THE

SINGLE TAX REVIEW

A Record of the Progress of Single Tax and Tax Reform
Throughout the World.

THE REAL TRUTH REGARDING LAND TAXATION IN NEW ZEALAND.

What That Country Has Actually Done.—Merits and Defects of Its Tax Laws.

By P. J. O'REGAN.*

In accordance with my undertaking I now proceed to give the following resume and criticism of the measures under which the modicum of land value taxation in operation here is applied. I will first deal with the taxation of land values for general revenue, and then give a synopsis of the provisions for levying local taxation (in this country called "rating") upon land values. Let me say here that I use the term "land value taxation" advisedly, inasmuch as the term "land tax" is misleading, since it is the *value,* not the *area,* of land that is taxable. I will show later on, what need not be shown to Single Taxers, the vital importance of this distinction.

We have a land value tax of one penny in the pound, capital value minus improvements, but in addition to that. we have also a graduated land value tax on the larger properties. Additional taxation of 20 per cent is levied on the lands of absentees. I propose to show the essential unsoundness of both exemptions and graduations. as they obtain with us. in connection with the taxation of land values.

The penny in the pound land tax applies to all properties of an unimproved value not exceeding £5,000, after which the graduated tax applies in *addition* to the ordinary tax of a penny in the pound. But all properties, the unimproved value of which is £500 or less, are totally exempt from the tax, and, in addition to that, a deduction of £500 is allowed in respect of every property the unimproved value of which does not exceed £1,500. Thus, if the unimproved value of my land be £1,500, I am taxable only on the amount of £1,000. After £1,500 the exemption diminishes at the rate of £1 for every £2 of unimproved value, and thus it does not finally disappear until the unimproved value reaches £2,500. If the unimproved value of a piece of land be £2,000, for example, an exemption of £250 is allowed. Between the unimproved value of £2,500 and £5,000 we have, indeed, a land value tax in strict accordance with Henry George's prin-

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ciple—we have neither exemptions nor graduations within the limits mentioned.

As to the £500 exemption: It is unsound and, therefore, inequitable, because:

(a) It enables owners to defraud the revenue. Thus, I know of a case which well illustrates what is being habitually done. A man owned a piece of land, the unimproved value of which was £3,000. On that he had no exemption, and he paid his penny in the pound—that is, £12 10s. per annum—to the Treasury. Then he makes a bogus division, by which he places half the estate in the name of his wife. Though the two properties total £3,000, unimproved value, yet by making them £1,500 each, there are two £500 exemptions, and now the State loses £4 3s. 4d. per year. This illustrates the prevalent practic, and if we increased the land value tax, of course the tendency to make these bogus sub-divisions would be increased.

(b) Though the revenue is systematically defrauded in the manner described, we still have to value all the exempted land, and to bear the expense of so doing. Therefore, if we abolished the exemption, though we would enhance the revenue enormously we would add nothing to the cost of valuation.

(c) The exemption adds to the cost of collecting the land value tax, and it adds greatly to the difficulties of valuers and, therefore, to the cost of valuation.

(d) The object of a land value tax is twofold—to compel the sub-division of estates (in other words, to discourage land monopoly), and to provide revenue. But the latter object must be defeated if we tolerate exemptions, for, according as properties are sub-divided, the revenue must diminish. This is what is actually happening in this country now.

If one desires to realize further the baneful effects of the exemption, I would refer him to page 3 of Parliamentary Paper B,—20A, 1897, a copy of which can be obtained from my friend, Mr. Hayes, our Commissioner of Taxes. The reader will see that there are 92,925 landowners whose holdings individually do not exceed £500 in value. These pay absolutely no land value tax, although their properties in the aggregate have an unimproved value of £11,000,815. The group next enumerated comprises 10,136 landowners whose holdings range between the value of £500 and £1,000. The unimproved value of their lands total £7,102,401, and every one of these holdings gets the benefit of the £500 exemption. Multiplying 10,136 by 500, we find that the total unimproved value which escapes taxation in this group is £5,068,000. Adding the unimproved value in the two groups, we find that the land value tax suffers in consequence of this exemption to the tune of about £70,000 per annum! and this though we have to bear the cost of valuing the very land which is exempted. It is quite impossible with the data available to estimate how much money is lost or how many holders escape taxation in consequence of this wretched exemption; but I am quite certain that out of the 115,713 freeholders in the country at the date of the Parliamentary Paper mentioned (1900) all, except some 12,000 persons, receive benefit by it. Of course, the paper shows quite clearly the 92,925 owners escape taxation entirely in consequence.

