

# The Secret of Their Success

Everyone Benefits when Buildings are Tax Exempt

IN WELLINGTON, New Zealand, buildings have been tax free for more than half a century. The then town clerk in his 1903-4 report to the City Council wrote: "The result of the first year's trial must be considered gratifying and leaves no room for regret at its adoption. That which was claimed by its exponents has been fulfilled. It encourages improvement, stimulates the use of land and mulcts all lands in their fair share of taxation." The next year he reported: "There appears to be no tangible ground for serious objection. . . . No one is penalised by reason of his enterprise in buildings."

This quotation appears at page 6 of the profusely illustrated new publication announced in our previous issue—"A Graphic Summary of MUNICIPAL IMPROVEMENT AND FINANCE As Affected by the Untaxing of Improvements and the Taxation of Land Values." The "Graphic Summary" has been prepared by Mr. H. Bronson Cowan, secretary and research director, for the International Research Committee on Real Estate Taxation. It is a book which every reader of this journal will wish to buy.

Consider some of its contents. On page 3, beneath a fine aerial photograph of a residential section of Greater Sydney, Australia—the capital city of a state in which all the municipalities use land-value rating—the Under-Secretary of State, N.S.W., testifies to the superiority of that system. Writing in September, 1955, he concluded: "Practically all local government revenue from land in New South Wales is obtained from rates on the unimproved capital value [*i.e.*, the site value]. There is little or no prospect of any public demand being made for rating under any other system."

The town clerk of Sydney, at page 4, reports on his city's forty years' experience of land-value rating. "The major benefits which have resulted since this tax came into force include the great expansion of building operations which has taken place. These have affected residential, apartment and industrial buildings. Land-value taxation has had the effect of encouraging some owners, and leading others, to build upon their lands or to sell them and thus enable others to do so. Any land which is left in its unimproved [vacant] state, or which is poorly improved, is taxed on the same basis as highly improved properties on sites of similar value. Consequently, owners of vacant and poorly improved sites are at a disadvantage. . . . In 1954 the population of Greater Sydney was approximately 1,500,000. Today it is in excess of 1,850,000. This has created a serious housing shortage in the metropolis, including the City of Sydney. It would have been much worse but for the site-value taxation."

A photograph of splendid buildings—on which no municipal taxes fall—in a business section of Johannesburg appears on page 5. Beneath, in a statement dated April, 1953, the secretary of the Johannesburg Chamber of

Commerce writes that the Chamber "strongly favours the rating of land values only. We are of opinion that this system has had a good deal to do with the development of Johannesburg into the premier industrial and commercial city of the Southern African sub-continent." The Chamber's evidence in favour of land-value rating before the Transvaal Rating Commission (1948) is quoted. There is also an extract from the report of an independent committee appointed in 1944 by the City Council. This rebuts the charge levelled by some opponents that the taxation of land values favours the rich to the detriment of the poor. [Elsewhere opponents sometimes rely on the opposite, equally false, contention that it benefits the poor at the expense of the rich. In fact, of course, unlike all other forms of raising public revenue, a tax on land values is fair to all sections of the community].

Two former mayors of New Westminster, a rapidly expanding municipality in British Columbia, Canada, are quoted at page 7. Buildings are not completely tax-exempt but the bulk of municipal taxation in the city is derived from land value. The result? "This method has proved popular. Many believe that were ratepayers invited to vote they would favour improvements being tax free. . . . [Land-value rating] has largely eliminated speculation in land values. . . . Old buildings have been replaced by new ones. Areas which threatened to become slums have been rebuilt. It has attracted new industries." Thus Mr. W. M. Mott, who was Mayor from 1943-48, writing in August, 1955. An earlier mayor, Mr. F. J. Hume, pointed out how the rating system "has had a tendency to reduce unemployment and the seasonal slump in this city. . . . Hence, the factories and mercantile houses of New Westminster have been able to keep operating when in other cities a number have had to partially or completely close down." That was written in 1935.

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The "Graphic Summary" is published at \$3 by Harper & Brothers, 49 East 33rd Street, New York, 16, N.Y. Copies may also be obtained from the Robert Schalkenbach Foundation, 50 East 69th Street, New York, 21, N.Y., or ordered by British readers from our offices, price 21s. 0d.

## Book Received

THE CULTURAL TRADITION AND OTHER ESSAYS by Francis Neilson. The Robert Schalkenbach Foundation, New York. 228 pp. \$4. The third volume of an important trilogy by a distinguished Georgeist author. Fifteen essays including four on Communism and state control and two dealing with "Equality of Opportunity" and "The Gospel of Justice" as it is developed in the philosophy of Henry George. They will appeal strongly to all lovers of good prose and pure style; to students of fundamental economics and the philosophy of history.

Land & Liberty