

## CHAPTER XII

### OPENING UP THE LAND TO SETTLEMENT

THE Australian states and New Zealand suffered from oppressive monopolies of various kinds, including land, money, and steamships. Tracts of 75,000 acres of fine land, occupied by a population of a half-dozen families, were not uncommon. In 1891 nearly 18,000,000 acres of land were held by 1,615 people, while 100,000 people occupied less than 300,000 acres. In 1898 21,000,000 acres out of 34,000,000 were held in tracts of 5,000 acres or more. Much of this land had been dishonestly acquired. Tenancy was developing of as bad a sort as in the mother country.<sup>1</sup> Of those who occupied their own land 50 per cent. were mortgaged so heavily that their interest payments amounted to a rack-rent. On the other hand, the state-built railroads increased greatly the value of some of the large tracts that had been bought for a small sum in the early days of the colony. Rail-lines were sometimes built just to bring the produce of a single big sheep-raiser to market. Public improvements

<sup>1</sup> *Newest England*, Henry D. Lloyd, 126-133.

on these large, isolated tracts still further increased their value. The war with the Maoris, causing a debt of several million pounds, was fought merely to secure more lands for the monopolists—at least, that was the result. Absentee landlordism flourished and an exodus began to take the place of immigration into the colony. Although New Zealand could have supported 10,000,000 people easily, it found itself with a scarcity of land for 750,000. Companies, banks, and speculators had secured control of the resources of the country. The landowners, moreover, had devised a system of taxation that bore heavily on improvements and very lightly on land values.

The small farmers were incensed at having to pay more taxes for every improvement made while the great landowners who made no improvements went free. It is true that in 1878 Sir George Grey had introduced the land tax into New Zealand, but it was soon repealed and replaced by the sort of property tax the landowners wanted. Nevertheless, the efforts made by Grey bore fruit, and thirteen years later he declared New Zealand to be the first country to have a fair land tax.<sup>1</sup>

The first step toward a land tax was taken in 1892 and was very cautious. The legislation of this and the following years aimed to prevent future monopoly in land and to break up by purchase,

<sup>1</sup> *Newest England*, Henry D. Lloyd, pp. 121, 134, 138.

compulsory if necessary, the monopoly already existing. The ultimate object of the laws was to repopulate the large estates with tenants of the state. Underlying the legislation was the philosophy that land should be held only for use and for such use as was for the public good—the public to be the judge of what was good.<sup>1</sup>

Under the new laws improvements were not wholly exempt from taxation. In fact, only \$15,000 worth escaped taxation. Land values, except in the case of small properties, were taxed after mortgages had been subtracted. When the land value exceeded \$25,000 above improvements it was subject to a progressive land tax.<sup>2</sup>

In order to prevent future monopoly, it was provided that not more than 640 acres of the lands resumed, or bought back, by the state might be bought or leased by one party, if the land in question was first-class land. In the case of second-class land a maximum of 2,000 acres might be taken, and in the case of sheep lands, 4,000 acres. If the would-be purchaser already owned this amount he could not increase his holdings.<sup>3</sup> Mineral and oil lands were reserved to the state. Public lands might still be bought in freehold but not the lands the state bought back.

Certain restrictions as to area, improvements, etc., are put upon the resumed lands when they are

<sup>1</sup> *Idem*, p. 137.

<sup>2</sup> *Idem*, p. 116.

<sup>3</sup> *Idem*, p. 138.

resold, to prevent monopoly and insure utilization. If the purchaser does not obey these requirements his farm will be taken away. Resumed lands, although not sold in freehold, are sold on "lease in perpetuity," and everything is done to make this sort of purchase attractive. Such a leasehold may be passed on by the farmer to his children or may be leased by him, sold, or mortgaged, but it always remains under state restrictions regarding use, the prohibition of speculation, and sale to other speculators. The land may not be kept idle. The leaseholder owns all the value he puts into the ground, and all the improvements he makes, for the state guarantees him this value even if he has to give up his lease through some fault of his own. The whole scheme is designed to promote home ownership by poor men, who can in this way get land without a cash payment. Of course, each applicant is investigated as to character and financial status. He must have enough capital to work the holding for a year. Distribution of the land to be parcelled out is made by lot.

