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**REPORT**  
**OF**  
**THE**  
**REVENUE COMMISSION**

**OF**  
**COLORADO**

\_\_\_\_\_  
**APPOINTED BY AUTHORITY OF THE SENATE**  
\_\_\_\_\_

SENATOR JAMES W. BUCKLIN }  
SENATOR THOMAS J. EHRHART } **COMMISSION**  
SENATOR WILLIAM A. HILL }

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## PREFACE.

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One of the most persistent objections to a system of land value taxation has been the claim that such a system was a mere theory and not practical. The system of land value taxation now existing in the colonies of Australasia forever silences all such contentions. The practical working success of that system can no longer be questioned. All that I claim for this report is strict accuracy in detailing facts, and that the conclusions drawn therefrom are conservative. My hope is that the American states, and first of all my own State of Colorado, may likewise find relief from intolerable fiscal and economic conditions, by adopting the rational system of taxation which has been so successful in the progressive colonies of Australasia.

JAMES W. BUCKLIN,  
Chairman of Revenue Commission.

PREFACE

One of the most persistent objections to a system of  
income taxation has been the claim that such a system  
is a mere theory and not practical. The purpose of this  
taxation now existing in the United States is to  
illustrate all such objections. The purpose of this  
book is to show that a system can be devised which  
will meet all the objections which are usually  
made for this report is that the American states  
and that the conditions found therein are  
and that the American states and that of all our  
State of Colorado may likewise find relief from  
fiscal and economic conditions by adopting the  
form of taxation which has been so successful in the  
five colonies of Australia.

JAMES W. KENNEDY,  
Chairman of Revenue Commission

OFFICIAL REPORT  
TO THE  
THIRTEENTH GENERAL ASSEMBLY  
OF THE  
TAX COMMISSION

Appointed by the Senate of the  
Twelfth General Assembly.

To the Honorable Senate and House of Representatives of  
the Thirteenth General Assembly:

The Senate of the State of Colorado, on the 27th day of  
March, 1899, adopted the following resolution, viz.:

"Resolved by the Senate of the State of Colorado, that a committee of three holdover Senators be appointed by the President of the Senate to investigate our state and local revenue laws, and, so far as possible, discover their defects and a just, wise and complete remedy therefor; that said committee is hereby particularly instructed to investigate the tax laws of New Zealand and the Australian colonies and the effect of such laws; and that it shall report the results of such investigations to the Thirteenth General Assembly, together with such recommendations for systematizing, revising or amending the tax laws and the revenue provisions of the Constitution of the State of Colorado, as such investigations may show to be wise and practical."

Pursuant thereto the following named Senators were duly and regularly appointed, viz.: Hon. James W. Bucklin, Hon. William A. Hill and Hon. Thomas J. Ehrhart.

In pursuance of such commission and appointment, the chairman of the committee, Hon. James W. Bucklin, visited the colonies of Australasia during the winter and spring of 1899 and 1900, and reported the facts as he found them to the committee, which report of the chairman, together with that of the committee and their recommendations thereon, is hereby respectfully submitted.

#### REPORT OF CHAIRMAN TO COMMITTEE.

To the Senatorial Tax Commission of Colorado :

Gentlemen—In the preparation of this report I have traveled more than twenty thousand miles and spent much time, in the faith that I would thus be able to present, in a practical light, the results of experience in the adoption of proposed tax laws not yet upon the statute books of any American state. I cannot speak too highly of the great courtesy and kindness with which I, as a representative of Colorado, was everywhere treated by the people and officials of Australasia. I have been especially assisted in the preparation of this report by Hon. George Fowlds, M. P., of Auckland, New Zealand, and Hon. Max Hirsch, of Melbourne, Victoria. Where used in this report I have reduced the English money to the American, at the rate of \$5.00 to the pound, 25 cents to the shilling and two cents to the penny. For most of the statements made concerning the Australasian colonies I have official data of some character. Facts have been gathered from "New Zealand Official Year Book," "The Seven Colonies of Australasia," the revenue laws and the speeches made in the several legislatures during their passage, the reports of various public officials, etc. I have submitted that portion of this report relating to Australasian affairs to several prominent officials and citizens of that country, and it was by them unanimously indorsed as both conservative and accurate.

The investigation was undertaken with the understanding that the State of Colorado, owing to its financial condition, did not desire to pay the expenses of the trip, nor for any services rendered by the committee in making the investigation and report, or in revising the Constitution and reve-

nue laws of the state. If the people of Colorado and other states will take advantage of the experiences of the nations of the antipodes, and will remedy the evils of their revenue laws herein pointed out, I shall be most fully and bountifully rewarded.

In this report is presented no untried or experimental theories, but laws actually in operation, and the practical results of such laws. This report is not an attempt to set out in full the different schemes of taxation in Australasia, nor is it an attempt to point out the theoretical defects in the formulation of the land tax laws of the several colonies. It is simply an effort to briefly set out some of the defects of our own state and local revenue laws, the weakness of some of the proposed remedies, and to present as a substitute for unjust and unwise tax plundering, the existing Australasian land value tax system, with the actual results accompanying and flowing therefrom.

#### IMPORTANCE OF TAX LAWS.

The extent of the civilization and the condition of the inhabitants of any country are indicated by and dependent upon its revenue laws. The revenue system of barbarous nations and tribes is limited only by the power of plunder. In a semi-civilized state taxation is farmed out, and tax gatherers oppress and rob the people with some pretense, however, of regularity and system. John Stuart Mill in his "Principles of Political Economy" says that "The modern European system retains many taxes on incomes, taxes on consumption and a variety of miscellaneous imposts, though in much less number and variety than those semi-barbarous governments which European influence has not yet reached. In some of these scarcely any incident of life has escaped being made an excuse for some fiscal exaction."

Gibbon, in his "Decline and Fall of the Roman Empire," states that in every age the best and wisest of the Roman governors farmed out the principal branches of the public revenue. As the Roman government became more corrupt taxes were collected under oath, and efforts to elude tax plundering were "punished as a capital crime, which included the double guilt of treason and sacrilege." In Rome's decline, poll taxes,

inheritance taxes, customs and excises, and other like schemes were adopted in preference to a land tax. In the middle ages governments supported themselves largely, according to Adam Smith, by preying on commerce under the name of the "Mercantile System." The successful resistance which America made in 1776 to taxation without representation gave civilization an immense stride forward. To-day the conditions of the people of all nations are as unjust, indefensible and unscientific, but no more so, than are their revenue laws.

The existence of public evils always indicates an unjust system of taxation. I do not mean by this that the *only* public evils of any country are to be found in its tax laws, but that everywhere throughout the world, in all times and places, the revenue laws of any country are a primary factor in social conditions, and the index by which the degree of public welfare may be ascertained. Governments interfere in the distribution of wealth chiefly by means of tax laws, so that the source of public revenue is one of the most important factors in human welfare. All tax laws affect the economic conditions of the people, and those who seek to improve such conditions will find the most far-reaching and satisfactory results in revising the revenue provisions of constitutions and statutes. No one pretends that our present numerous tax laws are based upon any scientific or just principle. Their sole excuse is necessity. Their sole aim and object is to produce revenue, and this is done by such an intricate mass of contradictory methods that the general public is utterly unable to understand them, while the privileged classes escape with nominal burdens. Whoever looks can see that the conditions of society at the close of the nineteenth century are no better than existing tax laws. In truth, the economic effects of taxation are more important than the fiscal. If, then, our civilization is to advance to a higher plane, or even to maintain its present status, our tax laws must be brought more and more into harmony with just and wise principles.

#### THE GENERAL PROPERTY TAX.

The general property tax is the chief method of direct taxation in America. The general property upon which the



tax rests consists of three classes; first, personal property; second, improvements; third, land; improvements and land often being illogically classed together as real estate, but in Colorado they are, in most instances, separately assessed, taxed and classified, although not as distinctly as would be advisable.

Wherever the general property tax has been tried it has been an instrument of inequality and injustice. In every state of America, while it produces revenue, it does so in a most inequitable and unsatisfactory manner. So apparent are its defects that the recent general trend of legislation in the several states is to supply its deficiencies by other taxation, such as inheritance, occupation, income, corporation taxes, etc., rather than by enlarging the rate of the general property tax.

Circular No. 5, United States Department of Agriculture, Division of Statistics, also the official reports of the Board of Equalization in California, the reports of special tax commissions of New York, Connecticut and West Virginia, and a tax commission appointed by Governor William McKinley of Ohio, show conclusively the absolute injustice of the general property tax. These reports state and prove by statistics "that the taxation of personal property in cities was a mere farce, and that it was the rural districts which bore by far the heaviest proportionate share of taxes upon personal property."

A most stringent provision was placed in the Constitution of California compelling the mortgagee of property to pay the mortgage tax, and making any contract by which the debtor assumes the obligation void. Yet, says C. C. Plehm in a pamphlet prepared for the American Economic Association on the subject of "The General Property Tax in California," "In practice it does not fulfill the expectations of the framers of the law, because the tax is generally shifted to the mortgagor in the form of higher interest."

Judge Cooley, the greatest of American law writers on the subject of taxation, in treating of the operation of the general property tax in the several American states in 1876, says:

"The assessment of personal property reaches so small a proportion of the amount really protected by government that it might almost be said that laws for the purpose remain on the statute books rather as in-

centives to evasion and fraud in the dealings of the citizen with the state than as a means of realizing a revenue for public purposes." "It cannot be assessed without inquisitorial process of some kind." "Such taxes are usually unjust in their discrimination between residents and non-residents." "Taxation of personalty leads to duplicate taxation in various ways." "Such taxation requires a large addition to the force of revenue officers which otherwise would be sufficient." "A tax on land is not open to these objections."

In 1894 the Bureau of Labor Statistics of Illinois, George A. Schilling, secretary, prepared and issued a most exhaustive examination into the statistics of general property taxation for the State of Illinois, and particularly for the city of Chicago.

"It graphically exposes the demoralization to which Chicago has been reduced by the general property tax, and indicates the goal towards which every community subject to that or a similar system must inevitably tend." "The analysis of tables fairly justifies the following generalization:

"First—The tax laws of the state are systematically violated by fraudulent evasions and misrepresentations, supplemented by perjury.

"Second—In a lawless rivalry between assessors to make the assessment valuations of their own localities lower proportionately than elsewhere, Cook County escapes a fair proportion of general taxes as compared with other counties, Chicago as compared with the remainder of Cook County, and the rich as compared with the poor.

"Third—Through the assessment of buildings at higher proportionate valuations than land, buildings in Chicago are taxed much more than land, which forces an undue proportion of taxes upon the poor and people in moderate circumstances.

"Fourth—Discriminating under-valuations, indirect taxes, and tenderness towards landed interests in Chicago, besides overburdening the laboring class with taxes, are diminishing opportunities for employment, dangerously concentrating ownership of land, and generally promoting the interests of the very rich at the expense of the rest of the community.

"The roots of the disease go deeper down than to the personal responsibility of any individual or class. Assessors themselves, culpable though they are along with the wealthy beneficiaries of their favor, are not at the bottom of the trouble. Responsibility rests finally upon the system—the general property tax; the law, the Constitution itself, is fundamentally at fault. This system is in its nature so easily evaded by actually conniving with the assessors or passively accepting their fraudulent favors, that it offers premiums for fraud and perjury, which must

be paid by the honest and truthful. Such a system tends to choke off all honesty and good faith in connection with taxation; it demoralizes the whole community. Even the respectable rich seem to be no more proof against lawlessness, when law pinches them at the pocket, than are the poor when it pinches them at the stomach."

#### IN COLORADO.

The general property tax in Colorado works no better than it does in Illinois and the other sister states. Even as a fiscal measure it is a failure. On December 12, 1888, D. P. Kingsley, Auditor of State, in his biennial report to the Governor, said:

"I but repeat the words of every auditor since Colorado became a state, when I say that the law governing the assessment and collection of revenue is almost worse than no law. It produces the revenue, but its operation is full of injustice. Relief has been constantly asked for, but the general assemblies have failed to respond." "It is not too much to say that, excepting property assessed directly by the State Board of Equalization, there is no uniformity in values, nor any uniformity in tax burdens, in any class of property in Colorado. And, as a rule, the smaller and poorer counties pay the larger per cent."

