

THE SINGLE TAX IN OPERATION.

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FEW if any of the various economic theories that have been advanced, claiming attention in virtue of their practical benefit to the existing conditions of human affairs, have gained so immediate or so widespread an acceptance amongst intelligent persons as that which is familiarly known as "the single-tax" theory propounded by Mr. Henry George. In all parts of the English-speaking world, at least, the theory has obtained many and enthusiastic disciples, who have believed, and probably still believe, that they find in Mr. George's doctrine a panacea for many of the most apparent of the evils which oppress society not less under our advanced civilization than they did at any former period of the world's history. It may be said, indeed, that we hear less of Mr. George and the single tax now than we did a few years ago, and from this some will argue that the idea has died or is dying out of men's minds; this, however, is almost certainly a mistake.

In the history of any great system of alleged reform there may be traced at least three distinct stages which are marked by different degrees of prominence in the public regard. The first of these may be called the period of promulgation, the second that of fermentation, and the third that of experiment. If the evils proposed to be reformed are manifest and widely recognized the first of these stages is almost certain to excite wide attention and much controversy on both sides. The earliest stage, that of mere discussion, however, soon wears itself out, and the theorists who argued in favor of, as well as those who argued against, the new system, having exhausted their ingenuity in argument, turn for the most part to something newer, and let the matter drop.

Then follows the period of incubation. Removed from the din of controversy a certain number of people are always found who are keenly sensible of the evils which the new system was

supposed to cure, and who continue to meditate upon the possibility of its possessing the power to do so. These persons, it may be, make but little noise in the arena either of literature or politics, but they are not the less active, nor perhaps in the end the less really influential, on that account. Their influence is of the sort that depends upon a solid conviction, right or wrong, that the theory which they support is the true one; and as long as the evils, which the system they adhere to professes to cure, continue to exist, so long their influence may be expected to increase.

It is the third or experimental stage which is the critical one, and generally speaking it is well when that stage can be reached without any needless delay. By experiment alone can the value of such theories be tested to the satisfaction of the practical mind of humanity, and it is only as the result of a trial that men will either consent to admit the value of a proposed reform or to abandon a specious theory to which they have once given their adherence.

The single-tax theory of political economics advanced by Henry George, having passed through the first of these three stages with something more than the usual publicity and controversy, has already been in its second stage for a good many years. The cessation of active discussion, which appears to some people to argue that it has passed into oblivion, or is at any rate well on the way toward such a consummation, is only evidence that it is in its second, or fermentation, period. Nobody can pretend for an instant that any one of the evils pointed out by Henry George as the things that called loudly for reform, have actually been reformed since the date of the publication of his original essay on "Progress and Poverty." No reasonable man can doubt that many, if not all of these evils, ought in some way to be dealt with, and if possible amended. While such is the case it is impossible wholly to get rid of the theory which trenchantly pointed out those evils and professed at least to offer an effective remedy.

Under these conditions few things could be more desirable than that the matter should be advanced to the third of its natural stages by being submitted to the critical test of experience. Nothing short of this will ever satisfy the mass of

mankind of the feasibility of the system proposed, or of its adequacy to meet the evils complained of; nothing less will set free the minds of many thousands of intelligent persons to inquire into other methods of reform than the fair trial of the single-tax system, and its failure to cure the evils which its author expected it to cure. The difficulty, which indeed is by no means a slight one, is to find a favorable arena in which the experiment can be tried, and a community prepared to make the experiment.

It must be remembered that, if the evils aimed at by the proposed remedy of the single tax are great and far-reaching, its complete application could hardly, in most communities, amount to less than a practical revolution. Striking as it does at the whole received theory of land tenure, as sanctioned throughout the civilized world by the practice of many centuries, it arrays against itself the prejudices of the most influential classes in every long-established community, and its introduction is necessarily surrounded by difficulties and at least apparent injustices which must indefinitely delay any attempt to bring it to the test of experiment there. The only reasonable hope, indeed, of reducing the theory of the single tax to the plane of experience is to find a country not yet fully committed to any other system, and occupied by a self-governing people sufficiently intelligent to perceive the evils of other existing systems of land tenure, and sufficiently enterprising to be willing to experiment in this direction.

