

to 22,000 'farmers,' is causing deep interest, and the justice of taking the larger portion of it for Government purposes is widely recognized."

Questioned as to his opinion of the party's immediate prospects, Mr. Fowlds declared that the position now was very different to what it was at the elections last December. "I have no doubt," he said, "that were an election to take place this year the vote of our supporters would be a very substantial one, but as to the position the Labor Party would obtain, that would, of course, depend on how the other two parties stood to one another. But if the United Labor Party has to the normal end of the present Parliament to carry on its work, it will be able to speak with some effect at the next elections. I am also quite satisfied that the radical members of the present Liberal Party have got to come with us before very long. It means that there will be a new party alignment altogether."

WHAT THE NEW ZEALAND LAND VALUES LEAGUE STANDS FOR.

By HON. P. J. O'REGAN

The following statement of the principles that the N. Z. League stands for was written by Hon. P. J. O'Regan to combat the proposals contained in the Governor's speech of February, 1912, and to put clearly before the electors of New Zealand, not only the ideals, but the immediate aims and objects of the League.

Our aim as a League is to secure the fullest possible development of this country's resources. That is to say, we desire the fullest and best use of the land, whether in town or country, and consequently the fullest employment of Labor and the fullest promotion of the well-being of the people. This aspiration can never be realized under a land system which falls short of securing to everyone the enjoyment of his right to the use of the earth. It will be admitted on all sides that no civilized community can exist without taxation, but we contend that all taxes which hamper industry are inequitable and that they should be abolished.

JUST TAXATION AND PREVENTION OF LAND MONOPOLY.

Land value taxation we regard as the ideal, both as a just and equitable method of taxation and as an unfailing preventive of land monopoly. Accordingly, we would, first, prevent the holding of valuable land idle and make land speculation and dog-in-the-manager land monopoly absolutely impossible by taking for the people the unimproved value of land, sometimes loosely termed "the unearned increment;" and secondly, by exempting all improvements and labor products from taxation, we would leave each individual complete possession and enjoyment of everything his labor produces, thereby encouraging to the utmost every trade and industry for which this country

is best fitted. It will thus be seen that the object of land value taxation is two fold—to secure an equitable source of revenue and to put an end to land monopoly.

EXISTING ANOMALIES CONDEMNED.

In accordance with the foregoing principles we cannot but condemn (1) the mortgage tax; (2) the graduated land tax, and (3) the £500 exemption. The mortgage tax we condemn as being inconsistent with the cardinal principle of land value taxation—the exemption of improvements. Under the existing system the mortgagee pays the tax, the mortgagor in every instance deducting the amount of the mortgage from his taxable balance. In the case of land carrying improvements the mortgage is certainly held over both land and improvements, and, in so far as improvements are covered by the mortgage, the tax is wrong because it necessarily implies the taxation of improvements. There is absolutely no justification for this anomaly. The mortgage tax to the extent that it penalizes improvements should be abolished and the revenue derived from the unimproved value only just as in the case of unencumbered land.

THE GRADUATED TAX.

We repeat that the object of land value taxation is two-fold—to secure an equitable source of revenue and to abolish land monopoly. The graduated tax can be defended only by ignoring altogether the vital importance of a just, permanent and ample source of revenue, and by over-emphasizing the importance of “cutting up big estates.” Since some land can best be used in large areas, it is not desirable that the same should be unduly “cut up,” and, further, in so far as the graduated tax indicates the division of land into smaller areas, it necessarily defeats the object of land value taxation as a means of providing revenue. As an illustration of this fact we may point out that owing solely to the division of land (not necessarily bona fide) in consequence of the graduated tax, the land tax revenue for the financial year ending March 31st last shows a falling off of £14,547. What makes this falling off all the more serious is the fact that many of the subdivisions due to the graduated tax are unquestionably bogus—mere devices, under the guise of promoting settlement, to evade the tax and to enable land monopoly to escape its proper share of taxation.

THE UNSTABLE EXPEDIENT OF GRADUATION.

Moreover, once the unstable expedient of graduation has been adopted, a specious argument is supplied for the exemption of urban and suburban land from its operation. “You cannot break up urban sites occupied by banks, factories, and warehouses,” runs the argument, “and therefore the graduated tax should not apply to these.” To grant this plea is to favor the town landlord at the expense of the country landlord, whereas justice demands that both should be treated alike. Justice indeed requires that all landlords

