

NEW ZEALAND

The Taxation of the unimproved value of Land was introduced in 1891 by the Ballance Liberal Government, when that Government displaced the Conservative administration of Sir Julius Vogel. At that time the country was on the verge of bankruptcy. The national debt had been piled up recklessly, with the result of fostering a land boom, the natural collapse of which had brought industry almost to a standstill. In 1891 the cities were filled with unemployed, and large numbers were fleeing from the country.

The Ballance Ministry considered that unjust taxation had fostered land monopoly, and that both were responsible for the adverse industrial conditions, and that the substitution of land values taxation for the then existing general property tax, including real and personal property, would largely tend to remedy the evils from which the country was suffering. How far this diagnosis was true and the remedy effective, will be shown presently. No apology is needed for a somewhat detailed exposition of the measures adopted in New Zealand and of their results, because nowhere else has an improvement in industrial conditions been brought about with such dramatic suddenness, and nowhere is the statistical material which testifies to the causes of such improvement equally complete.

The legislation in question consists of "The Land Tax Act 1891" and its amendments, placing a uniform and a graduated tax upon the unimproved value of land, the proceeds of which go to the State; "The Rating Act 1896" and its amendments, which gives to local governing bodies the option of assessing the rates either on the annual value of land and improvements, or on the improved value of land or on the unimproved value of land; and "The Land Valuation Act 1896" and its amendments, which impose upon the Government the duty of periodically making separate valuations of the land and the improvements thereon.

Land Values Taxation for State purposes, as already stated, consists of two parts: First, of a uniform tax on the unimproved value of land and mortgages, termed "the ordinary land tax," the amount of which is fixed annually by a Rating Act; and, second, of an additional graduated tax on the unimproved

value of land, termed "the graduated land tax," the rates of which are fixed. The rate of the ordinary tax at present is 1d. in the £. The tax is payable by the owner on the actual capital value of the land and on the value of any mortgages which he may hold over other land, less the value of improvements and of any mortgage which may be owing on his land. Exemptions or rebates are allowed, as follows: --If the net value does not exceed £1500, £500 is exempted, but for every £2 by which the net value exceeds the sum of £1500 the exemption is reduced by £1, so that when the value reaches £2500 the exemption terminates. The Commissioners may allow special exemption in cases in which the total income of a person does not exceed £200 and the owner is incapacitated by age or infirmity from supplementing this income.

The graduated tax falls on all land the unimproved value of which is £5000 and over, and mortgages are not considered. Up to October, 1907, its rate was 1-16th of penny in the £ on values of £5000 and under £7000, and increases by 1-16th of a penny for every additional £2000 of value up to £15,000; for every £2500 additional up to £30,000; for every £5000 additional after £30,000, mounting to 3d. in the £ for values over £210,000. Absentee owners, i. e., persons absent from the Dominion for more than one year, pay a surtax of 50 per cent.

Returns of values of land and mortgages are made biennially. Purchasers of Crown land on credit are liable to the tax, and owners of leasehold interest in land are liable to taxation on the value of their interest. Absolutely exempted are all lands held by the Crown; vested in the Railway Commissioners and local governing bodies; lands used in connection with religious worship or the residence of clerics; in connection with State schools, or with other educational establishments not exclusively carried on for profit; the sites of public libraries, athenaeums, mechanics' institutes and public cemeteries; the show grounds and meeting places belonging to agricultural societies; the meeting places of masonic lodges, friendly societies and registered building societies; land used for the purposes of public charitable institutions; public gardens, domains, recreation grounds or other public reserves not occupied by a tenant; all public roads and streets; land owned and occupied by Maories and not leased to a tenant; land owned or mortgages held by registered friendly societies or registered Savings Bank, by the Commissioners of Sinking Funds under the Public Debts Sinking Fund Act, and by the trustees of any local authority exempt from taxation; all mortgages held by or on behalf of charitable institutions, and all land and mortgages

held by religious bodies, the proceeds of which are devoted to the support of aged or infirm ministers or of widows and orphan children of ministers.

It is also provided that native land occupied by any other person than the Maori owner shall be subject to one-half the ordinary land tax in respect of the Maori owners' interest therein, while being wholly exempt from the graduated tax.

Owing mainly to these exemptions the number of land tax payers amounts to only 24,246, while the number of landholders amounts to 128,000 freeholders and 23,000 Crown tenants.

The tax may be paid at any postal money order office or to the Commissioner of Taxes, Wellington. The total cost of collection of both land taxes and the tax on mortgages, inclusive of the cost of valuing the land, was 3.66 per cent of the receipts.

It is estimated that evasions of the graduated land tax, by pretended subdivision of large estates among relatives, have caused a loss of revenue between 1895-6 and 1906-7 of £28,186.

In October, 1907, an amendment to the Land Tax Act came into force, which deals almost entirely with the Graduated Land Tax, and is designed to prevent evasions thereof and to increase the rate of taxation on the more valuable holdings. While maintaining the previous rate for estates up to £40,000 of unimproved value, it determines the rate of taxation for higher values as follows:--From £40,000 to £41,000, 8s. per £100, and for every £1000 additional one-fifth of one shilling more, the increased rate in each graduation being chargeable on the total unimproved value of land owned. The rate reaches its maximum at £200,000, all estates of that unimproved value and over paying £2 per cent, equalling 4.8d in the £ on their total unimproved value.

For and after the year ending March 31st, 1910, this new progressive graduated scale over £40,000 is to be increased by 25 per cent, in the case of all land except such as carries business premises.

The revenue derived from ordinary and graduated land value tax was £385,756 in 1905-6 and £447,342 in 1906-7, an increase of £61,586, equal to 15.96 per cent. To this sum the graduated tax contributed £125,929. The ratio of revenue to the unimproved value of land was:--In 1905-6, per £100, 5.62 shillings, and in 1906-7, per £100, 5.97 shillings, equalling,

respectively, 0.68d. and 0.71d. in the £ of unimproved value. These low average rates arise from the liberality of the exemptions made. The proportion of land tax to total of revenue from taxation is 10.5 per cent.

RATING ON THE UNIMPROVED VALUE

The Act of 1896 and its amending Acts make it optional for local bodies to substitute rating on the unimproved capital value of land for the system then prevailing of rating either the capital value or the annual value of land. It also provides for a return to either of the older systems if the ratepayers should so desire after a three years' trial of the new one. Under it a proportion of ratepayers on the roll, varying from 25 per cent, where the total number does not exceed 100, to 15 per cent, where the number exceeds 300, may, by demand in writing, require that a proposal to rate property on the basis of the unimproved value shall be submitted to the ratepayers, whose votes shall be taken between twenty-one and twenty-eight days after delivery of the demand. The poll is to be taken in the same manner as in case of a proposal to raise a loan in the district under "The Local Bodies' Loans Act, 1901."

Under the original Act it was necessary for a minimum number of one-third of the ratepayers to vote, and a majority of their votes carried the proposal. Now, under "The Local Government Voting Reform Act, 1899," the question of adoption or otherwise is decided by a bare majority of the valid votes recorded, irrespective of the number of ratepayers who have voted.

A rescinding proposal can be carried at a poll by the same means as one for adoption, but not until after three years have elapsed; and, vice versa, rejection of a proposal bars it being again brought forward for a similar period. However, in the case of past polls at which the proposal to adopt the Act was rejected solely on account of an insufficient number of ratepayers recording their votes, it is now provided that a new poll may be held at any time.