The state proceeded cautiously in working out the plan. Only \$250,000 was asked from Parliament as the appropriation for the first year's purchases. Within a very few years the sum appropriated had risen to \$2,500,000 annually. In resuming lands small estates are not taken. And in breaking up the large estates those who have been

working on the land as laborers are given the first chance to lease before it is thrown open to the public.<sup>1</sup>

The example of New Zealand has been followed by Queensland, South Australia, West Australia, and Victoria, each of which has enacted laws for the resumption of private lands suitable for farming. The laws have failed in New South Wales owing to the opposition of the Labor party, which insisted that the plan would benefit only the large land-owners who would be glad to unload their holdings on the state.

The Closer Settlement Board of Victoria was created for the purpose of developing farm colonies, with an appropriation of \$2,500,000 annually for five years. It may purchase land and divide it into farms not to exceed \$7,500 in value, agricultural laborers' blocks not to exceed \$1,000, and workmen's allotments not to exceed \$500 in value. By the end of 1907 the board had purchased forty estates, aggregating 207,788 acres at a cost of \$7,293,225. The number of holdings made available was 1,216. The plan has not been a very brilliant success, however, because of the absence of a proper land tax, so that the price of land has been too high. A land tax and compulsory purchase are needed to produce the best results.<sup>2</sup>

<sup>1</sup> *Newest England*, Henry D. Lloyd, pp. 139-146.

<sup>2</sup> *Australia's Awakening*, W. G. Spence, pp. 465-466.

The Australian states and New Zealand retain the ownership of the beds of streams and a strip of the land on either side. Thus no community is ever in danger of being held in bondage by the owners of riparian rights and much costly litigation is avoided.<sup>1</sup>

Irrigation settlement in Victoria is entirely under government control. The state has built the weirs, reservoirs, canals, channels, etc. The water, bed, and banks of streams are exempt from alienation forever. Fortunately the state established this policy before private companies had a chance to lay claim to these lands. West Australia has carried out a very large and successful water-supply scheme costing nearly \$15,000,000.<sup>2</sup>

The Australian theory with regard to mineral lands is that they belong to the state and it does not part with them. Coal lands are leased, not sold. The output of the mines is not taxed, the state contenting itself with indirect returns. The lessee must fulfil certain requirements in working the mines and must employ a certain amount of labor. He is not permitted to hold the lands idle until his neighbors develop the surrounding territory; and if he postpones working his mines he forfeits his lease. The state receives its returns in the settlement of a larger population in the district,

<sup>1</sup> Elwood Mead, *Metropolitan Magazine*, January, 1917.

<sup>2</sup> *Victorian Agriculture*, Thomas Cherry, p. 264.

increased national wealth, and greater railway returns.<sup>1</sup>

New Zealand owns and operates coal-mines and sawmills in the state forests. The state embarked on these undertakings recently and in order to break monopoly prices of coal and timber.<sup>2</sup>

All the states except Tasmania have some system for financial aid for the man on the land. In South Australia the credit agency is the state bank. West Australia has an agricultural bank and Victoria a *Crédit Foncier*. In 1908 over \$8,000,000 was lent to the farmers by these and other state agencies.

New Zealand set up its advances-to-settlers office in 1895 and was the first state to lend money on agricultural security. The author of the scheme was Sir Joseph Ward, later minister of railways in that colony. Loans at first were limited to a maximum of \$12,500. The sum was later raised to \$15,000. Interest rates were 6 per cent., including 1 per cent. for amortization.<sup>3</sup> The plan benefited the whole colony except a small group of financiers. The help to the farmers was returned to the citizens in the shape of lower interest rates for themselves. The state never exacts usury, offers no cut-throat mortgages, charges no commission and no fee ex-

<sup>1</sup> *Australia*, J. W. Gregory, p. 121.

<sup>2</sup> Elwood Mead, *Metropolitan Magazine*, January, 1917.