To such a crisis have we arrived that the Supreme Court of the state says:

"Unless the general assembly gives relief there is nothing less than financial disaster ahead."

Recent Governors, Auditors and the Supreme Court of this state seem to unite in shoveling all responsibility in the matter onto the state legislature of Colorado, yet Governor Adams said to the legislature in his last biennial message, probably without sarcasm:

"If you will devise a system of equalization whereby every class of property will pay its true proportion of tax, you will become a model for the states of the Union, as nearly every state is laboring with the same problem."

All of our Governors and some other officials of recent years, like those of other states, insist on the legislature doing the impossible, that is, to make just and wise results flow from

the general property tax, or from special and class taxation. While these officials have always been prolific in their recommendations to the legislature, I have been unable to find a single financial suggestion from them that goes beneath the surface, or that would aid in the solution of the problem. Most of these officials have given more study and consideration to affairs of the national government than to state affairs, to the great detriment of public interests. If our United States Senators were elected by a direct vote of the people, members of the state legislature could then be chosen upon state issues, and the sessions could be devoted to legislative affairs. These failures of our Colorado officials to present any valuable suggestions concerning taxation are, however, common to most officials of other states, American national politics having absorbed the attention of statesmen and obscured the importance of state affairs.

Book accounts, notes, bonds, stocks, money, jewelry and most kinds of invisible property owned by the rich people of the state largely escape taxation.

The taxation of mines and mining property is a farce, notwithstanding that a large part of them are owned by non-residents. The value of the gold and silver mines of Colorado is more than the entire assessed value of all taxable property of the state; yet while one mine last year sold for \$10,000,000.00, all of the gold and silver mining properties of the state were only assessed at \$8,502,217.00 for the year 1898, and Colorado the principal mineral state in the Union!

We have carried the principle of general property taxation to such an extent that we pretend, as a matter of law, to tax both the mortgaged premises and the owner of the mortgage. The result is the double taxation of a most unfortunate class, the debtor class, in so far as the law is enforced at all; but of course the pretense of enforcement becomes ridiculous in cities like my own, where money is loaned on mortgage at 8 per cent., and the rate of taxation is between 7 and 8 per cent. The state can not acquire interest by taxation, and any attempt so to do must result in higher rates of interest and in the withdrawal of capital from the contest. Interest rates in Colorado are very high, and I am convinced would be materially decreased by the repeal of the tax on

credits. The tax on credits in this state, while producing but little revenue, is nevertheless a club in the hands of banks and money loaners to keep outside money from coming in, and to keep up high rates of interest.

The Constitution and laws of Colorado require all property to be assessed at its full cash value, yet not an assessor in the state pretends to obey this law, nor do the county commissioners or courts attempt to enforce it. Governor Thomas, in his inaugural address, says, "In theory this requirement may be just; in practice it never was and never can be made effective," and yet assessors are required to swear that they have so assessed all property in this state. What proof there may be for pretending that assessors and state boards of equalization would more equitably assess property at a less per cent. than full cash value has not yet been presented. All of the causes which have operated to reduce values would continue to operate, and the greater intricacy of the law, and greater difficulty in detecting inequalities if assessed at less than full cash value, are obvious. The contest between the State Board of Equalization of Colorado and the assessors of the several counties of the state would be considered disgraceful but for the known fact that our whole system of taxation is a game of grab, in which the small taxpayer is nearly always worsted. To cover up this contest by fractional value assessments is simply to increase its force.

A committee of the Senate of the Tenth General Assembly of this state, appointed to investigate and report on assessment and taxation, said:

"We found that some of the taxation laws were somewhat indefinite, and the execution of those which are perfectly plain showed great partiality in favor of large property owners and corporations, and against the owners of homes and holders of small amounts of property." "The law providing for the assessment of personal property is not at all effective, either in the making of the assessment or in the collection of the taxes for such assessments when made. There is no efficient system of fixing the valuation upon stocks of goods and other personal property, and the Treasurer seems powerless to compel the payment of taxes upon personal property where the owners do not pay taxes upon real estate."

According to the United States census of 1890, the per cent. of the total assessed value of all property to the total

true value varies in the several states from 12.29 per cent. to 80.91 per cent., being 19.25 per cent. in Colorado, and averages 39.29 per cent. in all the states. Such statistics argue that the brains of our legislative financiers are composed of sawdust.

#### THE PRINCIPLE INVOLVED.

After 125 years of failure on the part of all the American states to make the general property tax operate justly and wisely, is it not about time to realize that the system itself, and the constitutional provisions and laws upon which it rests, is founded on wrong and impractical theories? In spite of the constant demonstration of its failure in practice, it is claimed that the principle is just and wise. If this claim be true, why does not the theory work? A just and wise system should grow and extend in application and gradually lose its defects. If it was based on correct principles it should be extended until a much greater portion of the revenue, national, state and local, was raised by this method. On the contrary, it is gradually being supplanted by other kinds of taxes, many of which are even more unjust than the general property tax.

In fact, the general property tax can not be logically defended. It is sometimes defended on the ground that taxes should be levied on people in proportion to their ability to pay. But there is no comparison between the ability of the rich and poor to pay taxes. The rich pay out of their abundance, without denying themselves a luxury, while the poor must pay their taxes out of the comforts or necessities of life. If taxes were levied according to ability to pay, the poor would be exempt from all taxation, either direct or indirect.

The general property tax is sometimes defended on the ground that people should pay taxes on all the property they own. This principle is in conflict with out tariff and other federal and all special taxes. There is no more reason why one should pay taxes in proportion to all the property he owns, than there is why he should pay for his food, clothing, shelter or personal services according to the amount of his property. Taxes are levied and collected simply to pay for services rendered to government or to society, and all should contribute towards the payment for these services, the same

as they should for any other services, according to the benefits received therefrom, that is, the privileges conferred thereby, regardless of the amount of property owned by such taxpayers. In short, taxation should be on the values of legal privileges owned by the taxpayer, rather than on other classes of his property. Now, the principal privileges conferred by our government upon taxpayers are the private ownership of franchises in public ways, rights of way and the rental values of land, which, unlike the values of products, increase and decrease in value, just in proportion to the character and number of the people, and the justice and wisdom of their government.

#### OTHER STATE TAXATION.

The chief efforts of the recent Governors and legislatures of Colorado have been to devise new schemes of taxation to supply the failure of the general property tax. It seems to be generally conceded that the state must have more revenue than can be supplied by the general property tax. From what sources should the additional revenue come?

#### AN INHERITANCE TAX.

An inheritance tax has been suggested. This is a tax popular with those people who, as Count Tolstoi says, wish to help the poor without getting off their backs.

It has been said by high authority that "The right to take property by devise or descent is created by statute. It is a privilege and not a natural right." This I deny. The natural right of disposing of property is just as fundamental and essential as any other property right. The Court of Appeals of this state has decided "that in order to constitute property which is subject to ownership, as the terms are used in their broad sense, there must exist—not only the right of use and enjoyment—but the *exclusive* right to alienate or transfer." The natural law, antecedent to and higher than statute law, gives to the producer of property the absolute right of ownership over it, which right, of necessity, in part consists of the right of alienation by deed, will or otherwise. No one claims that the dead have any property rights. The question is of

the right of a property owner while living to convey his property in anticipation of a future event. All equitable inheritance laws aim to convey property where the owner usually desires it to go, and such laws, when their provisions are acceptable, become a deed of conveyance, and simply save property owners from the necessity of formulating a will. A will is as formal and natural a conveyance of property as is a deed or bill of sale. The inheritor of property therefore has a title of conveyance from the owner, at least as sacred and as natural as though he derived his title by deed or bill of sale, and as though he received it by gift or purchase. To deny this is to deny one of the most important methods of alienating property, and therefore strikes at the fundamental principle of all property rights, and bases such rights on the mere arbitrary and changeable provisions of human law, instead of on the secure and permanent foundation of justice and natural right.

Under the Anglo-Saxon idea of homes, property generally belongs not so much to the individual as it does to the family. Although one member may die, in reality the family is perpetual. A law that robs the family of their property at the time when they are most defenseless, when the head and support is gone, is in contravention of all just and humané sentiments. It is also in violation of the principle of life insurance, which is instituted to furnish ready money for the family at this, the time of their direst extremity. The inheritance tax law should be labeled "A tax on widows and orphans, placed on them by the thoughtless selfishness of man."

The inheritance tax is in reality so unjust that its advocates, like the advocates of an income tax, are compelled to offer a bribe to the poor and middle classes, in the form of an exemption, in order to induce them to help plunder the rich. If it is wise for governments to take from families of the rich a portion of their property, would it not be more courageous to do it openly, while the natural defender is living, rather than to wait till his death?

All pretense, however, that an inheritance tax tends to solve the social problem, or better the conditions of the poor, is disproved by history. As a rule such taxes have marked



the decline of civilization. Not till Rome had passed her zenith did she adopt such a tax. In European countries it has not made the condition of their poor more tolerable than it is in this and other states having no such law.

#### OCCUPATION TAXES.

One of the propositions concerning special taxation is that of taxing or licensing occupations. The proposition is to pick out a certain industry or industries whose taxation would not arouse popular opposition, and tax it or them without corresponding taxes on all other occupations. This is an evasion and violation of the principle of uniformity in taxation, and is the worst kind of class legislation, utterly in violation of all pretense of justice. Such laws not only burden and interfere with the business of the industries taxed, but also unduly burden their patrons and crush out small competitors. While there may be some excuse for a municipal tax on saloons, on the principle of concentrating them and placing a heavy burden on their patrons, what excuse is there for trying to concentrate, destroy or unduly burden the patrons of legitimate and desirable business, such as that of express, oil and insurance companies, or in fact any desirable business?

It has been proposed to increase the tax of insurance companies on the "gross amount of their premiums received or written within the state." Insurance companies can pay such taxes only by increasing their rates of insurance, thus shifting the tax upon the insured. The increased amount the insured must pay because of such taxes must exceed the amount of the tax in order to reimburse the companies for the cost of collecting, handling and disbursing the tax. A revenue measure punishing people for being provident is surely neither wise nor just.

#### INCOME TAXES.

An income tax has also been proposed. The justification of an income tax is generally attempted on the ground "That the subjects (subjects is the proper word) of every state ought

to contribute to the support of government as nearly as possible in proportion to the revenue which they respectively enjoy under its protection." The character of the proposed income tax is, however, in direct violation of this principle, because of its exemptions and graduations. Any exemptions in an income tax prove that its authors and advocates recognize the fact that some incomes should be taxed and some should not. Legitimate incomes are derived from three sources, labor, capital and legalized privilege. It is clear that while a tax on either labor or capital is a most grievous burden, yet a tax on privileges created by law is most equitable and expedient. Until incomes from privileges are all absorbed by taxation, it is not necessary to tax any of the products of labor or capital. The exemption provision in an income tax law is a crude and ineffective effort to exempt labor from taxation, and can be defended on no other ground.

The general property tax itself is a much more simple and direct tax system than is the income tax; and, like the income tax, it is an effort to tax incomes from both capital and privilege by taxing their source. Why have an unnecessary amount of complications and expense in our tax laws? Why have two or more expensive and intricate systems, when the incidence of taxation by each is substantially the same? The general property tax, unlike the income tax, does not place a heavier burden on property in use than it does on non-productive property held for speculative purposes. If we must tax incomes from labor and capital, as well as incomes from privileges, it surely is much better and less evasive to tax the values of the products and privileges direct, rather than to bother with their incomes.

