The Policy of Land Sales Control:

SHARING THE SACRIFICE

NEW ZEALAND in the 1940s represented a high point of belief in state intervention in the economy in order to secure social and economic objectives. The new Social Security Act affirmed the ability of the state to redistribute resources to meet the population's basic needs. The Second World War also provided further opportunities for a government committed to state action for the common good.

The web of controls and restrictions that hemmed in all aspects of life in New Zealand during the 1940s had a two-fold purpose: to maximize New Zealand’s contribution to the war effort, and to ensure that that contribution was fairly shared. For many influential New Zealanders ‘equality of sacrifice’ was an article of faith, not just a slogan, and the reasons for this went back to their experiences during the First World War. During and after that war, soldiers and the working classes had suffered disproportionately as a result of uncontrolled inflation, profiteering and opportunistic adventuring. ‘Equality of sacrifice’ was a refrain summarizing grievances of both the Labour Party and the New Zealand Returned Services Association (RSA) about deficiencies in policy. In the early stages of the Second World War former Labour Party and RSA activists occupied positions of power and responsibility in the establishment. ‘Equality of sacrifice’ was therefore raised to the status of a major policy objective.

When the first echelon sailed for Egypt in January 1940, the Prime Minister, Michael Joseph Savage, pledged a fair deal to those who returned: they would not come back to ‘an unseemly struggle for the right to live’.¹ The rehabilitation policy for returning servicemen — and indeed much of the planning for peace — were based on lessons of the past.²

The events of the inter-war years seemed to show that to avert human waste and economic loss, to give men recognition for service, recompense for suffering and opportunities to make up lost time, more purposeful government action would be required. A legislative framework and administrative structure were needed to give the state the authority and the means to take that action. It involved imposing controls and regulations, enforcing priorities and privileges, and setting up schemes and programmes with sufficient government backing to guarantee success.

This paper examines a small part of the rehabilitation story — the attempt to

1. Evening Post (EP), 3 and 8 January 1940; Dominion, 4 January 1940.
stabilize land and property prices so that servicemen returning to purchase homes and farms would not be disadvantaged. The context of this attempt was the nearly universal belief that major wars triggered an inevitable pattern of boom and bust. The most recent example of this apparent law of nature — the post-1918 land boom, and its effects on the soldier-settler scheme in the 1920s and 1930s — strongly influenced planning for land settlement after the Second World War. During the 1940s many of the people planning land settlement were also involved in organizing revaluation, amalgamation and re-settlement of farms settled by soldiers in the 1920s.  

The steps taken by the government in 1940–42 to stabilize prices and wages stopped short of placing controls on land and house prices. In mid-1940 the minister of finance, Walter Nash, spelt out the elements of the government’s financial policy. The diversion of production to war purposes had reduced the quantity of goods available for consumption, he said, and the lack of imported goods accentuated the shortage. However, the effect of that shortage would be spread by means of increased taxation, which would reduce consumption to the level of available goods, thus avoiding inflationary pressure. So far as possible, government policy in paying for the war would be ‘pay-as-you-go’ from current taxation, so that no huge debt burden would accumulate. Soldiers should not have to fight and pay for the war afterwards, though some internal borrowing of ‘genuine savings’ would be necessary.

This general strategy was not enough to control inflation and secure equality of financial sacrifice. The government regarded stabilization of prices, costs and incomes as essential to a just and equitable war effort, and even more vital to successful post-war reconstruction and rehabilitation. In the view of Peter Fraser, who succeeded Savage as Prime Minister in April 1940, inflation would endanger the whole fabric of the Welfare State and would mean letting down fighting men. It would be ‘the most fatal thing’.

In spite of initial attempts to control wage and price increases, by the end of 1942 they had increased by 14%, while the cost of imports had risen by 50%. On 15 December Fraser announced a comprehensive stabilization scheme covering all remuneration and rent, and a wide range of goods and services. One hundred and ten essential items were stabilized as a group, and a Wartime Prices Index (WPI) established, based on a wider list of 238 items. Wage increases were permitted only to adjust serious anomalies or after significant movement in the WPI. Prices were kept down by squeezing profit margins, by zoning and standardization, by loading unessential items, and by subsidies. Export receipts for meat and dairy products were paid into special stabilization accounts and the payout to farmers was based on prices fixed in New Zealand, with an allowance

3. See reports of NZRSA member of Uneconomic Farms Committee, Dominion Council AGM minutes, 1940 and 1948, New Zealand Returned Services Association Papers (NZRSA), Wellington.
5. Rehabilitation Council minutes, 19 February 1943, Re 25, National Archives (NA), Wellington; EP, 16 December 1942.
for costs if necessary. An Economic Stabilization Commission was established, and for several years it was the principal source of economic policy decisions.

The most conspicuous omission from stabilization was any arrangement to control the price of land and houses. Rents had been dealt with by an amendment to the Fair Rents Act 1936, which fixed rents for dwellings at September 1942 levels, and at the end of that year restraints on rent were extended to business premises and farms. Prompted by the RSA, the government included in the amending act provisions to protect servicemen and their wives and widows from eviction. Servicemen-landlords on the other hand had an absolute right to recover possession unless the tenant was a serviceman (or wife or widow), in which case relative hardship determined the case.