The valuation-roll is supplied to the local authority by the Valuer-General under the provisions of "The Government Valuation of Land Act, 1896," and its amendments of 1900 and 1903, and the definitions of "capital value," "improvements,"

"unimproved value," and "value of improvements" found in these Acts apply also to the Rating or Unimproved Value Act. Provision is made for adjustment of rating-powers given under previous Acts to the Act of 1896 by fixing equivalents. Thus a rate of 1s. in the pound on the annual value under former Acts is to be considered equal to 3/4d. in the pound on the capital value under the Act of 1896.

The adjustments are to be made so that the rates on the unimproved value shall be such as to produce as much as, but not more than, the rates under "The Rating Act, 1894." For instance, supposing a local authority has a rating-power up to 3/4d. in the pound on the capital value, then it can levy any rate in the pound on the unimproved value of land in its district so long as the producing capacity of such rate is not greater than would be the producing capacity of a 3/4d. rate on the capital value of the district. When a fixed rate, under the older system of rating, is security for a loan, the Controller and Auditor-General is given power to interfere and fix the new rate himself if of opinion that the new rate on the unimproved value does not afford as equally good security as the one to be given up.

The operation of the Act does not apply to water, gas, electric light, sewage, nor hospital and charitable aid rates. In comparing New Zealand and any of the Australasian States with Great Britain, it must be remembered that contrary to British precedent local authorities do not exercise any jurisdiction in matters of education, police and poor relief.

A county having decided to levy rates on the unimproved value makes it compulsory for all interior Town and Road Boards to adopt the same system of rating. But in counties where the Counties Act is suspended, or where a general rate is not levied, the ratepayers of any Road Board may take a poll on the question. It is also permissible for any Town Board within a county not rating on the unimproved value to adopt that system, the decision to do so having been carried by vote of the ratepayers. The date of the polling did not, in some instances, allow of a rate on the unimproved value being struck for the year ended 31st March, 1905.

Under the Act 89 polls have taken place prior to 31st of March, 1906. Of these 86 were taken on the question of adopting rating on unimproved values. In 70 cases the proposal was carried and in 16 it was rejected. In two boroughs it was

rejected twice, and in two others it was carried after a previous rejection. Three polls were taken to rescind the adoption of the Act, and in all of them the rescission was rejected. Among the local bodies which have adopted the system are the capital (Wellington), the city of Christchurch, and many of the principal towns.

Since March, 1906, a number of further districts have adopted the system, and one district has reverted to the rating of the capital improved value, i. e., the borough of North-East Valley, a suburb of Dunedin. The district is very hilly, partly residential, but mostly devoted to dairy farming, market gardening, etc. The latter ratepayers own land with improvements of comparatively low value, while the improvements owned by Dunedin business men, who erected residences in the district, are far more valuable than the land on which they stood. Consequently the omission of improvements increased the rates of the dairy farmers, market gardeners, etc., who formed the majority of ratepayers, and their vote rescinded the exclusion of improvements.

THE GOVERNMENT VALUATION OF LAND ACT, 1896

AND AMENDMENTS OF 1900 AND 1903

Prior to the passing of "The Government Valuation of Land Act 1896," there was an entire absence of uniformity in the system of making valuations of land within the Dominion for Governmental purposes. Each Government lending department employed a separate set of local valuers for valuing mortgage securities. The Land-tax Department periodically employed a small army of temporary valuers when it required a new valuation of the land of the colony for taxation purposes, and each local authority had its own particular method of making up its roll for the levying of rates.

All values required by various Government Departments and by local bodies, whether for loan, State or Municipal taxation, or other purposes, are now made by valuers employed by the State. These valuers work upon the one system which is laid down by the above-named Acts, and are responsible to the Government alone. They receive a regular salary, and when valuing for loan purposes are not dependent for their remuneration upon the goodwill of the person whose property they are valuing.

Under the above-mentioned Acts the Valuer-General is required to prepare valuation rolls, showing the selling-value of all land in the colony.

The Act states that the "unimproved value of any piece of land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, and if no improvements existed on that particular piece of land, might be expected to realise 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."

Land-tax is levied on the unimproved value, and so also are the local rates in districts where the Rating on Unimproved Values Act is in force. It is therefore particularly necessary that uniformity of unimproved values should be studied by the valuer, otherwise one owner would be rated unfairly in comparison with his neighbour.

The Act defines "improvements" and "value of improvements" as follows: --

"'Improvements' on land means all work actually done or material used thereon by the expenditure of capital or labour by any owner or occupier of the land, nevertheless in so far only as the effect of such work or material used is to increase the value of the land, and the benefit thereof is unexhausted at the time of valuation, but shall not include work done or material used on or for the benefit of land by the Crown or by any statutory public body, unless such work has been paid for by the contribution of the owner or occupier for that purpose: Provided that the payment of rates or taxes shall not be deemed to be a contribution within the meaning of this definition."

"'Value of improvements' means the sum by which the improvements upon an owner's land increases its value: Provided that the value of improvements shall in no case be deemed to be more than the cost of such improvements estimated at the time of valuation, exclusive of the cost of repairs and maintenance."

Subject to the limitations contained in the above definition,

all buildings, fences, planting, draining, private roads and water-races, clearing, permanent grassing, and other work of a permanent nature effected upon land are improvements.

The amount at which improvements are to be valued is defined by the Act as the sum by which they increase the selling value of the land, provided that the value must not exceed the cost, although it may be below the cost. The cost of an improvement is not necessarily its selling value, as its suitability and condition must be taken into consideration.

Machinery, whether fixed to the soil or not, is not an improvement, and it is not included in the capital value. The buildings containing the machinery would, however, be valued as an improvement.

"Capital value" is defined as follows:--

"'Capital value' of land means the sum which the owner's estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realise 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."

The fair selling value in the open market represents the capital value, but not necessarily the auction value or value derivable at a forced sale. The valuer is required to exercise special care in fixing the capital value at such a sum as will be fair to both the borrower and the lender should the property be offered as a security.

Uniformity of capital values is of the utmost importance. Land of similar quality and position should be valued uniformly, whether in a large or a small holding.

It may not be out of place to mention the relative numbers of the land-tax and local ratepayers within the colony, from which it will be seen that the number of persons who are interested in the amount of rate annually struck by the local body far exceeds the number who are interested in the amount of land-tax annually fixed by Parliament. There are, roughly, 145,000 holders of land in the colony. The total number of land-tax payers is roughly, only 23,000, while practically every holder pays local rates.

The foregoing remarks apply when valuing land, whether it is leased or not; but in the case of lands which are leased on terms favourable to the lessee the valuer has, in addition, the important duty of determining what proportion of the value belongs to the owner and what proportion to the lessee.

Special provision is contained in the Act for adjusting the relative interests of owner and lessee year by year, and this adjustment will always be made by the Valuer-General when applied to.

When the values appearing on a roll become out of date a revision takes place, but before any revised values can take effect the district must be gazetted for revisions by Order in Council. There is no fixed period between one revision and another. The necessity for revision depends upon whether or not the roll values are correct.

When a revision of a district is ordered, the valuer makes a thorough overhaul of the unimproved values as well as the values of improvements and capital values. During the period intervening between revisions the Valuer-General cannot alter the unimproved values of the roll entries unless the owner pays a fee to cover the cost and demands a revaluation of his property, or in case of an admitted error having taken place. During this intervening period, however, the Valuer-General may keep values up to date by adding the value of improvements which have been put on since the revision, or by deducting the value of those taken away.

When the values in a district have been revised the new roll is lodged for inspection at some public office, and an advertisement in the papers calls the attention of the public to the fact, so that every person interested may inspect it. At the same time every owner and occupier receives a notice showing at what value his property is entered. The omission to give notice, however, does not, as has been said, invalidate the assessment. The Department invites the fullest scrutiny of its rolls before submitting them to the Assessment Court. Persons whose names appear on the roll are invited to object if they are of opinion that the valuer has exceeded the selling-price, or for other sufficient cause.

