

# The LIBERATOR

(FOUNDED 1900)

*"You who shall liberate the land will do more for your country than we have done in the liberation of its trade."—COPDEN.*

## OBJECTIVE:

1. The removal of all rates and taxes from improvements.
2. The abolition of customs duties on food, clothing, shelter, and other necessities of life.
3. The assessment and collection of all rates and taxes on the unimproved value of land.

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## STATEMENT ON TAXATION.

(Evidence of the Hon. Geo. Fowlds,  
given before the Taxation Committee,  
at Auckland on May 8, 1924.)

The fact that taxation systems call for constant revision and endless inquiries into their incidence in an endeavour to locate anomalies and remedy defects, would indicate to thinking men that there is something unsound, uneconomic, and futile in all existing methods of taxation, and that processes of amendment, however good the intention, are devoid of a scientific basis and therefore can never be final. The process is like an attempt to stop up 10 leaks in a vessel with nine plugs, each hole being in turn stopped up with a plug removed from another hole. The vital evil contained in every system of taxation consists of the fact that it despoils a man of a portion of the product of his individual labour, and could only be justified by necessity. No such necessity exists, therefore the only way to "mend" any system of taxation is to "end" it.

The system obtaining in this Dominion is much the same as obtains in most other countries with the one exception of the land tax (so called). Revenue in the main is derived from Customs and

Excise, Income Taxes and Death Duties. Customs taxation is so notoriously inequitable (even amongst taxes which have no basis in justice) that it is a wonder that they persist in the twentieth century. (I speak of revenue duties as apart from protective duties, the latter of which, if the policy of protection is sound, should raise little or no revenue.) It is admitted practically by every authority on taxation that Customs revenue duties press heaviest on the poor man and are equivalent to an income tax graduated against the smaller incomes. They should be wiped out forthwith once and for all. Such duties as are "protective" have the same evil effect pressing heaviest on the under dog, the only difference being that, instead of the Government directly levying the tax (as with revenue duties) it presents individuals with a charter whereby they can tax the people in the interests of certain sections of the community. Protective duties have two main effects: (1) They raise the cost of living and of production, (2) they prevent exports by keeping out goods which need to come in in payment of exports. Such a policy cannot be upheld in the interests of the community as a whole. Before leaving Customs

duties I may be permitted to point out that the recent revision of the tariff has resulted in an increase per cent. on the bulk of the schedules, and that an estimate, made recently, showed that the increase of taxation involved in the revision, allowing for average importations (the mean between the years 1920, a boom period, and 1922, a lean period, being taken) amounted to no less than £1,644,438 per year. Such a policy is a retrograde step in methods of taxation.

Income taxes are preferable to Customs taxes in the matter of incidence, especially when graduated, which makes it more difficult to pass them on, but they have serious defects in other directions. They are inquisitorial, their collection calling for information which no State Department should be empowered to demand. In normal times and when the rate is high the major portion of the income tax must be passed on to the consumer and so increase the cost of living: to the extent in which the Income Tax cannot be passed on because of the exemption and the graduations it is an unfair impost on one Trader as against others in the same line of business.

Death Duties are attractive to the average person, because, with ex-

emptions and a sliding scale they bear heavily on the wealthy. The idea is, that if a man amasses a large fortune, he has, in all probability, obtained the most of his wealth without rendering an equivalent to the community.

If such is the case, the remedy lies, not in taxing his estate at so much per cent., but in the adjustment of social conditions so that the accumulation of such wealth would be impossible. If men "get without earning" other men must "earn without getting" hence, even if all the misappropriated money were taken at death, justice would not be done, seeing that the deceased had been levying a tribute of taxation, are devoid of equity and should, if possible be abolished *in toto*. I say "if possible" advisedly, for I affirm that the State can obtain all the revenue required, in times of peace at any rate, without levying on the individual earnings of any man. All that is necessary is for the State to appropriate "rent." I use the term in its economic sense, as meaning the annual value of land apart from any improvements placed upon it, or in it, that is, what is commonly called the "unimproved value" or "ground" or "site" value. Ex hypothesi, any value that attaches to land must be created by the community, seeing that the result of individual labour (improvements) is exempted. It follows, therefore, that if the State were to appropriate rent, it would not be levying taxation on individuals but merely restoring to the community those values which the community had first created. Thus values of a communal nature, instead of being, as now, appropriated and retained by land owners, would be diverted into the State Treasury. This revenue would be sufficient to enable the State to repeal all taxes. Even if it were not sufficient, the rent whatever it may be, should be taken first, before any levy is made on individuals.