If returning servicemen were to be given fair opportunities to acquire rental accommodation, priority measures were necessary. The argument applied with equal force to property sales, but was less palatable in this politically sensitive area of policy. The effects of inflated land values and of speculation in land after the First World War were well known and well remembered. But many property owners also remembered discussions within the Labour Party during the 1920s on ways of restraining the excesses of the private property market. State ownership of land, the ‘usehold’ —a form of leasehold — and state control of land transactions, had all been canvassed before the party reluctantly bowed to the electorate’s devotion to private property. Any attempt to control property sales would mean stirring up the old hornets’ nest. But in view of the importance of homes and farms in rehabilitation some action was essential. Within a few months of introducing the stabilization plan, the government became convinced that inflated prices were preventing ex-servicemen from buying land, and began to investigate ways in which property sales might be controlled.

Preliminary moves to stabilize land values were taken within the context of the rehabilitation policy, and only after detailed consultation with the RSA. Early in May 1943 RSA representatives, together with Lands department officials and J.G.M. Barclay, the minister of agriculture, met to discuss a bill to control land sales. On 26 May Fraser told the RSA annual conference that the government was considering how to control speculation in land, and hinted at possible conflict with vested interests. Next day RSA Dominion Executive Committee members waited on the government and C.O. Bell told Fraser that a bill was absolutely necessary. Nash commented that a resolution from the RSA conference would be very helpful. It was a difficult problem, said Bell. Whether prompted or not, the necessary resolutions were forthcoming. The conference

8. Appendices to the Journals of the House of Representatives (AJHR), 1943, H-11, p. 13; NZRSA Annual Report, 1943, NZRSA.
9. Rehabilitation Council minutes, 19 February 1943, Rehabilitation Board minutes, 16 March 1943, Re 25, NA.
10. Dominion Executive Committee minutes, 18 May 1943, NZRSA; Notes of NZRSA deputation, 7 May 1943, State Advances Corporation (SAC) 36/1, NA.
called for legislation to stabilize land and house values and for compulsory acquisition of land for settlement, and it protested against land aggregation. According to the *New Zealand Truth*, ‘delegates expressed the opinion that even traditional rights in regard to speculation would have to go by the board when they conflicted with the spirit of rehabilitation’. The government had cleverly let the contentious issue of land sales control ride until the RSA was ready to support drastic measures. The Lands department proceeded to work on a bill to deal with both land sales control and soldier settlement. In July the RSA executive was consulted again, and found itself in a rather difficult position. It did not much like the methods proposed, but could think of no better plan for stabilizing land values. After much discussion with the RSA, and some changes, the government introduced the bill in August, claiming 95% RSA support. The RSA reiterated that land values must be stabilized and confessed its failure to produce an alternative method. All it could suggest was two bills, instead of one (thus separating the issues of soldier settlement and land stabilization), and more time for the consideration of alternatives.

The short title of the bill described it as ‘An Act to provide for the Acquisition of Land for the Settlement of Discharged Servicemen; and to provide for the Control of Sales and Leases of Land in order to facilitate the Settlement of Discharged Servicemen and to prevent Undue Increases in the Price of Land, the Undue Aggregation of Land, and its Use for Speculative or Uneconomic Purposes; and to provide for Matters incidental thereto’. The bill set up a land sales court and a system of land sales committees, to which all property transactions had to be referred. The government was given the power to take any farm land capable of subdivision provided that the owner could retain an economic unit. Under section 51, if an owner wished to sell land considered to be suitable for soldier settlement, the minister could declare the land taken for the purpose.

The most contentious clauses dealt with the manner in which committees were required to establish the value of land. The ‘basic value’ of farm land was to be the ‘productive value’, or the net annual income derived from the land by the ‘average efficient farmer’, capitalized at a rate of 4.5%, based on prices of farm products at 15 December 1942. The basic value of other land was its market value at that date, as determined by the committee, taking into account any increase or decrease in the value of improvements. Thus, although it promised to prevent only ‘undue’ increases in price, and ‘undue’ aggregation, the bill in fact proposed absolute stabilization of property values at the level which existed on the date when other stabilization measures had been introduced. An amendment ensured that its provisions would remain in force only until five years after

14. 2 June 1943.
15. Dominion Executive Committee minutes, 13 July, 20 July, 3 August 1943, NZRSA; Review, September 1943.
17. EP, 12 August, 1943; Dominion Executive Committee minutes, 11 August 1943, NZRSA.
the war ended.

