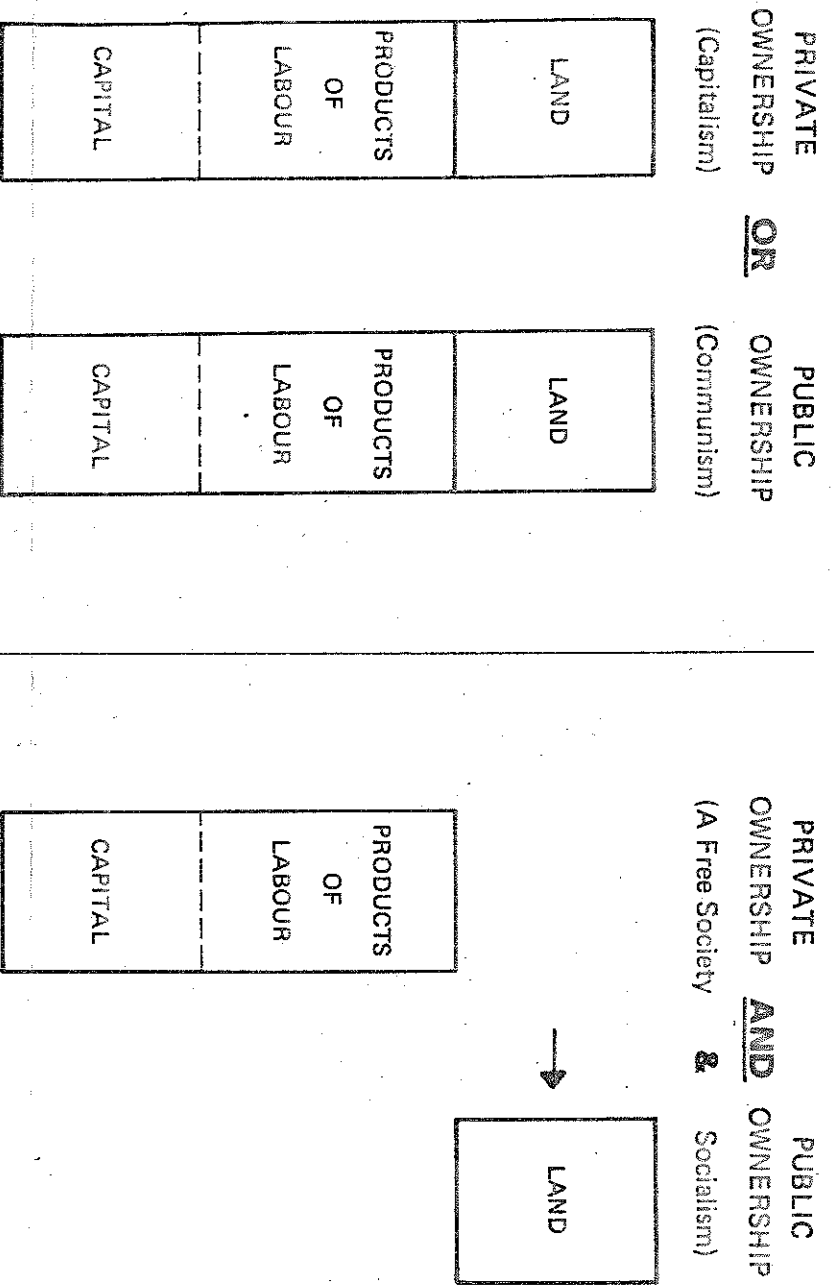


THE CASE FOR . . .

CROWN LEASEHOLD LAND TENURE

THE PROBLEM ?

THE SOLUTION !



THE DIAGRAM RESOLVES THE BASIC POLITICO-ECONOMIC PROBLEM CONFRONTING THE WORLD TO-DAY. BY SOCIALISING ONLY THAT WHICH BELONGS TO SOCIETY, NAMELY THE RENT OF LAND, AND LEAVING INVIOULATE THAT WHICH BELONGS TO THE INDIVIDUAL, NAMELY THE REWARDS OF LABOUR AND THRIFT, THE PROPOSAL ENSURES THE ADVANTAGES OF

- TRUE EQUALITY OF OPPORTUNITY
- THE FREE MARKET AND PRIVATE ENTERPRISE
- CO-OPERATION BETWEEN LABOUR AND MANAGEMENT
- PRIVATE PROPERTY AND LIMITED GOVERNMENT

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USE THE RENT OF LAND FOR

PUBLIC REVENUE

- Abolish Taxes
- End inflation without unemployment
- End unemployment without inflation
- Make many reforms easier and others unnecessary

SOME LINES OF ACTION IMMEDIATELY POSSIBLE

1. Revise the existing Land Tax legislation to -

- (a) Include rural as well as urban land, as it did until recently.
- (b) Remove or reduce the exemptions.
- (c) Increase the rate.

