

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.*

In his report in regard to New Zealand, Mr. P. Heyes, the then Commissioner of Taxes, says:—

“In 1891, ‘The Property Tax Act’ then in force was repealed and replaced by ‘The Land and Income Assessment Act,’ under which a land tax was imposed on lands, mortgages of land, and an income tax on all income other than income derived from land and mortgages of land”—(There was an exemption up to £300 under the Income Tax and up to £500 under the Land Tax; while a Graduated Land Tax was imposed on large estates and an Absentee Tax was aimed at the absentees)—“Improvements on land were exempted up to £3,000. In 1893 an Amending Act was passed by which all improvements on land were entirely exempted and in 1896, after being three times rejected by the ‘Upper House,’ an Act was passed by which the principle of taxation on the ‘unimproved value’ was extended to local rating by enabling local authorities to adopt the system on a poll of the rate payers being taken, and a majority voting in favor of its adoption.

A GREAT STIMULUS TO IMPROVEMENTS.

“From the year 1893 * * * to 1905 over £30,000,000 has been expended on improvements during that period of twelve years, and during the last three years of that period, since the extension of the system gradually to local rating, the expenditure on improvements has shown a greater rate of increase, the total for those three years being nearly £15,000,000. The increase during the first nine years of the period was 20 per cent., and during the last three years, 30 per cent. There can be no doubt whatever that the total exemption of improvements on land from all rates and taxes has led to a very large increase in the outlay on improvements, which comprise materials and labor, and the demand for labor has been great. It is estimated that the expenditure on buildings since 1893 amounts to £17,000,000, free from all rates and taxes, except in those cases where local authorities have not yet adopted the rating on unimproved values.

“In my opinion the exemption of all improvements (in conjunction with the lands for settlement and advances to settlers policy of the Government) has to a large extent

CONTRIBUTED TO THE SOLID PROSPERITY OF THE COLONY.

“The exemption of all improvements led to a very liberal outlay of capital on land, which has rapidly increased as the system was extended to local rating, and thus increased the demand for labor. As already stated, the expenditure on improvements on land increased in a few years, so much so that the supply of labor and materials could scarcely keep pace with the demand, and has continued so to the present time. This increased expenditure on improvements conduced also to an increase in the unimproved value. The result is that expenditure on improvements not only enhances the unimproved value of the property on which the expenditure was effected, but the increase in one property increases the value of the adjacent properties;

e. g., the following case came recently under my notice: A man purchased an unimproved section, put up a large building on it, and before the building was completed, sold the property at a profit of £3,000. This increase was, of course, in the unimproved value, and the adjacent sections increased in value to an almost equal extent. The same occurs in the country—a man purchases 500 acres, expends £2 per acre in improving, sells for £3 per acre more than he purchased—this increases the unimproved value £1 per acre, and the adjoining sections are almost equally increased. This has also been the result in the case of the purchase and sub-division by the Government of large estates for closer settlement. For taxation purposes one sale in a locality does not necessarily involve an increased valuation on the adjoining properties to the full amount of that sale; discrimination is used by estimating how far sales can be generally effected at the same price. This explains how the exemption of improvements leads to increase of capital value, and increase of unimproved value as surely follows increase of capital value; there are very rare exceptions to this rule.

HOW STATE LAND PURCHASE INFLATES VALUES.

"In like manner the closer settlement policy of the Government in the purchase and sub-division of large estates leads to immediate large expenditure on improvements, and an increase in the unimproved value necessarily follows the expenditure of capital on improvements, which are entirely exempt from rates and taxes, and the effect of these conduces largely to increased trade, which necessarily means increased profits for income tax. A study of the table of land tax and income tax for each year from the commencement shows, first, the drop in land tax consequent upon total exemption of improvements, then increase consequent upon the increase in unimproved values, largely owing to increased expenditure of capital on improvements; then in 1896 the advent of 'The Lands for Settlement Act' shows the loss of tax on resumption of large estates more than recouped by increase in unimproved values, while the income tax shows a large and continuous increase year by year."