<sup>3</sup> *State Experiments in Australia and New Zealand*, Wm. P. Reeves, vol. I, p. 334.

cept for actual expenditure. Any amount may be borrowed, from \$125 to \$15,000. The state has never foreclosed, it does not try to induce the borrower to take more than he really needs, and he has usually thirty-six and one-half years to pay back. It advertises widely the fact that it is ready to lend money on agricultural security. The state lends 60 per cent. on freehold property and 50 per cent. on leasehold property. By 1901 over \$9,000,000 had been lent to settlers.

The South Australian Advances to Settlers act was passed in 1896, one year later than the New Zealand law. The lending office is the state bank. By 1902, after six years of operation, the trustees had lent \$3,565,000. The interest rate is  $4\frac{1}{2}$  per cent. The state bank forced the bankers to demand lower interest from the farmers by competing with them. The state bank of South Australia lends money to the farmer not only on his farm but also on his shipments, if they have been approved for export.

The Victoria law dates from 1896, that of New South Wales from 1889. In the state of Victoria 4,000 families have been enabled to secure farms through state provision for aid to settlers and 6,000 workmen have been provided with homes in the city.

Queensland lends money to farmers for the building of co-operative sugar-mills. This has been done



to insure the working of the industry by white labor only and is part of the "White Australia" movement. Any group of farmers who desire to begin the cultivation of sugar and have no mill in the neighborhood where they can market their cane can petition to the government. An official is sent to investigate as to the suitability of the land for sugar-raising and the character of the farmers. The planters then incorporate and make application for the amount needed. The money is lent on the security of the mill and land. The construction superintendent is a state official, and "progress payments" are made on the loan as the building proceeds. By 1899 eleven of these mills had been built and were paying a profit averaging  $9\frac{1}{4}$  per cent.<sup>1</sup>

Throughout the continent the *laissez-faire* theorists have been pretty well won over to state socialism. Doctor Cockburn, minister of agriculture in South Australia, once said: "If you bring hope into the life of the farmer, and make him sure of his reward and that his profits will not be taken away from him, you make him more efficient. Instead of sapping private enterprise we are assisting private enterprise. We are not anxious to organize patriarchal institutions but fraternal ones."<sup>2</sup>

All of the Australian states have approached the

<sup>1</sup> *Newest England*, Henry D. Lloyd, pp. 312, 330.

<sup>2</sup> *Idem*, p. 330.

food problem and the land problem in much the same way. They have realized that the farmer must be protected from certain kinds of monopoly just to insure that he will be able to market his produce. And the Australian states have freed both agriculture and industry by public ownership of the railroads, terminals, slaughter-houses, and marketing agencies, and by so doing have opened up the circulatory agencies of the country to the free play of initiative. In addition, the produce export departments collect, grade, and provide transportation from the farmer to his ultimate destination, thus insuring the best possible market for his produce. Australia recognizes that the individual farmer, 12,000 miles from his market, cannot possibly do his own marketing or insist upon a fair remuneration for his produce. Only through co-operative associations or the state can this be secured. And Australia has adopted the state as a market agency just as Denmark has adopted voluntary co-operation.

Under these arrangements the farmer is assured of the best market available and full value for his produce. There are no middlemen between him and the consumer, no gamblers, speculators, and private storage agencies that destroy or withhold food in order to force up prices. The arteries of the state are free from obstacles, and the prosperity of these countries attests the wisdom of the policy pursued.

In addition, these distant states are recognizing that land, from which all wealth ultimately comes, is designed for use and that use is the only justifiable title to occupancy. And they are breaking up land monopoly by taxation, by farm colonies, and by cheap credit, and are placing farmers upon the soil. Australia has had the same experience as the United States, where land was seized by monopolists or acquired at a few cents per acre, and, being practically free from taxation, was held for speculation, for grazing, or for some other use not beneficial to the country. To defeat these monopolists and end tenancy land has been taxed at a heavier rate than buildings, while state-aided farm colonies have peopled great stretches of unoccupied land.

Australia, like Denmark and Germany, has discovered that the state must play an important rôle in the protection of its producers and that such protection can only be secured when certain functions are performed by the state itself.