Objections to value can only be on the ground that the valuation does not represent the true selling-value, as that is the guide imposed by the Act. Of course, there are legitimate reasons for objection on other questions besides the question of value, such as errors in ownership, occupancy, area, or

description, etc., which matters are always attended to and corrected without reference to the Assessment Court.

Objections to values are invariably referred to the valuer to enable him to review his valuation before the sitting of the Assessment Court, and the objector receives in due course a reply. If the objection has been allowed there is no necessity for the objector to appear at the Court. Should it be disallowed, he may carry it before the Court for consideration. Due notice of the sitting of the Court will be given by advertisement, as required by the Act.

If on appeal to the Court the objection is allowed, the reduction is immediately carried into the roll. If, however, the owner is not satisfied with the Court's decision he may, under section 31 of the Act of 1900, within fourteen days of the hearing, require the Valuer-General either to reduce to the value which he considers to be the fair selling-value or else to purchase the property at that value.

On the other hand, section 30 of the 1900 Act provides that if the Valuer-General is of opinion that a Court has made an unfair reduction in a valuation, he may, also within fourteen days of the hearing, require the owner to consent to what he considers is the fair selling-value, or else he will acquire the property at that value on behalf of the Government.

Power is also given by section 18 of the same Act to an owner to appeal to the Supreme Court on questions of law. On all other questions the decision of the Assessment Court is, however, final.

There is still another course open to an owner who is dissatisfied with his value, and he may adopt it at any time without reference to the date of sitting of the Court. Section 7, subsection (5), of "The Government Valuation of Land Act, 1896," provides that an owner, by paying the fee prescribed by regulation to cover the cost, may obtain a revaluation of his property. Such revaluation is subject to the same right of objection and review as it would be in the case of the revision of the district.

The revenue derived from rates is small, as more than one-half the revenue of local bodies is derived from licenses, rents, Governmental subsidies, and other sources. In 1907 the revenue of all local bodies from rates amounted to £1,223,049, which would have been equal to 1.96 pence in the £ of unimproved

value, if all the rates had been so assessed. Wellington derives its revenue from a general rate of 2d. in the £ of unimproved value; Christchurch levies 2.72d. in the £, except in the Central Ward, where the rate is 2.76d. Palmerston North levies 1.87d. in the £ and Invercargill 2.81d. in the £. Thus the rates are very low, even in the cities.

LAND AND IMPROVEMENT VALUES - The following table shows the changes in the value of land and improvements before and since the imposition of land value taxation. Between 1878 and 1891, i. e., in 13 years, the unimproved value of land increased by £13,214,027, equal to 21.0 per cent, or at the rate of £1,156,904 per annum. Between 1891 and 1907, i. e., in 16 years it increased by £73,894,794, equal to 97.6 per cent, or at the rate of £4,618,424 per annum. The value of improvements increased in the former period by £9,454,323, equal to 25.5 per cent, or at the rate of £727,255 per annum. In the latter period it increased by £40,524,713 equal to 87.3 per cent, and at the rate of £2,532,795 per annum.

The same table shows that the ratio of unimproved value to total property value has never fallen below 60.9 per cent, has risen as high as 67.9 per cent, and now stands at 63.6 per cent. In considering this ratio it must, however, be remembered that since 1891 the actual unimproved value is higher than here shown by the capitalised amount of the revenue from land value tax, and since 1896, also by the revenue from rates on the unimproved value. The actual ratio, therefore, is also higher than here shown. The average taxed unimproved value of land per 100 of population is £16,471.

TOTAL VALUE OF LAND AND IMPROVEMENTS

Report of Valuer-General, 1907, Table 9, and "Statistics of New Zealand," 1906, page 573

Year	Capital Value	Unimproved Value		Value of Improvements	
		Amount	Per Cent	Amount	Per Cent
	£	£		£	
1878	99,566,679	62,573,868	62.8	36,982,811	37.2
1888	111,137,714	75,497,379	67.9	35,640,335	32.1
1891	122,225,029	75,787,895	62.0	46,437,134	38.0
1897	138,591,347	84,401,244	60.9	54,190,103	39.1
1906	218,422,552	137,168,548	62.8	81,254,004	37.2
1907	236,644,536	149,682,689	63.6	86,961,847	36.4

The "Statistics of New Zealand," 1906, pages 571-2, gives an exhaustive summary for 1906-7 of the area, population, land and improvement value in each of the 99 counties into which the Dominion is divided. An examination of this table yields the following interesting results. The most populous counties, having more than 22,000 inhabitants are: --

	Area in Square Miles	Population Including Interior Boroughs	VALUE OF LAND & IMPROVEMENTS		
			Capital Value	Unimproved Value	Value of Improvements
			£	£	£
Eden	43	81,569	16,232,897	8,889,124	7,343,773
Hutt	590	80,724	25,169,479	15,482,173	9,687,306
Selwyn	2,597	93,460	20,909,142	11,545,893	9,363,249
Taieri	930	57,339	11,152,914	5,437,374	5,715,540
Southland	3,582	42,915	8,738,475	5,166,848	3,571,627
Total	7,742	356,007	82,202,907	46,521,412	35,681,495
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Total of Dominion	104,751	908,726	236,644,536	149,682,689	86,961,847
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Per cent of Total in five Counties	7.4	39.2	34.7	31.1	41.3

These five counties contain the principal cities of the Dominion, viz.: - Eden, Auckland; Hutt, Wellington; Selwyn, Christchurch, and Littleton; Taieri, Dunedin; Southland, Invercargill. The aggregate ratio of unimproved value to capital value is 56.6 per cent, and varies as follows: -Eden, 54.8 per cent; Hutt, 61.6 per cent; Selwyn, 55.2 per cent; Taieri, 48.8 per cent; Southland, 59.1 per cent. These ratios are all smaller than the aggregate for the Dominion, i. e., 63.6 per cent. The ratio for Taieri seems especially low, but as it is a very mountainous country, it is but natural that expensive improvements are required to render it of use. The following table shows the ratio of unimproved value to capital value in the principal cities separated from the rest of the counties of which they form part: --

	Capital Value	Unimproved Value	Improvement Value
	£	£	£
Auckland	9,617,757	5,592,547	4,025,210
Wellington	18,345,249	11,104,778	7,240,471
Christchurch	9,497,877	4,073,442	5,424,435
Dunedin	7,494,061	3,452,822	4,041,239
	44,954,944	24,223,589	20,731,355

The aggregate ratio of unimproved value to capital value is 53.9 per cent, and varies as follows: -- Auckland, 58.2 per cent; Wellington, 60.5 per cent; Christchurch, 42.9 per cent; Dunedin, 46.1 per cent. With the exception of the ratio for Auckland, which is higher than for the county in which this city is situated, all these ratios are lower than the ratios for their respective counties. As the ratio for the whole Dominion is much higher than any of them (63.6 per cent) it follows that the ratio of unimproved value to capital value is highest in the country districts of the Dominion. The next table shows that it rises to its greatest height in the least populous districts. This table contains the five least populous counties, only one of them having more than one person to the square mile, viz., Awakino, 1.09, and one, Fiord, having only 0.017 persons to the square mile:

	Area in Square Miles	Population	Value of Land and Improvements		
			Capital Value	Unimpr'd Value	Value of Improvements
			£	£	£
Awakino	356	389	336,107	248,046	88,061
Fiord	3040	54	144,320	137,540	6,780
Stewart Isl.	651	288	163,235	135,385	27,850
Chatham Isl.	375	197	95,557	55,538	39,719
Out-lying Islands	813	700	196,681	122,365	74,316
Total	5235	1628	935,900	699,174	236,726
Percent of total for Dominion	5.0	0.17	0.39	0.46	0.27

These five counties have a population of 0.31 per square mile, and their ratio of unimproved to capital value is 74.7 per cent, and varies as follows: -- Awakino, 73.8 per cent; Fiord, 95.3 per cent; Stewart Island, 82.9 per cent; Chatham Island, 58.4 per cent; Outlying Islands, 62.2 per cent. It will also be seen that the most sparsely-populated county (Fiord, 0.017 persons per square mile) has the highest ratio of land value to capital value, i. e., 95.3 per cent.