As a matter of fact, the purchase and sub-division of estates by the Government for closer settlement, together with the advances made by Government to settlers at low rates of interest, have so enormously inflated land values generally, as to practically put a stop to the system of purchase and sub-division, it being now well nigh impossible for the Government to acquire land for this purpose at such a price that it can be profitably taken up by settlers.

The State has spent £5,566,588 on the resumption for settlement purposes of lands held by European owners, the area purchased being 1,252,495 acres, and one million for the purchase of Maori lands, the area in the latter case being 3,200,000 acres. The European land resumed cost, therefore, over £4-8-0 per acre on the average, while the Maori lands cost roughly 6/3 per acre.

TAXATION OF LAND VALUES THE ONLY WAY OUT.

Only some 3,000,000 acres of unused lands (and that not the best land) now remain in the hands of the Maoris, whereas out of the 40,000,000 acres ($18\frac{1}{2}$ millions freehold, $18\frac{1}{2}$ millions Crown leasehold, and 3 millions native leasehold) in the hands of Europeans only some 16 million acres have been improved, even to the extent of being sown in grass, and 24,000,000 acres remain unimproved. It is clear, therefore, that any settlement policy to be really worth anything at all must deal vigorously with these 24 million acres of unimproved European lands. The system of State purchase has broken down of its own weight, though it has barely touched the fringe of the question, and a substantial tax on land, combined with compulsory rating of land values throughout the Dominion, is the only way out of the difficulty.

With regard to local rating, Mr. Heyes says:—"To enable the system of rating on unimproved value to be adopted by any local authority, the Act provides that if a petition signed by not less than 15 per cent. of ratepayers be presented to the local authority, asking that a poll of the ratepayers be taken; a poll must be taken, and if the proposal is carried it comes into force. A rescinding proposal can be carried at a poll by the same means as one for adoption, but not until three years have elapsed, and *vice versa*, rejection of a proposal bars it being again brought forward for a similar period.

INITIATIVE POLLS FOR RATING ON UNIMPROVED VALUES.

Up to the 31st March, 1906, there were altogether 78 polls taken under the above provision. Of these 75 were for the purpose of adopting the system of rating on the unimproved value, the proposal being carried in 63 cases and rejected in 12. In two cases a poll was taken to revert to the old system and lost in each instance; in another case, where the proposal had previously been lost, a second poll was taken after a lapse of three years, and the new system of rating adopted.

"There are 113 boroughs in New Zealand (in addition to other local authorities), and of these 18 rate on the 'capital value' (land and improvements), 52 on the 'annual value' (also land and improvements), and 43 on the 'unimproved value,' the aggregate capital value in each case being 'capital value' £2,101,223, 'annual value' £26,482,067, 'unimproved value' £30,670,834. Of the four chief cities in New Zealand (Auckland, population 37,749; Wellington, population 58,552; Christchurch, population, 49,808; and Dunedin, population 36,075), Wellington and Christchurch have adopted the system of rating on the 'unimproved value.' In no case where the system of rating on the 'unimproved value' has been carried has the former system of rating been reverted to, and the ratepayers as a rule, with few exceptions, are decidedly in favor of the system, and the approval is strengthened as time goes on and the effect of it is seen.

"There are no published reports on the lines asked for by the Secretary of State, and I have, therefore, sent circulars to all local authorities where

this system has been adopted asking for special reports. Replies have been received in most cases, and copies thereof are enclosed with an index and digest of the reports attached. In the large majority of cases the system has only been a short time in force, and in these cases no opinion is expressed as to the merits or otherwise of the system. It is extending more rapidly as the effect is seen in the places where it is adopted, and it becomes better understood. The reports, as will be observed, show the results to have been beneficial. From the reports received, and the most reliable sources of information based on personal observation and inquiry, I am of opinion that the

EFFECT OF THE SYSTEM OF RATING ON THE UNIMPROVED VALUE

would be correctly summarized on the lines required as follows:—

"Building Trade.—The effect has certainly been to greatly stimulate the building trade. The object and tendency of this system of taxation is to compel land being put to its best use, so that the greatest amount of income may be derived from it, and rendering it unprofitable to hold land for prospective increment in values. It has been the direct cause of much valuable suburban land being cut up and placed on the market, and thus rendered more easily available for residential purposes, and of the sub-division of large estates in the country, resulting in closer settlement.