(d) Make the Land Tax a pay-as-you-go Death Duty with exemption from income tax for those who elect to convert to leasehold tenure from the time of death or other agreed date.

By 1922 the land tax yielded roughly 10% of the budget of £16 million, or about £1.6 million. Today it still yields the same revenue but comprises less than .1% of the budget - a veritable farce!

This failure of the tax to keep pace has benefited the richest people in the country and those most able to pay, insofar as that may be the criterion.

2. Encourage the universal adoption of Unimproved Land Value Rating for Local Govt. It has become almost universal by popular vote. Dissident areas are largely unaware of the benefits to be gained from the change.

3. Make the home-owner's Rates tax-deductible.

This would allow the 'painless' increase of a thoroughly beneficial and widely preferred means of local revenue - the intensification of the good at the expense of the bad. It would promote and strengthen the sort of Regional administrative unit which might eventually administer the measures advocated.

4. Stop the alienation of Crown and Municipal land.

Current revenue from existing holdings should be used to build a fund with which the process might be reversed. The community should increase its stake in its only asset, not relinquish it.

5. Revise the law covering Crown Leases - The Public Bodies Leases Act, etc.

Rents should be reviewed more frequently, say every 3 or 5 years, and the term realistically related to different classes of property, say 25, 50 or 99 years as the case may be. Under current practice Crown Leases are little short of Freehold. Significantly, an Australian Royal Commission was appointed in 1973/74 to examine the Crown Leases of Canberra A.C.T., and leasehold land tenure in general. An interim report unequivocally affirms the principle.

CONCLUSION

In New Zealand we already have ample means of achieving economic justice and an end to inflation. What we must do is to use the opportunities we have to take land values for public purposes and to abolish taxes. By so doing, many reforms will be made easier and others will become unnecessary.

IN BRIEF, TAKING THE RENT OF LAND FOR PUBLIC REVENUE IS

- DEMONSTRABLY SOUND ECONOMICALLY
- DEMONSTRABLY PRACTICABLE
- DEMONSTRABLY POPULAR
- IRREFUTABLY JUST
- THE ONLY BASIS ON WHICH THE ADVANTAGES OF THE FREE MARKET,
PRIVATE PROPERTY AND LIMITED GOVERNMENT CAN BE SECURED

Land Rent for Revenue Society,
P.O. Box 6038,
AUCKLAND.

over ...

AK 5/2/ 14.1.83

The challenge

AN intriguing thing about the supplementary minimum prices paid by the taxpayer to help farmers is that the farmers themselves have always seemed more troubled by them than city folk. There seems to be a certain sensitivity at receiving a return that ignores the realities of the market place.

Prime Minister Mr Muldoon, a staunch defender of the SMP scheme, would respond that it recognises the realities of New Zealand's economic situation.

Our reliance on overseas income makes it absolutely necessary that the farmer be kept in business; his income keeps New Zealand in business. More directly still, the town-dweller's industries, his job and his standard of living are dependent on the farmer's ability to spend.

Yet there clearly are troublesome aspects to the scheme, which cost the country more than \$300 million in the 1981-82 year. The cost has skyrocketed; it does dismiss market reality and thus can distort production; it has unrealistically inflated the price of land, there is no means test; it does expose us to attack overseas.

Mr Muldoon apparently recognises the force of these objections, and there are indications that the scheme will be reviewed this year. But Mr Muldoon adds the challenge: Produce something better. Given the inescapable facts of the situation, that will be the problem.