"Taxes on incomes," says Judge Cooley, "may be on all incomes, or on all with such exceptions as will enable the taxpayer in a frugal manner to support himself and family. The latter is the course usually adopted, and in some cases incomes in excess of the exemptions have been taxed a larger percentage as they increased in amount. The reasons which favor this discrimination would also justify a heavier proportionate tax on the thrifty classes in other cases; and the principle once admitted, there is no reason but its own discretion why the legislature should stop short of imposing the whole burden of government on the few who exhibit most energy, enterprise and thrift. Such a discrimination is a penalty on

the possession of these qualities. But an income tax is also objectionable, because it is inquisitorial, and because it teaches the people evasion and fraud. No means at the command of the government has ever enabled it to arrive with anything like accuracy at the incomes of its citizens, and they resist its inquisitions in all practical modes, not only because they desire to avoid as far as possible the public burdens which they are certain are not to be equally imposed, but also because they are not willing that their private affairs and the measure of their prosperity should be exposed to the public. The taxes imposed on incomes by the United States during and immediately following the late war were escaped by a large proportion of those who should have paid them, and the assessors' returns were a wholly inadequate indication of the annual private revenue of the country. In the United States, also, such a tax is unequal because those holding lands for the rise in value escape it altogether—at least until they sell, though their actual increase in wealth may be great and sure."

If such were the defects of an income tax system in 1865, when wealth and power were not nearly so greatly concentrated in the hands of a few, as at present, how much greater must be its failure now. If such are the results of a federal tax where the assessors and tax collectors are further removed from and not so much affected by local influences, how much greater must be the failure of a state income tax, where the tax collector and assessor are often close friends of the taxpayers and dependent upon them for their positions. As a federal tax, in lieu of that amount of tariff taxes, which rest almost wholly upon the toiling poor, much can be said in favor of an income tax; but as a state tax it is utterly indefensible.

#### THE CONSTITUTION.

The Constitution of Colorado provides that appropriations for state purposes shall not be in excess of four mills taxes on each dollar of valuation, and that four mills shall be sufficient, with other resources, to supply the needs of the state. In case four mills would be insufficient, provision was made for enlarging the constitutional limitation. When the Constitution was adopted these proposed special tax laws were not in existence, and it is clearly evident that the general property tax was intended to be the chief source of state revenue. The Supreme Court has decided that this limitation

“was to inaugurate an economical state government,” which purpose would be entirely defeated if innumerable schemes of taxing the people can be devised to which the four-mill limitation does not apply. All of these proposed special taxes are in violation of the equitable doctrine of uniformity in taxation established by the Constitution. They all violate the spirit if not the letter of our state Constitution, and are a retrograde movement “to try and dodge the Constitution and Supreme Court.” There are evils other than a deficiency of revenue, and in supplying such a deficiency we should be careful not to create a greater evil than the one we attempt to remedy.

#### AUSTRALASIA AND AMERICA.

No country in the world has had a development so similar to America as Australasia, yet in many respects their institutions and laws started and are proceeding from radically different ideals. To become better acquainted with each other would, therefore, be of the utmost benefit to the people of both countries. Each country can learn much from the other, especially on the subject of taxation, if it has the wisdom so to do.

The seven colonies of Australasia have an area of 3,077,377 square miles, while the United States of America, excluding Alaska and “our new possessions,” has but 3,025,600 square miles. The population of Australasia is about 4,500,000 people, or fifty per cent. more than our population at the time of the Declaration of Independence. Its people, like those of America, are chiefly of Anglo-Saxon and German descent. The Australasians and Americans derived their language, customs and laws from the same sources. Six of the seven colonies are forming a federal government to be proclaimed January 1, 1901, based on a constitution similar to the American, but in several respects more democratic, as illustrated by the fact that they elect their federal senators by a direct vote of the people; but New Zealand has not joined the federation.

The legislative bodies or parliaments of Australasia, comprising each a lower and an upper house called respectively a house of representatives and a legislative council, corre-

spond in some particulars to American legislative bodies; but the upper houses in most of the colonies are composed of members owning large areas of land with comparatively a small amount of improvements; and this is particularly and especially the case in those colonies which have not adopted the Australasian land value tax system.

#### NEW ZEALAND AND COLORADO.

The parallels between New Zealand and Colorado are so striking as to suggest that the general legislation which is a success in one country would be almost sure to be successful in the other. New Zealand has an area of 104,475 square miles, while Colorado has 103,975 square miles. While extending further north and south than Colorado, New Zealand also extends through the same latitude south of the equator that Colorado does north. New Zealand on December 31, 1899, had a population of 756,505 people, and Colorado in June, 1900, had a population of 539,700. Each country has vast undeveloped natural resources, and is especially demanding an influx of labor and capital to develop these resources. Each country is new and has the most enterprising people in the world. Each is famed for its scenic beauty, and is called the "Switzerland" of its respective continent. Each country has had woman's suffrage since 1893, the Australian ballot and other advanced legislation. New Zealand has made more legislative experiments than Colorado, from all of which we may learn valuable lessons, sometimes to avoid, sometimes to adopt. Whoever either censures or praises all of the New Zealand legislation certainly does not show much reflection or discrimination. New Zealand has a few better laws, and a few worse than any in Colorado.

#### CHANGES IN AMERICAN TAXATION.

It has been stated that changes can be made in the laws of a small country like New Zealand that would be impracticable and dangerous in a great country like America. Such allegations ignore entirely our history and form of government. America has been the greatest country in the world

for experiments in legislation. The most radical changes are constantly taking place. In fact, our system of local self-government, which retains to each state more power over the lives, liberty and property of its people than is delegated to the federal government, is especially and safely adapted to important and far-reaching changes without in the least endangering the welfare of the people or the stability of government. On the contrary, it is only when the several states fail or refuse to make the necessary changes, and the matter is thereupon referred to the general government, as it was in the slavery question, that dangers arise.

Each state has unlimited power in the enactment and enforcement of its own tax laws, and in the collection of its own state and local revenue. The most primary and far-reaching changes in our laws and social conditions are, therefore, of a state rather than of a national character. After the people of some one state have shown their capacity and willingness to adopt a just, wise and practical revenue system, we may reasonably aspire to solve the tariff and other national revenue questions in an intelligent manner. But until some state has adopted a rational system of state taxation, it is folly to expect all the states to do for the nation what no one of them will do for itself.

#### THE AUSTRALASIAN LAND VALUE TAX.

Most of the tax laws of Australasia are neither novel nor worthy of especial consideration; but the colonies have one tax law, different from any in America, which, owing to its extensive adoption, prospective extension and radical departure from other methods, may properly be called the Australasian land value tax. It is a law taxing land according to its value, excluding all personal property and improvements therefrom. It draws a sharp, clear line of distinction between the products of labor and capital as a source of public revenue, and the unearned increment or rental values of land. Such a tax, therefore, is not in any degree derived from wages, nor from the natural increase of capital, but comes wholly from ground or land rent, excluding all improvements. It is a tax on the privilege of owning social values, which are

not produced by individuals, but which spring up, increase and decrease with the existence, condition and growth of society, and the character of its government. In short, the Australasian land value tax is simply a tax on the benefits or privileges which governments confer on land owners, in exact proportion to the benefits so received; in other words, the application of the betterment principle, that the owner of the property benefited by law should bear the burden of paying for the benefit so received. It is in no sense a class tax, but rests upon all in proportion to the benefits received from the existence and growth of society and government. It is not a tax on the area of land, but rests on city lots and on all land according to its value and irrespective of its size. The Australasian system does not interfere with nor tax any industry in any of its processes, nor anything which industry produces, but leaves them free from any fines or burdens of government, thus giving to each and every industry equal and impartial encouragement and protection. It is not a general property tax nor a real estate tax, as both personal property and improvements are exempt under its provisions. In fact, there is no direct taxation of personal property in any of the Australasian colonies, nor any constitutional or other restrictions on the power of the legislatures to establish or enlarge the land value tax.

Several of the Australasian land tax laws are very defective, both in principle and in their formulation, some of them being graduated and some having exemptions and other defects. However, not all of these laws are thus defective, and efforts are being made to remedy the defects and perfect the laws.

#### NOT THE SINGLE TAX.

The Australasian land value tax is not the same as the single tax and must not be confused therewith. The single tax is not in operation in any of the Australasian colonies. The single tax is a philosophy and covers the question of political economy, while the Australasian land tax is simply a small land value tax in practical operation. The single tax would abolish all other forms of taxation and raise all public revenue from one source; while the Australasian land tax is

only one of many kinds of taxes. None of the colonies derive their entire revenue from this tax, but, on the contrary, the greater portion of their revenues are raised by other tax laws. The Australasian land tax does not abolish private property in land, and only converts into the public treasury a small proportion of the rent of land. In short, it contains only a small part of the single tax ideas. The great majority of the advocates and supporters of the Australasian law have made but little if any investigation of the single tax, and some of them violently denounce it. Having been formulated and placed on the statute books of New Zealand before "Progress and Poverty," or any of the principal works of Henry George were issued, this law does not owe its origin nor its original establishment to the books of George. In fact, it owes its origin to the failure of all other systems of taxation, to the work of Sir George Grey and other New Zealand statesmen, many of whom were students of political economy, and to such books as those of John Stuart Mill and Judge Thomas M. Cooley. Its subsequent establishment and progress has been greatly aided by Henry George and his disciples, and it is significant that since "Progress and Poverty" has been known to the world no land value tax law has been repealed. The Australasian land value tax is not a law of the "Commonwealth of Australia," but is a law of the several states or colonies, and can be fully adopted by any of the several American states; while the single tax could not be put into full operation here without an amendment to the federal laws and Constitution. While each is a tax on land values exclusively, still to identify the Australasian land tax with the single tax is to do great injustice both to the philosophy of George and to the existing law.

#### CONSTITUTIONAL REGULATION OF TAXATION.

The experiences of Australasia prove that the constitutional barriers against change in our tax laws are unwise and unnecessary in order to prevent any extreme or violent changes. In fact, without any constitutional restrictions on the power of parliament concerning taxation, only the most gradual and conservative changes have been or are likely to



be made. If our constitutional restrictions are likewise removed or modified, changes can then be made in a gradual and conservative manner; but if they are retained until public sentiment is thoroughly aroused, they may then be suddenly swept away, and a much more radical and far-reaching tax established. Gradual reforms are conservative safety valves. The conservative method of the colonies, permitting gradual relief, would prevent the establishment of the single tax by a constitutional amendment or by any other sudden method. Gradual and conservative action is only possible when public passion is not aroused. The sense of wrong is growing among the American people, and liberty of legislative action in the several states is the surest safeguard against violence.

#### LOCAL OR MUNICIPAL TAXATION.

The principles underlying the Australasian land value tax have been applied to both local and state purposes. Local taxation in Australasia is called "rating," and such taxes are called "rates." None of the colonies tax or rate personal property for any purposes whatever. Various influential persons and associations have demanded a law establishing or authorizing the Australasian land tax for local purposes, and it has been much agitated in all the colonies. In New South Wales the Reid government introduced such a measure. A majority of the municipal bodies and labor organizations in both West Australia and New South Wales are now demanding this law with favorable prospects. South Australia and New Zealand have each enacted a local self-government or optional local tax law. This is a law conferring on local bodies the right of home rule; that is of determining for themselves whether they will apply the Australasian land tax to local purposes. This law, which was first proposed in South Australia in 1887, and enacted in 1893, was, in its passage, so badly amended by its enemies, and has so many conditions, that it is a dead letter. In the municipality of "Gowler," in that colony, the question was submitted to the people and received a favorable majority of nearly eleven to one, but did not succeed because of the ridiculous provision which allowed the sick, absent and dead to be counted as voting against

the measure. The demand that the act be made effective is growing, and every year since its enactment a bill curing its defects has been introduced and urged in parliament, and in 1898 and 1899 passed the house by growing majorities, but was defeated by one vote in the legislative council. This proposed amendment has been strongly endorsed by the "Municipal Association of South Australia," a body comprising and representing all the municipalities of that colony. It has also been demanded by the United Labor party of South Australia, one of the most influential political parties of that country.