The bill (described by one opposition MP as ‘sheer dynamite’) was greeted with a storm of protest from farmers’ groups, ratepayers, real estate agents, chambers of commerce, newspapers, the Law Society and the parliamentary opposition. The Evening Post, which ran no fewer than seven editorials attacking the bill within less than three weeks, claimed that it was a revolutionary measure, the first step in a programme of land nationalization. More pertinently, it pointed out that the Economic Stabilization Commission had not given its blessing to the measure. The New Zealand Herald published a cartoon depicting masses of barbed wire, representing the new procedures, blocking the digger’s way to the promised land, and claimed that the bill would introduce a costly bureaucracy. The Law Society considered the bill unworkable. Other observers pointed out the vagueness in economic terms of phrases such as ‘productive value’, ‘fair value’ and ‘average efficient farmer’. Some critics queried the necessity for the bill at all, arguing that the measures already taken to stabilize farm incomes would be sufficient to prevent a repetition of the boom conditions during and after the First World War.

However, the government was determined to get the bill through parliament before the September general election. Opposition was strident, but there was also a good deal of support for the bill’s objectives, and recognition that, as the New Zealand Institute of Valuers put it, ‘the present extraordinary inflationary trend in land values’ would jeopardize rehabilitation if it continued.

During the parliamentary debate, government speakers based their arguments on the need to give returning men a fair deal. ‘I am a returned soldier from the 1914–18 war,’ said Barclay, who introduced the second reading, ‘and I sold my farm for £25 an acre to go to the war. When I came back . . . the man to whom I sold the land had just refused £40 an acre for it.’ Fraser noted wide support for the bill’s principles and shrewdly promised to consider any better scheme for stabilizing land values. He claimed that in this measure the government was fulfilling the pledges made by Savage and himself of equality of sacrifice, and conscription of all resources of the country as required for war and rehabilitation. Many liberties had been sacrificed. Was land to be held sacred? Other speakers detailed the spectacular increases in land values, especially in mortgages, between 1914 and 1928. Nash argued that a land boom had already begun. For the first seven months of 1943, the average number of land transactions was up 30%, and the average consideration was up 69%.

18. NZPD 1943, 263, p. 831.
19. EP, August 1943, especially 5, 14 and 20 August.
21. Round Table, XXXIV, 133, December 1943, pp. 94-95.
23. Dominion president, NZ Institute of Valuers to PM, 13 August 1943, Lands and Survey (LS) 1, 13/2073, NA.
25. ibid., pp. 714-17.
After the Act was passed land sales committees were set up in land districts, and a land sales court was established consisting of a judge (a prominent lawyer), a former valuer-general, and a prominent farmer, who was also a returned man from the First World War. This structure, which had both administrative and judicial functions, was based on the 1930s mortgage adjustment commissions, which had also had the job of fixing land values, though for a different purpose. In spite of predictions that the machinery would not work, property sales continued at a steady level. There were delays, however, due mainly to a shortage of valuers, and attempts to evade the Act, especially in larger cities, were, as the under-secretary for lands put it, ‘fairly widespread’.27

The expectation of hard times after the war influenced the generosity of rehabilitation loans, and of provisions giving ex-servicemen priority access to scarce goods. It also influenced the fervour with which the government enforced stabilization. But by 1945, mass unemployment was no longer expected, and bulk purchase agreements promised secure markets for meat and dairy products until 1948. The economic outlook was uncertain, rather than gloomy, but the government was extremely cautious. Two persistent problems — inflation and shortages — threatened the rehabilitation programme.

Between 1938-9 and 1944-5 disposable income increased by 46%, while available goods increased by only 4%.28 The stabilization scheme was seen as the key to holding prices, and to establishing ex-servicemen in civilian life on equal terms with other New Zealanders. But the stresses were considerable, and during 1945 there was some relaxation. New regulations announced in February allowed for wage fixing on a more flexible basis. Fraser sounded a warning note. The danger of inflation would be greatest during the immediate post-war period, and returning men should not have to establish themselves in civil life under conditions of economic disruption. ‘Stabilization is their protection against those conditions.’29 The Economic Stabilization Commission took a similar line: ‘Stability is essential if the rehabilitation of returned servicemen is to be carried through successfully and if there is to be a smooth transition in industry from war to peace conditions.’30

The real cost of living gradually rose, however, as did wages, although until 1947, when a number of subsidies were removed, there was no major relaxation in stabilization policy. By 1948 the WPI had risen to 10.5% above its original level.31 The stabilization policy was confirmed but most costs, including building costs, crept gradually upwards. Only property costs were immovable. The relative rigidity in stabilization of property costs seemed unfair and was

30. Price Tribunal and Economic Stabilization Commission (ESC) to Minister of Stabilization, 6 July 1945, ESC Papers, WA II, 10/111, vol. 9, NA.
therefore a source of considerable discontent.

Settlement on the land was a traditional response to the problem of rehabilitating soldiers, and in New Zealand, more than anywhere else in the world, it played a major part in rehabilitation. A remarkably successful programme of assisting farm purchases and developing new farms saw more than 13,000 men settled on farms, 90% of them within ten years of the end of the Second World War.\textsuperscript{32} Favourable economic conditions and good export prices were fundamental to the success of the programme. Another important factor was the Labour government's willingness to undertake the programme: to organize land purchases, to subdivide and develop land, to establish economic units, to work out budgets and development plans with individual farmers, to categorize, train and supervise the men. It was a programme built upon faith in the duty and the ability of the state to regulate economic activity for social ends.