Other points of view

Farm values

VENDORS OF farm properties in recent years have benefited from the phenomenal increase in land values. But the trend has been bad for farming and the economy generally and particularly unhappy for young farmers seeking their first properties. But the end of the boom will not bring much joy either. One of the prime reasons for the slowdown of land value increases is the difficulty making a profit from markets which are already under pressure and likely to become increasingly so in the years ahead. The cause in land value increases may put an end to

Taranaki Herald

AK 5/2/ 1.2.82

Need to Prevent Land Wrangles

A Government policy on Maori land that would prevent a controversy like Pasifika Pt from happening in the future has been recommended by the Race Relations Conciliator, Mr Hui Taurua.

In his report on race relations, called "Race Against Time," Mr Taurua identifies decisions affecting Maori land as the major challenge to Maori-Pakeha relationships.

He suggests that the Government, with full consultation with the Maori people, should create without delay a Maori land policy that encourages the retention of land in tribal ownership. Maori freehold land should be limited and restricted from compulsory acquisition under all law, he said.

Land Issues

"It should only be acquired by such methods under exceptional circumstances which involve additional procedures that take into account Maori cultural practices and beliefs," he said.

Asked whether such moves would prevent another Bastion Pt from occurring, Mr Taurua said: "Yes it would. But what is really being said is that land issues are just

looked at in the light of English-based law.

"There are no allowances for Maori interpretation at all. Such things should also be considered in the way Maori people view them."

Multiple Rights
In his report, Mr Taurua said: "Much of this dispute (the general land issue) has arisen because of the differing philosophies regarding land."

"The philosophy of the Maori elders is that you do not own the land, you are only the custodians. This land is administered and controlled through multiple rights or through family or tribal connections."

"Ownership remains within one family or tribe and is handed on to the next generation."

"The Pakeha philosophy is the reverse. That is, you own land. It is a commodity to be bought or sold."

Alienation

It could be argued, he said, that there would always be classes on land issues until those values were reconciled in law.

Maoris were particularly concerned over the continuing alienation of Maori land into Pakeha ownership and the obstruction of development and administration of Maori land by Pakeha lending policies which did not recognise multiple ownership.

Because it was difficult to obtain loans on communally owned land, much was leased or administered by Pakehas. In some cases Maoris were then prohibited from visiting the land of their ancestors.

Mr Taurua also recommended:

• That the Government develop ways and means of financing the development of Maori land, including tribal owned land.

• That administration concerning Maori lands be the responsibility of the owners.

Fed up farmers accused

New Zealand farmers have been accused of "going slow" and taking the country's most serious piece of industrial action.

The editorial in the latest issue of *The New Zealand Farmer*, says farmers have "had a gutsful of extending themselves financially and physically only to see the benefit eaten away in just a year or so by inflation."

The editorial said at least half New Zealand's 45,000 farmers were in a responsibly financially secure position, despite the present economic troubles, and were increasingly adopting a step-mentality.

(*)

CROWN LEASEHOLD

RESOLVES

AKL THESE ISSUES

AK 5/2/ 25.1.83

They were spending less on their farms because they were reluctant to increase their debts under the present economic and climatic conditions. Inflation had made the economy "sick" and the Government had to begin genuine efforts to restore farmers' confidence, it said.

Commenting on the editorial, junior vice-president of Federated Farmers, Mr Brian Chamberlain, said many farmers were saving money by producing well below capacity.

One example was a man who over 10 years had saved himself between \$0,000-\$200,000 by not applying any

topdressing.
"This would be an extreme case of someone adopting a siege mentality. He is making enough to live off and is enjoying his life."

He said about half New Zealand's farmers were in a financially secure position because they were older farmers with small mortgages. They would be looking forward to retirement and probably did not want to expand production.

At the present poor state of the economy meant farmers did not have money to reinvest vast amounts in