#### IN NEW ZEALAND.

The home rule, local self-government or optional local tax law of New Zealand is similar to the proposed constitutional amendment introduced in three successive biennial sessions of the Colorado legislature by myself, and passed through the lower house in 1897 by a vote of 56 to 3. This bill became a law in New Zealand in 1896, after having been four times previously passed by the house of representatives and defeated in the legislative council. Its purpose is to allow the people of any locality to determine for themselves the source of their revenue for local purposes, the same in theory as they now determine the expenditure of it. Under its provisions the people of any locality govern themselves in the matter of local taxation, and have the option of exempting all property from taxation for local purposes, except land values. This law permits the people to apply the principle of the Australasian land tax to their local needs, but is not compulsory. Unless this method of taxation is adopted the local bodies of New Zealand collect their taxes from real estate, both land and improvements, either on the annual or the capitalized value.

The fact that a tax on improvements fines and punishes the improver, treating him annually the same as though he committed a crime by making or maintaining his improvements, has caused the people of the local bodies of New Zealand to vote in favor of the Australasian land tax in nearly every instance in which the matter has been submitted to them. Up to February 19, 1900, twenty-five local bodies had

voted on the matter, and over 82 per cent. of all the votes cast were in favor of the land tax. Only in two local bodies out of the twenty-five were a majority of the votes cast against the proposition. The law was so defective, however, that in only fourteen of these bodies did the land tax receive votes enough to become operative. These defective provisions were amended in 1899, so that now the matter is determined by a majority vote, and its application will be much more rapid. So successful has this portion of the Australasian tax been in New Zealand that the Premier, in a letter to myself, given in full in another place in this report, states that there is absolutely no prospect of its repeal, and that in the opinion of both the government and the people of New Zealand the law should be made compulsory for all local bodies, instead of merely optional.

The first local body in New Zealand or in the world to adopt the Australasian land tax by a vote of the people was the little city or borough of Palmerston North, situated in the North Island of New Zealand, and containing about six thousand inhabitants. Palmerston North adopted this law March 17, 1897, by a vote of 402 to 12. Since the adoption of the land tax for municipal purposes, Palmerston North has had much growth and prosperity. So successfully has the law operated that land values have increased more than sufficiently to compensate even the owners of unimproved land for their additional taxation, while other land owners have had their taxes correspondingly reduced. The great advantages, benefits and simplicity of the law are conceded by all.

At my request the town clerk of Palmerston North sent me the following data, viz.:

"Sir—The method of making the change (from the former to the land tax system) was simplicity itself, for, as at all times, the valuation of the land and improvements has been separately stated and the rate made on the aggregate, it was only necessary to rate the former alone, increasing the rate to such an amount in the pound as would produce the revenue required. At the time the change was made a considerable depression existed in the colony, price of produce was low, and speculation in land had virtually ceased. From this borough a considerable portion of the floating population had been attracted to the gold fields in Auckland, and many houses were tenantless. No doubt it was a boon to the owners of these houses to know that they had not to pay rates on

property from which they were deriving no advantage, and this may have assisted in bringing about the change. For the last few years, however, matters have been very different, building has been going on steadily and very few vacant houses are to be seen. I do not claim that this is entirely due to the new system of rating, but I think that it has been a considerable factor, the knowledge that additional improvements formerly meant additional rates to the individual having had no doubt a deterrent effect. Two of the principal objects which the supporters of the measure had in view were doubtless encouraging thrift by taking off the tax on industry, and discouraging the holding of unproductive areas for increased value, caused by improving neighbors. The fact that two hundred additional buildings have been erected during the past three years, as against fifty erected in the previous three years immediately preceding the change in the incidence of taxation, would seem to point to a realization of the first object, whilst an instance or two, culled from the rate book, evidently suggests that the further object in view is being attained. It must be borne in mind that to obtain a revenue from rates imposed only on the unimproved value of land, equal to that derived from the capital or improved value, the amount in the pound must be raised, thereby increasing the payment of owners of unimproved areas in equal ratio to the decrease of the amounts paid by the owners who utilize their properties. The effect in the instance I quote, which was taken from our books, is as follows: An owner of some two hundred acres, paying a rate under the former system of \$125.00 per annum, pays under the new system \$210.00, but during the past few years has reduced his holdings by disposing of fifty acres in small lots, and which have since been built on and otherwise improved, whilst area having a frontage of 2,576 feet, paying a rate of \$175.00 under the old system, increased to \$250.00 under the new, has been reduced within the same period, by sale of building allotments, to exactly one-half. Other owners whose rates have been increased in the same ratio are now cutting them up in a similar manner, and by the construction of streets through the blocks, are making the properties, even on the unimproved basis, a greater source of revenue to the borough than formerly. In this connection I may quote a few examples, showing how the new rating system affects owners of property when the principal value is in improvements and the reverse:

A—Amount of rate when charged on capital or gross value.

B—Amount of rate when charged on unimproved values only.

1. One-half acre with five buildings—A \$73.06, B \$24.66.
2. Two-fifths acre with dwelling house, A \$19.29, B \$5.77.
3. One-third acre with dwelling house, A \$34.08, B \$26.91.
4. One-half acre with dwelling house, A \$25.68, B \$18.47.
5. One-half acre with dwelling house, A \$9.08, B \$4.10.
6. Two and a half acres with gas works, A \$160.14, B \$34.72.

7. One-half acre, unimproved, A \$19.60, B \$29.68.
8. Four and a half acres, unimproved, A \$9.52, B \$14.06.
9. One acre, unimproved, A \$9.89, B \$14.45.
10. Two-fifths acre, leasehold, in grass, A \$4.08, B \$6.12.
11. Eight acres, leasehold, in grass, A \$31.77, B \$46.87.
12. Five acres, leasehold, in grass, A \$24.75, B \$30.87.

"In the above examples separate rates, such as water, gas, etc., are not included, as these are still, as heretofore, based on the annual or rental value. This is considered by many a weak spot, and the act will probably be amended in this particular when it is more generally adopted. Another phase of the question may be pointed out, although it refers more particularly to administration, viz.: The greater ease of arriving at values, and also the greater probabilities of an equal valuation, as, owing to the improvements being eliminated, the only matters to be taken into consideration are that of quality of land in country districts, and of situation in towns; thus considerably reducing the scope for vagaries of valuers so rife when other accessories have to be taken into account.

"I have the honor to be, sir, your obedient servant,

"ROBR. N. KEDING,

"Town Clerk."

Certified to by the mayor under the seal of the borough.

When I was there in February, 1900, I found no opposition to the law whatever, but found that it gave general satisfaction. There is no disposition on the part of the city to repeal the law, although it could be done at any time since last March. On the contrary, because of the great success of the law in Palmerston North, the road district of Manawatu, surrounding the city on three sides, on the 6th day of January, 1900, after an experience in the city of three years, adopted the land tax for the road district by a vote of 105 for to 10 against. The experience in Palmerston North is the general experience throughout the colony, no local body having repealed the operation of the law after having once adopted it.

#### IN QUEENSLAND.

On the 4th day of December, 1890, the colony of Queensland adopted a compulsory local tax law on land values, which went into operation January 1, 1891. This law is an application of the Australasian land tax to local government,

and the chief difference between it and the New Zealand law is that it is compulsory on all local government bodies, instead of being optional. It compels all the municipalities and other local divisions of Queensland to raise practically all their local revenue by a tax on land values only. Like all other Australasian land tax laws, this law has been a great success, and no effort has been made to repeal it. It was brought in by a conservative government, which has since remained in power.

The capital and principal city of Queensland is Brisbane, which on December 31, 1899, contained a population of 110,951 people. The following letter from the town clerk of Brisbane shows the workings of the law in that city:

"Municipal Council Chambers, Town Hall,"

"Brisbane, February 23, 1900."

"State Senator James W. Bucklin:

"Sir—Your letter addressed to me from Melbourne, under date of January 15, seeking information in regard to our system of municipal taxation, came duly to hand, and I have much pleasure in replying to your questions.

"First—You ask: 'What are your rates and the total amounts collected annually in your city on land values under the valuation and rating act of 1890?'

"The assessed capital value upon which a general rate was struck last year amounted to \$29,303,060.00. The amount of general rates levied, at one penny in the pound, was therefore \$122,096.08. In addition to this a cleansing rate for sanitary purposes was levied, on a differential scale, to the amount of \$57,718.75.

"Second—'What were the rates in the last year previous to the act?'

"In 1890 the assessments were made on a rental basis and totaled \$2,720,655.00, upon which a general rate of one shilling in the pound was levied, producing \$136,047.75. Separate and special rates being also levied to an amount of \$130,887.70 and \$22,675.68 respectively. In 1891 the capital value of the land alone was the basis of assessment, in accordance with the act, the assessment being \$44,001,755.00, the general rate three-fourths penny in the pound in two wards, and one penny in the pound in three wards, producing \$152,433.87. The cleansing rate levied amounted to \$106,764.43.

"Third—'What are the practical results of the principle of taxing land values only for local purposes?'

"Fourth—'In your opinion is the principle a success?'

"The object of the legislation of 1890 was primarily to fix the incidence of taxation more equitably, and that object has in the main been secured. The system of taxing improvements is undoubtedly defective, in that it tends to retard true progress. Prior to the adoption of the valuation and rating act of 1890, the owner of land who erected extensive improvements thereon was, in a sense, penalized for his temerity, while the owners of vacant lands, and lands whose improvements were not in keeping with their surroundings and the situation generally, benefited more or less at his expense. I am of the opinion that the effect of the act has been to induce greater activity in building operations, and that it is a distinct advance upon the previous system, though still open to improvement.

"Fifth—'Are the rate payers and others satisfied with it, or are they trying to get it repealed?'

"Sixth—'What amendments, if any, have been made to the law?'

"I believe that the workings of the act give very general satisfaction, and there is no intention to have it repealed. So far no amendments have been made, though several have been suggested, but these are of a very minor character and do not affect the general principles of the statute. I have treated your questions very briefly, but I trust the replies will be satisfactory. I am mailing you under separate cover a copy of 'The Valuation and Rating Act,' and copies of our statement of accounts for last year.

"I have the honor to be, sir, your obedient servant,

"W. HENRY G. MARSHALL,

"Town Clerk."

The following letter shows the operation of the law in a smaller city. It is from the town clerk of Townsville, a city of 9,000 or 10,000 inhabitants. The same questions were asked as those set out in the letter of the town clerk of Brisbane:

"Town Hall, Townsville, 9th February, 1900.

"James W. Bucklin, State Senator, etc.:

"It affords me pleasure to comply as far as practicable with the requirements of your letter of the 15th inst.

"First—Rates made and levied, 1899, \$32,887.04; collected, \$31,771.83.

"Second—In 1890 the rates were made \$30,187.75; collected, \$32,134.27.

"There was from 1899 a large accumulation of arrears, which explains the excess of rates collected with amount made.

"Third—The principle is a sound one, but the maximum rate requires raising.

"Fourth—Yes, as fully explained in general remarks.

"Fifth—There has not been the slightest attempt to repeal this system. In all the debates in the legislature on proposed amendments it was not alluded to in a solitary case. I do not think an attempt to revert to the taxation of improvements would be at all successful.

#### GENERAL REMARKS.

"The operation of the former act was so manifestly inequitable that parliament abolished entirely the principle of taxing improvements, and passed the act of 1890, still in force. I cannot illustrate more forcibly the advantages of the present act than by showing the defects of the other principle. By way of illustration, take two adjoining allotments or parcels of land, on all fours in every respect as to site, suitability, accessibility, centrality, and value say \$5,000.00. The one is owned by an absentee in England, who allows his land to remain in its primitive condition waiting further settlement, when its value will be sufficiently increased to dispose of it at a good fat profit. The other allotment is owned by a resident and citizen of the place. He has erected large buildings, e. g., a foundry. The latter's improvements have increased the value of the former's land, but under the old rating system these improvements would be assessed and taxed, while the more fortunate absentee would pay on the land only. Under the method now obtaining each pays alike. The statute now in force has swept away such anomalies as shown in the above two cases, and has reduced the speculator, the unearned incrementor and the corner allotment man to the level of the enterprising resident, who, by his personal influence and character, sharing the responsibilities of citizenship, aids so strongly in the development of our Australasian cities, towns and villages, and, in fact of the whole country.

"I have the honor to be your obedient servant,

"D. F. TREEHY,  
"Town Clerk."