Now, let us examine the graduated tax: Recollect that all land liable to the graduated tax is also liable to the ordinary land value tax of one penny in the pound, the graduated tax being simply levied in addition. The graduated tax begins when the unimproved value is £5,000, and from that value to £10,000 the tax, prior to the year 1903, was one-eighth of a penny in the pound, from £10,000 to £15,000 it was two-eighths, and so on, increasing by an eighth of a penny for every advance of £5,000 until at £30,000 it was five-eighths of a penny in the pound; from £30,000 to £40,000 it is six-eighths of a penny, and it increased proportionately until at £70,000 it was a penny in the pound, or twopence, *inclusive* of the ordinary land tax. The graduation then mounted up in a less propor-

tionate scale until we reach the highest value in the country—£210,000, at which point the tax stood at twopence in the pound, or threepence if we reckon the ordinary tax of one penny in the pound. The scale of graduation was, however, considerably "stiffened" in 1903, and since that time the tax has stood at 1-16th of a penny in the pound when the unimproved value ranges from £5,000 to £7,000; from £7,000 to £10,000, 2-16ths, and so on until at £210,000 the tax is threepence in the pound, or fourpence if we include the ordinary land value tax.

According to Henry George's principles, the graduated tax is unsound, just as the exemption is unsound. The gravest objection to it is that it affords inducements to landholders to make bogus sub-divisions, and the best proof that such is the constant practice in this country is afforded by the fact that, in spite of the increase of the tax in 1903, the revenue from that source has actually diminished since then. For the financial year ending March 31 last the revenue from the graduated tax was less by £4,000 than for the year preceding, and this, too, despite the fact that the unimproved value of land throughout the country has been and is steadily increasing! Surely no better proof could be desired of the futility of the graduated tax, at any rate in connection with the taxation of land values? The closer we look into this question the more convinced we must become that Henry George's position is simply unassailable—a tax on land values is just because it takes for the community what belongs to the community, and at the same time it asserts and secures the great principle of common rights to land. But, if the unimproved value (commonly called also "the unearned increment") belongs to the people as a whole, as we contend it does, then every landholder should pay his proportion. For this reason no believer in the principle associated with the name of George can indorse either exemptions or graduations. The experience of both in this country has already proved in practice the absolute correctness of the Georgian theory.

It may be contended that unless we have an exemption we shall inevitably tax the poorer landholders. This is a bogey, however, which can readily be dissipated in the light of rational discussion. If we abolished the exemption, we could cancel customs duties in exact proportion, and the small landholder (whose interests as a worker far exceed his interests as a landholder) would gain in the cancellation of indirect taxation much more than he would lose in direct taxation. Suppose the exemption abolished, at the very most it would not entail more than 500 pence, or £2 1s. 8d., per annum on any landholder. The average small settler would gain more than that in the remission of sugar duty alone. Moreover, it should be remembered that at present very many well-to-do people get the benefit of the exemption. What earthly reason can there be, for example, in allowing a man whose land is worth £1,500, exclusive of improvements, an exemption of £500? Again, take the 92,925 landholders to be entirely exempt from taxation in consequence of the exemption. Dividing the number of landholders into the unimproved value of their holdings, we find that their average unimproved value is about £118 each! In other words, the abolition of the exemption would entail on the average an increase in direct taxation of less than 10s. per annum! The remission of customs would more than repay the landholders affected, while the public would be richly compensated in that there would be no more opportunity to defeat the revenue producing advantages of the land value tax. As I have already pointed out, the abolition of the exemption would not entail the slightest increase in the cost of valuation, while the cost of collecting the tax would be grealy simplified and cheapened.

It is sometimes urged that if the exemption were abolished it would not pay to collect the tax on the smaller properties. There is, however, nothing in this contention. Either of two things could be done—the tax below a certain value could be allowed to accumulate for a number of years, or it could be left to the

local bodies for collection and for their use. This last alternative would perhaps be the best, as the local bodies would be glad to get the increased revenue.