With our systems of valuation it can be shown that the revenue would cover all legitimate State needs. The unimproved value of New Zealand land is set down in the latest Year Book at 329 millions

sterling, which valuation if accurate is necessarily less than the true economic value because of existing land values taxation which obviously reduces selling or market values. Taxing "rent" at 5 per cent. of the capital unimproved value, as stated, we get roughly 16½ millions, which added to the 1½ millions now collected, would give a total of 18 millions of revenue to replace the tax revenue as at present, £15,594,288 (1923). It is possible that under our present system of "fee simple" ownership the valuations are inflated and include "prospective values," but the margin, in my opinion, would cover any such inflation, especially as in many cases there is under-valuation. For the year 1922-23 the landowners of New Zealand owning £330,000,000 of unimproved land values, paid in land tax £1,541,502, the dead people paid in death duties £1,829,852, the smokers of the Dominion paid £1,181,330 in tobacco duty.

The question of housing is closely bound up with the question of taxation. The recent announcement by the Government that it would advance loans up to 95 per cent. of the value caused quite a land boom in city and suburban sections, which were sold on a small deposit and monthly instalments. The payment of these monthly instalments has had a clearly visible effect on the volume of business during the last year. The present system of taxation increases the price of nearly every commodity which goes into the building of a house and the absence of adequate land value taxation is responsible for the high and speculative price which has to be paid for a site on which to build it.

The true policy for the Government, therefore, is to gradually increase the land values taxation year by year, or session by session, using the accruing revenue to reduce, and finally extinguish, all taxes on individual industry. The periodical increase in land values taxation should continue until such time as land "apart from improvements" ceases to have any selling value, until that is, the whole of the economic rent goes to the community which has created it.

## LOCAL RATING.

The underlying basis of Mr. G. A. Lewin's articles, which appeared in "Board and Control," of Auckland, on the rating question, seems to be an assumption, perhaps unconscious, that the ideal to be aimed at should be to place the burden of the rates on ratepayers in accordance with their ability to pay. This idea vitiates his reasoning all through and comes out prominently in his sixth article, where he deals specifically with "ability to pay" under that heading, and at some considerable length. To do him justice, Mr. Lewin feels some doubt as to the soundness of the "principle," and he concludes this section by stating "unless one feels disposed to attack the 'ability to pay' maxim at its very vitals it seems difficult to find any serious fault with these hoary sentiments when applied to present day conditions." We do "attack the ability to pay maxim at its very vitals"; we say it is not a maxim at all, but so far as rating is concerned, the limit of inequity, not to give it a much stronger term. Rates are struck for the purpose of levying a charge for services rendered by the Rating Authorities. It would be just as reasonable to charge a man 2/6 for a loaf of bread, usually 6d, as to rate a man above the value of the civic services he receives, for the same reason. We deny the equity of the maxim (miscalled) and denounce the system in the strongest terms.

With this introduction we will now proceed to criticise Mr. Lewin's articles, taking seriatim such points as bear on the comparison between the Annual Value and Unimproved Value Rating Systems.

Referring to the Unimproved Value system in Wellington, the report of two officials (not named) is quoted in which these gentlemen claim the following demerits for that system: Crowding of dwellings, jerry building, lack of open spaces, absence of private gardens, small sections to houses. Before such contentions can have any weight it is necessary to eliminate other factors which may be responsible for the results mentioned. It does not

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appear to have struck these critics that the topography of Wellington and the high and artificial cost of building, may be responsible for all of them, and that the effect of the Unimproved Value system may be to counteract, though it may not be sufficient to offset them. They do not seem to have enquired why in Christchurch, where the Unimproved Value system is in vogue, none of these results are pronounced, nor that Auckland, with the Annual Value system, stands very badly in this respect and certainly worse than the City of the Plains. The report savours of "after this, therefore on account of this," and not of sound argument, or reasoned opinion.

