INTERNATIONAL NEWS

SOUTH AFRICA

Fantastic Prices Destroying the Policy of Land Purchase

The policy of public land purchase is exposed in facts and arguments in an article appearing in the " Sunday Mail " Salisbury, Rhodesia, of 7th March. We print the article in full with acknowledgments :—

As part of his Native Policy last year, General Hertzog stated £10,000,000 would be set aside for the purchase of land for natives. It was anticipated this would make quite a lot of land available. The Natives Land Trust has found, however, that when it wants to purchase land the price soars to unimagined heights.

The chief factor in the delay appears to be a sudden outbreak of optimism among certain members of the farming population, who have come to the conclusion that their land is worth considerably more than anyone had previously imagined. Wherever the Government is seeking to acquire land, prices are definitely up ; in some instances to an extent which would certainly render the total sum available totally inadequate for its purpose." (*Rand Daily Mail.*)

For example, a valuation of 18s. a morgen for land in an outlying part of the Northern Transvaal was objected to, and an even more difficult position arose in the King-williamstown area, where one block required in the European owner area was valued by the Central Land Board as high as £20 per acre, involving a total price in the neighbourhood of £200,000 !

As to this, the *Star* says—

" It appears that figures such as these, taken in conjunction with the expectation that substantially higher valuations will be placed on some of the land in Natal which it is proposed to buy, are likely to interfere seriously with the necessary purchases. If this is the effect it will be singularly unfortunate, in view of the importance of the Natives Land Trust proposals, which embody what the natives are supposed to receive as against a great deal of restrictive legislation."

The same paper regards these prices as fantastic.

" At the same time the figures given seem almost fantastic in the light of common knowledge of land values and farming conditions in the Union. Farmers in the Northern Transvaal have often stated that they could neither make a living nor dispose of their land, whereas since the purchases for natives commenced there has been more than one optimistic statement that prices had not only recovered in those parts of the Transvaal where purchases have been made, but in general."

CIRCUMSTANCES " ALTER CASES "

" When farmers require assistance, a great deal is heard of the impossibility of making farming pay ; but the moment the Government sets out to buy land, whether for irrigation projects, native occupation or some other public purpose, the capital value of soil from which the scantiest returns have previously been alleged is represented in globular figures."

GENERAL INFLATION OF VALUES

At the same time it recognises that there is a general unreality about land values, and the farmers are not alone to blame.

" The crux of the situation is revealed in a recent observation from Pietersburg on this subject, to the effect that nine out of ten farms are bonded and that in many cases the proposed general price will not serve to pay off the bonds. The fact is that farm values have been so much inflated—the inflation having been maintained by assistance with Government funds throughout depressions, and in other ways—that they no longer bear any real relations to the producing capacity of the land. Dealing with this danger during the boom which preceded the greal fall in world prices, the report of the Secretary for Lands (1927) laid it down that—

' land is only worth . . . what an ordinary man of average capacity for work and intelligence, adopting average farming methods, and possessing a moderate capital, can make out of it.'

" This is an excellent principle, in fact it is elementary common sense ; but while the Lands Department may make some kind of attempt to adhere to it, there could hardly be a wider departure from it than is to be found in the general policy of the Union."

The *Rand Daily Mail* thinks that in the final resort expropriation may have to be resorted to, despite the political consequences.

NEW ZEALAND

Mr W. B. Sutch, secretary-economist to the Minister of Finance and Marketing, in *Recent Economical Changes in New Zealand*, 1936, says :—

New Zealand combines probably the most efficient land transfer system in the world with a mainly freehold system of land tenure. Leaving aside the recurrent effects of falling prices, the result is, with an active market for farm properties, a tendency for the debts against a farm to be always a little more than the farmer can meet, without lowering his own and his family's living standards.

If the Government subsidizes the carriage of lime or fertiliser by rail, the subsidy is soon absorbed in the capital value of the farm, if the Government applies a policy of partial derating to rural lands, the concession is capitalized in the value of farm land, if interest rates are lowered, the relief in interest rates is capitalized, if science and invention make farm land more economically productive, the benefits are capitalized, if the costs of processing farm products decrease, the decrease is capitalized, if wage rates fall the reduction is capitalized, if wives and children work without a return or with an insufficient return, what is saved is capitalized, if the incoming owner has hopes that he can farm more skillfully, the measure of the hope or the skill is capitalized, if there is an expectation of rising prices—guaranteed or otherwise—the expectation is capitalized.

Trading in farm lands and cultivating farm lands do not go well together, and while the system of freehold continues to be divorced from the system of usehold, New Zealand's basic farm problem will remain. (Quoted from *The Standard*, Sydney, 15th January.)

NORWAY

The municipal law of Norway makes provision for a limited measure of land value rating in lieu of taxation on buildings, although still leaving the bulk of the local revenues derivable from the objectionable local income tax. In Section 77, s.s. 2, of the consolidated code based on the Act of August, 1911, and its amendments, it is provided that land shall be taxed at least 2 and at most 7 per 1,000 of its capital value whether used or not ; but option is given to tax the value of all land, built upon or not built upon, at a higher rate than 7 per 1,000 if at the same time the rate on buildings can be fixed so low (down to 2) that the rate-revenue is not more than what would be produced by a tax of 7 per 1,000 on land and buildings taken together. It is estimated that in Oslo the total value of all the buildings is twice the total value of all the land, so that if Oslo were to take advantage of the provisions in the law, it would have a land value tax of 17 per 1,000 and the tax on buildings could be reduced to 2 per 1,000. But as things are, the tax on land and buildings is at the rate of 7 per 1,000 which of course falls also on the value of vacant land.

In the smaller towns where the relation of the value of buildings to value of land is higher than it is in Oslo, it would be possible under the present law to have a higher land value tax than 17 per 1,000—for example where the buildings are three times as valuable as the land, the land value tax could go to 22 per 1,000. So there is scope for