But it may be asked: If we are to have exemptions and graduations under the income tax, how can we escape them under the land value tax? I find no difficulty whatever in answering this question. First, Single Taxers are opposed on principle to an income tax, though we concede that any kind of direct taxation is much better than indirect. Therefore we admit no parity of argument at all as between the taxation of land values and the taxation of incomes. Secondly, the two principles of taxation are fundamentally different. An income tax is necessarily more inquisitorial, and hence more difficult to assess and to collect than a tax on land values. There is, therefore, more temptation to evade it, and hence if we had no exemption in connection therewith it would be impossible to collect the tax below a certain point. Thirdly, the income tax is always more or less a tax upon earnings, for no clear distinction is ever made as between income earned by the practice of one's profession or calling and the profits of mere monopoly. The land value tax is not a tax upon earnings at all, but is a tax on the unearned increment appropriated by private persons who are necessarily monopolists. If we had no exemption in connection with the income tax we would have to tax the wages of the servant girl as well as the income of the doctor, for "income" always means "gross income." No such anomaly could possibly arise under the land value tax, for it is essentially not a tax upon individual earnings at all.

Now I pass on to the absentee tax already alluded to. This tax has been in force since the inception of the land value tax in 1891. There are fewer devices for playing on the public more efficacious than denunciation of the absentee, and hence it is not surprising to find that there was very little opposition to the proposal to make the owners of absentee land pay 20 per centum additional taxation. We then had 1140 absentee properties in this country, and one would have thought that the impost would have produced a substantial revenue. Yet the very reverse is the fact, and since its imposition the absentee tax has not produced on the average more than £600 per annum! Under the act of 1891 an absentee was defined as an owner who had been absent from the country three years or over, and the persons aimed at simply evaded the provision by coming to the country once in every third year—a very simple device, surely, but one that might easily have been foreseen. By the Amending Act of 1900 the term absentee is altered to mean a man who has been absent eighteen months, but the new provision has not been the means of increasing the revenue. Here again we have convincing proof of the soundness of George's theory—tax a man as a landholder, not as an absentee.

Another grave defect in connection with our land value tax is the taxation of mortgages. For the purposes of the law the mortgagee is considered a landlord and the mortgagor as a tenant. The mortgagee accordingly pays the land value tax. This was considered the most equitable way out of what seemed to be a difficulty at the time. In practice, however, it really penalizes the mortgagor, for the mortgagee simply adds the amount of the tax to his interest charge. Obviously it would be much simpler and better to make the mortgagor liable without reference to the mortgagee. I think, however, the ideal way to treat the question would be to regard both parties as partners in the mortgaged property, to reckon the proportion of the unimproved value covered by the interest of each, and to make both pay their share accordingly. The system at present obtaining with us is absolutely wrong, since it necessarily implies the taxation of improvements. Most mortgaged properties are more or less improved, and as the mortgage is held over both improvements and unimproved value, the taxation of mortgages must involve the taxation of improvements to

a greater or less extent. For this reason it is not correct to claim, as some of our politicians do, that we have abolished altogether the taxation of improvements.

Let me now proceed to give some further particulars showing how the revenue derivable from land value tax is diminishing, notwithstanding the fact that the unimproved value is rapidly increasing. In 1892—the first year in which the land value tax was collected—the unimproved value of the private land of this country was, in round figures, £76,000,000; to-day it is fully £102,000,000, an increase of £26,000,000. In 1892 the revenue yielded by the land value tax was £296,000. At that time, however, improvements were not totally exempt, but were taxable if they exceeded £3,000 in value. In 1893 that anomaly was removed and improvements (subject always to the anomaly in respect of the mortgage tax before explained) were altogether exempted. That of course, entailed a shortage of revenue, and hence we need not be surprised the land value tax revenue for 1894 showed a falling off to £267,000. If, however, we make a calculation by simple proportion—if the land tax produced £267,000 when the total unimproved value was £76,000,000, how much should it produce when the unimproved value was £102,000,000?—the answer is, approximately, £360,000. In reality, however, the tax yielded only £296,062. Since then there has been a considerable increase, but that was mainly on account of the increase in the graduated tax, the effect of which is being rapidly nullified by reason of the bogus sub-divisions already explained. Of course, it is only fair that there is another potent cause at work to account for the falling off in the land value tax revenue. I allude to the repurchase of estates for closer settlement. Here let me say that Single Taxers totally disapprove of the purchase of private land for settlement, and surely the depreciation of the land value tax revenue is a good argument against the system, even if we had no other. We have other reasons for opposing it, however, which I shall come to later.