I have a large number of newspaper articles, statistics, letters and other documents, as well as my own experience in the colonies visited, all confirming the statements made in the foregoing letters, and no evidence to the contrary. In none of the colonies is there any retrograde movement, but on the contrary, as shown, all are advancing towards the adoption of the Australasian land value tax, in lieu of all other local taxation.

A system of local taxation tested in so many localities, so uniformly successful, among a people so similar to our-



selves, ought to be tried in Colorado. By adopting the proposed home rule amendment to our state Constitution the people would be able to test the law in the localities desiring to do so, and could permanently retain it in case that its operation was a success, but would not be compelled to adopt or retain it contrary to their wishes. I do not know how any one who believes in a government by and for the people can oppose such a change in the powers of our local governments.

#### WHEN AND WHERE IN OPERATION.

The Australasian land value tax is in operation in some form and degree in four out of the seven colonies. In all the other colonies except West Australia it has passed the house of representatives, but has been defeated by the legislative council. Three of the colonies, New Zealand, South Australia and New South Wales, raise a portion of their state taxes by means of the Australasian system. This tax was first established for state purposes in New Zealand in 1878, a year before the publication of "Progress and Poverty," through the influence largely and under the government of Sir George Grey. In 1879, about a year after its adoption, the privileged classes, by means of a most unjust representation in parliament, and before the effects of the law could be known or understood, succeeded in repealing it and substituting therefor the general property tax. This is the only Australasian land value tax ever repealed in any of the colonies, and New Zealand has since repented and corrected this mistake.

The general property tax remained in operation in New Zealand for twelve years, during which time a deficiency in the revenue appeared of \$9,910,000.00. The general property tax of New Zealand, like that of the several American states, was not only a fiscal failure, but also an instrument of injustice and oppression. So unpopular did it become that the people, in memory of the previous short experience of the land tax, in 1890 turned out those who were responsible for the general property tax and elected a parliament pledged to re-enact the land tax, the change in the incidence of taxation being the chief issue in the campaign. The present land tax law of New Zealand was passed in 1891, and went into effect

in 1892. After having thoroughly tested the general property tax, and compared it with the Australasian land value tax, the former system was deliberately abolished and the Australasian system finally established; thus, after a thorough trial, rendering a complete judgment on the relative merits of the two methods of taxation. So completely are the people of New Zealand convinced of the superiority of their system that no political party advocates a return to the general property tax, but, on the contrary, practically a unanimous sentiment exists in favor of retaining their system.

The next colony to adopt this law was South Australia, in 1884. The South Australian law, although small in degree, has no exemptions, corresponding in this respect to the local land tax laws of New Zealand and Queensland. It is the oldest of the laws now in existence, having been passed during the interval in which the general property tax was in operation in New Zealand. The parliament of South Australia was very familiar with the general property tax of New Zealand, and with its effects. The adoption of the Australasian land tax by South Australia was, therefore, a direct judgment of that colony on the relative value of the two systems. This judgment was rendered in spite of the fact that New Zealand had, at that time, temporarily discarded the Australasian tax for the general property tax.

Queensland in 1890, as already shown, next adopted the Australasian tax for local purposes only.

New Zealand readopted the law in 1891, South Australia enacted the home rule law in 1893, and extended the rate of the colonial land tax in 1894, and New South Wales adopted the system in 1895. After the experience of the other colonies, this action of New South Wales was most significant. In 1896 New Zealand enacted the home rule law, and under that law local bodies of New Zealand have, every year since, extended the application of the principle. Since its great success has been shown, all of the colonies have attempted and nearly or quite succeeded in passing some portion of the law, showing the universal opinion of the people of the colonies to be in favor of the superiority of the Australasian system. After the object lesson in New Zealand, no colony in Aus-

traliasia has had the hardihood to again place the general property tax on their statute books.

#### THE FISCAL POINT OF VIEW.

The present land value tax of New Zealand took the place of a general property tax; that of New South Wales replaced that amount of tariff taxation, while that of South Australia was passed to secure needed additional revenue.

The total amount collected in New Zealand for the year 1898 by the Australasian system was \$1,490,265.00, in addition to the local optional tax; in South Australia it was about \$400,000.00, and in New South Wales about \$1,280,000.00. The rate of the tax in New Zealand is from four and one-sixth mills to fifteen mills on each dollar of assessed valuation; in South Australia, from two and one-twelfth mills to five mills, and in New South Wales it is four and one-sixth mills.

Under the Australasian system there is no difficulty in assessing property at its "full cash value," and but little if any complaint of unjust or unequal valuations. These valuations are used as a basis of taxation, and for various other public and private purposes. In marked contrast to the conditions in Colorado and other American states, there is a general acquiescence in the fairness and accuracy of the assessments. The reason for this is clearly evident. The Australasian system does not attempt to assess property which can be removed or hidden from sight. Nor is it inquisitorial nor complicated. Nor does it attempt the impossible task of arriving at the value of property of infinite form and variety, each class of which would require a thorough expert to determine, even approximately, its fair value. On the contrary, the Australasian system only taxes that kind of property which cannot be hidden or removed out of the country, the existence of which is known to everybody, and the value of which is the most widely known, the most easily and accurately ascertained of any form of property values. For these reasons, the valuations being simple and easy, the difficulties inherent in assessing and collecting the general property tax

are largely avoided, and the operations of the Australasian land value tax are full, fair and complete.

The Australasian tax cannot be avoided by perjury or any other fraudulent or evasive acts of the taxpayer. Whatever inequalities exist thereunder result from a wrong formulation of the laws or from incompetent assessors, and are not inherent in the system itself. This conclusion is illustrated by the fact that the only colony in which any serious trouble has arisen over the operation of the land tax, is New South Wales, where considerable complaint and litigation arose over the operation of the law for the first year or two of its existence. This trouble arose through the crude and incompetent formulation of the law, ignorance by both friends and enemies of the principle involved, inexperienced valuers, the unusually bitter opposition of large land owners, and the lack of any previous experience in direct taxation. These evils have now been overcome, and the law is working smoothly and satisfactorily.

If any further evidence is needed that land is fairly valued under the Australasian system it may be found in a comparison of the assessed values of Colorado and New Zealand. I believe that the per capita land values of Colorado at least equal those of New Zealand. The assessed values of the lands alone of New Zealand were in 1898 \$422,006,220.00, excluding all railroad, telegraph, water works and telephone lines, which in New Zealand are owned by the government. In Colorado, in the same year, the assessed values of all taxable property, including personal property, improvements, railroads, telegraphs, telephones, water works, etc., and all land, was only \$192,243,080.00. The population of Colorado is about five-sevenths as large as that of New Zealand. To simply repeal the tax on personal property and improvements in this state would therefore likely result in largely increasing the total assessed value of our taxable property.

The operation of the Australasian land value tax has always been satisfactory after its effects were once known, as is shown by the following facts: There has been no effort to repeal it, but, on the contrary, it has been extended and improved; as soon as it has come into operation in any degree,

in any colony or locality, all opposition to it ceases, and it is then accepted even by the conservative parties as a permanent institution; the people of the colonies never vote against it nor against those who are identified with the principle established; it has extended from colony to colony, and from state to municipal affairs, after the trial of numerous other revenue schemes. If these facts applied only to one isolated colony, or to the taxation of values of a special or local character, they would not be so convincing. But when the principle of taxing those values which exist wherever civilization extends has been tried for more than sixteen years, under different laws and conditions, by different countries and peoples, with one uniform successful result, the question of the practicability and wisdom of the law as a fiscal measure is placed beyond the region of successful controversy. My conclusions are, after careful observation and the most minute and painstaking examination of all data which I could procure, that the Australasian land value tax is the best fiscal measure, and the greatest fiscal success, ever adopted by any country or community.

#### ECONOMIC RESULTS IN AUSTRALASIA.

Previous to the adoption of the Australasian land value tax it was strenuously urged in all the colonies, and it has likewise been urged in Colorado and throughout America, that the adoption of such a tax would be destructive to business and general prosperity, and would result in terrible calamity to the mass of the people, and especially to land owners. Have such dire predictions been verified in the experiences of Australasia? Its enemies now claim that it has had but little if any economic effect, while some of its friends have alleged vast economic benefits resulting therefrom, without proving their assertions. To accurately affirm or deny the economic results of any moderate law requires most careful consideration and reflection. Indeed, it is easier to trace economic tendencies than the full results of such small rates of taxation. However, it will be evident on investigation that all tax laws of any importance must have correspondingly important economic results. Around the questions of the

incidence of taxation the most interesting and important political struggles have centered. My conclusions are that all predictions and allegations of any economic evil results from the Australasian land value tax system are without any just foundation and incorrect, and that all its economic effects have been beneficent. In proof of this conclusion I submit the following facts and observations:

The Australasian tax has not destroyed private property in land, nor abolished poverty, nor made any very radical changes in economic or social conditions. It is only a very small proportion of the total annual revenue of any colony. In New Zealand it is 6.07 per cent. of the total ordinary revenue, excluding land sales, etc.; in New South Wales it is 3.52 per cent., and in South Australia it is 3.33 per cent. Let it be remembered, however, that the tariff, stamp and railroad revenues, which in America go to the federal government or to private corporations, exceed in New Zealand 85 per cent. of the total revenues, in New South Wales 86 per cent., and in South Australia 71 per cent. The expense of collecting the small land tax is almost as great as though the rate was largely increased.

The economic effect of the tax, however, has not been confined to the actual amount collected. So beneficial are the results of the tax that it has been constantly discussed in each of the three colonies which have adopted it for general purposes, not with any idea of reducing or repealing the tax, but with the idea of enlarging it. The effect of this discussion has been to produce results in some of the colonies perhaps greater than the direct effects of the law itself. Whether any portion of the rental or annual value of land is taxed into the public treasury will not largely affect the amount of rent, except as it may cause unused land to enter the market; but the capitalized or market value of land is based on a capitalization of that portion of actual or possible rent which belongs to the private owner. When there is a probable future increase of rent to the land owner it tends to raise the selling or capital value of land to a speculative amount greater than the actual rent would justify, resulting in keeping would-be users out of land. When, however, the probability of an increase in the land tax becomes strong, the land

owner is anxious to sell for less than the full capitalized rent, enabling land users to get land without having to so largely discount the future and cripple their productive capacity. This tendency towards a reduction, or rather steadying of the speculative values of land, has actually occurred wherever the land value tax has been adopted, to the great advantage of land users. In New Zealand, however, there has been such a large increase of population and general prosperity since the adoption of the land tax that the total assessed market values of land have increased since 1892 \$43,066,745.00, showing that increased rents to the land owners have exceeded their land tax. This increased market value of land is a very much less per cent. than the increase in the improvements of New Zealand. In South Australia, where the land tax, as well as the increase of population, has been very small, and the original assessment was made at a time when prices were very much inflated, there have been two considerable reductions in the valuations, the first one because the valuations were made on the inflated untaxed values, and the second one succeeding the local option law of 1893 and the increased land tax of 1894.

The economic effect on the market values of land or on social conditions has been but slight in connection with the local or municipal tax. The utmost amount of the local tax is known and very limited, while the amount of revenue needed for general purposes is practically unlimited, owing to large public debts, etc.

South Australia adopted the Australasian tax in 1884, just at the culmination of a boom, when land values were highest; New Zealand's present law was adopted in 1891, more than a year *before* the climax of speculation and panic; while New South Wales adopted the tax in 1895, going into effect in 1896, nearly three years *after* the panic, when business and industry were greatly depressed. The improved conditions which took place in New Zealand in 1892 did not take place in New South Wales till 1896. It can thus be seen that the land tax has been tested in such a variety of public conditions as to make reasonably certain that there is no truth in the predicted evil results of its adoption.

In 1898, the four colonies having the land tax in operation, had an excess of immigration over emigration of 12,580 persons, being a gain in every colony, while the three colonies having no land value tax lost that year, by an excess of emigrants over immigrants, 4,910 persons.

