The aim of local taxation was to raise revenue, but in so doing, the community suffered from the "unequal" increment, with the breaking-up or better use of holdings in the hands of the small landowners. The Government needed more money; why not get it from them in the form of a tax on land? The landowners blamed the Government for the decrease in land values, claiming they were justified in the hands of the landowner. What was the "unequal" increment, and how was it created? Could it be seen in the ratepayer's statement? The U.V. rose from £20,000,000 in 1903 to £24,000,000 in 1916. Australia, having had a high rate of increase, was not alone. Sydney, with its high U.V., felt that its rate of increase was lower than expected. The Government response was that the rate of increase was not as high as expected. In the municipalities of New South Wales (excluding Sydney), the U.V. increased by £3,260,000 in 1905 and by £31,000,000 in 1916, but the annual value of rateable property rose 91 per cent. In Sydney the U.V. grew 54 per cent, the annual value of property rose 62 per cent. Sydney, therefore, the municipalities lost by abandoning annual value rating, and Sydney finally assessed at a lower rate. In 1935, though there was during that period the population increase, the number of dwellings by 17 per cent.

An Unfortunate Result.

The financial results of adopting the U.V. basis for rating have not therefore been entirely satisfactory. Ratepayers are levied on a better social basis, and with a more equitable incidence. Householders and speculator holders of idle blocks pay the same tax regardless of the tax. The Government has sometimes been great enough to compel them to get rid of their holdings. An effort has been made to encourage the building of houses on smaller allotments, "pocket-handkerchief" houses in the suburbs of Sydney. Obviously, if all rates come on the land, the temptation is to have as little land as possible, even if the same amount of revenue would naturally produce this result, but the heavy rating on the land encourages the farmer to develop it in smaller and smaller and smaller悉尼. Suburbs are full of illustrations of this tendency, and only with greatest restrictions has the movement been checked. As new suburbs are concreted, the old ones are dealt with. Local authorities might, therefore, with advantage consider whether it is not advisable to combine the two-rates system.

Economic Effects.

The State land taxes have never, with the exception of Tasmania and Queensland, been high. They range between 10 and 15 per cent. In 1919 the land values have not been brought in much revenue, but in 1920 over £100,000,000. The total tax revenue for all the State is £10,000,000 per annum. The imposition of State land tax, the vicious necessity for the sake of the State, has taxed the State to the limit. In almost every discussion concerning the imposition of State land tax, the wicked necessity therefor has been the theme for eloquent indignation, but the small rates imposed have probably had little effect. The State tax is the first fully progressive State land tax, with rates climbing from ½d. to 2d. five years ago, and now is up to 1d., so that the State is ever collecting about £75,000,000. But elsewhere the State tax is small, especially in the wheat districts, the payments of the Federal tax-gatherers are large.