

THE HON. WALTER NASH ON NEW ZEALAND'S EXPERIENCE WITH LAND-VALUE TAXATION

THE HON. WALTER NASH, formerly Finance Minister of New Zealand and now the Minister of that country in the United States, addressed a joint meeting of the American Institute of Planners and the Citizens Housing Council of New York on 23rd January in New York. This address under the title "New Zealand's Experience with Land-Value Taxation" has since been published by the Citizens' Housing Council of New York (470 Fifth Avenue, price 20 cents, or for ten or more copies, 10 cents each).

Mr Nash gave an outline of the legislation relating to the taxation of land values and the rating of land values (known in New Zealand as rating on unimproved values). "My central thesis," he said, "will be that payment to any one—or, to use a wider term, benefits received by any one—should be based on services rendered. This principle, it is true, can have a very far-reaching application. But the system of rating on the unimproved value of land is at least one practicable and helpful way in which it can be carried out."

Referring to preparation for post-war reconstruction he said: "In planning for the future the problem of housing must be closely related to the problems of industry on the one hand and to the requirements of home life on the other. The provision of adequate housing can be seriously handicapped and retarded if abnormal prices have to be paid for the land that is required. A sound and scientifically based system of taxation can help a great deal by correcting such a situation. I believe that the kind of procedure we have adopted in New Zealand, although it is far from perfect, has nevertheless tended to discourage excessive inflation of land values generally and building sites in particular."

Returning to the question of benefits received, Mr Nash said: "With all the definiteness that might be required, I affirm that benefits received should be based on services rendered, and the payment should be made to that person or body which renders the service. Values should belong to those who create them. Expenditure of taxes collected from the community should be reflected in services for or benefits to the whole community. This objective, I suggest, can best be achieved through a system of rating on the unimproved value of land. In the light of our New Zealand experience, I am convinced that the taxation of land values in accordance with this principle secures the best results from the point of view of the community, while, at the same time, ensuring as near justice as any known system could to the individual landowner. Because, from the point of view of both community and individual, it means that the tax liability which land bears is in direct relationship to the value due to its site—its access to community facilities, its productivity, including all values other than those created by the owner or occupier of the land."

After a survey of methods of taxation in New Zealand in which he pointed out that local authorities had an option as to which system of rating they would employ, Mr Nash said: "The unimproved value method of rating has been found on experi-

ence to be the most equitable. In the case of rural lands it has the advantage of lessening somewhat the burden on those properties that are well cared for and into which the owner has sunk considerable capital in the form of improvements designed to increase the property's productivity. At the same time it tends to place a somewhat heavier burden on other properties which are left in an undeveloped state. It would also bear less heavily on

the small farmer as against the large estate owner. In the case of urban property this system of rating similarly operates to the advantage of the small suburban householder as against the owner of valuable city estate. It likewise puts a premium on making the most effective possible use of land, since with increasing rate burdens it will not pay to keep land idle with a view to reaping the benefit of community-created value."

ASTRONOMICAL FIGURES

THE BUDGET was presented on 12th April. It embodies increased taxation on tobacco, spirits, British wines, and entertainments; increased charges on telegrams and long-distance telephone; the purchase tax on goods heretofore chargeable at 66½ per cent is raised to 100 per cent. Certain classes of "Utility" goods not heretofore exempted are now exempted from purchase tax. In regard to income tax there is an increased allowance for dependent relatives and an extension of allowance for house-keeper. The net increase in revenue expected from these tax changes is £100,800,000 in a full year. The tax on tobacco now rises to approximately 2s. 5d. per ounce while spirits are now taxed at the rate of £7 17s. 6d. per proof gallon. The total revenue expected from these two sources alone is £383,000,000 and £328,400,000 respectively. The purchase tax and entertainments are expected to produce £90,000,000 and £40,800,000 respectively.

Total expenditure during 1933-34 is estimated at £5,756.1 millions. Estimated revenue is £2,907.5 millions leaving a deficit of £2,848.6 millions.

On 31st March, 1943, the net total of the National Debt was £16,860.1 millions. Add to it the deficit of £2,848.6 millions and the National Debt will reach £19,708.7 millions on 31st March, 1944.

Grouping the main items of expenditure we get the following summary:—

	Thousand £
Interest and management of the National Debt and Miscellaneous Consolidated Fund Services	382,500
Payments to Northern Ireland Exchequer...	9,500
Army, Navy, Air Force; National Defence and Expenditure relating to the state of War	4,900,006
War pensions (1914-18)	35,544
Civil Government (Great Britain)	409,006
Cost of collecting the taxes	19,548
	<u>£5,756,104</u>

The revenue is made up in summary as follows:—

	Thousand £
Income tax and surtax	1,255,000
Estate duties	100,000
Stamp duties	17,000
Excess profits tax and national defence contribution	500,000
Other inland revenue duties	1,000
Motor vehicle duties	25,000
Customs	525,320
Excise	450,180
Receipts from Taxes	<u>£2,873,500</u>
Miscellaneous revenue	34,000
TOTAL REVENUE	<u>£2,907,500</u>

It is noteworthy that of the total expenditure of £5,756,104,000 not more than £409,006,000 is required for the civil government of Great Britain, considered apart from the cost of the defence forces (in

peace time, how much?), the service of the national debt, the 1914-18 war pensions and the cost of tax collection. It is interesting to analyse this sum of £409,006,000 to see how it groups itself under certain main heads, viz. :—

	Thousand £
Insurance schemes for unemployment and health	36,346
Unemployment grants and assistance, special areas fund, financial assistance in special and other areas, health services, of which £4,167,000 is included in specific grants to local authorities	11,648
Housing subsidies, all included in specific grants to local authorities	18,528
Old-age pensions, supplementary pensions, payments to widows' orphans' and old-age contributory pensions account	120,755
Education, including teachers' pensions, of which £56,277,000 is included in the specific grants to local authorities	70,253
Other specific grants to local authorities, for police, roads, etc.	20,342
General grant to local authorities—the "block grant" distributed according to set formula	52,773
Foreign and Imperial services and Colonial development and welfare	15,732
All other purposes of which the largest item is "Miscellaneous, including General Administration, £25,785,000"	62,629
	<u>£409,006</u>

A comment on this presentation is to ask two questions: (a) how much of the expenditure out of the public funds would be saved if the problems of poverty and unemployment did not beset us? and (b) how much need would there be for subventions (the total of which is now £162,087,000) to the local authorities if their local taxation was derived from the value of land? The rates levied by the local authorities in 1942-43 amounted in England and Wales to £196 millions and in Scotland to £22 millions under a system that is so faulty and so hard to expand that it needs the named supplementation from the Treasury; and much of the money that the local authorities themselves collect and spend is used in ways to ameliorate the social conditions arising out of a tax system which makes land dear, houses scarce, and impedes productive effort.

Postscript to the National Budget.—All that is paid and collected in the form of income tax and excess profits duty is entered as revenue. But this includes the post-war credits and 20 per cent of the excess profits duty. As these amounts (which are not stated) are repayable they are not revenue; they are additions to the National Debt and should be shown as such.

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