should pay taxation in exact proportion to the privileges enjoyed, and accordingly nobody who appreciates the true principles of taxation can approve either of the principle of graduation or, as we shall show presently, of any exemption whatever. Already the monopolists of urban lands have proved themselves influential enough to secure a large measure of discrimination, for the increased graduated land tax in force since 1907, does not apply to certain classes of urban lands; and from the hints conveyed in the Governor's speech, we have reason to fear that it is proposed to discriminate still further as between the taxation of town and country lands. We appeal to the electors, therefore, to resist this insidious proposal by every legitimate means, and further, we urge them to get rid of the anomalous graduated tax, not by ceasing to tax the larger land monopolists so heavily, but by raising the ordinary land tax step by step until it reaches the level of the graduated tax, and thereafter steadily to increase the land tax until the whole of the unimproved value of land is taken for the people. We emphasize the fact that we do not propose to increase taxation at all, but only to readjust taxation by taking for the people what is theirs by right, and by remitting all other taxes which penalize labor and hamper industry. By this means alone can the fullest development and best use of land be secured. By this means alone can land be opened up to labor and capital and all the robber rates and taxes which now shelter land monopoly and tie the arms of labor be ended for all time. Our failure to take the whole of the people-value of land for the people must of necessity mean that to the extent that we fail to do so, we allow the monopolist few to appropriate what rightly belongs to all, and this necessarily involves, further, the continuance of unjust taxes on the labor of the people.

THE EXEMPTION.

Regarding the exemption, we desire to place before our fellow-citizens some startling facts and figures. Parliamentary Paper B,-19A, 1911, shows that there are about 150,000 freeholders in New Zealand. Of these barely 26,000 pay land tax, while of those who do pay land tax, upwards of 10,000 pay less than £2 per annum. In other words, the existing exemption of £500, unimproved value, enables 124,000 freeholders entirely to escape direct taxation, although the taxpayers of this country have to incur the expense of valuing their lands. If the exemption is raised from £500 to £1,000, as proposed in the Governor's speech, the whole of the 10,000 freeholders who pay less than £2 per annum will also escape taxation, and there will then be rather less than 16,000 persons in this country liable to the land tax, or about 10 per cent. of the whole.

It must be remembered that the £500 exemption means much more than appears on the face of it. Not only is every freeholder the unimproved value of whose land does not exceed £500 entirely free of direct taxation, but every freeholder whose unimproved value does not exceed £1,500 is allowed to deduct £500 as untaxable. Above £1,500 the exemption gradually diminishes

at the rate of £1 for every £2 of unimproved value, and thus the exemption does not disappear until the unimproved value reaches £2,500. If the exemption is raised to £1,000 the exemption will apply to all lands below the unimproved value of £3,500, and thus not only will thousands of land owners well able to pay land tax be exempted altogether, but the result must ultimately be virtually to repeal the land tax altogether, for with the exemption at one end and the graduated tax at the other, the number of exemptions must annually increase until a point is reached when the land tax will disappear. Having regard to the fundamental importance of land value taxation both as a fiscal principle and as a social reform, this country will commit a blunder for which it will pay dearly if the electors do not insist, not merely that the land tax shall not be emasculated in the manner proposed, but that the taxation of land values shall be carried to the point of making land monopoly impossible.

The only attempt so far to justify the proposal to increase the exemption was made by the Prime Minister, Sir Joseph Ward, at Auckland recently, when he explained that the reason for the proposal was that, owing to the appreciation of land values, a farmer now owning £1,000 worth of land was in no better position today than he was a few years ago when the same land was worth £500. Without discussing this statement, we need only point out that it proceeds from the assumption that nobody but farmers own land, whereas the fact is that of all the freeholders in this country, only 36 per cent. own rural land, while 64 per cent. own urban and suburban land, and we take leave to hold that the man who is utterly landless, who necessarily depends on the vagaries of what is termed "the labor market"—is entitled to consideration in preference to any of the landowning class, be they great or small holders. Further, while the present exemption of £500 and the proposed exemption of £1,000 are supposed to be in the interests of the smaller landholders in town and country, a little study will show that, as a matter of fact, to secure a given amount of revenue, these small holders must pay more if that revenue is raised, say by Customs taxes or by unduly high railway freights, than if it were raised by a tax on land values without either exemption or graduation. In his pre-election speech at Grey Lynn, the Hon. George Fowlds showed that a tax of one penny in the £ would produce £628,848 per annum, and that to remit a like sum in Customs taxation (or in railway freights or both combined), would mean a reduction of 12 s. 6 d. per head per annum of the population, which, allowing only 50 per cent. for the wholesalers' and retailers' profits on taxes or freights, would mean a total reduction in the cost of living of 18 s. 9 d. per head, or £4 13 s. 9 d. per family of five.

WHAT ANOTHER 1 D. IN THE £ WOULD MEAN.