These counties are mainly used for pastoral purposes, for which only the simplest improvements are required. Hence it is not high land value, but small improvement value, which accounts for the high ratio of the former.

The following is a list of the only counties in which the ratio of land value is less than 50 per cent of the capital value:

Area in Square Miles	Popu- lation	Value of Land and Improvements			
		Capital Value	Unimproved Value	Value of Improve- ments	
		£	£	£	
Rodney	566	4,155	533,134	259,605	273,529
Waitemata	613	14,288	2,009,453	984,618	1,024,835
Waikonaiti	318	14,716	2,073,895	949,566	1,124,329
Taieri	930	57,339	11,152,914	5,437,374	5,715,540
Total	2427	90,528	15,769,396	7,631,163	8,138,233
Per Cent of Total for Dominion	2.3	9.9	6.6	5.1	9.4

Taking these four counties together the density of population is 37.3 persons to the square mile. They differ, however, widely, Taieri showing 61.6 persons to the square mile, while Rodney has only 7.4 persons to the square mile. The ratio of improvement value to capital value is, in the aggregate, 48.3 per cent, and varies as follows: --Rodney, 48.7 per cent; Waitemata, 49.0 per cent; Waikonaiti, 45.8 per cent; Taieri, 48.8 per cent. Waikonaiti is mountainous country, similar to Taieri, and the high value of improvements is no doubt due to the same cause. Rodney and Waitemata are counties in the North Island, with regard to which the complaint is rife that they are "roadless." This circumstance amply accounts for the

low ratio of the unimproved value which they show.

The great prosperity of New Zealand since 1891 has had the inevitable result of increasing the unimproved value of the land, to a large extent, but there is reason to believe that at the present time its selling value is above the legitimate economic level. The taxation of land values has no doubt counteracted this movement, but has not been large enough to prevent it entirely.

The preponderance of unimproved land value in the country districts is accounted for by the fact that New Zealand is pre-eminently an agricultural and pastoral country, with land of great natural fertility. There are only six cities possessing each more than 10,000 inhabitants, and aggregating a population of 203,208 persons. In addition, there are only 15 towns the population of which is 5000 persons and over and aggregating 92,920 inhabitants. Thus the whole town population, if these 15 towns may be included, is only 296,128 out of a total of 908,726, equal to 32.5 per cent.

PROGRESS OF NEW ZEALAND UNDER LAND VALUES TAXATION

The change wrought in the condition of the country by the introduction of Land Value Taxation may be most clearly shown by the statistics of migration. (Statistics of New Zealand, 1907, page 28.) Between 1888 and 1891, both inclusive, the country lost 13,941 persons by excess of emigrants over immigrants. This exodus was stopped, and population was attracted immediately and continuously for every year since that date. In 1892 and 1893, the two years following upon the imposition of the tax, immigrants exceeded emigrants by 15,360 persons, and between 1892 and 1906 the gain of population from this source aggregated 87,450 persons. The following tables illustrate the progress of New Zealand in comparison with that of the State of Victoria. "This State has been selected because it is the most suitable of any of the Australian States for a comparison with New Zealand for the following reasons:

Her area is 87,884 square miles, as against that of the three New Zealand islands of 103,658 square miles, much of which, however, is mountainous and unusable. Victoria has

a more equable climate and more favourable rainfall than the other Australian States. She has steadily set herself since 1862 to establish a freeholding agricultural population on her soil, and, like New Zealand, she has supplemented the ready sale of Crown lands for this purpose by the purchase and subdivision of large private estates, and by a system of advancing money to settlers. Finally, she has established Wages Boards for the same purposes which the New Zealand Arbitration Court was intended to subserve. In Victoria, however, the unimproved value of land has so far remained untaxed either for State or Municipal purposes.

It would, however, have been misleading to have chosen 1891, the initial year of the New Zealand statistics, as the starting point for Victoria, as far as financial and trade statistics are concerned, as an enormous decline would thus have been shown. The reason is, that the year 1891, though not largely a boom year in Victoria, had not yet witnessed the cataclysm which the land boom brought upon her as it did on New Zealand. The catastrophic year in the case of Victoria was 1893, and it is therefore only fair to take 1894 as the starting point for a comparison of facts materially influenced by this financial disaster. The figures for 1891 will, however, be supplied as well.

PROGRESS OF NEW ZEALAND AND VICTORIA

	New Zealand		Victoria		Percent of Increase or Decrease	
	1891	1906	1891 or 1894	1906	N.Zealand	Victori
White Population ...	684,048	908,726	1,157,678	1,237,998	43.3	6.9
Balance of Immigrants over Emigrants 1892-1906		87,450		- 99,727		
§ Number of occupied holdings, one acre & over	41,224	72,238	61,512	52,987	75.2	-13.8
Land in Cultivation, incl. sown grasses, acres	8,893,225	14,382,787	3,308,340	6,360,127	61.7	109.3
* Unimproved Land Value	£75,787,895	149,682,689	132,269,620	131,599,078	97.6	- 0.5
+ Value of Improvements	£46,437,134	86,961,847	94,728,596	90,999,863	87.3	- 3.9
Number of Horses	211,040	342,608	440,696	406,840	62.3	- 7.7
Number of Cattle	831,831	1,851,750	1,812,104	1,804,323	122.6	- 0.43
Number of Sheep	18,128,186	20,108,471	12,928,148	12,937,440	10.9	0.7
Δ Exports	£9,400,094	17,840,346	11,553,617	19,881,233	89.8	72.1
Δ Imports	£6,503,849	15,211,403	9,997,670	16,212,949	133.8	62.0
Railway Receipts	£11,115,432	2,761,938	2,726,159	3,877,692	147.6	42.2
† Bank Deposits	£12,796,098	22,422,243	34,727,373	37,623,820	75.2	8.3
† Bank Assets	£16,814,518	23,829,933	55,277,834	40,949,484	41.8	-25.9
† Savings Bank Deposits	£ 3,406,949	11,170,025	6,977,878	11,764,179	227.8	68.6
† Number of Savings Bank Depositors	126,886	341,144	379,965	466,752	168.9	41.5
† Average amount of Savings Bank Deposits	£ 26.8	32.7	21.1	25.2	22.0	19.4

Sources: Statistics of New Zealand, 1906, "Official Year Book of New Zealand," 1906-7. Victorian Year Book, 1906-7, and information specially supplied by the Government

Statist of Victoria.

† As far as Victoria is concerned, for 1894, all other for 1891.

* As far as New Zealand is concerned, March 1st, 1907.

‡ As far as Victoria is concerned, the enumeration at the two periods was made on slightly different principles, and the comparison is, therefore, not entirely valid.

+ As far as Victoria is concerned, the figures given are estimates, made by the Government Statist of Victoria, on the basis of rateable value.

Δ As far as Victoria is concerned, Net Imports and Exports, as re-exports are a considerable item, differing therein from New Zealand.

A considerable portion, close upon 1,000,000 acres, of the increased area in Victoria, consists of fallow land, fallowing having been largely adopted since about 1895.

