

## Brazilian Capital Moves to Brasilia

FOR about 59 years, Canberra, the capital of Australia, a sun-loving, garden city with wide avenues, has had a 5 per cent yearly tax on the value of land—enough to support the city's budget. (All plots are leased, but not sold).

When Brazil began to make plans for moving its capital from Rio de Janeiro to an entirely new and non-existent city, a system similar to Canberra's was considered. The new city, Brasilia, characterized by strikingly modern architecture, is situated 575 miles northwest of Rio de Janeiro, in a scenic but undeveloped section of Argentina.

M. Daudé-Bancel, editor of the Georgist magazine, *Terre et Liberté* (Land and Liberty) published in France, wrote of "the sabotage of Brasilia" somewhat as follows, in an article translated by Matthew Ossias:

"Unfortunately to satisfy the grandiose program of President Kubitschek it appears the founders of Brasilia allowed themselves to be carried into excessive expenditures. In an effort to stabilize the finances of the new capital they failed to take into account the value of money and that essential item—time." (The city was to have been completed in 4 years).

Expenditures for the *partial* building of the new capital have greatly exceeded even the imposing figures that were anticipated. So in order to raise money to hasten official construction, the legislative powers had to offer plots of ground for sale. This brought great joy and profit to the speculators, who are always in search of unearned increments. Many Brazilians consider that this forced plan—auctioning of the small plots outside

the urban zone—is responsible for the regrettable devaluation of the currency.

The construction of the new capital will be a self-financed enterprise. It will take nothing from the public treasury. The area of Brasilia's future federal district—a little more than 5,700 square kilometers—will cost about 100 million cruzeiros. Two per cent of the area will be urban. The rest will be sold for small enterprises or for farming. The sale of these plots of land outside the urban zone will yield at least 10 times as much as the total purchase price.

The 2 per cent, or urban area, planned for 500,000 residents, will have 100,000 lots selling at the rate of 200,000 cruzeiros a lot, or 20 billion cruzeiros. Promises and hopes do not bring evidence of realities. Funds were needed promptly to effect the extensive program of construction. That is why the Brazilian Parliament was called upon to vote for the auction of what was to have been the future "Eldorado of Brasilia."

Severe but just criticism came from Americo Werneck, Jr. who stated that this system of financing is based on a vicious circle. According to him, in order to construct a city it is necessary to sell the lots *at a good price*—and to sell at a good price the city must already be constructed. (This can be remedied by a credit operation, adds Mr. Daudé-Bancel).

Mr. Werneck is quoted as saying that "the sale of the lands of the future federal district with a view to using the proceeds for construction would be a disastrous transaction. He then cited an example which he says should have attracted the attention of informed and responsible men, because it was well known to the inhabitants of Rio de Janeiro.

"After leveling the Morro de Castelo, the Prefecture divided the cleared ground into lots and offered them for sale to the public. The average selling price was 500 cruzeiros—the equivalent of 2,000 today. The latest transfers of the plots show an average unit price of 30,000 cruzeiros per square meter; or 15 times the initial selling price. If these had been rented under long leases, taking account of the 10 per cent tax on leases, they would have a value of at least 20,000 cruzeiros, and the amount collected on the leases would produce yearly the equivalent of the initial selling price.

"But the funds resulting from the first sale entered the public treasury only once, whereas the funds from the emphyteutic leases would be collected every year and would increase

indefinitely."

It is certain that devotees of the unearned increments of land value have profited by the proposals for financing the new capital and have speculated on the lands placed on sale there, to the detriment of its financial future, as contrasted with the success in Canberra.

The new President, Janio Quadros, of Sao Paulo, is economy minded and pledged to an effort to rescue Brazil from its financial insolvency. This may act as a brake on his predecessor's intensive drive to erect a city "out of an empty savannah" in 4 years. At present there is a housing shortage in the new capital, and a "touch of a ghost town about the buildings' spectacular glass-and-steel emptiness," according to a recent news report.

According to a report in The New York Times on January 15th, Sao Paulo is attempting to solve "one of Latin America's most explosive problems—the need for land reform." Under the plan 125-acre tracts would be sold to landless persons who would work them and pay for them over a period of 10 years. Progressively higher taxes would also be levied on unworked and unforested lands.

The objective is to stimulate development of rural property, promote higher living standards, and increase buying power.

The bill, which was drawn following study of a number of other countries with the same problem, provides that funds for buying lands and "indemnifying the owners of expropriated lands" shall come from taxes and sales. This is expected to encourage cultivation and reforestation of large holdings. Taxes are to run from 2 per cent of the assessed value on areas up to 250 acres to 6 per cent on

15,000 or more acres. The tax doubles when less than half is under cultivation. An additional tax applies if less than 15 per cent is forested.

In general the plan was praised but it received sharp criticism from Communists and planters.

Communists, who have been making political capital of the slogan "land reform," complain that some will be prevented from getting land under the new bill because they cannot meet the "payment conditions and production requirements and methods." An example of this are the squatters who have occupied sugar mills and plantations, and now are resisting the militia.

Coffee planters complained about the progressively higher taxes on unused lands, and said 125-acre plots would be too small to justify the use of modern equipment. Brazil does not lack land, but half of it is owned by 2 per cent of the landowners holding farms of from 500 to 25,000 acres.