While the range of state activity was considerable, the Act played a crucial part and underpinned both land development and settlement on existing farms. It kept land values under tight control in a period of high demand, and it legitimized compulsory purchases for the purpose of settling ex-servicemen. The scope for developing and settling crown land was limited, because of shortages of building materials, fencing wire, fertilizer, farm machinery, and indeed just about everything required. Most land had to come from existing farms, either for immediate settlement, or for subdivision. Official surveys showed that many farms were subdivisible, especially large farms of ploughed grassland, which could be more intensively farmed.\textsuperscript{33}

By 1954 1.4 million acres had been acquired by the state — 1.1 million acres by voluntary sale, and 0.3 million by compulsory purchase.\textsuperscript{34} Initially neither the Rehabilitation Board, the Lands department, nor the RSA had any qualms about urging full use of the compulsory clauses of the Servicemen's Settlement and Land Sales Act.\textsuperscript{35} Part of the value of those clauses was in encouraging voluntary sales, but by 1948 these were dwindling, and compulsion had to be used more often.\textsuperscript{36} The land settlement programme was widely supported, but the farming community felt it was being asked to bear an unfair share of the cost. The Act itself was very unpopular and intensified the farming community's dislike and mistrust of the Labour government.\textsuperscript{37} All property transfers had to come before a land sales committee, which could both reduce the price agreed between the parties and order the property taken for an ex-serviceman. This procedure was so unpopular, and so counterproductive, since it discouraged people from selling at all, that it was modified in 1945: vendors offering farms to ex-servicemen were

\textsuperscript{32} See annual reports of Rehabilitation Board 1945-1954, AJHR H-18. The final number settled with rehabilitation assistance equalled 5.3 percent of all enlistments for World War II.

\textsuperscript{33} Rehabilitation Board minutes, 22 November 1944, 22 November 1945, NA.

\textsuperscript{34} AJHR 1945-54, C-1. See also Table 2.

\textsuperscript{35} Reports of Farms Advisory Committee, Rehabilitation Board minutes, 22 November 1945, 5 December 1946, NA; AJHR 1946, C-1. p. 3; P.H.G. Bennett, report to NZRSA, 1 February 1945, SAC 36/25, NA.

\textsuperscript{36} AJHR 1946, C-1, p. 3; Rehabilitation Board minutes, 30 September 1948, NA.

\textsuperscript{37} e.g. Rehabilitation Board minutes, 30 April 1947, NA; NZPD 1949, 286, p. 901.
permitted to withdraw from a sale if they considered the price too low. Another reason for dislike of the Act was frustration with the delays it caused in effecting sales while the productive value of the land was calculated. Sales to ex-servicemen were even slower than others, because of the time taken for the State Advances Corporation to report on the suitability of a farm for rehabilitation loan. Another reason for dislike of the Act was frustration with the delays it caused in effecting sales while the productive value of the land was calculated. Sales to ex-servicemen were even slower than others, because of the time taken for the State Advances Corporation to report on the suitability of a farm for rehabilitation loan.

The justice of selling land at its 1942 value in a period when all other costs were rising was also questionable. During the whole of the rehabilitation period, farming conditions were attractive, and there was a keen demand for farm land. Despite stabilization, farm income rose between 1945 and 1950, as did the farmers’ share of national income. Land sales control was necessary if rehabilitation was to be carried out successfully, but one could legitimately ask whether it necessarily implied rigid stabilization at 1942 values. Wages, building costs, the payout to dairy farmers and most other costs had risen by 1948 and 1949, and some upward adjustment in land values seemed reasonable.

In 1948 the lands committee of Federated Farmers confronted Nash and the minister of rehabilitation, C. F. Skinner, with a long list of objections to the Act, commenting that in no other business transaction was the purchase price reduced below what a willing seller and a willing buyer agreed on. Commenting on this submission Treasury agreed that a man selling a farm did not really recover its true value. But Nash, sidestepping the possibility of modifying the system, told the farmers that any major change in the method of valuing land would wreck all that the government had achieved in an economic sense, and ‘no country could face a recession in prices better than New Zealand could now’. By the end of 1948 an increasingly pressed Skinner was conceding that land prices could not be based on 1942 values for ever. But despite the success of its stabilization programme in containing post-war inflation, the government was not confident that the boom and slump cycle had been broken, and was reluctant to relax property stabilization.

The Act contained a time limit as a concession to public fears of permanent land sales control. If the land settlement scheme was to be successful the vast majority should be settled by five years after the end of the war, Fraser had said, and if they were not, the government of the time would have to look at the

38. Skinner to Under-secretary for Lands, 20 June 1945, file Servicemen’s Settlement and Land Sales Act (SS&LS), Pers, Skinner 5, NA; NZPD 1945, 268, p. 136. See also W. Lee Martin to Minister of Rehabilitation, 7 March 1944, Rehabilitation (Re) 8/0, NA; Director of Rehabilitation to Minister of Rehabilitation, 3 August 1944, SAC 36/1, NA.
41. This was partly, but not wholly, due to increased output. See analysis in C. Weststrate, Portrait of a Modern Mixed Economy, Wellington, 1959, pp. 145-47.
42. Nash Papers, 1350/0122, 0129, 0118, NA.
43. Skinner to C.R. Barrett, 9 December 1948 and to research officer, Federated Farmers, n.d. file SS&LS, Pers, Skinner 5, NA.
44. e.g. Skinner: ‘If land values could be held at their present value for 10 years everything else would ultimately find that level.’ Notes of deputation from Real Estate Institute of NZ, 3 November 1947, ibid.
position. In 1948 the government brought in a permanent system of land valuation committees and court, but did not clarify its intentions for land sales control. It was clear that the ‘vast majority’ would not be settled by August 1950, and noisy public complaints were making continued controls difficult.