In New Zealand, fallow land accounts for only 50,000 acres of the increase.

The sign - indicates decrease.

The Victorian figures for 1891, and for which those of 1894 have been substituted in above table and are as follows, giving the indicated rate of increase or decrease when compared with the figures for 1906:

Net Exports - £13,026,426; increase, 52.6 per cent. Net Imports - £18,731,291; decrease, 13.9 per cent.

Railway Receipts - £3,298,567; increase, 17.5 per cent.

Bank Deposits - £42,244,217; decrease, 10.9 per cent. Bank Assets - £63,720,546; decrease, 35.4 per cent.

Savings Banks Deposits - £5,715,687; increase, 105.8 per cent

Savings Bank Depositors - 300,781; increase, 55.2 per cent.

Average Savings Bank Deposit - £19.0; increase, 32.6 per cent.

The interest attaching to the influence of land value taxation upon the tenure of land makes it unnecessary to apologise for the details given in the following tables. In examining these data, however, the small amount of taxation levied must be borne in mind, i.e., in 1906-7 it averaged 5.97 shillings in each £100 of unimproved land values, equal to 0.71 pence in the £.

The following table, stating the number of all freeholders in town and country in 1892 and 1906, as well as the unimproved value of the land by each class of them, shows:

In holdings of under £100 unimproved value an increase of 2725 holdings, equal to 6.5 per cent, and an increase in the average value of each holding of from £37 9s. to £42 3s., equal to 11.9 per cent.

In holdings between £100 and under £1000 of unimproved value, an increase of 22,351 holdings, equal to 58.6 per cent.

In holdings of £1000 and under £5000 an increase of 8189 holdings, equal to 120.8 per cent.

In holdings of £5000 and under £20,000 an increase of 1773 holdings, equal to 146 per cent.

In holdings of £20,000 and under £50,000 an increase of 170 holdings, equal to 85 per cent.

In holdings of £50,000 and under £200,000 an increase of 10 holdings, equal to 10.4 per cent.

In holdings of £200,000 and over a decrease of 2 holdings, equal to 33.3 per cent.

In all freehold holdings an increase of 29,318, equal to 32 per cent - to which, however, must be added the leasehold holdings, nearly all of which have been created since 1891, amounting to 23,213, and the details of which appear in the table following on that dealing with freeholds.

REPORT OF VALUER GENERAL, 1907 TABLE 6.

	No. of Owners 1892	No. of Owners 1906	Aggregate Unimproved Value 1892	Aggregate Unimproved Value 1906	No. of Owners Increase or Decrease
			£	£	
Under £100	45,192	48,117	1,716,727	2,034,721	2,925 = 6.5%
£100 to £200	15,692	22,958	2,137,630	3,151,259	7,329 = 46.9%
£200 to £300	7,791	12,239	1,845,658	2,923,425	4,448 = 57.1%
£300 to £400	4,612	7,648	1,559,396	2,597,430	3,036 = 65.8%
£400 to £500	3,112	5,410	1,361,949	2,381,772	1,298 = 41.4%
£500 to £1,000	6,922	13,227	4,794,530	9,269,635	6,305 = 91.1%
£1,000 to £5,000	6,776	14,965	13,517,682	31,131,082	8,189 = 120.8%
£5,000 to £10,000	820	2,080	5,690,705	14,256,900	1,260 = 153.6%
£10,000 to £20,000	381	894	5,364,802	12,247,776	513 = 134.6%
£20,000 to £50,000	260	370	5,996,897	10,756,571	170 = 85.0%
£50,000 to £100,000	79	85	5,328,842	5,612,791	6 = 7.6%
£100,000 to £200,000	18	22	2,549,577	2,852,856	4 = 22.2%
£200,000 and over	6	4	2,562,780	1,016,029	-2 = 33.3%
Total	91,501	128,019	54,427,175	100,232,247	29,318 = 32.0%

The sign - indicates decrease

CROWN TENANCIES (LEASEHOLD) ON MARCH 31, 1907

	Total Number of Tenants	Total Area held by Tenants	Total Yearly Rental Payable	Average Area per Tenant	Average Rent per Tenant
		Acres	£	Acres	£
Ordinary Crown Lands-					
Various Tenancies	17,144	3,925,700	135,048	228.9	7.8
Small Grazing Runs	645	1,407,795	28,950	2,182.6	44.9
Pastoral Runs	875	11,214,285	71,599	12,816.3	81.9
Cheviot Estate	322	75,750	14,669	235.2	45.5
Land for Settle- ment Act	3,865	871,045	224,364	225.6	58.0
Workers' Dwellings	52	9	1,345	0.18	26.0
Thermal Springs	310	6,080	2,189	19.6	7.0
Total	23,213	17,500,665	478,115		

Taking Leasehold and Freehold holdings together, the increase in the number of land holders amounts to about 52,000, or about 57 per cent.

It will also be observed that the largest increase in both lease and free-holdings is in holdings of from £150 to £5000 in value. As far as agricultural and pastoral land is concerned, this feature even more strongly marked, as the following table will show:

RURAL FREEHOLDERS CLASSIFIED AS TO AREA 1892/1906.

Exclusive of Land in Boroughs and Townships

REPORT OF VALUER GENERAL 1907 Table 8.

Acres	No. of Owners		Aggregate Capital Value		Average Capital Value of Holdings		No. of Holdings		Incr. or Dec. Increase or Decrease	
	1892	1906	1892	1906	1892	1906			%	%
			£	£	£	£				
5 under	10	2,820	3,512	678,032	1,371,810	240.4	390.6	62.1	24.5	
10 "	20	3,015	3,775	806,959	1,765,007	267.6	467.5	71.0	25.2	
20 "	30	2,267	2,575	663,050	1,262,800	292.4	490.4	64.3	13.5	
30 "	40	1,428	1,628	532,242	967,349	372.7	596.0	59.9	14.2	
40 "	50	2,318	2,106	642,000	1,099,227	276.9	521.9	88.5	-9.1	
50 "	100	8,521	7,309	3,627,172	5,226,806	355.9	715.1	100.9	-14.2	
100 "	200	8,267	8,740	5,461,487	10,129,741	660.6	1,159.0	75.4	5.7	
200 "	500	7,106	9,080	9,040,895	18,458,010	1,272.3	2,032.8	59.7	27.8	
500 "	1,000	2,165	3,449	6,030,687	13,737,624	2,785.5	3,983.1	41.6	59.3	
1,000 "	2,000	992	1,553	5,121,688	11,065,710	5,162.9	7,125.3	38.3	56.5	
2,000 "	3,000	311	490	2,703,380	5,645,880	8,692.5	11,522.2	32.5	57.5	
3,000 "	5,000	255	374	3,099,972	5,909,417	12,156.8	15,800.6	29.9	46.6	
5,000 "	10,000	208	278	4,381,542	7,001,042	21,065.1	25,138.6	19.3	33.6	
10,000 "	20,000	148	129	5,495,958	6,192,167	37,134.8	48,001.3	34.5	-12.9	
20,000 "	50,000	84	62	6,248,725	4,650,506	24,389.5	75,008.1	0.8	-26.2	
50,000 "	75,000	14	8	1,418,031	510,849	101,288.0	63,856.1	-36.9	-42.9	
75,000 "	150,000	10	4	1,711,603	717,758	171,160.3	179,439.5	4.8	-60.0	
150,000 and over	6	1	2,583,281	331,985	430,547.0	331,985.0	-22.9	-83.3		
Total	38,935	45,068	59,289,375	95,890,533						

The sign - indicates decrease

The foregoing table of rural freeholds shows an increase of all holdings up to 40 acres, aggregating 1955, or 21.5 per cent; a decrease in holdings between 40 and 100 acres, aggregating 1424, or 13.1 per cent; an increase in holdings between 100 and 10,000 acres, aggregating 466, or 24.1 per cent, and thereafter a decrease in the number of large estates aggregating 58, or 28.4 per cent. The explanation for the decrease in the number of holdings between 40 and 100 acres probably is, that such holdings of poor or distant land do not pay sufficiently well, and under the stimulus of prosperity were exchanged either for larger holdings of similar land, or for smaller holdings of more productive land.