#### SPECIAL CONDITIONS IN NEW SOUTH WALES.

In New South Wales in 1895, at the time of the adoption of the land tax, business and wages were exceedingly demoralized. At once, on the passage of the Australasian land tax, business began to improve. Wages increased and opportunities for work became more plentiful. A good indication of industrial conditions is to be found in the numbers of the unemployed. The unemployed registered with the Labor Commissioner were, for each of the four years respectively immediately preceding the tax, 18,600, 12,145, 13,575 and 14,062. For the three years respectively immediately following the adoption of the tax, the numbers were 6,427, 4,167 and 3,843; being an average of 4,812 registered unemployed for each year since the adoption of the land tax, as against an average of 14,595 per year preceding its adoption. It might be noted also that for the three years preceding the tax the number of unemployed was increasing each year, and that for the three years since it has been regularly decreasing. Since the law went into operation a large number of landed estates have been divided up and sold to actual settlers. There has been an increase of cultivated lands of 905,867 acres in the three years immediately following the adoption of the land tax, being an increase of more than fifty per cent. over the entire amount previously in cultivation in the colony. Crime of all kinds has also largely decreased since the adoption of the law. The excess of arrivals over departures for the three years since the passage of the land tax bill were in New South Wales 5,159, while in the adjoining colony of Victoria, which had about equal population and resources, but did not have the Australasian system of taxation, the emigration exceeded the immigration by 50,403. In fact, the condition of New South Wales is now most prosperous. So successfully has the law operated that in the elections of



1898 the friends of the law were successful in a contest where the opposition were pledged to its repeal.

All of this has occurred in spite of the fact that during the period since the Australasian system has been in operation there has been a terrible and unprecedented drought throughout the colony. The Labor Commissioner of New South Wales says:

"For hundreds of miles in the western, northwestern and southern parts of the colony not a blade of grass or herbage of any description could be seen. Sheep by the millions perished, and enormous numbers of stock. Those that were saved were only at great expense to the owners by their removal to more favored parts of the colony, and by the cutting of scrub to feed them on.

"In several parts of the colony farmers and dairymen have also suffered severe losses.

"In addition, the mining industry in most of the best districts has almost been paralyzed for the want of water. Many of the mines were compelled to shut down at Cobar and the surrounding districts.

"The foregoing will give a slight idea of the great loss of wealth to the colony generally, and which has, as a consequence, materially affected labor and industry in all its branches. Hundreds of men were thrown out of employment and made their way to Sydney to swell the ranks of the unemployed."

That under such misfortunes of nature New South Wales should have made the progress which has been made partakes of the marvelous, and is all the more remarkable when taken in connection with the predictions of the opponents of the land tax concerning the evil results that would follow its adoption.

#### SPECIAL CONDITIONS IN SOUTH AUSTRALIA.

In South Australia, although the land tax has been in operation sixteen years, there has been no panic or great business depression, but an evenly prosperous condition of the people. The land tax there is very small, being but little more than the assertion of the principle, and its economic effects are correspondingly small. Then, too, the surrounding colonies have had large mining booms which have drawn population away from South Australia, while no precious

minerals of importance have been discovered in that colony. There has, however, been a considerable increase of population in South Australia during the last sixteen years, and business men claim that the small state tax on land values has largely stimulated building trades and provided the people with better houses. There is no disposition in South Australia to repeal the land tax. A fusion of the liberal and labor parties passed the law, and have retained power ever since.

One of the picturesque historical facts in connection with the Australasian land value tax is that it should have first sprung up and been adopted by the two colonies, South Australia and New Zealand, which were colonized under the directly opposite influences and theories of Edward Gibbon Wakefield.

"Mr. Wakefield contended that colonial land should be sold at a 'sufficient price,' at a uniform rate, so high as to prevent laborers from buying it. That it should be sold in large blocks and the purchase money expended in bringing to the colonies healthy and capable young men and women of the laboring classes, who, being debarred from becoming land owners themselves, should continue to work for wages, and thus guarantee a perpetual abundance of cheap labor for the benefit of the capitalist."

This frank acknowledgment and practical object lesson of the power of untaxed landlordism was doubtless an important factor in arousing the thought which has begun to check its power.

#### SPECIAL CONDITIONS IN NEW ZEALAND—COMPULSORY ARBITRATION.

The adoption of the present land value tax in New Zealand grew out of the disgust with the general property tax and the fact that the great labor strike of 1890, involving thousands of laboring men, was beaten and crushed out. Hon. John Ballance, who had introduced and most ably advocated the land tax bill of 1878, had; notwithstanding its repeal, never ceased to urge the principle upon the people. The working classes now, defeated in their strike, turned to Mr. Ballance, elected a parliament to support him, and have ever since maintained their control.

Prior to the land tax of 1891 there had been an enormously extravagant government in control of affairs, who had plunged the country largely in debt, and, in many ways, ran it in the interest of the privileged classes. Land speculation was rife and the country was apparently on the verge of a great panic. In 1891 thousands of unemployed gathered in all the cities of New Zealand asking for work, and the people were actually fleeing from the country in search of the right to labor.

As the chief measure of relief the Ballance government had demanded during the campaign, and now passed, the Australasian land value tax law. At once, without the "Industrial Conciliation and Arbitration Act," or any new labor laws, the condition of labor began greatly to improve. Wages increased, the hours of toil shortened, the cost of living decreased, and the idle received employment. From 1891 to 1898 the cultivated lands of New Zealand increased 3,522,091 acres, sown grass lands increased 3,278,501 acres, the value of improvements increased \$39,000,000.00, and nearly all business greatly improved. Wages in New Zealand are not high, but the cost of living is cheap, and the people generally seem to be most prosperous and happy. For nearly a day I walked through the streets of Auckland, a city of more than sixty thousand people, in search of an idle workingman, and was unable to find one. In the four years immediately preceding the land tax, in spite of government ownership and management of railroads, telegraphs, telephones, insurance, etc., there was an actual decrease of immigration over emigration of 17,789 persons, being a loss each year. At once on the passage of the land value tax the tide of emigration turned, population has increased 122,447, and in the first two years after the adoption of the land tax the immigration of New Zealand exceeded the emigration 15,370 persons, and has continued in excess each of the eight years since its passage.

Since the passage of the compulsory arbitration law in 1894, and its coming into operation a year or so later, there has been no such great improvement in the condition of wages or labor as took place on the passage of the land tax law of 1891. The excess of immigration into New Zealand for the

three years following the adoption of the Australasian system, and prior to the passage of the compulsory arbitration law, was 3,777 persons more than twice the number for the three years immediately following the arbitration law. It is sometimes claimed that the arbitration law has not even tended to improve the conditions of labor, but has retarded such improvement. It has not had a very long life and has not been fully tested as yet, but so far it has done but little if any direct harm. Under any view its benefits to labor or the public are far less than the land value tax. H. D. Lloyd, in his book eulogizing the New Zealand compulsory arbitration law, entitled "A Country Without Strikes," says:

"But it is not really correct to say that this is a case of wages 'fixed by law.' The law has not fixed the prices. The price is fixed by the facts of the economic situation," and "It (the compulsory arbitration law) does not attempt to create or modify economic conditions."

The Australasian land value tax, like all other tax laws, does modify economic conditions, while the compulsory arbitration law only aims at a peaceable adjustment of industrial disputes under existing economic conditions. After consultation with numerous classes of persons in New Zealand, including both laborers and employers, I am convinced that, taken as a whole, wages are not any higher, nor the hours of toil any shorter, nor the chance of employment any better because of the compulsory arbitration law. It may perhaps have had some effect in allaying the friction of industrial disputes, but even this is not yet fully proven. If it were true that a compulsory arbitration board could arbitrarily raise and maintain wages, why does not the board fix wages at a minimum of a sovereign or five dollars per day? There can be no doubt that workmen produce, and are consequently entitled to receive at least that amount of daily wages. The government of New Zealand is favorable to organized labor. If justice can be arbitrarily established without reference to natural or economic laws, why is it not done by the compulsory arbitration board, under the favorable conditions existing in New Zealand? In truth, all that any arbitration board can do is to endeavor to fairly determine and establish the

amount of wages fixed by economic conditions, on the theory that labor is too weak and helpless to protect its own rights by voluntary action. All that arbitration can do if ideally perfect is to palliate, not cure, public evils. If economic conditions are forcing wages down and throwing men out of work, no compulsory arbitration board can prevent such results; while if economic conditions are forcing wages up, arbitration boards will not be able to prevent such increase. The compulsory arbitration law of New Zealand has had the fortune to be in operation at no time except when economic conditions were slowly but steadily improving. The compulsory arbitration law has still much opposition among the employing classes, and while most of the working people of New Zealand uphold the arbitration law, yet generally they give more credit to the Australasian tax system for their improved conditions than to the labor laws.

In 1892 the Australasian land value tax went into operation, and its application having been extended nearly every year since, it must be considered as one of the factors in the present conditions of New Zealand labor.

I cannot agree with those who claim that a material cause of the existing prosperity of New Zealand is the compulsory arbitration and other labor laws. True this prosperity has been accompanied by numerous so-called labor laws. The economic effect of labor legislation, however, is shown by the history of New Zealand to be of very small importance, except, perhaps, in retarding and obscuring the progress of more important and fundamental matters. The evil effects of class legislation demanded by large classes of people must of necessity be very limited, otherwise the working people, being themselves the first to feel its effect, would demand its repeal. Compared with the great mass of existing class laws, enacted in the interest of the privileged few, such laws are harmless. The labor parties of Australasia are everywhere favorable to the Australasian land value tax, and if in addition thereto they have caused the enactment of some class laws, such imitation of the legislation of the privileged classes has pleased the labor parties and not done much harm.

## THE BANK PANIC OF 1893.

In comparing the colonies with one another, it must be remembered that they are all colonies of the same mother country, that they are inhabited by the same class of people, their markets are the same, they derive their laws and institutions from the same source, the people freely emigrate from one colony to another, one-half of the banks and many business houses are located in more than one colony, their financial systems are the same, the internal affairs of the several colonies, such as the government ownership of railroads, telegraphs and telephones are of a similar character, and the prosperity or adversity of each colony naturally fluctuates with that of the others.

Yet the bank panic of 1893, which extended all over the civilized world, did not close a single bank doing business in New Zealand; nor did it close any in South Australia, except the branches of those banks having headquarters in other colonies. In other words, the bank panic of 1893, with its storm center in Melbourne, Victoria, where there had been an enormous speculation in land, and which panic raged in New South Wales, and in all the other colonies unprotected by the Australasian tax system, did not make itself seriously felt in either of the then land tax colonies. What the full cause of this was I shall not attempt to say. New Zealand a year later came to the aid of one of its banks by guaranteeing its paper. But Victoria did not dare to venture in that line, and it is certain that it could not have saved its banks had it done so.

One of the chief causes of the panic was, that both the banks and their patrons had speculated largely in land, and coincident with the panic, a terrible shrinking in values occurred that made thousands of bank debtors insolvent, and their paper worthless. In New Zealand the land tax which was passed nearly two years before the land speculation culminated, checked the land boom, and correspondingly checked the credits based on land speculation in that colony. The speculation, however, had proceeded so far, that although the

banks and their patrons had nearly two years' time in which to retrieve themselves, they were seriously threatened, not entirely, and perhaps not mainly by their New Zealand business, but largely because they had branches doing business in the other colonies. In South Australia, where there had been no land boom, there were no failures of banks caused by the South Australia business. Thirteen out of the twenty-five banks of issue in Australasia, with their hundreds of branches, closed with liabilities of \$516,576,070.00.

It may be asked how such a small tax could produce such prodigious results? The answer is that in so far as the land tax contributed to these results, it was not entirely the existing tax that prevented land speculation, and the collapse following thereupon, but, more largely still, a wholesome fear of its increase. Certain it is that no land boom or serious financial panic ever yet occurred where the Australasian land value tax has been established for general purposes.

To those who are urging government ownership and control of railroads, telegraphs and telephones as a solution of the social problem, I would point to the fact that in all the colonies in which the panic of 1893 raged, the ownership and control of such utilities was, and had long been the established public policy; but that good results flow from such ownership is undeniable.