It may perhaps prove of no little benefit to other communities that one self-governing country has been found which has been both able and willing to make trial of the principle which has been so strongly contended for by the author of "Progress and Poverty," and by those who have seen in his proposals a way of escape from many of the most serious difficulties that beset civilized communities at the present day. There is probably no other country which is to-day in so good a position to enter upon experimental legislation in this and other directions as the British colony of New Zealand. An island community separated by more than a thousand miles from its nearest neighbors, possessed of practically unlimited powers of self-government, and inhabited by a prosperous and intelligent population,

substantially of unmixed British race, there is little either in their external relations or internal circumstances to prevent the colonists of New Zealand making many experiments in economic legislation. And during the last quarter of a century this fact has been fully realized by the people and their leaders. They have established a system of education which is at once more popular, free, and comprehensive than even the most complete systems in force in this country; they have placed local option in the control of the liquor traffic upon a broad and entirely popular basis, which has rendered New Zealand the most sober and law-abiding of communities, without introducing the doubtful principle of prohibition; they have thrown open the franchise unreservedly to all persons of full age and competent education, without regard to sex; and they have successfully introduced life insurance and trusteeship of estates by the government, as well as many others of the proposals which are generally comprehended under the term "State Socialism."

It is by no means surprising that a community which has made so many experiments in legislation should have turned its attention to the question which may perhaps be looked upon as most specially inviting attention from social reformers in a new country. The circumstances of New Zealand in relation to the land were from the first exceptional. In every other country occupied by savage tribes in modern times which has been taken possession of for purposes of settlement by people of European race, the ownership of the soil has been assumed, as a matter of course, to vest not in the aboriginal natives, but in the intruding settlers. Spain, England, France, Holland, Germany, and the United States have one after the other adopted this convenient theory of international morality, and entered with a cool assumption of right upon the inheritance of their comparatively helpless predecessors. In New Zealand the conditions of the country and its inhabitants rendered this popular system wholly inapplicable. The area of the country was limited, to an extent which rendered it impossible to adopt the fiction which has lain at the root of nearly all the forcible confiscation of the territory of native tribes, namely, that they could make no profitable use of so great an area. The islands of New Zealand contain only a little more land than Great Britain itself,

and sixty years ago, when England first thought of annexing them to her empire, the native inhabitants numbered little if anything short of a hundred thousand souls. They were besides a settled people who cultivated the soil, and moreover they were warlike, and formidable to any invader. In consequence of these things a wholly new departure was made in the case of New Zealand. The country was not occupied on any plea of discovery or of conquest, as had been done in so many parts of the world before, but the sovereignty of the islands was obtained by treaty with the chiefs of the native tribes, upon the distinct guarantee that the full rights of the aboriginal inhabitants to their lands should be recognized and protected by England against all comers.

From the first, therefore, the lands of New Zealand have been purchased by the government before they could be disposed of to the settlers. The community had no vast tracts of land to dispose of which had cost nothing but the expense of survey, but as a matter of fact had to look on every acre as an investment which must be sold for a certain definite price unless the transaction was to result in an absolute loss of money to the people at large. It may well have happened that the result of so unusual a condition of affairs was to lead the community to regard the public lands in a somewhat different light from other people. At any rate it led to all lands being sold for a price which prevented their being lightly esteemed or as a rule held as freeholds in large areas. So much was this the case that from the first nearly all pastoral lands were held under leases from the government at fixed annual rentals. Fully forty years ago the southern, and larger, of the islands was nearly all purchased from the comparatively small native population by the government, and in that island a very large proportion of the land has always been let on lease for grazing. In the northern island nearly one-half of the land even now belongs to the original native owners, and much of this area is leased from them by Europeans for farming or grazing purposes.

In this way it has happened that in New Zealand, more than in any other country occupied by people of European race, the inhabitants have grown accustomed to the idea of holding land on lease, with the people at large, as represented by the government, for landlord. Under these conditions it is easy to under-

stand how the doctrine of the single tax found a peculiarly congenial home in the minds of New Zealand public men. It is true that large areas of the lands of the country had been disposed of in freehold to settlers. It is true that the freehold tenure of the native inhabitants had in a certain sense been guaranteed to them by treaty, at least in so far that it should never be taken from them without compensation. It is true that the mass of the people were very fully possessed by the apparently almost universal preference for the idea of a freehold over every other tenure of lands so far as they were personally concerned. But, on the other hand, they had grown accustomed to the practice of holding areas of land on lease both from the government and from the native owners, whose tenure was not individual, but tribal, and they had learned the lesson that there was no intolerable hardship in the system.