Here let me show the utter fallacy of the contention that the taxation of land values is a tax on farmers. Henry George strenuously contended that the taxation of land values would relieve the farmers, and any one who understands the great principle involved in the system of taxation associated with his name knows that George spoke the truth. Here in this country has been given absolute proof of his theory. Turn to page 5 of the Parliamentary Paper already quoted and you will find that the unimproved value of the country land in New Zealand is (or was in 1897, the year when the return in question was laid on the table of both Houses) £49,680,401, or, let us say, in round figures £50,000,000. At the same time the unimproved value of the urban lands was £20,844,203, or, say, £21,000,000. The significance of these figures will be realized when you understand that the total area of the country land is about 65,000,000 acres, and the total area of the urban land about 190,000 acres. In other words, while the value of the urban land is to the value of the country land as 21 to 50, the area of the urban land is to that of the country as 19 is to 6,500! Comment on these indisputable facts is superfluous. You will find that the same truth holds good everywhere—the unimproved value is greater where population is congregated—that is to say, in the towns. Hence the reason for selling town lots by the foot rather than by the acre, and it is therefore utterly wrong to contend that the taxation of land values implies the taxation of the country at the exemption of the town. That would only be the fact if the tax were levied on *area* instead of *value*.

Now we pass to the taxation of land values for local purposes. In 1896 the Rating on Unimproved Values Act became law. It contains the principle of local option in rating, and has been extensively taken advantage of. The term "unimproved value" is defined by the Government Valuation of Land Act, 1900

(section 3), and the definition given by that Act is used for both purposes—the imposition of the land value tax and the striking of rates where the Act of 1896 has been adopted. A requisition is handed to the Mayor of the borough or chairman of the county or town district in which it is proposed to take a poll, and that requisition can be signed only by those who pay rates. The proportion of signatories required is: Where the number of ratepayers does not exceed 100, 25 per cent; where the number exceeds 100, but does not exceed 300, 20 per cent; and in all other cases, 15 per cent. On receipt of the requisition the Mayor or chairman is bound to have a poll taken within not less than 21 days nor more than 28. The voting paper contains two issues: "I vote for the proposal" and "I vote against the proposal," and a simple majority decides the question. Thereafter the question cannot be again submitted to the ratepayers for three years. If the proposal is carried all rates are thereafter levied on the unimproved value only, but the rates must be so adjusted that the revenue obtained shall equal but not exceed the amount derivable by rating the gross or capital value. To realize the meaning of the new system, it is necessary to apprehend what the old system is. Rates are struck on the gross or capital value—that is to say, on the sum of the value of improvements and the unimproved value. When the Act of 1896 is adopted the former are entirely exempted, and, seeing that the taxable portion of property is thereby diminished to the extent of the value of improvements, it follows that the volume of the rate must be increased on the unimproved value in order to provide the same amount of revenue. The result is that vacant sections are obliged to pay much heavier taxation, generally speaking about twice the amount paid before, for the unimproved value is often about half the gross value. This naturally has a tendency to discourage the holding of land idle and to encourage the beneficial use of land. It requires no prophet to see that the system affirmed by the Act of 1896 is soon to become general, and it is equally certain that once in operation it will never be repealed. According to the Year Book for 1905, 79 polls have been taken under the Act, including three polls on the question of reverting to the old system (for which the Act provided), and the popularity of the new system may be gauged from the fact that it has been adopted at 62 polls. In the Boroughs of Normanby, Hamilton and Devonport, polls were taken on the question of reverting to the old system, but in each case the ratepayers maintained the new by majorities in excess of those by which they adopted it in the first instance. The most important boroughs in which the Act of 1896 has been adopted are Wellington and Christchurch. I am able to assure you that in both cases the citizens are determined to stand by what has been won. There is not the slightest doubt that the building trade and the labor market generally have received a splendid impetus by the adoption of rating on unimproved values.

