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Australia: a Case Study

Monopolists successfully create the illusion of scarcity. No matter how much land is available, when it is locked away behind an anti-social system of tenure and taxation, people starve. So it was in Australia, where the tax on unimproved land values was first introduced in 1884 in an attempt to unlock the land for the benefit of settlers. Today, the property tax is based exclusively on the value of land in two-thirds of all local government units, covering 93% of land under municipal jurisdiction. Speculation, alas, has not been banished, and the reason is to be found in the low incidence of the tax.

In 1976, Sydney's rate was 2.199 cents in the $ of assessed capital values, plus another 1.10 cents in the $ on residential properties for water, sewerage and drainage levied by separate corporations. This brought the combined rate to 3.30 cents. For properties with a substantial minimum unimproved value, there was also a state land tax. This is a progressive tax, and properties at the top end of the scale paid over $20,000 plus 3 cents for each $1 of the taxable value over $880,000 of unimproved capital value.

The local, corporation and state taxes certainly combined to produce an incentive to develop which was absent elsewhere; the intensive development of the central business district has been attributed to the land taxes.[1] Nonetheless, the evidence amply demonstrates that so long as a good proportion of the value of land remained to be exploited by the private sector, the speculators would move in to work their influence.

We can trace the macro-economic effects of land speculation from the earliest period of European civilisation on the continent. Australia's development is significant because despite the land value tax, her evolution into an industrial state parallels the experience of the metropolitan countries that gave birth to it. The big question is whether, given a high rate of land tax, Australia's evolution might have taken a different course.

The first major land booms, in the 1830s and 1850s, preceded the initial phase of industrial growth and capital formation which took place between 1860 and 1900.[2] The first decade of this period does not fit our model of the

18-year cycle for a variety of reasons. This was a time for consolidating holdings at the expense of the public domain, rather than speculating in land that was already privately monopolised. Under the auspices of official policy, land was auctioned off in a process that was designed to 'unlock the land'. Because wool yielded the highest profits, the squatting pastoralists were favoured by the banks for loans. According to the law, settlers who acquired land were obliged to live on it for three years before they could finally own — and therefore alienate — the land. This minimised speculative buying and selling.

But the tempo changed in the 1870s. In New South Wales, 4m. acres of Crown land had been sold for £2.35m. between 1862 and 1871; but from 1872 to 1876, 11.5m. acres were sold for £6.66m. Amending Acts in 1875 and 1880 eased the rules for squatters to buy land. Agricultural income from wool and wheat started to rise dramatically. In 1869, 2m. lbs of canned meat were exported: the figure leapt to 16m. lbs in 1880.[3]

During the two decades ending in the late 1880s, land values increased steadily. Speculation became the pre-occupation of many frontiersmen who saw the personal advantage to be gained by getting in first and extorting a premium from subsequent generations of settlers. Infant industries, however, would have been better served by entrepreneurs developing opportunities for fresh capital formation. The gigantic splurge in land speculation in the 1880s was followed by the most severe depression experienced on the continent in the 19th century. The role of the speculator during this period has been most carefully studied in Melbourne, Victoria,[4] where 'land speculation extending well ahead of building'[5] was a general phenomenon. The distortion in the allocation of resources skewed the economy: there was inadequate industrial and commercial activity to support the sprawling urban centres.[6]

We can see from Table 18:I how the returns to cash invested in land far outpaced yields from alternative sources. The average net rate of return on subdivided tracts reached a staggering 94.8% in 1887.[7] The land market started its decline in 1888. Speculators found themselves short of liquid cash with which to finance mortgages, and many defaulted on their repayments as they realised that they would not secure the high prices which they had paid no matter how long they hung on to their properties. Prices slid fast in 1890 and the depression struck 12 to 24 months later.

Building societies were the main lenders of cash, and their fortunes paralleled the rise in land values. In Victoria, there were 47 societies in 1880, reaching a peak of 74 in 1888. Then, as land values started to slither from their speculative peak, they dragged down 14 societies in the space of just three years.[8]

In 1888 the *Journal of Commerce* reported: 'A very simple calculation of the number of allotments reported to have been sold during the past twelve

TABLE 18:I

Average Rate of Return on Urban Land Investment in Melbourne as Compared with Victorian Interest Rates and Market Yields, 1881-1891

