - if we are ready for it. A manifesto would at least ensure a younger generation membership.

However, nothing can be achieved without a widespread grass-roots education to generate the groundswell essential for any political action. It could be done in N.Z. Or will N.Z. be held up as an example of L.V.T. atrophied, rejected - a dinosaur?

If we don't do it our way someone else will - their way. In the Cabinet of the "Labour" Govt that abolished the Land Tax; that tried to revert to Capital Value Rating, and make it irreversible, was Roger Douglas (now Sir Roger), as Minister of Finance. Like his father before him he was a member of our Association until 1968. What the people of New Zealand thought was to be a socialist govt in 1984 turned out to be the New Right - moustache and all!

After retiring from politics in 1987 he became a consultant for the World Bank. He is reported to have been one of their highest paid consultants giving advice on restructuring and privatisation of state assets in Peru, Vietnam, Eastern Europe (Russia) and the Philippines. He was also associated with the Melbourne-based Tasman Institute advocating privatised tradeable water rights (App.VII). Douglas is active this election leading a group lobbying for the extension of his reforms, some of them suitably disguised but nevertheless directed at a concentration of financial power - international I suspect, based on the private ownership of natural resources. Clearly there are others who see the potential in N.Z.!

Are we then going to vacate or occupy? Will we blow the mould or fill it? Do we want to cast the shape of things to come?

The theme of this conference is total tax reform by the year 2000. If that is going to be achieved anywhere I believe it is more likely possible in N.Z. than anywhere else. But it will need international resources, at least initially.

A SHORT HISTORY OF THE N.Z. ASSOCIATION

Around the turn of the century there was an active Single Tax League which published 5,000 copies per month of the magazine called "The Liberator" advocating Henry George's ideas in general and Unimproved Value Rating in particular.

In 1924 the N.Z. Land Values League was incorporated with Hon. George Fowlds as President and Justice P.J. O'Regan as Vice-president and Chairman. In 1932 it appears to have gone into recess but was revived in 1943 under the chairmanship of Rolland O'Regan, with 20 members, and the name N.Z. League for the Taxation of Land Value (Inc). One of Rolland's early initiatives was to invite Miss Betty Noble to N.Z. to run Henry George classes. These commenced in 1950 along with monthly meetings to discuss topical issues.

Over the post-war boom years interest flagged, members died and U.V. Rating became almost universal and largely taken for granted. Any necessary sporadic attention possible or necessary being undertaken by Rolland. Nevertheless Betty persisted in running classes with or without assistance for the next 25 years, in the Y.M.C.A., the Polytech or in her own home. She has influenced many hundreds of people with George's ideas. Even now she and sister Peggy host a monthly meeting for the half dozen or so interested.

In 1964 the name was changed to the N.Z. Unimproved Value (later Land Value) Rating Association to focus on Rating. Rating Bulletins were frequently issued to Local Government members, discussing topical issues and encouraging polls to make mandatory L.V. Rating even more imperative.

By the early '80s regular meetings had become impractical with a dwindling and widely dispersed membership and with Rolland's failing health. In 1984 we abandoned incorporation for those reasons. Rolland had also intended concentrating on the wider issue of land tenure with the publication of his book "Te Ara Tika" (The Right Track) in 1980. In 1986 we held an AGM the minutes of which remain unconfirmed, although the books are still competently audited.

In 1988 when we expected the Labour Government to crown 100 years of progress with success it moved to destroy it. Our moves to defend it were only possible with the marvellous international support we received. We still use the representations then prepared to put out fires that occur now.

In November 1992 after 3-4 years of serious incapacitation, Rolland died.

Our current mailing list numbers about 20 of which maybe a dozen subscribe perhaps \$200 a year.

Both Rolland and Betty have done their best to build an effective membership. If I have failed where they didn't succeed I offer no apology or excuse. I believe it is not just a local problem - hence my proposal for an international exercise.

THE METHOD

Assuming judgement in our favour we would be expected to propose the method of implementing it which is not the main purpose of this paper. In general however whether as interim or permanent measures -

1. All Land Value charges - Rates, Taxes or Leasehold rentals etc should be Taxation Credits to be set against any other taxes payable.
2. Crown and Public Body Leases should be updated and reviewed annually. In NZ Regional Govt is the obvious administrative unit.
3. A moratorium on present titles should be set at say 50 years hence as proposed by Justice Else-Mitchell, or at earlier or even later death.
4. Such other mechanics as Geogists, professional lawyers, valuers or administrators might recommend to apply the principle appropriately to broad acres, city sites, minerals, water, radio/T.V. channels or whatever else.

If native races can collectively lay claim to what they regard as theirs in order to secure some measure of individual rights, surely we can successfully propose a range of western techniques (tax, lease, licence, royalty, fee) that will satisfy both collective and individual rights for the rest of us if not in fact for all of us.

CONCLUSION

The publicity of such a case would command the attention of all at no cost. The issue, the evidence and the consequences would be projected into centre stage for all to examine, support or to contest if they dared.

Even if the case failed legally the publicity would make it imperative politically.

For over 100 years, hundreds of years, this enormous social tort has gone uncontested, contrary to the fundamentals of British jurisprudence and the commands of Scripture: "Your land must not be sold on a permanent basis because you do not own it." (Lev. 25:23).

This is not a mere political, fiscal or economic measure. It is a constitutional issue and must be addressed as such. If a constitutional lawyer can conjure up a Bill of Human Rights impossible of implementation without our case and unnecessary with it, surely we can construct a case based on all the specifics we have available to us. We must make a constitutional issue of it and require the Crown to enforce the obligations legally due to it.

R D Keall, Hon. Secretary

17.7.91. P.S. The main points of the foregoing appear to be fully supported by the remarks (herewith) of the Hon. Justice Else-Mitchell in 1966. They were valid then and are urgently imperative for our movement now.