

buildings were selling at \$5,000: they now cost \$16,000—\$18,000 in the same condition.

Once upgrading commences on any serious scale and the neighbourhood improves, land values rise in consequence. If public money is made available for such projects, the values rise faster. Since the builders are in business to make a living out of development, it is a pity that they do not press for strong measures that will reduce the price of urban sites. No doubt United States developers will soon find rent subsidies a double-edged weapon. When the government is forced to impose ceilings on the grants, and profits are squeezed down by high acquisition costs, they will find themselves back at square one. Tax reform would be a much better direction to look at if builders wish to help to provide low-cost housing.

HALF THE ANSWER

TO THOSE WHO ADMIRE the progressive Australian attitude towards local taxation, under which many authorities and States derive considerable revenues from land values, the failure of the Australian community to apply the same wisdom to other branches of economic activity is a constant disappointment. Australia's economic insularity in recent years, manifest by the emphasis on protection and subsidies, was recently highlighted in a supplement in *The Times*:

"During the nineteenth century Australian pioneers frequently enjoyed great prosperity as new techniques, new overseas money and high prices encouraged expansion; but this was often followed by drought, low prices and bitter despair.

"It is this subconscious remembrance of the nation's past which today may stand in the way of further measures to encourage progress and modernisation. Disappointment and despair in the past have developed a protective way of thought, a built-in fear of change which even today is a big barrier to progress. It is seen in the widespread restrictive practices in trade; in the fear of competition, as shown in high tariffs and bars to the entry of foreigners (even into areas such as banking, where no foreign bank may set up for normal business in Australia); in the massive featherbedding of Australian primary industry, insulated as it is from competition by quotas, taxation privileges, freight concessions and subsidies; in the irrational and xenophobic opposition to overseas investment which, in Australia, is often a force to liberate Australians from the restrictions imposed by their own protected entrepreneurs.

"The experience of the last five years has shown that Australia can grow strongly and soundly in a more competitive environment. The prospects for continued growth are good. Perhaps Australians will come to realise that the fear of change is the greatest hurdle they have to overcome on the way to the promising heights of great material progress, now so evidently attainable."

In spite of the negative restrictions that impede development in Australia, however, it is notable that since 1961-1962 the gross national product in real terms has

grown by \$A2,700m. a year. It is estimated that within ten years the population will increase by four and a half million (the present population is eleven and a half million) mainly from immigration. Even Americans are entering



Australia at the rate of two thousand a year.

The potential economic output of Australia is very high indeed. All that is required is the continuance and furtherance of land tenure reform and a determined assault on protective measures.

TURNING WATER INTO GOLD

AT THE INSISTENCE of Theodore Roosevelt, a man who had much respect for do-it-yourself ranchers and homesteaders, the U.S. Reclamation Law of 1902 provided that where aqueducts and dams are to be constructed from *Federal tax money*, those who wish to use the water made available must sign an agreement with the Department of the Interior to sell off all lands in excess of 160 acres at *pre-water or desert prices*. Defending Roosevelt's foresight, Senators Morse and Douglas pointed out in 1959 that land in California would rise by \$1,500 an acre if a proposed water development project went ahead. In Kern County total land values would rise \$525 million and more than half of this potential would fall to the owners of the *Los Angeles Times*.

To evade the provisions of the Federal legislation, California developers persuaded the State of California to sanction a \$1,750 million measure to build the Feather River aqueduct. In the final analysis much of the cost will be carried by property taxpayers throughout the State via the Metropolitan Water Board levies. Analysis in one area show that 40 per cent. of the land area most likely to benefit from the aqueduct is owned by four major companies and various oil concerns. The Kern County Land Company, for example, owns more than 16 per cent. of the land that will benefit greatly.

Since taxing policies in California favour land and penalise above-average improvements, the cost burden of the water improvement scheme will fall more heavily on improved urban properties. The land that will rapidly increase in value close to the source of water supply will be relatively untouched by taxation until it is developed. Not unnaturally, some Californians are perturbed at the prospect of taxpayers underwriting the cost of land development for favoured beneficiaries who will reap handsome returns from quick sales of new leases.