CROWN LEASEHOLD LAND TENURE would -

1. Remove the present Land Price barrier and allow access to "LAND" (natural resources) at no capital cost, for those wishing to engage in 'primary' production, so generating job opportunities for 3-4 more others in secondary/tertiary employment.
2. Promote full employment.
3. Distribute the population more evenly throughout the country.
4. Allow us to adapt to changing patterns in world trade without the prospect of -
 - (a) a land price hurdle for bourgening horticultural and agricultural industries.
 - (b) a land price loss in failing industries.
 - (c) the need for S.M.P's etc.An annual rental adjusted to overseas prices would be far more accommodating than a speculative price paid as a capital sum, ossified in a mortgage.
5. Largely supplant present taxes on incomes, investment and production.
6. Remove the most significant source of unearned tax-free gain and the biggest single cause of disparity between rich and poor.
7. Provide a basic incentive to produce at least enough to cover the rent, at the same time allowing anything in excess to be tax-free.
8. Be in accord with the law under which the Crown at present owns the land but does not receive the rent from it.
9. Be in accord with scriptural law - Leviticus 25:23, "Your land must not be sold on a permanent basis, because you do not own it, it belongs to God and you are like foreigners who are allowed to make use of it" (Good News Bible).
10. Give a new respectability to the law generally. By allowing private property in what is really common property (land rent) we then have to condone common property in what should be private property (taxes on wages and interest). When we thus give the force of society's laws to that which would be wrong as between individuals we bring the law into disrepute.
11. Facilitate Town Planning by establishing periodic opportunities for reversion of land to the community upon payment of compensation for the residual improvements but without the cost of land acquisition. It would not give the Crown the right to interfere in production or development. It does not happen now in Crown and Public Body leases and there is no reason for this to change. Hong Kong is a splendid example of the constant redevelopment of Crown leasehold sites by private enterprise.
12. Reconcile the philosophies of the main political parties -
 - (a) by socialising only what properly belongs to society - the rent of land.
 - (b) so providing equality of opportunity and the only basis for the proper operation of the free market and private enterprise.
 - (c) by defining that social value which is the community's true source of funds rather than a vague social credit, and so remove the basic tension between East and West in the World today.
13. Reconcile in law the different views of Maori and Pakeha, by using a Western legal technique to ensure security of tenure to the individual whilst recognising the community's right to the location or site value, whether for farm, factory or house.
14. Make many other reforms easier and many more unnecessary.

17. (a) The amalgamation of small titles for Town Planning purposes would also be easier where tenure was on a relatively short-term lease and was conditional upon conformity with planning ordinances. Even generous compensation paid by the leasing authority for any out-dated improvements relinquished, would be cheap without the land-value content having to be paid for. The cost of land acquisition is often a major item in public works.
- (b) Environmental questions whether of an ecological or land-use nature, would be more readily resolved.
- (c) Initial subdivision might have to be undertaken by a Regional Authority to cater for questions of engineering cost recovery, environment and planning. The development however, of leasehold sites by private developers would continue very much as at present.
18. Administration of the proposal is simple out of all proportion to the amount collected - evidence the Rates Office of the Wellington City Corporation in which a small staff quickly, easily and competently collect the city's revenue of \$10 million. Valuation is already geared for the annual assessment of land alone, an important step which would remove many of the alleged anomalies very often traceable to infrequent or incomparable valuations.
- Administrative problems there will inevitably be, but they will certainly be fewer than the complexities of our present income and indirect taxes. And no administrative problem can confound a great principle or halt the next and probably the greatest, sociological advance.

THE JUSTICE OF IT

19. Magna Carta, the abolition of slavery, the universal franchise, Shaftesbury and Parnell are all in vain without true economic emancipation. So long as men are divorced from the earth by a price-barrier and their earnings confiscated by taxes, then so long will freedom and justice elude us.
- Writers like John Stuart Mill and Henry George have expounded the solution. While wars, widening horizons, manipulated economies and inflated currencies have clouded the issue, they have not removed it - the need for something radical rather than superficial is insistent.
- (a) The economic rent of land (or in capitalised form, its selling price) varies directly with the growth of population, and the productivity of the community. No single individual can enhance it significantly. Thus it becomes the natural fund from which a community should finance itself. What is more compellingly logical than using a community-created value to finance the community's needs? Why must that community-created value be privately appropriated while the State takes private property and individual earnings? If, in the name of free enterprise, we allow private property in what should be common property, we then have to condone common property in what should be private property. What a travesty of common justice! And what complexities attend it! Instead of concern only with law, order and civil rights, the State controls our lives!
- (b) What is theft between one person and another is no less morally wrong when undertaken by society. Lending the force of law to it only brings the law into disrepute. When the fundamental laws regulating society's finances are morally wrong and unjust, it is no wonder immorality and injustice permeate the rest of society.
- (c) Herein lies the solution to the strife between Communism and Capitalism. We must distinguish between that which properly belongs to the State, i.e. the Rent of Land on the one hand, and that which properly belongs to the individual, i.e. the Wages of Labour and Interest on Capital, on the other.
- Under our present system of income tax up to 62% of private earnings may be taken by the State. That's 62% Communism! The State becomes a silent partner in every productive endeavour, supplying none of the risk capital but sharing half the rewards.
- (d) Amid cynical humour, bewilderment and bitter complaint, production has become in fact a heavily punishable offence - in the face of dire need! At the same time we vaunt the opportunity for an UNEARNED, TAX-FREE gain from land, which is the basic cause directly or indirectly, of disparity in incomes.

