

APPLY THE LAND VALUES SYSTEM EVERYWHERE

The New Zealand League for the Taxation of Land Values is pressing for a change in the Rating Laws whereby the system of Land Value Rating with total exemption of all buildings and improvements shall be universally adopted. Its arguments are fully stated in an informing brochure, with descriptive map of New Zealand, entitled *Why Rating on Unimproved Values Should be Made Mandatory*, and written by Dr. Rolland O'Regan.

At present three different bases of assessment are available and it rests with the local authorities to choose which they will adopt. These three bases are (1) the "annual value" of land and buildings taken together; (2) the "capital value" of land and buildings taken together—that is, without discriminating between land and buildings in either case; and (3) the "unimproved value," which is the capital value of the land alone, whether used or not, and apart from buildings and improvements. Systems (1) and (2) are adopted by resolution of the Council. System (3) requires a referendum of the ratepayers.

The option to levy rates (local taxes) on the "unimproved" value was first granted by the Act of 1896, but it was a limited option since the Act did not apply to water, gas, electric light, sewage and hospital and charitable aid rates. Under that Act, these separate rates had to continue assessable either on the aforesaid "annual" or "capital" basis. The 1896 Act was amended in 1911 so that any local authority which had adopted the 1896 Act could, if so desired, extend the "unimproved" system and apply it to all rates. The 1911 Act also provided that in future where the option to adopt the "unimproved" basis was exercised, it must apply to all rates.

Over the years, the progress in the direction of levying the rates on unimproved value has been such that (according to latest published statistics, Local Authorities Handbook for 1943-44) this system is in operation in 80 of the 127 boroughs; 58 of the 125 counties and 26 of the 55 town districts. The system operates also in a number of road, river, land-drainage and electric-power districts. The old and original "annual value" basis for taxing land and buildings together has been so largely abandoned that it now operates in only 25 boroughs and 5 town districts. For the rest, it is the "capital value" of land and buildings (slumped together) which obtains, that system operating in 22 boroughs, 66 counties and 24 town districts.

The vast majority of the places operating the "unimproved" system do so under provision of the 1911 Act, leaving comparatively few which have the system "partially" in operation under the 1896 Act.

But, as the League points out, there are a number of anomalies and in places certain illegalities. For example, certain places have adopted "unimproved value" or have extended the 1896 Act without any referendum having been taken—the town council has simply made decision for itself. Again, there are places operating the "unimproved system" under the 1911 Act which have disobeyed the law by continuing to levy some separate rates either on "annual" or on "capital" value. The League further points out the obstacles placed in the way of amalgamations of local bodies (where they are desirable or advantageous) by the differing system of rating that may be in operation in adjoining districts. The case for a system universally applicable is therefore enormously strengthened; and with all the advantages attaching to the "unimproved basis," besides the fact that it has now been so largely adopted at the choice of local authorities, decides that system as the one for New Zealand as a whole. The arguments for the reform are well supported by the facts and figures given as to the incidence of taxation upon residential and business properties, etc., where the "land values" system operates, taking the City of Wellington as a notable example. The following summary is the statement.

IN FAVOUR OF LAND-VALUE RATING

1. *Because it is just.* The unimproved value of land is created by the presence and activity of the whole community; it is not produced by individuals. The activities of the Local Body representing the community contribute very largely to the unimproved value of land. Where the Local Body needs revenue,

it is just that it would be obtained from the community-created value of land.

2. *Because it is simple.* Valuations are simpler; assessments are simpler; comparisons of valuations are easier; a single basis on which to assess rates is a distinct advantage.

3. *Because it is scientific.* An exact line is drawn between individual and community rights in property. Individual rights are fully respected and no levy is made on any value arising from individual effort or initiative.

4. *Because it encourages improvements.* Rates do not increase when you improve your property. The empty section pays the same rate as the one next door, equally valuable, with a shop or house on it.

5. *Because it encourages the building of houses.* If you want fewer dogs, put on a dog tax! If you want fewer houses, tax houses. But if you want houses built, take all taxation off them and put it on the site value. Rating on the unimproved value cheapens sites and untaxes houses, and so encourages house-building.

6. *Because it encourages employment.* A rating system which encourages buildings and other improvements on land is always making jobs for carpenters, plumbers, electricians and all the allied trades who make and maintain improvements of all kinds.

7. *Because it acts as a check on high land values.* It does this, first by being a direct deduction from land values; and secondly by discouraging land from being held off the market and thus producing an artificial scarcity of sections at scarcity prices.

8. *Because it discourages land speculation.* The speculator who buys up land, not to use it but merely to wait for the market to rise, will pay his fair share of rates and thereby be discouraged from blockading land and making it scarce and dear to genuine land users.

9. *Because it means a lower rate to the large majority of owners.*

10. *Because a rate on the composite value does the opposite of all those things.* The taxation of buildings and improvements penalises the man who improves his property and correspondingly favours by a lower rate the man who holds land idle and unused. That system is therefore fundamentally anti-social in its effects.

We are pleased to see that the *Commonweal of New Zealand* has now resumed publication, with Mr. T. E. McMillan back in his editorial chair. Subscription is 5s. yearly and may be sent to Mr. T. E. McMillan, Hohaia Street, Matamata, New Zealand.

SPAIN

The publishing house, "Editorial Labor S.A." of Barcelona, have a new *Dictionary of Political Economy*, the author of which is the German professor, Wolfgang Heller. A correspondent, Emilia Lemos Ortega, of Sevilla (from whom we have been glad to hear again after many years), has sent a copy of a long letter written by him to those publishers in which he, while praising the work, regrets the omission of many eminent economists, notably Henry George. We are indebted to the Rev. Mervyn Stewart for a translation of this well-stated "protest." Mr. Ortega speaks of George's contribution to the Science and names his main works. He notices omission of Bernardino Rivadavia of Argentina, Andres Lamas of Uruguay, Andres Maspero Castro, Ignacio Ferrer, Angel Silva, Max Hirsch, Sun Yat Sen, Adolf Damaschke. Among the vast array of omitted economists are the Spaniards, Companones, Jovellanos, Estrada, Costa, Francesco de Centani, Luis Vives, Father Mariana, Magin Puig and Julio Senador Gomez. An eloquent tribute is paid to the services of Baldomero Argente (translator of George's Works and author on his own account) and to the late Antonio Albendin, who are also omitted. Mr. Ortega would also wish a place found for the writings of Louis Post, Josiah and Ethel Wedgwood and W. R. Lester. Concluding his letter to the publishers, Mr. Ortega wrote: "In order to make the Dictionary, as it should be, an indispensable reference for every economist and