	Average rate of return on urban land investment %	Trading bank deposit rate: 12 month deposit %	Commercial paper rate 90 days %	Trading bank overdraft rate %	Mining stock yields %
1881	4.1	3.5	5.5	7.0	27.9
1882	49.7	4.8	6.3	8.0	29.8
1883	41.4	6.0	7.0	9.0	31.8
1884	10.0	5.3	6.5	9.0	31.2
1885	46.5	5.0	6.5	9.0	33.7
1886	50.3	5.5	7.3	9.0	25.9
1887	78.3	4.5	7.0	8.5	31.2
1888	38.4	5.0	7.0	8.5	27.2
1889	30.2	5.0	7.0	9.0	26.7
1890	18.2	4.0	7.0	9.0	6.2
1891	8.4	5.0	7.3	8.5	11.8

Source: R. Silberberg, 'Rates of Return on Melbourne Land Investment, 1880-92', *The Economic Record*, 1975, p. 216.

months, will show that with a population of a million, provision has been made for five millions'.[9] Australia had reached a period of mature land speculation. Coincident with the depression of the early 1890s, Henry George's *Progress and Poverty* stimulated the call for reforms. George had accepted an invitation to undertake a lecture tour of the continent,[10] and by 1900 many communities had adopted the practice of levying rates on site values.[11] This brought some order to the use of land. The threat to the vested interests invited the inevitable retaliation, and one of the victims was an influential exponent of George's fiscal reform, R. F. Irvine, who was forced to resign his post as economics professor at Sydney University. He was, agreed both friend and foe, too radical in his public pronouncements for the liking of those who controlled the political system.

There is clear evidence that the tax on land values did have an impact on absentee landlords. Even while the imposition of a new tax was being discussed at the hustings in 1910, many of them took fright and sold up.

Thereafter, the number of absentee owners, and the size of their estates, declined measurably.[12] But the range of state and municipal taxes and rates on land failed to halt speculation. For the level of taxation was, and is, too low; the scope for making huge unearned fortunes out of land still existed.

Postwar Australia was clearly subjected to the vicissitudes of the speculator. The economy was synchronised into the major events of the other industrial economies,[13] but not just because of her trading role as a food exporter. Her timing of the domestic land values cycle coincided with those in the UK, USA and Japan. The 18-year cycle began in 1955. Between the end of the Second World War and the mid-'50s, the number of years of average male earnings required to buy a house of average price was declining: the turning point was in 1955.[14] A major reason why land prices were initially restrained after the war was that speculative sub-divisions were discouraged. Politicians were aware that earlier sub-divisions extending back over many decades had not been put to use: in 1947, vacant land with water and electricity in the county around Sydney could have supported 250,000 more people. Thousands of residential plots with roads and services were available but still vacant, a clear cost of wasted resources. Planning controls were therefore used to limit fresh sub-divisions, along with a financial deterrent: developers were required to invest in roadworks as a condition of planning permission being granted.[15] Ultimately, however, these half-hearted attempts could not thwart the cycle in land values. For, as Max Neutze put it:

> As long as the demand for building sites remained strong, these cost increases could be recovered from the buyers of developed sites without depressing developer profits or the price they could pay for raw land. When the demand weakened in 1974 the rate of land development slackened and the price of raw land stabilised or fell.[16]

The rise in land values peaked in 1973,[17] dead on target — 18 years after it began to corrode its way through the economy. The pattern conformed to the cycles described for Britain, the USA and Japan — the inexorable upward rise in land values after the Korean war, a squeeze on the profit margins of manufacturers,[18] political scandal and the collapse of the economy after 1973 into the worst depression this century. In place of the REITs in North America and the fringe banks in the UK, the financial institution that emerged in Australia was the property trust, which originated around 1968/9.[19]

Average rents for modern air-conditioned buildings in the central area of Sydney increased by 128.5% between 1957 and 1971; for the same period, the city's consumer price index rose by 19%.[20] The rate of increase of land values accelerated in the second half of this cycle. Average industrial land

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prices per acre for sites in the central area, for example, were A$56,000 in 1962, rising to A$115,000 in 1967 and leaping to A$185,000 in 1972[21] — and the speculative boom continued into 1973, pushing prices further before the collapse of the economy. The Institute of Real Estate Development of NSW has estimated that the cost of residential land per acre rose by 350% in the 10 years to 1969.[22] Average real estate transactions consistently outperformed Stock Exchange shares — compounding at an average rate of 7¾%, compared to 7%.