More interesting still are the changes in the value of holdings. The increases are greatest in the holdings from 5 to under 500 acres each, and vary for each class from 59.7 per cent to 100.9 per cent per holding. The holdings from 500 to under 20,000 acres also show an increase of value varying from 19.3 per cent to 41.6 per cent per holding. The largest holdings, 20,000 acres and over, on the contrary, show decreases amounting to £22,112 per holding, equal to 20.2 per cent. Seeing the general increase in values, this latter fact demonstrates that estates fit for intenser culture have been subdivided into agricultural holdings, and that only land unfit for such purposes either by character or situation is now used as large grazing areas.

THE INCIDENCE OF TAXATION - It is obvious that the substitution of a rate on the unimproved value for either a rate on the improved capital or annual value must bring about a change in the proportion in which the several ratepayers contribute to the resulting revenue. Reflection will show:

1. That highly-improved properties will contribute a smaller and insufficiently improved or unimproved properties a greater percentage.

2. That as far as cities and towns are concerned, the homes of the masses of the people are the most highly-improved of all properties, i. e., that in their case the value of improvements bears a higher ratio to the capital improved value than in almost any other kind of property.

3. That, therefore, the system of rating on the annual or the improved capital value directly penalises the masses of the people more than any other class, apart from the discouragement to the building and other industries arising from rating improvements, which places upon their shoulders an even

greater indirect penalty. Hence directly and indirectly the change to rating on the unimproved value must bring a greater relief to this, the most numerous, class than to any other.

4. That as regards rural land, the smaller holdings, such as vegetable and fruit farms, are the most highly improved, i. e., improvement values will generally exceed land values; that cultivated holdings come next in the scale, and that the relative value of improvements to total property values is generally lowest in the case of large areas used for purely pastoral purposes.

5. That as regards rural land the same condition applies as in the case of urban lands, i. e., that the great mass of smaller landholders are directly the most penalised class under the old system of rating and find a corresponding relief from the system of rating the unimproved value alone, apart from the fact that the change, making it more expensive to use valuable land for the inferior purpose of grazing must make it easier for men to acquire small farms.

The statistics of the cities of New Zealand which have adopted the new system of rating fully bear out these views. The following illustrations of this fact, being excerpts from the rate-books of Wellington and Christchurch and showing the rates paid by certain properties under the old and under the new system, were supplied by the Town Clerks of these cities to Mr. H. G. Ell, M. H. R., of New Zealand.

WELLINGTON

Owner	Street	Annual Value	Land Value	Rates Under Annual Value System			Rates Under Land Value System			Character of Premises
				£	£	£	£	£	£	
Bank of New Zealand	Lambton Quay	2000	22,462	236	19	7	284	2	4	Bank premises highly improved
Bank of New S. Wales	" "	650	17,655	77	4	0	223	6	2	Bank premises badly improved
National Bank	Grey Street	500	6,000	59	4	11	75	18	0	Bank premises highly improved
Bank of Australasia	Custom House Quay	450	8,000	53	6	5	101	4	0	Bank premises not highly improved
N.Z. Insurance Co.	Lambton Quay	350	7,625	41	4	5	96	9	0	Offices not highly improved
D. of Edinburgh Hotel	Manner's St.	700	10,500	82	18	10	132	16	6	Hotel fairly improved
Clarendon Hotel	Manner's St.	370	7,114	43	16	10	89	19	8	Hotel not highly improved
Central Hotel	Lambton Quay	550	8,140	65	3	5	102	19	4	Hotel not highly improved
Pier Hotel	Gray Street	600	11,560	71	1	0	145	9	6	Hotel badly improved.
H. A. Gordon	Cuba Street	50	2,710	5	18	6	34	5	8	Vacant Land
A. J. Cadman	" "	50	1,660	5	18	6	21	0	0	Vacant Land
C. H. Aamodt	Jessie Street	35	120	4	2	11	1	10	4	Cottages
N. D. Abbott	Poplar Grove	28	86	3	6	4	1	1	10	Cottages
Mrs. C. D. Acroyd	Hawker Street	30	190	3	11	1	2	8	2	Cottages
Angus S. Adams	Aro Street	28	67	3	6	4	0	17	0	Cottages
C. F. Adams	Burnell Av.	45	320	5	6	8	4	1	0	Cottage and large area
Sargent	Somerset Av.	25	120	2	19	3	1	10	4	Cottage
Titcher	"	28	115	3	6	4	1	9	2	Cottage

CHRISTCHURCH

Owner	Street	Capital Value	Land Value	Rates 1902			Rates 1903			Character of Premises
				Old System			New System			
		£	£	£			£			
Bank of New Zealand	Hereford Street	25,050	16,050	218	5	0	303	2	5	Bank, badly improved
R. M. Morton	Cathedral Square			334	4	3	330	2	6	Shops and offices highly improved
"Press" Company	Cashel Street			90	6	8	111	18	1	Offices fairly improved
Ashley Bing & Co.	High Street	8,200	4,200	75	15	8	85	15	0	Shop, fairly improved
Brockett	Denham Street			5	1	1	3	11	0	Cottage
T. A. Moss	Selwyn Street	440	95	5	16	0	3	9	1	Cottage
J. Sinclair	Richmond Terr.	455	90	5	16	0	3	9	0	Cottage
W. Darlow	" "			2	8	7	1	13	8	Cottage
W. C. Shaw	" "			2	19	7	1	0	11	Cottage

Similarly, Mr. Robert N. Keeling, the Town Clerk of Palmerston North (see remaining parts of his report on page 40, when applied to in 1905, gave the following information: --

Query: "Could you give me several fair examples to show how much was paid under the old system and under the new, say a couple of vacant lots, a couple of cottages, and a couple of business places?"

Answer: "One acre vacant lot under old system, £2 5s. 4d.; new system, £3 0s. 6d.; four acres, £2 7s. 2d. and £3 16s. 6d; quarter-acre, with cottage, under old system rate, £3 10s. 4d; new system, £2 8s. 11d. Quarter-acre, with cottage, £5 5s. 6d. and £2 6s. 11d. Section with business premises under old system, £12 5s. 1d.; new system, £18 2s. 7d. Section with business premises, £66 9s. and £62 18s. 10d. Examples show, for vacant lots, rates have been increased; with dwelling houses, generally lower; business premises, when value of buildings exceeds value of land, rates are lower, and vice versa."

TESTIMONY - The Secretary of State for the Colonies having requested the Government of New Zealand for information on the working of the taxation and rating on the unimproved value of land, the latter, intrusted the Commissioner of Taxes, Mr. P. Heyes, F.S.A., Eng., with the task of drawing up a report (see Blue-book, Col. 3191, 1906).

Mr. Heyes' report bears strong testimony to the value of the system, testimony, moreover, which in all essentials is confirmed by the authorities of every country where the system has been adopted. Quotations from such evidence will be furnished in their due place.

Dealing with the State taxation of the unimproved value of land in New Zealand, Mr. Heyes remarks:

"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 outlay on improvements, which comprise material and labour.

