

required for its administration would be revolting to the average mind. C. F. Bastable, in his work on public finance, states that the presentation of an objection to a particular tax is very impressive, but you require to beware of the fallacy of objections. The same writer, after an exhaustive discussion of taxation, states his conclusion that the best system of taxation for modern societies is a mixture of direct and indirect taxes; so that in considering taxation you should consider the whole system, and not any one part of it by itself. There is a school of thought that advocates progressive taxation for the purpose of correcting inequalities in the distribution of wealth and removing social injustices. There is another school which admits that there are inequalities and injustices, but contends that these should not be corrected by taxation, that taxation should be in accordance with faculty and should be proportional to income as a measure of faculty. With that school I agree. There is another system of taxation which is called by one writer on economics the cynical system. Its views are that if in the State there is a body of wealthy taxpayers with a minority of votes and you can tax them effectively—well, tax them; if indirect taxes can be disguised so as not to be felt by the body of the voters—well, impose those taxes. To put it shortly, “Pluck the goose so as to have as little squealing as possible.” Now, I said I agree with the second school, which, while admitting social injustice and inequalities in the distribution of wealth, objects to taxation being used as a means of correcting these. The contention of that school is that taxation should be used for revenue purposes only. While we have progressive taxation in our system I do not propose to attempt to defend it on the score that it is for the purpose of correcting the inequalities in the distribution of wealth. My grounds of defence are these: that the action of indirect taxes is regressive—that is, they fall more heavily on the smaller incomes; and to strike a balance you require progressive taxes on income, so as to bring out a really proportional system of taxation, in accordance with faculty. I except from that the land-tax. And, by the way, I want to say that Bastable defines taxes as compulsory contributions from the wealth of a person or body of persons for the service of the State powers. There is no strict *quid pro quo* in that. The old idea that taxation is a return for services rendered is abandoned as impossible of application, and the measure of taxation is practically according to ability to pay. I want you to remember that, because it will have a bearing on something I shall say later in connection with the land-tax. I except the land-tax from the progressive taxes. Our land-tax was introduced by the Land and Income Assessment Act of 1891, which was based on the South Australian Land and Income Tax Act of 1884. It was intended that both the ordinary land-tax and the graduated land-tax should be imposed on all land and improvements, with the exception of £3,000 of improvements. That was announced by Mr. Ballance, who introduced it in his speech on the Financial Statement. But when the Bill was actually produced the graduated land-tax was left on the unimproved value only, as the land-tax was in South Australia. The idea of assessing graduated land-tax on the improvements over and above £3,000 was abandoned. The reason for retaining what was really a part of the property-tax system in the assessment of ordinary land-tax was the fear that sufficient revenue could not be obtained by a simple land-and-income-tax system. Mr. Ballance, in the course of the debate on the Bill, excused this compromise by saying that we were treating the mortgagee as part-owner of the land. That, in my opinion, is a fallacy, and has led to unfortunate results. The mortgagee cannot be held to be in any sense owner of the land. He merely holds the land as a pledge for his debt. It is true that under the old English law that land was actually conveyed to the mortgagee, and he was the legal owner; but under our Land Transfer Act there is merely a memorandum of mortgage on the certificate of title, and the mortgagee is in no sense the owner. He does not participate in any increase in the value of the land, and he does not suffer for any decrease in the value of the land. He merely gets his capital sum that he lent, and his interest, and should he take possession of the land he has to account to the owner for anything that he may realize on the sale of it over and above the amount of his debt. The first graduated land-tax that was imposed was on the unimproved value of land in excess of £5,000, and ranged from ½d. in the pound to 1½d. in the pound on amounts of £210,000 and over. That was introduced with the express intention of bursting-up large estates. Although I do not agree with that principle—that is, using taxation for a social purpose—I think that whatever justification the persons who introduced that Act may have had it has now passed away. As a matter of fact, the heavy graduations on the land-tax now tend to destroy the land-tax as a revenue-producer at all. For several years past the amount of extra tax that would be realized by increased valuations has been just about counter-balanced by the subdivision of land and its being split up and transferred to small holders, most of the holdings being mortgaged and therefore exempt from land-tax. We have now made one tax of two taxes, and the one tax is progressive; and, with the exception of an exemption in respect of mortgaged lands, we have attained the object at which the person who introduced the Act aimed—namely, to have a land-tax on the pure unimproved value, as they did in South Australia. There the land-tax was levied on the unimproved value of the land, and any income from land in excess of 5 per cent. was assessed for income-tax. We have now arrived at that stage, with the exception, as I say, of the exemption in respect of mortgaged lands. These lands pay no land-tax, and there is a large amount of unimproved value which escapes taxation by that means. Mr. Ballance's statement about treating the mortgagee as part-owner and the carrying-over from the property-tax of part of the property-tax system have led to the belief that the land-tax is a property-tax. That I disagree with. The land-tax is a tax on the monopoly value. It does not answer to the definition of a true tax in so far as it is a payment in a sense for value received. A man holding land is at an advantage as compared with a man who has no land. He can hold that land idle, and it may increase in value from the efforts of the community and from no effort of his. Adam Smith says that nothing can be more reasonable than that a fund which owes its existence to the good government of the State should be taxed peculiarly. I see no reason for the imposition of a graduated land-tax. The element of faculty or ability to pay