#### IMPORTANT OPINIONS.

In order to prove the effect of the Australasian land tax in the several colonies, I put several formal questions to the Premiers of South Australia and New Zealand with their consent, and received the following replies:

"Premier's Office, Adelaide, South Australia, February 22, 1900.

"Dear Mr. Bucklin:—I have yours, dated Wellington, N. Z., February 9, 1900. You ask, first—'Has the land value tax been a fiscal success in South Australia?'

"I answer, unhesitatingly, *yes*.

"Second—'Has South Australia prospered under it, and, if so, has it been a factor in such prosperity, or otherwise?'

"South Australia has had to contend for several years past against very low prices for all our staples, coupled with very bad seasons in long

succession. The revenue from the land value tax has helped to meet our needs, and complaint against it is almost unheard. It has in no way tended to work against our prosperity.

“Third—‘What are the prospects for its repeal?’

“There is no prospect of its repeal, and no general desire that it should be repealed. The trend has all been the other way. It was first one-half penny in every pound value. In 1893 it was altered to one-half penny in the pound up to \$25,000.00 owned by any one taxpayer, and one penny in the pound for all excess over \$25,000.00 value so held. The probabilities are all in the direction of another half penny being added when any one holder exceeds in value, say \$100,000.00. It is believed that the operation of the tax is to prevent the holding of large areas of almost or quite uncultivated land. The fear of the tax did operate to keep some buyers temporarily out of the market, and so stay the accumulations of large holdings; but it has settled down now so that the value of the land is seen to be what it will produce, and the half penny in the pound is all the deduction that is calculated on this. The falling off in the volume and value of produce alone fully accounts for the reduced value of country lands, and in the case of town lands, if the tax operates, it is to deter speculation of boom prices, and to induce utilization and occupation of land. There is no political party whose platform includes any repeal of the tax. There are one or two who advocate either an all round increase of the rate irrespective of the size of the holding, or else another step to touch the large holdings.

“Trusting these replies may help you, I am yours, etc.,

“F. W. HOLDER,

“Premier and Treasurer, S. A.”

“Premier’s Office, Wellington, N. Z., February 13, 1900.

“Dear Sir:—I have the honor to acknowledge the receipt of your letter of the 9th instant, and am pleased to have made your acquaintance, and it was a pleasure to me to have been able to assist you in your research, and as far as possible, to have given you such data as will enable you to form a perfect and positive opinion upon the subject matters which you have, during your visit here, investigated.

“In reply to your first question, ‘Has the land tax, as imposed in New Zealand, been a fiscal success?’ the answer is in the affirmative, and this is further demonstrated by the fact that during the last general election, which took place in this colony in December last, those who in former years opposed this policy have gone the length of saying that they would not disturb it, and there was not a single candidate, so far as I know, who advocated its repeal.



"As to question No. 2, 'Has New Zealand prospered under this policy, and has it been a factor in such prosperity?' the tax has been imposed upon the lands of those people who are best able to bear it, and whilst encouraging thrift, it has been just in its incidence, and there can be no doubt that it has been a factor in bringing about our existing prosperity.

"The third question refers to rating on unimproved values. The rating on unimproved values for local purposes has proved a success, and the opinion of the government, which is generally shared throughout the colony, is that it should be made compulsory; at the present time it is optional.

"The replies to the second and third queries practically dispose of the fourth as to the prospect of the law in question being continued or repealed. Popular opinion is very strong in their favor, so strong that repeal is out of the question.

"I am, dear sir, yours faithfully,

"R. J. SEDDON."

The Secretary of Labor of New Zealand, in a personal letter to myself, dated February 10, 1900, says:

"In 1890 and 1891 there were many unemployed in New Zealand. Every large town was pervaded by groups of men out of work, who sometimes two and three times a week held public meetings in order to bring their condition of distress to the notice of the government and the citizens. An immense improvement has been effected. Owing also to the general prosperity of the colony, labor has been absorbed into various industries, or the laborer has been converted from the position of wage-earner into that of small farmer. To give an idea of this absorption of labor in one branch alone of this department, I may mention that there are 25,000 persons employed in the factories of the colony in excess of those at work ten years ago. For the last three years we have had no real pressure upon the labor department on account of unemployed persons, and during the present summer there has been a dearth of labor in some parts of the country, although this is more apparent in such employment as harvesting, etc., which is in its nature spasmodic and irregular. The effect of prosperity and absorption of surplus labor has, of course, been to raise wages, because naturally where there is competition for hands, instead of selection from surplus labor, better wages are given. Wages have never been higher in the colony than at present, and the deposit of \$90,000,000.00 in the savings banks by the working classes is a proof of this. Not only is there a direct advance in payment, but also an indirect advance by shortening of hours. To take women's work for instance, not only do they now receive the same wages or higher

wages for the eight-hour day than they formerly received for nine or ten hours, but they also have to be paid full wages for certain holidays, just as if at work."

On the 27th day of September, 1900, Hon. George Fowlds, M. P., Auckland, N. Z., answered my questions as follows:

"First—'What has been the fiscal and economic effect of the Australian land value tax in New Zealand?'"

"Answer—There is no doubt that New Zealand is now in a most prosperous condition. While it would perhaps be claiming too much to ascribe all its prosperity to the land tax, the fact remains that the fierce denunciations of the system and the innumerable predictions of disaster if it were adopted, with which the colony fairly rang when in 1891 the government proceeded to apply it, have been proven to have not the slightest justification. That the people of the colony have realized this is best proved by the repeated successes of the liberal party at the polls since the general election of 1890. It is now beyond all question that no political party can possibly hope to repeal the land tax, but a large section of the community look confidently forward to a more extensive application of the system. It might be added that even the most pronounced opponents of the government are careful to reiterate that they have no intention to repeal the land tax should they obtain a lease of political power. As for the financial results of the system, it is significant that this year we have been able to remit 160,000 pounds, about \$800,000.00, in custom duties, and it is proposed to begin the twentieth century by reducing the postage on letters within and beyond the colony from two pence to one penny. We have also this year reduced fares and freights on our state railways to the extent of 75,000 pounds, or \$375,000.00 per annum. I think it is also safe to add that the land tax induces a tendency to keep land values to their legitimate level.

"Second—'What has been the effect of local rating on unimproved values?'"

"The rating on unimproved values act granted the ratepayers within local districts, local option in rating since 1896. The conditions as to proceedings under the act have been liberalized extensively. So far about thirty polls have been taken, and only in two cases have majorities been recorded against the system.

"Third—'What are the prospects of extending or repealing these taxes?'"

"There is not the remotest chance of repealing either. Their ultimate extension is certain. At the recent annual municipal conference most laudatory references were made to the system, more especially by those representing districts wherein the system had been adopted.

“Fourth—‘Is New Zealand prosperous, and if so, what is the cause?’

“That New Zealand is prosperous is beyond all question. A large number of the workers believe that the labor legislation of the past few years has been an important factor in producing prosperity, and no political party would dare to repeal the measures which have been passed.

“The only measure which, by any stretch of the imagination, could be claimed to have raised the wages of workers would be the conciliation and arbitration act, and many of its most pronounced advocates have come to realize that as wages have been increased, so have rents and the price of labor products, the result being an increase of nominal wages, while the real wages, or in other words the purchasing power of wages, have not improved beyond what good harvests, extended markets and better prices in the foreign markets would have produced naturally. In my opinion the real cause of New Zealand’s prosperity and improved social condition, outside the causes mentioned in the last paragraph, has been the land value taxation.

“Fifth—‘Have any steps been taken since my visit to extend the land tax in New Zealand?’

“The first session of the new parliament is now sitting. It is not proposed to extend the application of the principle this session; but it is probable that next year the optional feature in the rating on unimproved values act will be eliminated, and the act made mandatory, in which case all rates on improvements will be abolished without the slower process of taking a poll in each district.”

June 15, 1897, Hon. G. H. Reid, the then premier of New South Wales, in an interview in the London Daily News, in answer to the question, “Have you found the imposition of the land tax answer your expectations?” said:

“It has answered my expectations in this way: That it has stimulated building and enterprise in land in every way; it is not proving a serious burden, and I am happy to say that some of the largest land owners in Australia, who have great freehold properties in New South Wales, have personally expressed to me their readiness to continue the tax so long as it is in existence.”

The Daily Telegraph of Sydney, N. S. W., which is one of the two or three papers which have the largest circulation and influence in the colonies, in an editorial dated June 28, 1897, says:

"When the present land tax was under discussion, the one great objection urged against it was that it would drive away settlers from the soil, and turn the country into a sheep walk. There is no doubt that this view was in many cases sincerely held. Land taxation has not come 'like a thief in the night;' it has come in open political daylight as the effect of a deliberated and reiterated vote by an overwhelming majority of the people. It has, therefore, every appearance of permanency, so that there cannot be many settlers on the soil who are holding out in the hope of its being within measurable time abolished. Hence, if the predicted exodus of farmers is to take place at all, there is nothing for them to wait for. Is there any manifestation of people either fleeing, or being about to flee, from the operation of the land tax? Where are the abandoned farms, and the rusting plowshares, and the empty barns that were to bear witness to the effects of making the large freehold owners of land take a more equitable share in the burdens of taxation? None of these things have yet appeared. On the contrary, we see people as eager as ever to get hold of eligible farming land, which is rushed by tax defying applicants as soon as it is thrown open.

"There are now, however, other distinct effects of the tax beginning to appear, which go further to dissipate any fear of the land being thrown out of use as was predicted. Amongst these is the opening up of the vast Peel River estate at Tamworth, where nearly five thousand acres of agricultural country are announced for auction sale in farm lots. This land is the property of an absentee company, which, while it was subject to no tax, could afford to keep an immense estate locked up while the expenditure of public money all around was increasing its value.

"The land that is cultivated will give in produce the same return for the same amount of labor, tax or no tax. The land which is not cultivated, but merely held for speculative purposes, will, however, not give an equal profit to the speculator. Hence the stimulus is to the use of land, whereby the result of the tax is to increase, instead of to retard agricultural settlement. Instead of workers moving away from the land, and leaving it idle, we find monopoly, which kept it locked up, beginning to stand aside in order that they might come and occupy it. When in place of workers being put off the land through the operation of the present fiscal policy, new openings are seen to be made for them to go on it, the cry about hindrance to production caused by the tax calls for no answer. Facts from which there is no appeal stifle it. And the number of these facts, as typified by the case of the great Peel River estate, must increase as the owners of other large monopolies begin to realize that the tax has come to stay."

On January 8, 1900, this same paper, in connection with an interview with myself, says: "Our visitor can have nothing but good to report of the working of land value taxation."

#### PROSPECTS OF FUTURE ACTION.

In none of the colonies which have adopted the principle of land value taxation, is there any reasonable prospect of its repeal. On the contrary, in some of the colonies there have been important advances, and in them all, there is at present more or less prospect of its advance and extension. In every one of them they are moving towards the principle as the sole source of local or municipal revenue.

In New Zealand the law of 1891 originally only exempted improvements under \$15,000.00 in value, which limitation was repealed in 1893, leaving all improvements exempt. A slight increase has also been made in the rate of taxation on large estates. The basis of all land value taxation in New Zealand is an assessment law which originally valued property for taxation once in three years, but which has now been amended so that any inequalities in the assessed valuations may be adjusted at any time. Since the passage of the local optional law of 1896, it has been amended by making the application of the principle to any locality possible by a majority vote. This law was passed in 1899, and at the same session of parliament a bill was brought in by the government making the taxation of land values for local purposes, compulsory instead of optional. But still stronger evidence of public opinion is found in the fact that ever since the adoption of the present land tax laws, the government which passed the act and all amendments and extensions of it, doing something in this direction nearly every year, has continuously held office, and at the last election, in 1899, was returned by an overwhelming majority, the largest it has ever received. The opposition was almost annihilated, while men like Hon. George Fowlds, of Auckland, were returned to parliament pledged to extend the land tax another penny in the pound. Even the leader of the opposition has in his public speeches given a pledge that if the conservative party

came into power it would not repeal the Australasian land value tax laws.