The RSA Review argued in its September 1948 issue that no-one could honestly claim that any piece of land was worth more than in 1942, except for speculative purposes. Nevertheless, people retiring from farming, for whatever reasons, felt hard done by. Skinner stated that establishing people in farming was more important than securing a good profit to people getting out: the benefit to the many outweighed the disadvantage to the few. Landowners, however, were understandably infuriated by the knowledge that their farms would fetch a higher price on an open market, and resented restrictions on their freedom to make a profit. There were instances of farmers evading the Act by raising the full value of a property as a mortgage, and then abandoning the property to the mortgagee. Another ruse was to transfer the land to a company which, by the transfer of shares, could effectively change the ownership of the farm.

The inflexibility of land sales control and the anomalies that resulted brought upon the government an odium it did not really deserve. Until its repeal in 1950, the Act was successful in its objects of preventing inflation of land values and facilitating the settlement of servicemen on the land. As Table 1 shows the Act did not unduly restrict rural land transfer and prices, between 1945 and 1954, but did very effectively prevent any rise in the price of land until 1951. Tables 2 and 3, which show public and private land acquisition for ex-servicemen during the same period, make it clear that the Act also facilitated the sale of land for settlement of servicemen.

### Table 1

**RURAL LAND TRANSFER 1945-1955**

*Source: NZOYB 1956, pp.437, 438.*

<table>
<thead>
<tr>
<th>Year to 31 March</th>
<th>Number of Transfers</th>
<th>Thousands of Acres</th>
<th>Consideration (£ Thousand)</th>
<th>Value per Acre of Freehold Property (£s)</th>
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<tbody>
<tr>
<td>1945</td>
<td>6907</td>
<td>1282</td>
<td>11,099</td>
<td>10.04</td>
</tr>
<tr>
<td>1946</td>
<td>6821</td>
<td>1310</td>
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<td>1947</td>
<td>8309</td>
<td>1844</td>
<td>17,764</td>
<td>11.34</td>
</tr>
<tr>
<td>1948</td>
<td>6721</td>
<td>1756</td>
<td>15,413</td>
<td>9.94</td>
</tr>
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<td>1949</td>
<td>6070</td>
<td>1691</td>
<td>13,607</td>
<td>9.82</td>
</tr>
<tr>
<td>1950</td>
<td>5876</td>
<td>1783</td>
<td>13,033</td>
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</tr>
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<td>1951</td>
<td>8058</td>
<td>1457</td>
<td>17,822</td>
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</tr>
<tr>
<td>1952</td>
<td>10,464</td>
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<td>1953</td>
<td>9053</td>
<td>1616</td>
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<tr>
<td>1954</td>
<td>9188</td>
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<tr>
<td>1955</td>
<td>9593</td>
<td>2123</td>
<td>47,964</td>
<td>25.77</td>
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45. EP, 5 August 1943; NZH, 6 August 1943; NZPD 1943, 263, p. 717.
47. Farms Advisory Committee report with Rehabilitation Board minutes, 30 September 1948, NA; Minister of Lands to Minister of Finance, 10 October 1947, file SS&LS, Pers, Skinner 5, NA.
TABLE 2
PROGRESS OF LAND ACQUISITION FOR EX-SERVICEMEN’S SETTLEMENT, 1945–1954