It is further claimed that the Unimproved Value system has not forced vacant land into the market. But Mr. Lewin admits, and in any case it is obvious, that vacant land must pay higher rates under the system, and hence it follows that it must be more difficult to hold on to. That should not need further proof, especially when we know that it is the holders of vacant lots who are the most strenuous opponents of the Unimproved Value system. But the next section in the article provides evidence from Sydney supporting this view, the Town Clerk stating that "the result (of Unimproved Value rating) being that in a great many instances the lands referred to (i.e., those of valuable city lots occupied by old and dilapidated premises) have been forced into the market by heavy taxes which become a burden to the owners because of the small revenue received being swallowed up by the tax." The Town Clerk further states that the system resulted in buildings being carried high in the air to avoid a "fair" share of taxation. The height of buildings is a matter for the City by-laws. But what is a "fair" share of rates? Obviously it is equitable return for the services rendered by the Civic Authorities, and a high building involves little or no more expenditure on the part of the City than does a low one.

In article No. 4, Mr. Lewin pays a tribute to the advantages of the Unimproved Value system in regard to its effect in checking land specu-

lation and people who exploit sections for the community-created values, and states that the system in this respect is eminently suited for growing districts. He is not sure that there is any general tendency to hold land in Dunedin for speculative purposes, and if this is so, that City must be a striking exception to the other main Cities and centres of population in New Zealand.

(To be continued.)

### WHY MEN DRIFT TO THE TOWNS.

Mr. W. D. Hunt, of Wellington, is reported in the Auckland "Herald," 17/1/24, to have said amongst other things of a similar nature, "If a young single man is working on a farm and wants to get married, he has the greatest difficulty in finding a situation on a farm where he will be provided with a comfortable house for himself and wife." "This all means a great loss to the man, to his family, and to the State."

Mr. Hunt has never studied the Land Question from an economical point of view. We tax a farmer for building a house, we tax the iron roofing of the new house, and we tax everything in the house, and every material thing which goes to make the lives of the young people happy, while with every increase in the value of farm products the farmer gets the increase for that product and at the same time gets an unearned increase in his land value, and finally sells his farm at the inflated value, retires to the city, and lives on the interest on the unearned increment. (Since the above was written Mr. Hunt is reported to have sold his farm near Invercargill for a very substantial sum).

A large number of farmers occupy more land than they can profitably use. Would Mr. Hunt advocate the taxation of land values to make room for the young couple, or State control of the farms, or compulsory accommodation provided under the Arbitration Act.

The "Liberator" has always advocated the taxation of land values, because it is simple, just, effective, equitable, and can be applied without extensive legislation.

### LAND VALUES LEAGUE.

#### A CORPORATE BODY.

Now that the question of taxation is before the public by reason of the recent appointment of the Taxation Commission, it is interesting to learn that the New Zealand Land Values League has recently become an incorporated body pursuant to the provisions of the Incorporated Societies Act, 1908, and as such it has adopted a definite code of rules setting out the objective of the organisation, the conditions of membership and the means by which it proposes to achieve its ends. The objectives of the League are set out in Rule 3 and are declared to be the taxation of the unimproved value of land, and in particular:—

1. The reduction of indirect taxation, commencing with the abolition of the Customs duties on food, clothing, and other articles of daily use, every such reduction to be accompanied or compensated by a corresponding increase in the taxation of the unimproved value of land.
2. To oppose the adoption of toll-gates, wheel taxes, petrol taxes and all fiscal burdens upon locomotion and the transit of goods.
3. To oppose the taxation of buildings and other improvements, and to place all local taxation, generally termed rating, on the unimproved value of land.
4. The compilation of statistics, returns, etc., showing how the land of New Zealand is held, how taxation is levied, and how the public welfare is hindered by the monopoly of land.
5. By means of lectures, debates, letters to the press, and such other lawful and constitutional means as may be decided upon to promote discussion of the principles of taxation for which the League stands.
6. With a view to furthering the foregoing objects or any of them, to arrange deputations to Ministers of the Crown, members of Parliament, political conferences, conferences of local government bodies, or other representative organisations, and.
7. Generally to do all things usual and proper for the purpose of accomplishing the objects of the League.