The Rating on Unimproved Values Act is much preferable to the Land Tax Act from the standpoint of Henry George's principles. There are neither exemptions nor graduations such as I have described in connection with the former, nor are we hampered by the absurd mortgage tax. There is only one defect in the Act—section 20—which exempts certain special rates from the operation of the new system. The rates in question are drainage, lighting, sewage rates and charitable aid rates. It is not in every district, however, wherein these rates are in operation, but they certainly are in Wellington and Christchurch. The practical effect of the section is that rating on improvements is retained in so far as the rates mentioned are concerned, and it necessitates the keeping of two sets of municipal books instead of one. Of course, the section is absurd, and must be repealed before very long. The Wellington City Council has already drawn public attention to the need for repealing the section and thus simplifying the business of collecting the rates. The importance of repealing

the section from a Henry George standpoint may be gauged when we learn that if it were repealed the rate in this city (Wellington) on the unimproved value would be increased by another penny in the pound, and thus still greater (but not too great) disability would be placed on the holder of idle land.

It is a fact worth noting that the cry of "confiscation," raised by the speculators and their friends when it was proposed to bring the Act into force in Wellington (as well as elsewhere), has been entirely falsified. In fact, land values have not sensibly depreciated in consequence of the new system, although doubtless merely speculative value has been moderated. The explanation is that, by enhancing the prosperity of the community, the taxation of land values really tends to react and to enhance the very value which it is supposed to depreciate. Of course, the tax is much too light to bring out the real and permanent effects of the reform, and there is no doubt that if the taxation were increased to a point which would make impossible for any one, no matter how rich, to hold land out of use, land would cease to have any value except for use. In other words, speculative (or anticipative) value would disappear altogether. But, on account of the fact that the reform would gave a powerful impetus to the prosperity of the community, land, instead of being confiscated, would be more useful than now to the very owners who fancy that they would be despoiled. This is a theoretical fact which the average man will learn only by experience, and it is not, therefore, a good argument for the platform, perhaps, but it is worthy the attention of all thoughtful people who realize the importance of the question of taxing land values.

Our old property tax—which was in vogue before the imposition of the land value and income tax—was logical, inasmuch as it was levied on the value of land and buildings and their contents. One of the features which served to make that imposition most unpopular was that, if a business man had his stock in hand long enough, he was taxed over and over again on it. In taxing improvements for local revenue, we do not go so far, but we value the buildings as they appear from the outside without regard to their contents. Of course, the fining of a man for erecting a building is too absurd to be seriously defended, and hence you will realize why so little difficulty is experienced in inducing the ratepayers to adopt the rating of unimproved values. It is often argued, however, that it is inequitable to tax the vacant lot of a comparatively poor man while the rich man, who has very valuable buildings, is allowed to escape. This is very easily answered, however, and this is the way to meet it: The advocates of land value taxation contend that a man should be taxed, not with reference to the question whether he is rich or poor, but with reference to the value of the privilege he enjoys. If a guard finds a man in possession of a seat in a first-class railway carriage, he asks for the first-class fare. He would laugh if the traveller objected to pay more than second-class fare on the ground that he was a poor man. So it is with the man who chooses to occupy a piece of land; he should be called upon to compensate the citizens for the value of the exclusive privilege he possesses in owning (or occupying) the land in question. In practice, however, it will be found that the poor man cannot afford the luxury of holding idle land; the poor man buys a section to use it, while the rich man buys it as a mere investment. We propose to relieve the poor man from the burden of taxation on the fruit of his labor and to encourage the rich man to improve his property. Again, it is wrong to say that the owners of valuable land would escape by the exemption of improvements. We propose to tax land values, and valuable buildings invariably stand on valuable land. Therefore, though the owner of valuable land may pay less under our system, he will still pay his quota, based on the unimproved value of his land, which must always be considerable. The fact that he may pay less should alarm no one who realizes that

the man who makes improvements is a constant employer of labor, and hence a land user, while the man who holds land out of use not merely employs no labor, but positively discourages the employment of labor.

