

The Conference Papers - II

AN ANALYSIS of the land situation in Germany was made by Herr Gustav Bohnsack, a surveyor in Hanover. His paper, *The German Building Land Tax* set out the events which led up to the adoption of the building land tax in 1961, the reasons why the Bundestag cancelled it in April this year, and the prospect of, and the need for, a genuine land-value tax in West Germany today.

So far, not even a general property revaluation has been made. (The last one was done in 1935.) Although frequently proposed, the idea has always been blocked by certain interested parties. The building-land tax, introduced by the Government to prevent land speculation upon the ending of rent control, fell far short of a real land-value tax for it was levied only on empty sites ripe for development; farmland, forests, nursery gardens etc. were exempt. None the less, it hit at land speculators and owners of land ripe for development — the reason perhaps why it was repealed.

The tax was strongly attacked by vested interests and although only in operation for a short period (less than four years) it was blamed for having failed to put new life into the building land market and because it had not prevented land speculation.

Now that the building-land tax has been withdrawn, the situation regarding land and housing in Germany remains serious. It is clear to many Germans that the annual demand for building land will be insatiable for several years. Rents are also very high and steadily rising. One Berlin architect expressed it this way: "350,000 dwellings in Berlin slums and blighted areas present an immense political danger. In former times revolutions have erupted from similar social conditions. Today the town planner has the task of helping to dispel this dangerous pressure from below."

However, during the summer of 1963 the Government drew up measures for changing the old valuation law. An up-to-date valuation (of land plus improvements) is to be made, and the tax categories reorganised so that potential building land will be more highly taxed than heretofore. If land speculation is stifled, this could become a stimulus to general land-value taxation in the future. Certainly the Government is interested, and recently a committee went to Denmark to study Danish methods of taxing real estate.

Our present economy favours land owners at the expense of the community, said Herr Bohnsack, and the law supports land owners in using their powers of land monopoly. Land speculation is politically dangerous. The countries that enjoy a free economy and desire freedom in every sphere of life can find no better solution than a tax system based on the value of land.

A welcome sign that land-value taxation has not been dismissed is that the West German Minister of Housing and Town Planning has asked Herr Bohnsack for a report of the International Conference and details of the workings of land-value taxation in other countries.

THE PURPOSE of Mr. Frank Wiles's paper *Land Development and Taxation in a Central Commercial Zone* was to report the results of a modest pilot study undertaken in a selected area. This was done to examine (a) the relationship between taxation and development, and (b) the shifts in tax burden and consequently the development likely to arise from a change to land-value taxation.

The area studied was the central commercial zone of Vancouver, the largest city in British Columbia. Statistical information about the city was provided by the 1963 Property Assessment Roll and the published statements of the City Comptroller. From all this data valuable material has been produced.

Mr. Wiles outlined how local assessment and taxation was handled at present, pointing out that in Canada it is the Provincial Governments that have responsibility for property matters and the power to levy certain taxes. They delegate some of this responsibility to municipalities — for instance, the power to levy a property tax on land and improvements.

The situation in Vancouver was made very clear and the sources of revenue in 1963 shown in detail by a table giving separate revenue figures for various purposes. Last year 73.6 per cent of Vancouver's total revenue was derived from property taxes and levies. Land contributes under half the property tax revenue, or one-third of the total revenue of the city.

Another table was given showing relative figures on land area, assessed values, and improvement ratios for the city as a whole, for the study area, and for the rest of the city. A comparison between the central commercial zone and the rest of the city revealed that under a change to land-value taxation there would not be any significant shift of tax burden to the study area. More significant would be the shifts *within* the study area—from intensively to poorly developed properties.

Mr. Wiles then turned his attention to examine in detail the central commercial zone. The study area with all its broad boulevards, its prestige buildings, oil and finance company offices, retail commercial outlets, criss-crossed by trolley routes was well described. This pattern he related to the pattern of assessed values, using a Standard Unit of Land Area (called SULA for short) which is approximately the standard lot in the study area, having a width of twenty-five feet and a depth of 120 feet.

A generalised version of the unit land value pattern was then shown on a map and it could be seen that the pattern was consistent with development and activity already existing. Peak values concentrate along main shopping thoroughfares, with ridges of high value radiating out along major traffic routes. There are secondary nodes of activity at the junction of other important streets and between these ridges there are "valleys," some of which are so deep that their bottom values are not much above those on the fringe of the study area.