The League is to consist of an unlimited number of members in agreement with its object and a minimum subscription of 5/- per member is payable. Every member is required to subscribe to the following statement of principles:—

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1. The land of New Zealand is by natural right the common inheritance of its people, and, as in the matter of natural rights, one man is as good as another, it follows that every person in this country has an equal right to the land.
2. The foregoing proposition may be stated in another form. Every man has a natural right to equality or opportunity, that is to say, to pursue his own interest in his own way, subject always to the equal right of every other man.
3. Every man has a natural right to possess and enjoy the fruits of his own labour, and accordingly, the right of private property in the product of labour is based upon equity and justice.
4. Hence it follows that every man who occupies land has the right to possess and enjoy the wealth produced by the application of his labour thereto, and accordingly, to secure that right, he is entitled to the exclusive occupation and use thereof as an incident to what is popularly termed ownership.
5. But no man can have or acquire the right to monopolise land, that is to say a right merely to "own" land without adequately utilising the same, and hence.
6. Every landed proprietor should pay an annual tax to the community, being the annual value of his land after deducting the value of his improvements. This method of taxation is just and equitable, because.
7. All wealth is the product of labour to land, whence it follows that land itself is not wealth, but the basis or raw material from which wealth is produced, and.
8. Inasmuch as all wealth is the product of labour, it follows that the taxation of wealth is really the taxation, and consequent reduction of, the earnings of labour. Accordingly,
9. It follows that all such taxation is unjust, inasmuch as wealth belongs wholly to the person whose labour produces it.
10. Since every man is equally entitled to the opportunity to work, it follows that every man is equally entitled to access to land.
11. The proper function of government is to assure to every man the protection and enjoyment of his natural rights.
12. It is not the function of government to provide men with work, but it is the function of government to afford every man the opportunity to employ himself.
13. The taxation of the unimproved value of land will insure the complete and continual use thereof, and therefore the constant opportunity for the employment of labour, but the appropriation by the community of the unimproved value of land is just and expedient upon other grounds, because,
14. Such taxation alone conforms to the accepted principles of taxation as expounded by the science of political economy.
15. Revenue is as necessary for civilised man as food or clothing, and hence it is of paramount importance that

- society should obtain its revenue by a just and equitable system of taxation.
16. The unimproved value of land is essentially a community-created or social value which increases with the progress of the community, and hence it belongs to the community alone, and to permit private persons to appropriate it, is the worst form of injustice in that it enables a few in the form of law to deprive others of their earnings while at the same time depriving the community of its natural and obvious right.
17. Once the community derives its revenue from a tax on the unimproved value of land everybody will be able to estimate simply and accurately the annual revenue, and the mystery now-a-days associated with what is termed finance will become a thing of the past.
18. Since the adoption of the present inadequate tax on the unimproved value of land, we have necessarily adopted a system of valuation whereby the value of improvements is separated from the unimproved value. The cost of that valuation will remain constant, no matter to what extent the taxation of the unimproved value may be increased hereafter.
19. Hence the taxation of the unimproved value of land must involve the simplification and cheapening of government.
20. The proper function of capital is to co-operate with labour in the production of wealth, but capital used merely in blockading land retards production, and hence contravenes the highest public interest.
21. Although all taxes on the earnings of labour are unjust and inexpedient, the most unjust are those levied on necessities through the Customs.
22. All such taxes are but legalised raids upon the earnings of labour.
23. The man who has no property necessarily has no means of existence but his labour, and accordingly he should be exempted from all taxes.
24. Since all wealth is the product of labour applied to land it follows that the more populous the nation becomes the greater will be its riches, and hence human beings are the greatest and best assets the nation can have, but,
25. Since man cannot live without land, it is of vital importance that land monopoly should be abolished for all time, and hence immigration should not be encouraged until just taxation shall have made proper opportunities for the people.
26. Land monopoly can be got rid of easily, and for all time by the simple device of utilising the taxing power to socialise the unimproved value of land.
27. Land monopoly permits a few to become inordinately rich at the expense of their fellows, it drives cultivators off vast tracts in the country, it overcrowds human beings in the centres of population, it gives mere gambling and trafficking in the people's inheritance the appearance of a legitimate business, it robs the worker of the fruits of his labour, and hence it is not

merely useless, but dangerous and ought to be abolished.

28. Hence I believe that the land question is the great social question of our times, and that the taxation of the unimproved value of land is the most important and urgent of social reforms.

## NEWS.

The Hon. George Fowlds has left to attend an international conference of Rotary Clubs in Toronto, Canada. He will be speaking before Single Tax organisations in the United States and Canada.

The recent successful rating poll at Tauranga was considerably helped by Messrs. G. Parr and J. Tidd, of Hamilton, who went over and addressed a public meeting prior to the poll.

The Taxation Committee which has been taking evidence throughout the Dominion was given statements on land value taxation by the Hon. George Fowlds and Mr. C. H. Nightingale in Auckland, and Mr. P. J. O'Regan, of Wellington. Mr. R. E. Taylor, of Auckland, also sent in a statement.

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