"In my opinion* the exemption of all improvements (in conjunction with the lands for settlement and

**The one reversion previously stated occurred in 1908, after the above was written.*

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 liberal outlay of Capital in land, which has rapidly increased as the system was extended to local rating, and has thus increased the demand for labour. As already stated, the expenditure on improvements on land increased in a few years, so much so that the supply of labour and materials could scarcely keep pace with the demand, and has continued so to the present time. This increased expenditure on improvements conducted also to an increase in the unimproved value.... 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.

Dealing with Local Rating on the unimproved value, Mr. Heyes remarks:

"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, and with few exceptions, are decidedly in favour of the system, and the approval is strengthened as time goes on, and the effect of it is seen."

Summarizing the reports received by him from the local authorities of the working of the system in their localities, Mr. Heyes states:

"From the reports received, and the most reliable sources of information available 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 summarised on the lines required as follows":

"Building Trade. - The effect has certainly been to greatly stimulate the building trade.... It has been the direct cause of much valuable suburban

**The one reversion previously stated occurred in 1908, after the above was written.*

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 rebuilding of this city (Wellington), which for some years has been rapidly going on, is largely attributable to the taxation and rating of 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 subdivision into residential allotments and by roading, result in the extensive building of residences; also in country lands, large blocks of land suitable for subdivision 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 being made available. The form of speculation in land unused and held for a prospective increment is rarely met with in recent years."

So far Mr. Heyes, who, as Commissioner of Taxes, has, of all men, the best opportunity to study and realise the tendency of these enactments.

Similar testimony is borne by Mr. R. J. Palmer, Town Clerk of Wellington, the capital and largest city of New Zealand, where rating on unimproved values has been in operation, since the beginning of the financial year 1902-3. In his official report for 1903-4, Mr. Palmer states:

"The result of the first year's trial must be considered a gratifying one, and leaves no room for regret at its adoption. That which was claimed by its exponents has been amply fulfilled. It encourages improvement, stimulates the use of land, mulcts all lands in their fair share of taxation, and paralyses the old system under which rental values on lands could, by simple manipulation, reduce local taxation to a farce."

In his report for the following year he states, "Like all new systems or reforms, it may be expected to have its opponents. There appears to be no tangible ground for serious objection, though there may be for individual expressions of dissent. The cost of industrial ventures is not increased by the system, and it is clear that no one is penalised by reason of his enterprise in building...." The same authority states that the principle came

into operation on 1st April, 1902. Prior to that date the municipal rate levied in the £ 1 on the net annual value was a fraction of 1d. above 3s. 3d. in the £1. A steady decline that gauged to a minute fraction of a penny is then shown for the years 1903-1908 inclusive. The total net annual valuation under the old law was £458,238 (respective). The total valuations on the unimproved values since were: 1902-1903, £ 4, 441, 244; 1903-1904, £ 6, 225, 925; incorporation of Melrose borough in the city and re-valuation, 1904-1905, £ 6, 611, 315; 1905-6, £6, 629, 656; 1906-1907, £9, 741, 190. The total number of properties in 1902-1903 was 9958; in 1907-1908, 16, 812. The number of new buildings erected was: 1902-1903, 323; 1903-1904, 475; 1904-1905, 575; 1905-1906, 814; 1906-1907, 883; 1907-1908, not yet ascertained."

Mr. Robert N. Keeling, Town Clerk of Palmerston North, wrote as follows to Mr. A. G. Huie, Sydney, in 1905, in reply to inquiries, Palmerston North having adopted the new system of rating in 1897:

"Does it (the new system of rating) encourage owners to use their land rather than hold it for speculative purposes? It is difficult to say positively what motive may actuate owners to dispose of lands held for some years, but almost immediately after the Act was adopted by this borough, absentee owners did cut up large areas for sale.

"Does it mean an increase of rates for workingmen who own their own homes? " It means a decrease in rates where the value of improvements is in excess of the land value.

"Has it had a beneficial effect on the building trade? " Buildings have enormously increased here the last two or three years. I should say the change in the incidence of taxation was partly, if not wholly, the inducement.

"Generally what do you think of unimproved value rating? " It appears to me that rating on unimproved values can be more equably and fairly distributed than when improvements have to be taken into account; the value of land can be definitely fixed, whereas the value of the improvements is the opinion of the assessor. As a fact the objections in the Assessment Court are, with few exceptions, confined to the improvements, and not the land values.

Further, rating improvements is a tax on industry and acts as a deterrent, and also encourages holding large areas for a rise owing to improvements made by those living on neighbouring properties. For these reasons, among others, I have always been in favour of our present system, and, since it has been in vogue, no suggestion has ever been made to have it reversed.

In addition to this official testimony, the report of two private gentlemen may be given. In 1908 Professor J. E. le Rossignol, an American, was assisted by Mr. W. Downie Stewart, a barrister of Dunedin, in making an investigation into the working of the rating on unimproved value. Both gentlemen approached the investigation in an hostile spirit, and this bias is easily discernible in their report. Nevertheless it supports, in the main, the official testimony already given. The following is a summary of their findings:

- "1. The tax is too slight to have any marked effect in discouraging speculation, especially in view of the general rise in land values; but in a number of cases weak holders have been compelled to sell to strong holders or to buyers of small lots for building.
- "2. In a few places, as in Wellington, where there is a great scarcity of building sites, the tendency already existing towards overcrowding has been increased. A higher tax would have a still greater effect in this direction.
- "3. The increase of buildings and other improvements has been due chiefly, if not altogether, to the general prosperity of the country, and the consequent increase of population. Districts where the old system of rating has been retained have prospered as much as the others.
- "4. The tax is not sufficient to stimulate building to any marked extent; but if it were, and a large number of people improved their land for the sake of securing some revenue, and not in response to increased demand, rents in general would fall, and the owners of improved property would lose as much as they had gained by exemption from taxation, or more. At the same time, the propertyless class would gain by the reduction of rents.

"5. The question of equity in the majority of cases has resolved itself into a question of the interests of the several cases concerned. There are two classes of owners; those whose unimproved value is greater than the value of their improvements, and those who own a greater value in improvements than in land. Owners of the latter class are well satisfied with the rating on unimproved value, since it has reduced their taxes. Owners of the former class complain when their taxes are materially increased, but, since land values have risen almost everywhere, most of these people have lost nothing, and feel no great burden unless they are holding large quantities of unimproved land. There are also many individual cases of hardship, as where a poor person in a borough has a large vegetable garden or a paddock for a cow. Some industries, too, such as lumberyards, foundries, and dairies, situated within a borough have had their taxes greatly increased, and have been compelled to move to the country, where land is cheap. Not infrequently people owning large houses built upon small lots have had their taxes reduced, while some of their poorer neighbours have paid more; but as a rule a large house is built upon a large piece of land, and a small house upon a small allotment. Besides, rich people, as a rule, own more unimproved land than poor people. Therefore the adoption of the new system involves a shifting of the burden of local taxation from the many to the relatively few, and those few, in a progressive community, are usually those best able to bear it. In a stationary or declining community the case might be quite different.

"6. Land values have risen greatly, notwithstanding the tax. This, together with the slight amount of the tax, is probably the cause of the general indifference of the ratepayer to the question. There is still a great deal of speculation in land, and land values are probably too high, in view of a possible, and even probable, fall in prices of mutton and wool because of increasing competition on the part of Australia and Argentina.

"7. A majority of the ratepayers have had their rates

reduced, and are well satisfied with this result. A large proportion of the minority are indifferent. The labouring class, who are interested in the question of lower rents, are largely in favour of rating on unimproved value. The minority who suffer hardship from the new rating have not sufficient influence to cause it to be abolished.