The attempt to introduce a system which should give effect to the principle underlying the economic theory of Henry George in New Zealand was not hastily made, nor was it attempted on a scale that could be fairly open to the charge of being revolutionary in its incidence. The first step taken by the legislature was in the direction of so dealing with the public estate of the country as to encourage settlers to lease rather than to purchase the freehold. With this in view a system of leases in perpetuity was established, and areas of the best and most accessible of the land still unsold were set apart to be dealt with under the new plan. Any person, not already the holder of land in freehold, which, together with the land applied for under perpetual lease, would make an area of more than six hundred and forty acres, or one square mile, could apply for a lease of not more than three hundred and forty acres on perpetual lease. Five dollars per acre was fixed as the price of the land, such being the average price of first-class freehold land unimproved in the country, and the applicant was entitled to a lease for 999 years of the land applied for, subject to the conditions that he resided upon the land during the first ten years of the tenancy; that he improved it to the extent of thirty per cent of its upset value within six years; and that he paid as annual rental interest at the rate of five per cent on the price or value of the land.

Each lease contained clauses rendering the land subject to revaluation at the end of each period of twenty-one years, on which the rental would be calculated. If the new valuation, which it was provided should rigidly exclude all improvements on the land, was assented to by the tenant, the matter was settled for another twenty-one years; but if he objected to the new valuation as excessive, it was provided that he could demand that it should be offered by public auction (subject to payment of the value of his improvements), and that the amount bid for it either by himself or by anybody else at the sale should be esteemed the value on which the rental was to be calculated during the twenty-one years next following the sale. In case the present holder of the lease was the highest bidder, this was the only result of the sale; but in case he was outbid he was bound to transfer the lease to the best bidder, on receiving from the government the amount at which his improvements had been valued. This payment might be made in government bonds, bearing interest at four per cent, at the option of the government, and the new holder of the lease was charged as rent the interest on the value of the land as bid by himself and also interest at five per cent upon the former leaseholder's improvements. By this means it was proposed to retain for the community at large the increased value of the lands of the country which was not due to the improvements made from time to time by the leaseholder. The inducement held out to the public to accept such leases in preference to a freehold was the saving of capital involved in not paying for the land when taken up, but only interest on the amount. This, it was hoped, would suffice to render it popular with a considerable class of actual working settlers as distinguished from speculative buyers.

It is only fair to say that in spite of every effort that could be made by the government, the system did not commend itself to the judgment or the prejudices of the persons interested to any very great extent. What they wanted — what it may be taken for granted is wanted by nearly everybody in dealing with land — was a fixed tenure. It was not enough to know that they had a lease for 999 years; they wanted to know what they were to pay for it, not only during the first twenty-one years, but at any time during the 999. Eventually this had to be conceded, and

as the land law of New Zealand now stands the holder of a perpetual lease gets it for a rental of four per cent upon the original price fixed by government on the land, subject still, however, to the conditions as to residence and improvements on the land during the first ten years.

Having abandoned this promising and theoretically perfect plan for securing to the state all state-produced increase in the value of the public lands, the New Zealand parliament was still anxious to secure for the country the other advantages held out by the author of the single-tax doctrine. These advantages may be briefly summed up in the words, the discouragement of large holdings and the prevention of speculation in future land values. To obtain these results without laying the community open to the charge of practical confiscation, which has been, and probably will always be, the strongest argument against the practical application of the doctrine of the single tax, as propounded by its author, was felt to be no easy matter. Even in New Zealand there were already some large freehold estates, and these naturally included some of the most desirable and valuable of the land. It was eventually decided to impose a land tax, the incidence of which would tend at least to discourage speculation, while it supplied revenue for the public expenditure.

A uniform tax of one penny in the pound sterling, equivalent to one two-hundred-and-fortieth part of the capital value of all land in the country held in freehold by Europeans, was imposed, the value of improvements being in all cases deducted from such valuation. Each owner of land is, however, allowed an exemption of land to the value of two thousand five hundred dollars, on which no tax is payable, as well as of all mortgage money secured on the freehold. Thus all freehold lands held by any individual are liable to be taxed above the value of \$2,500, so far as he is really interested in them; while all money lent on mortgage of land is subject to a tax of five per cent on the annual interest reserved by the terms of the mortgage. New Zealand is mainly a country of small holdings, and the result of this system has been that, out of about 90,000 holders of land in freehold, only about 13,000 actually pay the tax on land. In other words, the settlers of the colony who own land which, apart from improvements and mortgage debts, is worth more

than \$2,500, are found to be only about one-seventh of the whole number.