Source: AJHR C-1, Lands Department, Annual Reports

<table>
<thead>
<tr>
<th>Year to 31 March</th>
<th>By Voluntary Negotiation</th>
<th>SS &amp; LS Act Part II or SS Act, Part I</th>
<th>SS &amp; LS Act, S.51</th>
<th>Substitutions, SS Act, S.31</th>
<th>Total Acquired</th>
<th>Crown Land Set Aside</th>
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<tbody>
<tr>
<td>1945</td>
<td>94,763</td>
<td>3830</td>
<td>15,796</td>
<td></td>
<td>114,389</td>
<td></td>
</tr>
<tr>
<td>1946</td>
<td>210,354</td>
<td>10,491</td>
<td>50,517</td>
<td></td>
<td>271,362</td>
<td></td>
</tr>
<tr>
<td>1947</td>
<td>320,257</td>
<td>36,767</td>
<td>85,095</td>
<td></td>
<td>442,119</td>
<td></td>
</tr>
<tr>
<td>1948</td>
<td>451,391</td>
<td>75,231</td>
<td>114,166</td>
<td></td>
<td>640,788</td>
<td></td>
</tr>
<tr>
<td>1949</td>
<td>662,696</td>
<td>108,301</td>
<td>122,441</td>
<td></td>
<td>893,438</td>
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<tr>
<td>1950</td>
<td>797,679</td>
<td>115,734</td>
<td>133,156</td>
<td></td>
<td>1,046,569</td>
<td></td>
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<tr>
<td>1951</td>
<td>868,941</td>
<td>118,788*</td>
<td>143,368</td>
<td>1,456</td>
<td>1,132,553</td>
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<tr>
<td>1952</td>
<td>939,451</td>
<td>118,445*</td>
<td>159,127</td>
<td>10,576</td>
<td>1,227,599</td>
<td></td>
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<tr>
<td>1953</td>
<td>975,913</td>
<td>118,986</td>
<td>163,787</td>
<td>17,390</td>
<td>1,276,076*</td>
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<tr>
<td>1954</td>
<td>1,106,555</td>
<td>281,474</td>
<td></td>
<td>17,390</td>
<td>1,405,419</td>
<td>327,204</td>
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</table>

* adjusted

TABLE 3
RURAL PROPERTY TRANSFERS 1945–1955, SHOWING NUMBER AND PROPORTION GOING TO EX-SERVICEMEN


<table>
<thead>
<tr>
<th>Year to 31 March</th>
<th>A Total Rural Land Transfers</th>
<th>B Land Settlement Board Transfers</th>
<th>C Transfers Excluding LSB</th>
<th>D Rehabilitation Loans Committee</th>
<th>E RLC Transfers as Percentage of all private transfers (D as percentage of C)</th>
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<tbody>
<tr>
<td>1945</td>
<td>6907</td>
<td></td>
<td>6907</td>
<td>479</td>
<td>6.9</td>
</tr>
<tr>
<td>1946</td>
<td>6821</td>
<td>159</td>
<td>6662</td>
<td>949</td>
<td>14.2</td>
</tr>
<tr>
<td>1947</td>
<td>8309</td>
<td>217</td>
<td>8092</td>
<td>1541</td>
<td>19.04</td>
</tr>
<tr>
<td>1948</td>
<td>6721</td>
<td>283</td>
<td>6438</td>
<td>985</td>
<td>15.3</td>
</tr>
<tr>
<td>1949</td>
<td>6070</td>
<td>176</td>
<td>5894</td>
<td>767</td>
<td>13.0</td>
</tr>
<tr>
<td>1950</td>
<td>5876</td>
<td>545</td>
<td>5331</td>
<td>684</td>
<td>12.8</td>
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<tr>
<td>1951</td>
<td>8058</td>
<td>461</td>
<td>7597</td>
<td>647</td>
<td>8.5</td>
</tr>
<tr>
<td>1952</td>
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<td>363</td>
<td>10,101</td>
<td>709</td>
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<td>9053</td>
<td>337</td>
<td>8716</td>
<td>539</td>
<td>6.2</td>
</tr>
<tr>
<td>1954</td>
<td>9188</td>
<td>242</td>
<td>8946</td>
<td>357</td>
<td>3.99</td>
</tr>
<tr>
<td>1955</td>
<td>9593</td>
<td>144</td>
<td>9449</td>
<td>197</td>
<td>2.08</td>
</tr>
</tbody>
</table>

NOTE: Land taken under section 51 (Servicemen’s Settlement and Land Sales Act) and section 31 (Servicemen’s Settlement Act) is excluded. Substitutions under section 31 (SS Act) are included in Rehabilitation Loans Committee figures.
Increasing public discontent with the system of land sales control suggested a need for some relaxation, but Labour was not willing to make concessions. National seized the initiative and proposed that farmers be allowed to sell land at current values, and ex-servicemen to buy at the 1942 basic value. This system was introduced in November 1950, when the Servicemen’s Settlement Act replaced the Servicemen’s Settlement and Land Sales Act. Limited powers to acquire land compulsorily were retained, but the new government made clear that they would be used sparingly. The difference between 1942 and current values was met by a suspensory loan. These changes appeased public feeling, but land settlement proceeded more slowly.

Good prices for New Zealand’s exports for 20 years after the War ensured that land settlement played a much larger part in rehabilitation than the planners had envisaged. The land settlement scheme was designed to withstand a depression which never came. The unprecedented level of state activity and state regulation underpinning the scheme — including stabilization of land values and compulsory land acquisition — reflected a belief in the ability of state intervention to counteract adverse economic conditions. In the event, this belief was not put to the test because conditions were much better than expected. The scheme was designed to give ex-servicemen a modest but decent living; it is ironic that it later seemed to have created a privileged class.