"A careful and dispassionate review of the facts does not seem to warrant the optimistic conclusions of the supporters of the rating on the unimproved value system. The benefits are not so obvious as to command universal approval. Up to the present time the economic effects have been insignificant. The most notable feature of the system is the shifting of the burden of local taxation from one class of ratepayers to another. It is a phase of the tendency which prevails throughout Australia towards an equalization of wealth by means of a legal transfer of the property of the wealthier classes to the pockets of their poorer neighbours. Whether the ultimate result will be beneficial to the community is by no means certain." ("Argus," 4/8/08.)

That the remarkable and uninterrupted prosperity which New Zealand has enjoyed since 1891 is largely due to the introduction, during that year, of the taxation of land values, and the subsequent adoption of rating on land values, is not denied by anyone. Not unfrequently, however, it is contended that other causes have materially contributed, such as the purchase and subdivision of estates and the advances to settlers by the Government, the large volume of public borrowing, and, notably, the Compulsory Conciliation and Arbitration Act.

As to the former of these contentions it need only be pointed out, in order to demonstrate that whatever result this policy may have produced, it cannot account to any considerable degree for the continued prosperity of the Dominion, that the entire result of the policy, since its initiation in 1892, has been to settle 3869 Crown tenants upon the land. Moreover it is admitted that the entrance of the Government as a purchaser into the land market, as well as its money advances to settlers, have materially contributed to the rise in land values. The latter tendency must to some extent have counteracted the effect of land value taxation in causing subdivision of large estates by inducing owners to wait for higher prices. This indirect result of both these measures must

have counteracted their direct result to a very large extent, and it may therefore well be that the entire tendency of this policy has been more harmful than beneficial.

The contention that large public borrowings may account for the prosperity of New Zealand is equally untenable. The following figures show the amount of the addition to public indebtedness made in New Zealand and Victoria during the period under review, i. e., 1890 to 1906, and prove that the excess of borrowing in New Zealand was only £4,236,075 in total amount and that the addition to the indebtedness per head of population was actually less, i. e.: In New Zealand, £6 1s.; in Victoria, £14 6s., or more than twice as much. Yet prosperity has not accompanied this borrowing in Victoria.

PUBLIC DEBT OF NEW ZEALAND

"Official Year Book 1906-7," pp. 534, 200 and 206

1890 -

Gross State Debt	£38,667,950
Sinking Fund	<u>1,386,185</u>
Net State Debt	£37,281,765
* Municipal Debt	<u>5,968,383</u>
Total indebtedness.....	£43,250,148

Or per head of white population - £69.91

1906 -

Gross State Debt.....	£62,191,040
Sinking Fund	<u>2,520,569</u>
Net State Debt	£59,670,471
* Municipal Debt	<u>9,722,081</u>
Total indebtedness.....	£69,392,552

Or per head of white population - £75.92

Increase - 26,142,404, or £6.1 per head of population

*Exclusive of debts due to the State and inclusive of all local governmental agencies.

Victoria Year Book, 1906-7, pp. 150, 146

1890 -

Funded State Debt.....	£41,377,693	
Unfunded State Debt.....	nil	
*Municipal Debt.....	<u>4,444,440</u>	
		£ 45,822,123
Sinking Funds (State and Municipal).....		<u>204,159</u>
Total indebtedness.....		£ 45,617,974

Or per head of population - £40.2

1906 -

Funded State Debt.....	£52,904,800	
Unfunded State Debt.....	1,860,495	
*Municipal Debt.....	<u>14,060,417</u>	
		£ 68,825,712
Sinking Funds		<u>1,301,409</u>
Total State and Municipal Debt.....		£ 67,524,303

Or per head of population - £54.8

Increase, £21,906,329, or £14.6 per head of population

Similarly, the advances to settlers amounted, up to March 31st, 1906, to only £4,922,630, and were made to dwellers in town and country alike. Up to the same time, June 30th, 1906, the Government of Victoria has advanced to rural settlers alone the sum of £2,021,333 without any such prosperity resulting as took place in New Zealand. (See ante.)

As regards the third contention, the answer is equally conclusive. If the Compulsory Arbitration Act had any strong tendency to ensure prosperity in New Zealand, similar legislation would have produced a similarly strong tendency in other countries. The State of Victoria has such legislation, i. e., Wages Boards, which, like the New Zealand Act, determine wages and working conditions, and which by many labour-leaders and impartial sympathisers with such legislation, are preferred to the New Zealand system as more favourable to labour. Yet, as the foregoing Victorian statistics prove, no such tendency to increasing prosperity has been evoked by this legislation.

Moreover, the tendency to increasing prosperity showed itself strongly in New Zealand before the working of the Arbitration Act first passed in 1894, viz., in 1892, immediately land value taxation came into force.

Furthermore, the New Zealand Arbitration Act stands now condemned by its principal authors and by the working classes themselves, viz.:

Mr. Edward Tregear, who, as Secretary of Labour, was one of the authors of this Act, in an official report on its working, maintained that the rise in wages caused by the Act had been more than nullified by a consequent rise in prices, and especially in rent. One of the trenchant statements contained in this report may be quoted. It is:

"There has been no fair ratio between the rise in wages and the rise in prices. The fact is that there is a third hand in the game besides the employer and the employed--the non-producing ground-landlord of city and suburban property--who alone will rise a winner in the end."

Similarly, the late Mr. Richard Seddon, the Prime Minister, who passed the Act, stated shortly before his death, at a meeting of the Australian Labour League at Sydney, that the Conciliation and Arbitration Act of New Zealand had benefited one class only--the landlord class.

The workers for whose alleged benefit the Act was passed, and who for years regarded it as the sheet-anchor of their prosperity, have of late years broken out in revolt against it. One piece of news which was cabled to the Melbourne "Argus" and published on July 22nd, 1908, will illustrate their present attitude:

"WELLINGTON, Tuesday - At the Trades Council's conference an addition to the annual report was adopted, supporting the efforts of various unions to gain their ends by means of strikes. The resolution contained the following expressions:

"We are pleased to note that all these efforts have been, or are likely to prove, successful after the efforts have all had the backing of public opinion. They were all rendered

necessary by the vicious policy of victimisation followed by some of the employers, or by the palpably unjust terms of awards, or by the substitution of Arbitration Court law for statute law.'

"A West Coast delegate (Mr. Hickey) said that the Arbitration Act was not good enough. The workers should reserve to themselves the right to take united action at their discretion.

"Mr. J. Rigg, M.L.A. said that the present time was the most momentous in the history of labour in New Zealand. They were on the eve of very troublesome times, for labour looked forward with considerable anxiety to the next two or three years. Everything ought to be subjected to the federation of labour. There was only one form that could take, that was a political organisation."

It would, however, be an exaggeration to credit land value taxation by itself with the great and continued prosperity of New Zealand. As a matter of fact, the taxation imposed upon the unimproved value of land is too limited to have produced any startling and long-continued results had not special circumstances made it exceptionally opportune. At the time when it was imposed the invention of cream separators and refrigerating machinery on steamships had created the opportunity for a greatly increased export of dairy products and meat, at remunerative prices, for all sparsely-settled countries. Full advantage could not be taken of this opportunity as long as the best land of such countries was held as large grazing estates. The taxation of land values, in spite of its limited character, exercised a considerable influence towards the subdivision of these estates in New Zealand, and thus enabled the people of the Dominion to take fuller advantage of the new opportunities than they previously could and than was possible in other countries similarly situated, for instance, in the neighbouring States of Victoria and New South Wales. Hence it may be claimed with absolute justice, that land value taxation is the prime cause of the great and long continued prosperity of New Zealand, because to a large extent it removed the barrier which had prevented its people and which continues to prevent the people of similarly situated countries, from taking full advantage of a new and great opportunity to increase their wealth.