In South Australia the same condition of affairs exists. In 1894 the law was extended. A strong effort is now being made to reform the membership of the upper house so as to make it responsive to public sentiment, and then remove the obstructions placed in the local optional law by its enemies, and make it workable. Since the last sentence was written the effort has resulted in success, so that these obstructions are sure to be soon removed. The conservative party of South Australia contents itself by a declaration "against any additional *special* taxation on land," thus practically declaring in favor of the existing Australasian land value tax, and only opposing further graduations; while the labor party declares in favor of "increasing the tax on land values."

The government of New South Wales which brought in the Australasian land tax and all amendments thereto, came into power in 1895 by a coalition of the free trade and labor parties, was successfully re-elected in 1898 after the law had been in operation for nearly three years, and has never been defeated before the people, although thrown out of power in 1899 by a coalition in parliament between the labor and protection parties on another question. There is no probability of the present government attempting to repeal the Australasian land tax, because to do so would be to sever connections with the labor party. All parties in New South Wales profess friendship to the Australasian system for local purposes, and it may be adopted at any time. Since writing the foregoing I find that the present government has recently introduced a local optional bill, similar to that of the Reid government.

The federation, when completed, will take charge of the tariff revenue now going to the several colonies, and pending that the colonial revenues are in an uncertain transitory condition. The first prospect of extending the land tax is therefore in the direction of local taxation. What the federal government will do has not yet been indicated, but as soon as it is in operation some of the states will probably experience a shortage of revenue, and will likely adopt or extend the Australasian system for state needs.

Since those local bodies of New Zealand heretofore mentioned adopted the Australian land value tax, several more, about five or six local bodies, have also adopted it, information of which has just been received. In South Australia, also, the home rule land tax law has been so amended as to make it effective. Each of these advances was predicted in the first edition of this report, when printed last month. These facts confirm my previously expressed opinion, that the advance of land value taxation for local purposes, in the colonies, will now be much more rapid.

#### IS THE AUSTRALASIAN LAND VALUE TAX JUST?

Governor Thomas, as temporary chairman of the late National Democratic convention, stated that "unjust taxation by whatever name it may be called is the plunder of the citizen by his government."

I have shown that our present system of state taxation, together with the proposed inheritance, occupation and income taxes, are unjust. The advocates and apologists of such laws are thus, according to the Governor, endorsing a proposition to plunder the people.

Does the Australasian land value tax stand the supreme test of being right and just, or must it, too, be classed with other revenue laws, whose sole justification is public necessity, regardless of the principles of equity? It has sometimes been claimed, by those not familiar with it, that the Australasian system places an unjust burden on land. Such claimants never urge that our tariff and other federal, and many state and local revenue laws exempt land values, and thereby relieve land owners from their just share of taxes. No one pretends that there is any justice in exempting land values from at least an equal proportionate share of all taxation. Yet tariff and many other laws place a heavy burden on nearly all other property, while land values entirely escape such taxation. If the advocates of the principle of a general property tax wish to be consistent, they should urge the adoption of the Australasian land value tax by the several states, as a just complement to federal taxation. At the pres-

ent time, considering our federal taxes, land is more lightly taxed than any other class of property, and the Australasian system would largely equalize the burdens of taxation between land owners and other people of the country.

The fact that franchises in public ways, rights of way and land are largely increased in value by the creation of public improvements, as well as by other public expenditures, and by the existence and growth of society, places the owners of such property, so enhanced in value, under special obligations to contribute at least the small amount of this tax into the public treasury. Such special contribution, even if it resulted in a greater burden on the property so enhanced in value than on other property, which it does not, would in no wise be a discrimination against land owners, because other classes of property are not ordinarily enhanced in value by public expenditures, nor by the growth of population.

Whether society, which creates the rental values of land, should tax all such values into the public treasury or not, certain it is that government can justly take a small needed portion thereof for public necessities in the form of a tax on land values only. Such taxation is simply the taking for public needs of a small portion of those values not produced by individual effort, but by social existence and organization. While, therefore, I proclaim the great practical success of the Australasian land value tax, yet I admit that the strongest argument in its favor is the inherent justice of the principle involved.

#### CONSTITUTIONAL AMENDMENTS NECESSARY.

In order that the Australasian land value tax may be gradually adopted in Colorado, three amendments to Article X of the Constitution are necessary, as follows, viz. :

First—There should be no Constitutional restrictions on the power of the legislature to abolish taxation from any industry or its products, and the existing restrictions compelling the taxation of personal property and improvements must be repealed.



Second—The legislature should be authorized to establish a land value tax in addition to the existing four mills property tax, for the purpose of supplying any deficiency in our state revenue, such as now exists. This would permanently and effectively prevent the necessity for any future or further deficiency of revenue.

Third—The right of the people of any county by vote to adopt the Australasian system for local needs should be established, thus authorizing the right of home rule or local self-government in matters of local taxation.

A copy of the proposed amended sections of the Constitution is hereto attached, all formal parts of the bill being left out.

I am aware that these three propositions are very conservative and do not establish, but only authorize the Australasian system; that in order to establish it, the provisions of the Constitution should be mandatory instead of merely permissive; but gradual, careful action is best. In our modern civilization the functions of government and the need of revenue constantly tend to increase, and we should change the revenue provisions of our Constitution so that our laws can keep step to the music of human advancement. This can be done not by temporary expedients, but by broad fundamental conceptions of correct principles. Organized labor and two of the political parties of Colorado have endorsed the principles of and are pledged to support the Australasian land value tax. There is no probability of modifying the four-mill limitation otherwise than by the Australasian system.

These proposed amendments will be productive of many good results; they will authorize the legislature to raise an additional amount of revenue sufficient to supply the needs of the state in any emergency, without any additional labor or cost for collection, while all other proposed methods of raising the deficit will entail much additional machinery and expense to the taxpayers; they will compel the taxation of all rights of way or franchises in public ways owned by any person or private corporation, thus preventing the evasion of

taxation now enjoyed by the owners of valuable franchises; they will enable the state legislature or the people of any county to establish or encourage any industry or industries by exempting them from taxation for such length of time as may be desirable; they will establish, and in a moderate and conservative manner test, the principle of the initiative and referendum in one of the most important functions of government, that of local taxation; they will authorize but not compel the establishment of the Australasian system of taxation, or any part thereof; they will, should the Australasian land value tax system be ultimately fully adopted, simplify taxation and enormously reduce the cost of its assessment and collection, and should all returns by the taxpayer be abolished, as they might be, the personal element in taxation would be absent, and all perjury, evasion and corruption in connection with taxation would soon disappear. If the experience of the people under the Southern Cross is repeated, whatever state in America first adopts the Australasian tax system and exempts all industry and the products thereof from direct taxation, will draw within its borders much capital and people fleeing from the heavy tax burdens of other states and nations. Such state will lead the advancing civilization of the world. I will introduce into the Senate of the Thirteenth General Assembly the proposed constitutional amendment.

#### STATUTORY CHANGES.

No attempt to thoroughly revise our tax laws and to establish a complete and rational system of taxation can be successful without first amending our state Constitution upon which they are based. Certain changes in our statutes, however, can and should be made without delay, regardless of the constitutional amendment.

All mines, mineral land, rights of way and franchises in public ways should be assessed and taxed the same as other real estate. In the formulation of the bill taxing franchises in public ways it is particularly necessary, in order that the law may be effective, that it should recognize the fact that such franchises are rights in and to land, and that the law

already clearly taxes all tangible personal property of those owning such franchises. If all kinds of intangible rights, such as business good will, associated press franchises and other contracts, together with personal property and improvements, are indiscriminately mixed up, such a law would lose both its equitable and its practical features. Assessors and members of the State Board of Equalization should be adequately punished for failure to assess property at its full cash value, and interest on state warrants should be reduced from 6 per cent. to 5 per cent. per annum. I have prepared bills in accordance with these recommendations, which I believe will sufficiently and wisely readjust our finances to the temporary needs of the state, and will prepare the way for, and harmonize with, the proposed constitutional amendment. These bills are short, simple and easily understood, but have been carefully prepared.

In conclusion I can only give the advice of Shakespeare:

“Be just, and fear not,  
 “Let all the ends thou aim’st at be thy country’s,  
 “Thy God’s, and Truth’s.”

JAMES W. BUCKLIN,  
 Chairman Senatorial Tax Commission.

#### REPORT OF THE COMMITTEE.

We recommend that the legislature permit the people of Colorado to amend their state constitution so as to allow the gradual adoption of the Australian land value tax system, or any part thereof. We endorse the constitutional amendment proposed by the chairman of this committee, as a safe, conservative and timely measure. Each member of the legislature, whether in favor of or opposed to the Australasian system, should support this bill for two reasons:

First—Because the state Constitution is not a legislative act, but an act of the people, and no legislature should there-

fore deny the people of the state the right to liberalize their own act.

Second—Because, should the amendment be submitted and the Constitution so amended, that fact alone would not in the least change a single law or tax provision in the state, but would simply liberalize certain provisions of our state Constitution, and thus make gradual, conservative change possible, which, if unsatisfactory, could easily be receded from; thus avoiding all extreme or suddenly extensive changes. To argue that the people would adopt it as a whole if tested in a small degree, is to admit the beneficence of the measure. Let the people have a voice in the matter and many evils now existing in our revenue laws may decrease or entirely disappear.

JAMES W. BUCKLIN,  
THOMAS J. EHRHART,

Colorado Senatorial Tax Commission of 1899 and 1900.

#### MINORITY REPORT.

A minority of your committee begs to report that, while I can not indorse all the recommendations contained in the report of the chairman of this committee, I think that some of them would be beneficial to the people of Colorado, if enacted into laws in this state; and, while I think that under the authority of the resolution of the senate so authorizing our appointment, we should have made a more thorough investigation of our state and local revenue laws, and investigated more fully into the local conditions as they now exist for remedies therefor, I am not blind to the fact that it is a question of the utmost importance to the people of this state, and that they should have the right to determine for themselves, whether or not they will adopt the tax system proposed; and for which reasons I would recommend that the legislature permit the people of this state to vote upon the question of the proposed amendment to our state Constitution, so as to allow the gradual adoption of the Australasian

land value tax system, or any part thereof, or to reject it, as the people by their votes shall determine for themselves.

Respectfully submitted,

WILLIAM A. HILL,

Member of Colorado Senatorial Tax Commission of 1899 and 1900.

### PROPOSED AMENDMENT.

Proposed amendments to Article X of the Colorado Constitution, authorizing the legislature to collect sufficient revenue for all state and local purposes, in accordance with the Australasian land value tax system; also authorizing the adoption of the Australasian system of home rule or local self-government in taxation:

Sec. 6. The general assembly shall have power by law to exempt any or all personal property and improvements on land from any or all taxation. All laws exempting from taxation the whole or any part of the full cash value of any rights of way, franchises in public ways, or land, exclusive of the improvements thereon, shall be void, except as otherwise provided by this Constitution. Any part or parts of this article of the Constitution conflicting with the provisions of this section, shall be and the same hereby are amended so as to conform hereto and harmonize herewith.

Sec. 9. Once in three years, but not oftener, the voters of any county in the state may, by vote, at any general election, exempt or refuse to exempt from all taxation for county, city, town, school, road and other local purposes, any or all personal property and improvements on land; but neither the whole nor any part of the full cash value of any rights of way, franchises in public ways, or land, exclusive of the improvements thereon, shall be so exempted; Provided, however, that such question be submitted to the voters by virtue of a petition therefor, signed and sworn to by not less than one hundred voters of such county, and filed with the county clerk and recorder, not less than thirty nor more than ninety days before the day of election.

Sec. 11. The rate of taxation on property, for state purposes, shall never exceed four mills on each dollar of valuation; but the provisions of this section shall not apply to rights of way, franchises in public ways, or land,—the full cash value of which may be taxed at such additional

rate as shall be provided by law, after exempting all personal property and improvements thereon from such additional rate of taxation.

The foregoing amendment has been endorsed by United States Senator Thomas M. Patterson, Governors Thomas and Orman, the *Rocky Mountain News*, the *Post*, organized labor, and many of the leading lawyers, business men and citizens of Colorado.