The fear of boom and bust also set the agenda for the rehabilitation housing programme, and the apparatus of stabilization, priority access and special loan terms underlying it. The post-war housing shortage — officially estimated at 25,000 — was really much higher. State house applications numbered 48,000 in 1946. The state housing programme had made inroads on pre-war shortages, but was interrupted by the War. The diversion of building resources to defence construction was said to have been equivalent to 17 towns, each housing 10,000 people. The severity of the post-war housing shortage was partly the result of a high rate of family formation, and an increasing proportion of elderly in the population. It was exacerbated by relative affluence, which made a home a reasonable expectation for most families. Overcrowding and shocking housing conditions were particularly intolerable for heroes who had saved the nation on the battlefield and returned to save the birth rate. As A. P. Postlewaite, president of the Auckland RSA indignantly pointed out in 1946, ‘men who had been decorated by the King were living in backyard hovels, and in some instances their wives came out of maternity hospitals and had to boil hot water on makeshift backyard fireplaces in order to bath their newborn babies’.

In the post-war period most ex-servicemen looked for rental accommodation while waiting for a state house, a loan, or building materials. The inadequacy of the nation’s stock of housing suitable for renting was made only too plain in

52. NZH, 2 September 1946.
debate on a Housing Improvement Bill in 1945. The bill was intended to provide the means for demolishing slums and upgrading other substandard housing. But in practice very little could be done while there was such an acute shortage of both accommodation and building materials. As one National MP said, ‘We could not pull a board off any building because we would find that there was someone living in it.’\textsuperscript{53} Fair rents legislation prevented uncontrolled exploitation of tenants, and ensured that ex-servicemen got priority to rental accommodation, but ‘fair rents’ were still well above state house rentals, and by 1948 about twice as high.\textsuperscript{54}

State houses were obtainable only in the most desperate circumstances: living conditions, financial hardship, health and family separation were factors in allocation. A housing loan was not so difficult to obtain, but was only the first step in an ex-serviceman’s journey through the tangled thicket of regulations, priorities, permits and rationing designed to assure him of a fair price and a fair share of scarce resources.

Under the Servicemen’s Settlement and Land Sales Act the price of residential land and houses was stabilized at 1942 values. But building costs, as the government recognized, were virtually impossible to hold.\textsuperscript{55} Rising post-war costs reflected not only the 40-hour week and increases in award wages and travelling allowances, but also expenses arising from supply shortages involving more visits, higher overheads, and the use of substitute materials. A limited investigation of costs was made in 1946 but price control did not follow.\textsuperscript{56}

Official statistics for October 1946 showed that building costs ranged from 24s. a square foot in Blenheim to 35s. in Lower Hutt.\textsuperscript{57} By 1948 the costs in the main centres varied from 30s.6d. in Christchurch to 37s.7d. in Auckland. The average price for a new dwelling rose from £945 in 1939 to £1610 in 1948. In Wellington, Auckland and Dunedin it was more than £1800.\textsuperscript{58} The problem was particularly bad in the larger cities, where sections were also dearer. One effect of rising building costs was a double standard in house prices. Houses built after 1942 were sold at cost, and consequently a 1947 house could be priced higher than a much better 1942 one.\textsuperscript{59}

With houses in desperately short supply, and prices held below a free market value, some evasion of the law was inevitable. In 1946 — amid revelations that people were paying hundreds of pounds for door mats and kitchen tables in order to secure a house at valuation — the government introduced draconian measures intended to stop black market payments. Regulations allowing purchasers to sue

\textsuperscript{53} NZPD 1945, 269, p. 148.
\textsuperscript{55} NZPD 1946, 274, pp. 811-12.
\textsuperscript{56} Rehabilitation Board minutes, 29 August 1946, NA; Goodwin to Minister of Rehabilitation, 25 March 1946, Director of Rehabilitation to Minister of Rehabilitation, 3 November 1949, Re 25/29, NA.
\textsuperscript{57} Rehabilitation Board minutes, 5 December, 30 May 1946, NA.
\textsuperscript{58} NZH, 19 July 1948; NZRSA Review, August 1948, p. 15, September 1948, p. 1.
\textsuperscript{59} Notes of deputation to Skinner from Real Estate Institute of NZ, 3 November 1947, file SS&LS, Pers, Skinner 5, NA; NZH, 14 June 1947.
for the recovery of undercover payments were soon changed, however, to enable the crown to recover any excess payment as a fine, refundable to the purchaser. Just how widespread evasion was is impossible to assess, but the new regulations seem to have been unsuccessful in eliminating it. According to an ‘authority’ quoted in the *New Zealand Herald* in June 1947, under-the-table payments still took place in more than 90% of property transactions. Other house owners held off from selling in the hope of a change of government in 1949, or made agreements to sell when a free market returned.

Ex-servicemen certainly benefited from the policy of holding house prices, which might otherwise have soared well beyond their modest means. But they were also irritated by the complexity of the procedures designed for their advantage. There was a widely held suspicion that valuation for rehabilitation sales was conservative. It was certainly slow. It was also hard to arrange under-the-counter payments on rehabilitation sales. House owners were reluctant to sell to ex-servicemen, just as builders were deterred from building for them by the ‘miles of government red tape’ which seemed to surround rehabilitation loans.

The loans enabled ex-servicemen to borrow up to £1500 to buy or build a house on favourable repayment terms. The £1500 limit was considered generous in 1942, but by 1946–9, with building costs gradually creeping up, it was increasingly insufficient. The limit was tied to the whole problem of price control and land sales control. If £1500 would buy an existing house in 1942, it should have done so in 1949. New houses were another matter, however, because of the rise in building costs.