In analysing the overall economic effect, Mr. Wiles suggested one might consider all decreases as a removal of a penalty, and all increases as the removal of a subsidy — since low-ratio properties are not developed to their full potential, and/or the land holder is enjoying more than his fair share of the community-created value.

The removal of the subsidy would make the withholding of land less attractive, while removal of the penalty would make constructive investment more profitable.

The increased incentive to invest in buildings (resulting from the removal of taxes on improvements) coupled with the increased tax incentive to use land productively would loosen up the market in real estate; a loosening that is vital if the downtown core is to recover its health.

Mr. Wiles left the conference in no doubt that the land-value tax would prove to be both a "carrot and a stick."

LAND OWNERSHIP is concentrated to an extraordinary degree in Hawaii. Miss V. G. Peterson, Executive Secretary of the Robert Schalkenbach Foundation, drew a clear picture of the present position in her paper *Land Reform in Hawaii*.

It is estimated, she said, that 14 per cent of the land is under federal ownership, 15 per cent under State ownership, 29 per cent is owned by two estates, 20 per cent by the eight next largest estates, and the remaining 22 per cent is in scattered private ownership.

The physical characteristics of the island limit the amount of building land and this, in conjunction with current economic pressures, has resulted in the high land prices there today.

In Hawaii land reform is being considered not only because the population is crying out for more land, but because there is a need to end the domination of these islands by a small group of landed proprietors. The spearhead of the reform is the Democratic Party.

A graded tax plan, based on that used in Pittsburg, Penn., which comes into effect on January 1, 1965, applies to all taxable property in the State. Part of the present tax on improvements is to be shifted to land values, a tax pressure which should force vacant and underused land on to the market. It should also lower land prices and promote more building and home ownership.

The Plan will be put into operation in three steps, each two years apart. At each step the tax rate on improvements will be reduced by 10 per cent. The tax on land itself will be increased correspondingly to make up the same revenue. When these three steps are complete county

governments will have the option of making additional tax transfers, so that finally it will be possible to levy a tax rate on improvements of only 40 per cent of that levied on land.

One criticism of the new tax arrangements was that the burden would be greatest on agriculture. To meet this opposition all properties were classified into six groups, and separate tax rates allocated to each.

This graded property tax is but one aspect of land reform in Hawaii, a reform which has been of major concern since 1955 when the Democratic Party first gained control. In 1957 a Land Study Bureau was set up, a Planning Office was established, and by 1959 a Land Reform Bill had been introduced. In 1961 the Green Belt Bill was enacted to strengthen the power of zoning at State level and in the same year the Ground Rent Redemption Bill was introduced and passed by the House, only to be defeated by one vote in the Senate. The purpose of the Bill was to weaken the leasehold system as a means of perpetuating the pattern of land ownership. Under the proposed law the holder of a lease of fifteen years would have had a right to purchase the land after five years of occupancy.

Miss Peterson went on to give a most interesting resumé of the history of the island from the time Captain Cook "discovered" it in 1778. At that time 30,000 carefree people lived in a tribal economy, although by 1840 all land had become the property of the monarch.

Shortly after this date the first division of landed rights was made and by royal edict the monarch awarded about two-fifths of the entire land to his chiefs; it was into the families of these chiefs that missionaries from the West (who began to arrive in 1820) later married. Part of the domain was set aside for the people and part became "crown lands."

In 1959, when the State of Hawaii finally came into being, it inherited all these public lands and crown lands, and the release of some of this land for fee-simple ownership is now being urged by the Democratic Party.

Between 1950 and 1960 the population of the islands increased by 33 per cent and land prices shot up. The demand for houses is such that resale prices are 60 per cent higher than in any of the other forty-nine States and Hawaii ranks lowest of any State in the number of families owning their own home.

AUSTRALIA is comparable in area to the United States. The sheer size of this continent, together with New Guinea and other island territories administered by the Australian Government, was brought home to the assembly in Mr. E. P. Middleton's *Report from Australia*.

Over this vast, untidy area the strength of the Australian Georgeists is thinly spread. Nodes of activity centre around Sydney and Melbourne but although much valuable work goes on, as yet there is no national movement.

In Victoria there is persistent pressure to persuade local government authorities to adopt the system of rating on the unimproved value of land, already well established

in New South Wales and Queensland. Supporters have been working with the Land Values Research Group and the General Council for Rating Reform — both non-Georgeist organisations, although Georgeists are represented among their members.