"The effect on urban and suburban land has been very marked. It has compelled owners of these to build or sell to those who could; it has thus caused a great impetus to the building trade. An owner of land occupied by buildings of little value finding that he has to pay the same rates and taxes as an owner having his land occupied by a valuable block of buildings must see that his interests lie in putting his land to its best use. The rebuilding of this city (Wellington) which for some years past has been rapidly going on is largely attributable to the taxation and rating on land values, so that the supply of building materials could not at times keep pace with the demand.

"Rent.—The tendency of this system of taxation is not to increase rent but, on the contrary, as the tax becomes heavier it tends to bring into beneficial occupation land not put to its best use and so reduces rent, the improvements being entirely free from all rates and taxes. In some cases, where land suitable for building sites is limited, high rents have been maintained notwithstanding the tendency of the system.

"Vacant Sites.—The effect has been to cause vacant sites being put to their best use by expenditure on improvements. On vacant sites the rates and taxes are increased and continue to increase as the adjacent sites which have been improved increase in value. It thus becomes unprofitable to continue to hold land unimproved.

"Incidence of Taxation.—The taxation, on building property, where the improvements exceed the unimproved value, is decreased; where the unimproved value exceeds the improvements the taxation is increased.

"Land Speculation.—The tendency is to discourage speculation as the

tax partially or wholly discounts the rise in value, but land speculation has not ceased in some districts where the system has been adopted because:—

- (1) The tax has not been sufficient to render speculation unprofitable in the large cities, though it has been a factor to be reckoned with.
- (2) The rapid increase in values has caused speculation in spite of the tax.

Land speculation in this colony of late years has chiefly arisen in the purchase of estates which have not previously been put to their best use by the owners, principally consisting of suburban lands which, after being acquired and improved by sub-division into residential allotments and by roading, result in the extensive building of residences, also in country lands large blocks of land suitable for sub-division into small farms. The effect of this has been rather beneficial than otherwise, because, in addition to the land being put to its best use, it tends to reduce rents and values of residential sites by the large increase of these made available. The form of speculation in land unused and held for a prospective increment is rarely met with in recent years."

DIGEST OF REPORTS ON LOCAL AUTHORITIES.

From the Tax Commissioners digest of reports from local authorities we extract the following:—

"*Balclutha Borough* (adopted 1903, population 1,160).—Still on trial—on the whole satisfactory. Holders of vacant sections opposed to system. At end of third year mild agitation to revert to rating on annual value (land and improvements), but resolutions to move in that direction lost at public meeting held to consider question.

"*Blenheim Borough* (adopted 1904, population 3,352).—Tendency seems to be to use vacant sites for building purposes and to compel speculators to sell their properties.

"*Christchurch City Council* (adopted 1903, population 49,808).—Council cannot express any opinion without full data.

"*Eketahuna County Council* (adopted 1900, population 2,739).—In force for five years, and so far no complaints * * *

"*Feilding Borough Council* (adopted 1902, population 2,972).—System satisfactory—no desire to revert to old system. Has been the means of subdivision of large building sites in center of town which were held purely for speculative purposes, and buildings erected.

"*Grey Lynn Borough*—a suburb of Auckland—(adopted 1901, population 5,888).—Does not affect building trade. Has not tended to reduce rents. Increases taxation on vacant land and reduces it where improvements are of greater value than the unimproved value. Affects land speculation to a certain extent. Not affected population in this borough to any extent. System popular.