Both the Rehabilitation Board and the Cabinet considered the loan limit on a number of occasions, but so long as the Labour government lasted no increase was approved. A higher loan limit, they argued, would have encouraged higher building costs and tended to peg prices at a higher level. The loan limit was part of the stabilization structure which the government did not wish to disturb. Another consideration was the ability of ex-servicemen to pay outgoings on a mortgage. Overall between 1936 and 1956 the average price of a new dwelling dropped as a percentage of income. But in the shorter period 1945–51 it rose slightly: the rapid rise in incomes during the war was offset by high building costs

60. Newspaper clippings, June 1946, file SS&LS, Pers, Skinner 5, NA; NZH, 17 June, 15 August, 7 September, 12 September 1946; Servicemen’s Settlement and Land Sales Amendment Act 1946.
61. 14 June 1947. See also NZPD 1948, 283, p. 3124.
62. J.R. (later Sir John) Marshall paid a deposit on a house in 1948 and, by agreement, paid rent till controls were lifted when he purchased the house. Interview, 1 December 1978.
64. Letter to editor, *Auckland Star*, 19 March 1947, p. 2; Rehabilitation Board minutes, 24 March 1948, NA.
65. Rehabilitation Board minutes, 27 April 1945, 30 May, 5 December 1946, 27 March 1947, 24 February 1949, NA. One problem was the feeling that to be fair any change in loan terms would have to be retrospective.
66. ibid. See also Manager, SAC, to Director of Rehabilitation, 23 March 1945, Director of Rehabilitation to Minister of Rehabilitation, 3 November 1949, Re 25/29, NA.
after it. In 1945 it was estimated that a £1500 loan involved total charges of £2 a week, which was considered a fairly high proportion of wages for lower income groups.

The level of the rehabilitation loan was regarded as having implications for the economy as a whole, not simply for the welfare of ex-servicemen. If inflationary tendencies were temporary, neither wages nor prices nor mortgages should be allowed to hike too high, or penalties would be severe when 'normal' conditions returned. But some individual ex-servicemen suffered. The £1500 loan limit did help share available resources for some years, but the number of loans for building dropped in the financial year 1949–50, despite an easier supply situation. The likely reason was that a loan was no longer enough. There was, indeed, some justification for the view that the loan limit reduced the number of houses built for those most in need. By 1948–9 ex-servicemen with large families and no savings could neither buy nor build within the limit.

Stabilization had been extended into peacetime to ease the resettlement of servicemen and to safeguard the whole country against recession overseas. It was widely believed at the end of the war — at least in government and official circles — that the period of inflationary pressure would end within a few years, when prices would return to 'normal' levels. The Servicemen's Settlement and Land Sales Act was due to expire five years after the war, by which time both inflation and the demand for houses and farms should have eased. But in 1949 there was no sign of any easing, and no sign of a slump. The housing shortage was far from beaten, and though some 48,000 ex-servicemen had been housed, thousands still waited, not to mention civilians. Conditions had not returned to 'normal' in the property market.

With the exception of property values, stabilization was adjustable. Throughout the 1940s, Labour's approach to stabilizing land and house values was more doctrinaire, less negotiable, than to any other stabilization measures. It was not only land and house prices which were held down. State house rentals had never been raised, and by 1949 public feeling against subsidizing state tenants from community assets was running high. One reason for the government's inflexibility was its obsession with the slump around the next corner. Another was its belief that land was a public asset, not a commodity for speculation. A third was the promise that fighting men would not be disadvantaged by war service. To adjust land and house values and to raise rents would be to change the terms of that promise for all those ex-servicemen still to be housed or settled. Labour was

68. Manager, SAC to Director of Rehabilitation, 23 March 1945, Director of Rehabilitation to Minister of Rehabilitation, 3 November 1949, Re 25/29, NA.
69. e.g. Director of Rehabilitation to Dominion Secretary, Home Servicemen's Association, 7 January 1948, Re 25/29, NA.
70. Review, August 1948, p. 15; Director of Rehabilitation to Minister of Rehabilitation, 3 November 1949, Re 25/29, NA.
72. e.g. Round Table, XL, 158 (March 1950), p. 188.
imprisoned by its own generous and popular policy, and by the pledges it had honourably made.

The National government elected in November 1949 lost no time in lifting controls on urban property sales. From early 1950 houses could be sold at whatever price the public would pay, and loan limits for new houses for ex-servicemen and civilians alike were set at £2000. State house rentals were also raised.

The policy of land and property stabilization aimed to control speculation and to give ex-servicemen access to land and houses at affordable prices. It was an important element in the government’s plan to share the economic burdens of war. But that plan was based on gloomy economic forecasts, and in the event the economic effects of the war were not all unfavourable, especially on farmers. It is arguable that the continuation of severe and rigid controls on land and property prices in buoyant post war economic conditions were unnecessary and inappropriate. Land sales control did help share the sacrifice, but it also interfered with economic activity and created new inequities.

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