

Objects in View..

The aim of State and local taxation of U.V. was to raise revenue, but, in so doing, to secure for the community some of the "unearned increment," with the breaking-up or better use of large holdings as a subsidiary object. The Government needed more money; why not get it by tapping some of the socially-created land values resting in the hands of the landowner? What the unearned increment was, and how it grew, can be seen from the case of the City of Sydney, where the U.V. rose from £20,200,000 in 1905 to £31,100,000 in 1916. Australia, having read its John Stuart Mill and then its Henry George, felt it natural that some of this increment should come into the public purse. But on examining the results in the field of local government, we find that the increase in rateable U.V. of land has been either proportionately less or very little greater than the increase in the old "annual value" or property on which rates were formerly assessed. For instance, in the municipalities of New South Wales (excluding Sydney) the U.V. of land grew 68 per cent. between 1905 and 1916, but the annual value of rateable property rose 91 per cent. In Sydney the U.V. grew 54 per cent., the annual value of property 50 per cent. Apparently, therefore, the municipalities lost by abandoning annual value rating, and Sydney gained little. In Brisbane the U.V. was assessed at a lower figure in 1917 than in 1903, though during that period the population increased by 6 per cent., and the number of dwellings by 17 per cent.

An Unfortunate Result.

The financial results of adopting the U.V. basis for rating have not therefore been great. On the other hand, the rates are levied on a better social basis, and with a more equitable incidence. Householders pay less, speculative holders of idle blocks pay more, and the pressure has sometimes been great enough to compel them to get rid of their holdings. But an unforeseen and unfortunate result has been to encourage the building of houses, &c., on smaller allotments, "pocket-handkerchief blocks," as they call them in Sydney. Obviously, if all rates come on the land, the temptation is to have as little land as possible; high suburban land values alone would naturally produce this result, but the heavy rating on the land accentuates the desire to make the blocks smaller and smaller. Sydney suburbs are full of illustrations of this tendency, and only with the imposition of town-planning restrictions has the movement been checked so far as new suburbs are concerned. For older areas the damage has been done. Local authorities might therefore with advantage consider whether it is not advisable to endeavour to combine the two forms of rating. Would it not be better to tax idle blocks on their unimproved value, and occupied blocks on the annual value of the land and buildings? Such a scheme would make the land speculator pay high or use his land; but at the same time it might induce people to build on larger blocks.

Economic Effects.

The State land taxes have never, with the exception of Tasmania and Queensland, been high. They range between $\frac{1}{2}$ d. and 1d. in the £. Hence on the one hand they have never brought in much revenue; in 1920 the total yield for all the States was only just over £1,100,000, out of a total tax revenue in that year of £18,000,000. Unimportant fiscally, the economic effects have probably been very slight, for the absence of any big progressive scale of tax has made the tax hit the big man no harder than the small. True, in almost every discussion concerning the imposition of State land tax, the wickedness of the big landowner has supplied a theme for eloquent indignation, but the small rates imposed have probably had little effect. In 1910 Tasmania levied the first really progressive State land tax, with rates climbing from 1d. to 2 $\frac{1}{2}$ d.; five years later Queensland copied the Federal scale, going up to 6d. on estates over £75,000 U.V. But elsewhere the State tax is small, especially when compared with the heavy imposts of the Federal tax-gatherers.