

and his assistants welcome any such visitor who is eager to know and to be shown from well-tested practical experience how the assessing of the value of land apart from buildings and improvements is set about; and generously they give of their time in these explanations.

On the eve of Mr. Craigie's departure on the ship to

Melbourne, he entertained the staff at No. 4 Great Smith Street to luncheon. *Bon voyage*, and the thought of the parting buoyed by the injunction *Au revoir* at next year's International Conference! This too—an express instruction to convey greetings on behalf of the British movement to all in the Henry George camp whom he is about to rejoin.

NEW ZEALAND: THE LAND TAX UNDER FIRE

For the past sixty-three years some part of the community-created value of land in New Zealand has been collected for the common weal under the provisions of the national Land Tax first imposed in 1891 by the Liberal Government under John Ballance. Now a concerted attack has been launched by the Federated Farmers and the Associated Chambers of Commerce for the repeal of this legislation. The Royal Commission on the Sheep Farming Industry, 1949, without producing any evidence, recommended its abolition in regard to rural lands and the Taxation Committee, 1951, came to the conclusion "that Land Tax is indefensible in principle, and recommends that it is completely abolished as to all land."

The N.Z. League for the Taxation of Land Values has responded promptly to the campaign by publishing a printed pamphlet written by its president, Dr. Rolland O'Regan, entitled *In Defence of the Land Tax*. Commencing with a brief statement on its historical origins and purpose, the author outlines the provisions of the Land Tax, gives details of its past and current yield and effectively answers six of the main arguments being marshalled by opponents. These are: that the tax is costly to collect; that it violates the principle of ability to pay; that it is a class tax; that it has achieved its object of breaking up large estates; that land owners require no incentive to develop their holdings in town and country; and that it is inequitable because land is not simultaneously valued throughout the country.

It will be noticed that two of these criticisms are, in effect, testimonials to the principle of land value taxation, the more striking because they are accorded by opponents, however grudgingly and unintentionally, namely that to lay taxes on the economic rent of land *discourages* the holding, for mere speculative or other purposes, of more land than the holder can use and *encourages* development. But that is by the way.

There is some substance in the complaint against present valuation methods. Dr. O'Regan admits the charge, but he argues that the solution is to be found not in repealing the Land Tax but in adopting the Danish practice of periodical revaluations undertaken simultaneously for the whole country. The N.Z. League advocates reform on those lines. While the author acknowledges that when the Tax was introduced one of the political battle cries on its behalf was that it would break up large estates, he contends that it is undeniable that the Tax was imposed primarily to provide revenue. Regrettably the Tax has never been large enough to dissolve large aggregations of land value, but it has had a "wholesome abating effect on this evil and were it substantially increased it would have a proportionately greater effect and would tend to a wider distribution of property." Pertinently Dr. O'Regan remarks that the size of an estate is to be measured *not by area but by value*; thus one city block in Auckland or in Wellington may be a "larger estate" than many a rural county.

This "tiny impost, trimmed and hedged about with restrictions and exemptions," yields a paltry £1 million

annually. That is only 0.82 per cent of the present national income. In former days the percentage was much higher. Thus in 1922, when the yield was £1,637,000, the tax provided ten per cent of the national income. But small though it is at present both in amount and as a proportion, the tax not only has no harmful economic effects but, like all taxes on economic rent, it has considerable beneficial consequences, economic and social. To repeal it would be to hand a capital sum of approximately £20 million to small sectional interests and to place an additional harmful burden upon the national economy. Industry, agriculture and the home owner would receive no benefit whatsoever from its repeal—quite the contrary.

The nature of land value and the case for its public appropriation is well stated by the author. Briefly put, and quoting from the pamphlet, it is that (1) "land values are not the product of human labour but arise from Nature or from the communal activity of men; they should therefore be owned by all men, *i.e.*, the community," and (2) "all New Zealanders have natural and equal rights in the soil of New Zealand." The second principle has long been recognized, the Royal Commission on Taxation, 1922, expressing it in these terms: "The right to occupy land in New Zealand is deemed by the state to be a privilege for which the occupiers should pay and such payment becomes a first charge on the land and precedes all other debts and liabilities."

The present basic rate of the land tax is 1d. in the £ on the capital value of land apart from buildings and improvements, but this is subject to certain exemptions as follows: Owners of land having a capital unimproved value of less than £1,000 pay no tax. Those whose properties are between £1,000 and £1,500 pay 1d. for each £1 in excess of £1,000. Between £1,500 and £2,500 the exemption of £1,000 is progressively diminished by £1 for every £1 in excess of £1,500. This is the "ordinary exemption." Between £2,500 and £5,000 a tax of 1d. is levied for each £1 of land value.

Alternatively, land owners may claim an exemption allowance not exceeding £7,500 in the case of mortgaged properties, *or* an exemption allowance not exceeding £4,000 in the case of widows with dependent children, *or*, in the case of special hardship, an exemption allowance not exceeding £2,500 may be claimed. In each instance the tax then payable is 1d. in the £ on each £1 of the remaining "taxable unimproved value" up to £5,000. Where the "taxable unimproved value" after one or other of these exemption allowances has been claimed exceeds £5,000, the rate of tax (that is, 1d. in the £) is graduated, being increased by 1/8,000d. for every extra £1 of land value with, however, a maximum rate of 6d. in the pound.

These exemptions and differential tax rates are morally and economically indefensible, and both the author and publishers of this pamphlet condemn them. Their ideal is a tax on the value of land at a uniform rate in the pound, without graduation and exemptions.