I have already referred to the purchase of private land for settlement, and I now propose to make a more extended reference thereto. I am utterly opposed to the system for the reason that it implies the purchase of the unearned increment. But let me enumerate the objections to the system:

(a) The system involves the payment by the State to private persons for the unimproved value of land, which is a community created value, and as such, belongs to the community. Hence no private person should be paid for it, but the value in question should be taken for public purposes by taxation.

(b) The system is really creating another class of land monopolist. The purchase money is borrowed from lenders who are generally non-residential. There is no provision for the repayment of the loans by sinking fund, and hence the debt is perpetual, and the lender in reality a land monopolist who has a permanent interest in the land.

(c) The system places enormous and undue powers of patronage in the hands of the government, and opens the way to endless abuses. For reasons of delicacy I refrain from citing instances in this country, though I could easily prove that there is good ground for this objection.

(d) The system is rapidly impairing the efficacy of the land value tax, and in time bids fair to destroy it altogether. The land value tax, particularly the graduated tax, was imposed for the avowed object of forcing the owners of large estates to subdivide. The enactment of the closer settlement legislation has to a grave extent rendered the tax nugatory in that respect, as owners naturally prefer to hold on to their estates in the hope of bringing pressure to bear on the government to buy them. Herein lies the explanation for the "conversion" of many "squatters" to the government in recent years.

(e) The system must have the effect of placing greater practical difficulty in the way of increasing the tax on land values. When the land was held in very large areas, it was much easier for the land value tax advocates to get a hearing than now, when a large and increasing class of small holders has come into existence, the vast majority of whom look with disfavor on the taxation of land values because of the erroneous impression that it involves undue taxation as against them.

(f) The system is destroying the revenue producing power of the land value tax. Thus, take the following eight estates—Ardgowan, Hatuma, Kumeroa, Forest Gate, Argyll, Matamata, Lindsey and Flaxbourne. These properties, the year before they were purchased, yielded £4,616 in land value tax. Now that they have been acquired, the country, of course, loses that annual and ever increasing revenue. It might be thought that the rent under the perpetual leasing system under which they have been settled by smaller settlers, would more than compensate for the loss in land value tax, but that is not so, as the rent is required to defray the cost of roading and surveying the properties as well as to the payment of interest on the purchase money. After these have been provided there may still be a profit on the lands, but nothing to replace the land value tax.

(g) In connection with paragraph (d), I would direct attention to the fact that the eight estates mentioned were valued (aggregate) for land value tax purposes, at £621,089. Yet the aggregate purchase price was £800,427, or £189,338 in excess of the valuation for the purposes of taxation. Now, if the land value tax valuation be correct, it is quite clear that these squatters have been paid far too much for their land; if, on the other hand, the purchase price represents the real value, then it is equally clear that the squatters have defraud-

ed the country of a large sum in the shape of land value taxation. In either case it is a grave scandal in my estimation that there should be such a difference between the land value tax value and the purchase money.

(h) The system does not satisfy the demand for land by any means, nor does it put land within the reach of the very poor as land value taxation would. If a heavy tax were imposed on land values, instead of seeing this and that estate opened here and there for settlement, we would see all huge areas being opened up simultaneously and automatically, and under conditions that would make a repetition of land monopoly impossible.

(i) Again, when the State acquires an estate, it must necessarily take good and bad land together. It cannot "pick the eyes" out of an estate, and leave the rough and worthless parts in the hands of the owner. Though we hear very little about it, it is a fact that, in the South Island alone, these waste pieces of purchased estates total over 10,000 acres—land which will never be of any use for small settlers.

I might go on multiplying objections to the repurchase of these estates. But I think I have given very good reasons for my objection to the system. Yet I freely admit the repurchase of land for settlement has done much to enhance our prosperity. The opening up of land, quite apart from questions of taxation or tenure, is certain to do good. But I am looking not to the immediate and after all transitory results so much as to the ultimate results—the potentialities of the system. I may add that the tenants who are placed on the acquired estates hold their land under the tenure known as lease-in-perpetuity, that is, a 999 years' lease at the *present valuation!* There is no provision whatever for periodical revaluation, and herein lies one of the gravest objections, though I concede it is not a necessary feature in a system of state acquirement, for we might have a system of state purchase under which the state would retain the acquired land for all time. Such is not, however, a feature of our much lauded and grossly exaggerated system of purchase.