Interested parties are attempting to reduce the effectiveness of the State Land Tax; both political parties want to raise the statutory tax exemption limit; a third party would abolish it altogether. Victorian supporters counter-attack by urging the Government to apply the proceeds of the tax to public works.

Another activity is broadcasting. The Henry George League has been conducting weekly programmes, now in their twelfth year, and they are a major source of recruitment to League membership. Subjects are based on topical events and a selection of broadcasts called *Calling All Citizens* has been published in booklet form. The broadcasting sessions have recently been extended to five stations in Tasmania.

Letters and press releases are posted each month to more than seventy newspapers, with gratifying results.

The journal *Progress*, edited by Mr. A. R. Hutchinson, is published each month, and numerous pamphlets are produced and circularised among interested people. A key pamphlet on site-value rating is *Public Charges Upon Land Values*.

Under Mr. J. G. Charles, economics classes have been conducted over the past few years from which several members have been recruited to the League.

In New South Wales there is a campaign to convert the Metropolitan Water Board to the unimproved-value system of rating, which would bring it into line with all other authorities throughout the State. Another campaign is being waged against the Council of Local Body Associations which is attempting to obtain part of local government revenue from federal taxation.

A move is being made to influence the N.S.W. State Government to use the whole of its revenue from the State Land Tax for highways; to eliminate exemptions; and to institute a flat rate for the graduated scale of assessment.

Of great importance in New South Wales is the work of education through the Australian School of Social Science, under the direction of Mr. W. A. Dowe. This work has great potential and already the School's influence has spread widely. With only four tutors, and one class of potential tutors, there have been on average three classes a week with about six students per class.

There are two centres of Georgeist activity in South Australia. A Henry George League operates in Kimba and to some extent helps the League in Victoria, and there are other supporters in Adelaide.

In 1934 the South Australian Country Party, then largely a Free Trade party, urged the adoption of land-value taxation for the State. The pressure of current events could make this idea popular again.

Georgeists in West Australia, with headquarters in Perth, are few in number but enthusiastic. The group distributes

the journal *Progress* in the West and holds regular meetings.

In Tasmania there is little activity among Georgeists apart from Mr. Fred Auld, who returned from England in 1962 after taking a series of courses at the Henry George School in London. He reports encouraging results from classes he has recently organised, and from the use of the press and other means to stimulate interest in Georgeist principles.

IN 1922 the land tax in New Zealand yielded 10 per cent of the total tax revenue, explained Dr. Rolland O'Regan, President of the New Zealand League for the Taxation of Land Values, in his report from New Zealand. But by 1963 the yield had dropped to only .46 per cent of taxes collected. Advocates of the land tax had confidently expected it to be increased, but this had not happened.

Between 1882 and 1907 two and a half million acres of Crown Land were "leased in perpetuity." The tenant held the lease for 999 years at four per cent of the capital value, free from revaluation, but subject to a graduated national land tax. Total rent payable was supposed to be the original four per cent plus the national land tax, which would have been levied on a steadily increasing value. However, succeeding generations of politicians, employing every device possible, held the land tax yield around the million pound mark, but it was fortunate that they had not repealed the tax altogether.

Dr. O'Regan had come to the conclusion that mere fiscal measures cannot secure any permanence in land-value taxation, for the system will be at the mercy of every budget-maker, knave and fool. Land-value taxation is a priceless weapon with which to destroy land monopoly but a fundamental change of land tenure, from freehold to Crown leasehold, is necessary to make it permanent.

Within the New Zealand Labour Party, luke-warm on the question of land-value taxation, there are some members willing to do battle for the restoration of the Crown leasehold, as against freehold.

It might also be possible to persuade the Government to distribute the national land tax to local bodies to finance capital works; this would increase the revenue and create a huge vested interest in favour of preserving and even increasing the existing land tax.

Throughout the country today site-value rating is being opposed because local bodies need more revenue and cast greedy eyes on the multi-storey flats and office blocks which are, in fact, largely the result of the present system of rating. New building in Wellington, for instance, has been phenomenal.