Now, as against this relief to the extent of £4 13 s. 9 d. per family of five in Customs taxes, railway freights, or in both, the small holders would have to pay as follows:—

On an unimproved value of £	100,	8 s. 4 d.	per annum		
" "	"	"	"	£ 200,	16 s. 8 d. " "
" "	"	"	"	£ 300,	25 s. 0 d. " "
" "	"	"	"	£ 400,	33 s. 4 d. " "
" "	"	"	"	£ 500,	41 s. 8 d. " "
" "	"	"	"	£ 600,	50 s. 0 d. " "
" "	"	"	"	£ 700,	58 s. 4 d. " "
" "	"	"	"	£ 800,	66 s. 8 d. " "
" "	"	"	"	£ 900,	75 s. 0 d. " "
" "	"	"	"	£1,000,	83 s. 4 d. " "

To say nothing of the justice of the proposal, the additional penny in the £ land tax would not equal the relief of 93 s. 9 d. in Customs taxes, railway freights, or both until the unimproved land value reached £1,125. At that point gain and loss just balance each other and for every £100 of unimproved value in excess of that limit the large landholders would have to pay 8 s. 4 d. more per annum than they now pay. It is clear, therefore, that it is to the interest of all landholders whose unimproved value does not exceed £1,125 that the public revenue should be raised by land value taxation, even without exemptions or graduations, rather than by means of, say, Customs taxation or excessive railway freights, and the smaller the landholder the more he stands to gain by the taxation of land values. On the other hand, it is to the interest of the large landholders—all whose unimproved value exceeds £1,125—that revenues should be raised by Customs taxation, excessive railway freights, or indeed by any means, save by the taxation of land values; and the greater the landholder, the more will he gain by hindering and delaying land value taxation. The taxation of land values, in short,

WILL BENEFIT THE SMALL LANDHOLDERS,

both in town and country. It will not burden the working farmer as is so often asserted; but it will penalize speculators and territorial monopolists whose interests are of necessity permanently opposed to the welfare of the people as a whole.

We would therefore urge the electors strenuously to oppose any proposal involving the increase of the land tax exemption to £1,000 and to exempt town and city lands from the operation of the graduated tax. On the other hand we urge them to demand instead that the land tax be increased, at least by an additional penny in the £ without any exemption or graduation in respect of this second penny, and that the Customs duties or railway freights, or both combined, be reduced by the amount of the revenue so raised. From the table given above it will be seen that every small holder stands to gain substantially by these proposals, and it follows that every additional step in the same direction means additional gains to those who ought to gain. This indeed is the inevitable conclusion, for only the few can ever be gainers by unjust taxation. The majority of the people must always lose by it, and

it is the poorest of the people who must bear the greatest burden. Hence only the few who gain by unjust taxation stand to lose when it is replaced by just taxation.

INDUSTRIAL UNREST: ITS CAUSE AND CURE.

We hold that all men are created with equal natural rights, that these are not the gift of governments, but that the proper function of government is to protect men in the enjoyment of them. The rights of men, however, are of necessity violated by a land system which leaves the great mass of mankind disinherited and makes the soil a source of profit, not to the man who desires to apply his labor to it, but to mere speculators and traffickers who do no work. The right of each man to the soil of his country follows indubitably from his admitted right to life and liberty, and accordingly, we seek to overthrow a land system which while it enriches the few who "reap where they have not sown," leaves the masses of men dependant on what is called "the labor market." Everywhere there is industrial unrest, because everywhere the masses of men have a vague but deeply rooted conviction that they are not receiving justice. We contend that the root cause of that unrest is not any necessary conflict between labor and capital, but that the power of capital to oppress labor exists because land monopoly leaves labor powerless to protect itself. We hold further that the land problem is not merely a question of tenure, but one of taxation alone, and we appeal to the people of New Zealand to realize that with the extension of the principle of land value taxation, land monopoly and its concomitant evils will disappear forever, and that with the practical realization of principles of justice will come that peace and contentment which every good citizen desires.

A BRITISH BLUE BOOK TELLS OF THE BENEFITS OF LAND VALUES TAXATION.

On April 5th, 1906, Lord Elgin (Secretary to the Colonies in the new Liberal Government, which, with Sir Henry Campbell Bannerman as leader, had secured office mainly as a result of the strong fight the Liberal Party had made in favor of the taxation of land values), sent the following cablegram to the Governors of New South Wales, South Australia, and New Zealand:— "Please send home, as soon as possible, any reports or other information available as to the working of taxation on unimproved land, both for municipal and State purposes * * * Information especially desired as to effects of land value taxation on building trade, on rent, on incidence of taxation, on house property and vacant sites respectively, and on land speculation." The desired Reports were in due course sent home and published in the Blue Book, and they *undoubtedly did much to prepare the way for Lloyd George's Land Tax Budget of 1909.*