It is a controverted question whether the land so leased is liable to land value tax. Those who contend that it is not cite the fact that no tax has yet been collected from the land in question. The fact is, however, that the land in question is liable to land value tax, but that the application of the tax is hindered by the £500 exemption already alluded to. The truth is that land leased in perpetuity is amenable to the tax when the unimproved value exceeds the value at the date of acquirement by more than £500. Suppose, for instance, I take up a lease in perpetuity valued at £1,200. I pay rent at the rate of 6%, or 5% if I pay promptly, on that amount. Thereafter the unimproved value cannot be taxable until it exceeds a total of £1,700, nor can the rent be collected on any but the £1,200 basis for 999 years! If it were not for the exemption the absence of revaluation would not matter much, for as the land value tax would be increased everything would be righted. It is quite true, however, that so far we have collected no land value tax from the leases in perpetuity; but that is entirely owing to the £500 exemption, the value not yet having had time to exceed the unimproved value at the date of the commencement of the lease by more than £500.

Finally I will give you a résumĕ of our Government Valuation of Land Act. Under this Act, which is administered by a separate department, the valuation of the land of this country is placed entirely in the hands of the government, and the Valuer-General has power to order a valuation whenever he deems the same to be necessary. The valuation is made the basis upon which the land value tax is levied, as well as the local taxation, or "rating," by the local authorities, and it may also be used as the basis of advances by the state lending departments. Briefly put, the whole of the land and improvements are valued together; then the improvements are valued separately, and their value is de-

ducted from the value of land and improvements, the remainder being the unimproved value. A landowner can thus tell exactly how much land value tax he will have to pay, and the Treasury is able to estimate with equal accuracy the revenue for the year. That, by the way, is one of the great advantages of land value taxation. If you want to find out the value of a certain estate you may do so on the payment of a small fee, and in return you receive a certificate showing in separate columns the gross or capital value, the value of improvements and the unimproved value. Were I a political leader and wanted to have the land value tax applied I would demand first a proper valuation on the lines of our system. I could then tell exactly how much revenue would be derived from a given tax, and such a method would enable me to "floor" the sophists who harp on the "poor farmer" cry. I have no adverse criticism to offer on our Valuation Act, which is an excellent measure in every way. It is important, however, to have competent valuers. In this country I have met more than one valuer who did not know what the term "unimproved value" meant. That, however, was in the early stages of the Act, and much of the dissatisfaction then caused was not on account of the principle of the Act but on account of its improper application in practice. Nowadays we hear very little complaint about the valuations, and what we do hear is generally the exaggerated statement of some land monopolist who wants to see everything taxed except his own broad acres.

"Unimproved value" is thus defined by "The Government Valuation of Land Act, 1900 (section 3) :—The sum of the owner's estate or interest therein if unencumbered by any mortgage or other charge thereon, and which, if no improvements existed, that particular piece of land might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require."

Such is a hastily composed outline of our chief measures embodying the great principle of land value taxation, as well as a criticism of the same. We have undoubtedly done much to apply land value taxation in practice, and our experience has fully borne out the contentions of those who advocate the taxation of land values. But we have made more mistakes than are to my liking, and these rather than the principle itself have caused some dissatisfaction which has enabled unscrupulous critics to attack the principle with some effect. It is certain that no serious attempt will ever be made to repeal the advances we have made, and I am confident that once the Georgian theory has been carried out in all its entirety the question of taxation will be permanently settled.

PUBLIC OWNERSHIP OF PUBLIC UTILITIES AND THE SINGLE TAX.

(For the Review.)

By WILLIAM J. OGDEN.

The usual method of argument for or against public ownership is based upon statistics, but these are often found to be confusing and unreliable. It is true that figures won't lie, but some one has well said "That liars will figger."

Right is not a question of numbers, or years, or dollars. If it is, then a plausible argument can be made to show that liberty is a total failure, for it can be statistically proven that liberty is more expensive than slavery; that it is