To provide for the discouragement of land speculation on a large scale a further provision is made by the enactment of a further tax upon all lands held by individuals or corporations of a value exceeding \$25,000 clear of incumbrance. This is called the graduated land tax, and provides for a farther taxation on all such lands, beginning at one-eighth in addition to the original tax, and rising by advances of an additional eighth for each sum of \$25,000 at which the land is valued, until a maximum rate of three times the original tax is reached in the case of large estates. To provide for the risk of vexatious opposition to valuations on the part of owners, there is a farther provision that the government may at its option elect to purchase, at an advance of ten per cent over the valuation objected to, any unimproved land held in freehold. It is also a part of the system that the government may compulsorily purchase at a valuation any lands not in actual use in case any association of persons shall apply to have this done, undertaking satisfactorily to take the land upon its purchase under the conditions of perpetual lease, which of course includes subdivision into small areas, with residence and improvement.

By these means the people of New Zealand confidently expect to secure the subdivision of the lands of the country into small areas; to discourage to the utmost the holding of land by capitalists in expectation of greatly increased values at the expense of the less wealthy classes; to render practically impossible the establishment on any extensive scale of private landlordism in respect of agricultural lands; and gradually to substitute, as far as possible, the payment to the state of a yearly interest on value, for the purchase of the freehold in the land of the country.

So far as the experience of the last eight years, during which the system has been in force, may be taken as a reliable guide, the experiment shows many signs of success. It has certainly checked the tendency to speculate in lands with a view to a rise in price, which threatened to become a great, as it certainly was a growing, evil. It has been found that it will not pay to do this in the face of taxation, and particularly of the gradu-

ated tax; and owners of large areas of land have developed a strong inclination to subdivide and sell lands which they formerly were disposed to hoard and increase. The power given to the government to purchase lands where the owners have objected to the valuation for taxation purposes has not been widely exercised, but several very important and considerable compulsory purchases of estates have been made in cases where associations of persons wishing to take the land on perpetual lease have applied to the government for that purpose. The chief benefit of such examples, indeed, seems to have been in compelling owners either to use the land themselves or to offer it for sale to persons anxious to use it; but from the New-Zealand point of view this would appear to be almost if not quite equally desirable. Finally, the land tax has largely enabled the country to do without other taxes, which would necessarily have fallen more heavily upon the class of workers with small incomes, instead of being levied on the classes best able to bear them.

It yet remains to be seen whether evils may not lurk, as yet unnoticed, in the system, which may impair if not destroy its usefulness. One consequence which was predicted by its opponents, however, has not been found to follow upon the introduction of the system. It was said that capital would be withdrawn from the country, and that poverty and stagnation would result. No such result has followed up to this time. New Zealand, with its less than a million inhabitants, is to-day looked on as one of the soundest dependencies of the British empire; it continues to draw to it from the mother country as much capital as it can profitably use; its exports steadily increase; and its people, if not rich, are well-to-do and comfortable.

It may be said, indeed, that New Zealand has not accepted Henry George's doctrines as they were propounded by their author, and this is literally true. It is, however, also true that they have accepted the essential spirit of those doctrines, and, applying that spirit to the circumstances of their own country, are giving probably the most useful practical illustration of all that is best in them for the world's acceptance. No doctrine in economics yet propounded for the acceptance of humanity

has ever been found to be applicable in exactly the same form or to exactly the same extent under all circumstances, and this, it may be safely said, will prove emphatically true of the doctrine of the single tax. The single tax, like all other economic plans, is not an end, but only a means. The end must be the amelioration of the condition of the masses of the people, and the consequent prosperity and happiness of the great majority. In New Zealand the people and their leaders believe this to be secured by taxing wealth rather than comparative poverty; by giving every encouragement to those who will devote themselves to the cultivation of the land; and by throwing every obstacle in the path of those who would fain establish and promote the pernicious system of private landlordism, which everywhere tends to create and perpetuate class distinctions, with their long train of attendant evils.

In these respects New Zealand presents an object-lesson which can hardly fail to be of value to other countries, even if their conditions differ widely from her own. Her successes may be noted with advantage, her mistakes may be criticised with profit, in every free country and by all those who see that existing conditions are far from perfect in any part of the world, and that the safety as well as the advancement of society may depend largely upon the introduction of wise and, it may be, far-reaching reforms.