20. All men have *natural common and equal rights* to land as they have to air and water. The only way to give effect to these whilst guaranteeing security of tenure and the right of bequest, is simply to share the value of the economic rent as a community. This is the way to abolish a privileged class and to give equal opportunity to all. Association in equality of opportunity is the mainspring of civilisation.
21. Whilst vested interests and some economists will deny or glibly reject much of the foregoing, NONE HAS YET REFUTED IT! Nor will they. The justice of taking Land Rent for Revenue cannot be refuted! Even those who may choose to disagree will never think the same again. Having seen the great truth their minds will be changed forever.
22. The reform is and has been strongly advocated in all parts of the civilised world by such as Leo Tolstoy, Sun Yat Sen, Sir George Grey, Rivadavia in Argentina, Winston Churchill and many others. Nor is the idea new. Whereas in early days a tribal or feudal system sufficed, by mid-15th century as greater urbanisation occurred, a tax on land values was advocated to secure the common interest. As civilisation has progressed the need has become clearer and more urgent. The Irish problem has its roots in oppression by English landlords 400 years ago. France endured bloody revolution against a landed aristocracy 200 years ago. Russia the same only 60 years ago. In Vietnam the battle began against French absentee landlords 22 years ago. In Rhodesia and South Africa a landed white minority sit on a powder keg of black disinheritance right now.
- Our own New Zealand history is a history of the struggle by the genuine colonist against the landed interest. In this some of the milestones are the Treaty of Waitangi, the suspended Constitution Act of 1846 and the N.Z. Company's eventual winding-up, the institution of the Land Tax, the abolition of plural voting on the basis of property holding and the steady adoption of Land Value Rating. Retrograde steps have been the abolition of the Provinces in 1876 which drew their revenue from land values, and the Petrol Tax for Local Government in 1970.
- Many and more of our leading citizens in Govt. and Local Govt. recognise the imperative nature of this reform.
23. In New Zealand all minerals and sub-soil wealth (except coal) belong to the Crown and earn royalties. If sub-soil wealth earns royalties for the Crown, why not the surface?
24. At law the Crown already owns the land of the country and grants all title to it. At most the Crown may grant only "an estate in fee simple". Fee is a derivative of fief or trust. The title then is clearly traceable back to the time when the King granted an estate to a Baron on condition that certain services were rendered in return - an acknowledgement of the trust. As the strength of the Barons grew so their grip on their privileges grew to the point where their obligations to the Crown were eventually met in 1462 from a tax on the Serfs' beer. The title granted by the Crown then is not a title to the land itself as though it were a chattel but is essentially an entitlement to the economic rent. What we buy and sell today as freehold title is simply a fragmentation of the privilege the Barons once arrogated to themselves.
- When this privilege is fully eroded by an annual charge which absorbs all the economic rent it will be important that the rights and obligations of both Crown and occupier are properly safeguarded in say a lease. This would provide for security of tenure, right of transfer, recompense for improvements upon reversion to the Crown - whether for public works or upon relinquishment, and for other such matters.
- The land has long been 'nationalised'. What we must now do is nationalise the value of it on behalf of all New Zealanders - both Maori and Pakeha!
25. In all native societies private property in land is unthinkable. They recognise that all have a natural right to some of it but that none has an absolute right to any of it. For a transient life-tenant to claim absolute ownership of the common heritage would be a presumption they would in no way allow. How curious it is that so sophisticated a society as ours should be erected on such a base of clay. For how long can man's relationship with the earth go uncorrected?
- The implications certainly are profound, but the central simple moral issue of the proprietorship of the earth needs no great understanding of law, economics or finance. On this issue Everyman is a juror.
- The Scriptures at Leviticus 25:23 declare - "Your land must not be sold on a permanent basis, because you do not own it; it belongs to God, and you are like foreigners who are allowed to make use of it." (*Good News Bible*)