At present, about one-third of the total rent of land in New Zealand is collected for public purposes by selective direct taxes of one sort or another. Large tracts of land are under public ownership: railway land, nearly all coal mines, vast areas of forest land and all hydro-electric power is state owned. Exploration is going on for oil but legislation lays down that wherever it may be

found, ownership shall vest in the Crown. So it is with the iron sands which could prove to be the basis of a great iron and steel industry. This, of course, is not the same as taxing land values but it does ensure that the community enjoys the economic rent from such natural resources.

Much waste land has been reclaimed and many new technological processes have made marginal land more productive. The expansion of the timber industry, the discovery of natural gas, and other developments have contributed to a very buoyant economy. The increasing population, now more than two and half million, has led to diversification in light industry. Opportunities are numerous. But as time goes on pressure on natural resources will become greater and land values will rise. The effects of land monopoly will become more apparent.

Today therefore is the time to act for future generations.

IF TAXATION is recognised for what it is — the robbery of producers of their product — then the collection of the economic rent of land, which is not robbery but justice, should not be referred to as taxation. To use such a term is to encourage the belief that taxation can be justified. So argued Mr. E. P. Middleton in his controversial paper *Taxation and Rent*.

Mr. Middleton asked for a wider and less compromising attitude towards the land reform proposed by Henry George. "What we have to decide is whether our purpose is to awaken our fellow-men to the basic sickness at the root of the tree of human society . . . or simply to fritter away our time and energies in helping some local popular organisation for the easing of a property tax."

This does not mean, Mr. Middleton explained, that we should withdraw from public activities and concentrate on philosophical discussion, but that we should not initiate groups advocating a watered-down version of our reforms simply for the sake of getting dubious support, to the neglect of the advocacy of fundamental principles.

A BRIEF but encouraging paper by Philipp Knab, *Report from Austria*, gave good reason to expect a changing climate of opinion in that country.

Western Europe, now split into two camps, the Six and the Seven, may soon involve Austria in an economic crisis that will not only destroy its foreign markets but cause heavy unemployment.

As in most countries, attention is focused on trade barriers and the possibilities of their removal; the tax structure of the people escapes notice.

In the dilemma between economic breakdown and sinister Soviet threats in the event of any approach being made to the E.E.C., it has not occurred to anybody, except to the few Georgeists, that by taxing land values the burden of taxation on trade and industry could be lightened. With such tax relief exports become competitive in any market.

Austria has had a housing problem for nearly a century. Now both leading political parties have set up advisory committees, and land-value taxation is being

discussed by experts from both parties. The former Minister of Finance, Dr. Josef Klaus, who is perhaps more attracted by the ideas of land-value taxation than by Keynesian methods of finance, has just returned to office as Prime Minister. This is very encouraging.

At present, reported Mr. Knab, Georgeists are trying to provide a federal survey of land prices to spotlight the enormous growth in the fortunes of those who invested in land and the almost complete absence of taxes they are required to pay.

Vienna is the Gateway to the East and a centre of European trade. It deserves the attention of Georgeists as a possible new platform for introducing land-value taxation.

CONFERENCE PAPERS

Land Reform in Hawaii (Miss V. G. Peterson)

Report From New Zealand (Dr. Rolland O'Regan)

Report from Australia (E. P. Middleton)

The German Building Land Tax (Gustav Bohnsack)

Land Valuation and Land-Value Taxation in Denmark (K. J. Kristensen)

Agitation for Land Reform in Great Britain (V. H. Blundell)

The Whitstable Land Value Survey (V. G. Saldji)

Land Development and Taxation in a Central Commercial Zone (Frank Wiles)

Land Tax Exemptions (Report Tideman) and Report from Austria (Philipp Knab)

The Georgeist Situation in Denmark (J. H. Kristensen)
Taxation and Rent (E. P. Middleton)

Conference papers are available from the International Union Headquarters, 177, Vauxhall Bridge Road, London, S.W.1, England, at five shillings per set plus one shilling postage, or sixpence for individual papers, postage three-pence.

EXPENSIVE SPACE — 1

NEARLY £12,000 an acre, a record for the area, has been paid for nine acres of building land at Newbury, Berkshire. The land was sold, on behalf of the trustees of the late Sir Richard Sutton, for £107,000.
—*Daily Telegraph*, August 27

EXPENSIVE SPACE — 2

LESS than an acre of land at Love Lane, Pinner, Middlesex, is to be bought for a car park for £41,000 by Harrow Council after a public inquiry into the deal. When the council first wanted to buy the land, a year ago, the price was £25,500.
—*Daily Mail*, July 31