Town planners conveniently assisted speculators by outlining the geographical areas to be favoured by development. These 'corridors', radiating outward from the metropolitan centres, sharply focused the activities of the speculators.[23] Murphy has listed the benefits to landowners.[24] First, the published plans reduce the uncertainty involved in sub-dividing land for development. Second, they specify the locations where land should be bought, and by preventing sub-division outside the zoned area, buyers have an assured market — because *bona fide* developers may be forced to buy land from them. Third, existing landowners, mainly farmers, are encouraged to hold out for above-market prices, for developers have little option but to buy in their localities.

The price of land squeezed house building. The average cost of land per house rose by 161%, whereas the cost of erecting the house upon it rose by only 24%, between 1967/8 and 1971/2.[25] The percentage of land cost to the total (land and house) cost, rose, from 26% to 42.5% over this period. This contrasts with the rise of 28% in the average income of a family with one bread-winner: there can be no doubt that there was an alarming squeeze on family budgets in the pre-slump phase of the post-war Australian economy.[26]

Developers' profit margins were squeezed by the escalation in land prices and associated land development costs imposed by state authorities.[27] So there can be no doubt as to who enjoyed a rising rate of profit: established landowners whose properties had been zoned for development, and the speculator who was able to move in quickly, buy in advance of demand and sit tight until the unearned fortunes were poured into his bank account. The same trends were suffered in each of the other five state capitals, where housing costs rose faster than the sum of the other expenditure items[28] (the widening gap between the two was all the more alarming because government statistics actually understate the rate at which housing costs had risen[29]).

According to the State Planning Authority's *Sydney Region Outline Plan*, a proposed increase in population of 2.75m. required an increase of 250,000 acres, yielding an increase in value to landowners of A$1,000m. by the end of the century. This prediction, coupled with the boom in land values at the time, led the government to propose a 'betterment tax' on land in the non-urban area of Sydney. A 30% levy not dissimilar to those twice abandoned as unworkable in the UK during the postwar years was supposed to fall on new increments in land values after January 1, 1970. The Hon. P.H. Morton, Minister for Local Government, declared when announcing the Land Development Contribution Bill:

> ... the capital gain in the value of land into which Sydney is expanding arises not from the initiative or investment of the owners of such land, but rather from the decisions taken and investments made by the community as a whole. The appreciation in the value of these lands is, therefore, in the nature of a 'windfall' gain and, in the view of the Government, a strong case has been made for a proportion of this gain to come back to the community which creates it.[30]

The 'betterment' levy was supposed to yield A$300m. by the year 2000. Although Morton confidently declared that 'We are satisfied that no better alternative exists', historical evidence in Britain suggested that *such a levy could somehow be passed on by landowners to homebuyers*, as was quickly made plain by Australian commentators.[31]

A number of official enquiries investigated the alarming increase in land values since the Second World War, but they failed to propose sufficiently drastic action to finally cure the problem. The McCarry Report, for example, described how the activities of speculators were instrumental in forcing up raw land prices and ultimately plot prices, by restricting supply and artificially inflating demand.[32] The proposals for land taxation contained in the report, however, have been assessed as 'too timid in relation to the problem'.[33]

A rate on annual unimproved land values, as suggested by the Housing Industry Association,[34] would have accomplished the government's policy objectives, provided it was a uniform rate on the value of all land. Otherwise, owners could avoid it by adopting tactics like refusing to put their land on to the market, claiming that they wanted to use it for purposes which would not realise optimal cash returns if developed for housing, and so on... until the levy was removed as unworkable.[35]

That Australia has not exploited its fiscal system to its maximum potential is a great pity. Certainly its tax authorities cannot fall back on a traditional bureaucratic excuse for inactivity — the lack of verifiable information about the consequences of change. For the decision to transform the small town of Canberra into the continent's capital afforded a rare opportunity to monitor the growth in land values and quantify the effects of land speculation. There was to be an accelerated growth of mainly public-sector activities after 1958, and a determination to retain public ownership of land within the growth area. Private development could take place only as a result of the purchase of 99-year leases.

By controlling the rate of development, the National Capital Development

Commission was able to obliterate the usual responses of urban growth: the speculative withholding of land until prices had reached an acceptably high level, the associated sprawl of construction, and the private appropriation of values created by the community.[36] By auctioning leases, the Commission was able to use the value of land to finance the infrastructural development of the city. But even without the distortions caused by speculators, the demand for the land as the scarcest factor inevitably resulted in a natural rise in values. Between 1958-9 and 1970-1, the average price of each site rose from A$775 to A$3,215, an average increase of 22.5% p.a. This compares with the 2.3% p.a. increase in Canberra's consumer price index for the same period.[37] The increase in land values arose through the demands of an expanding city. The authorities claimed that they did not restrict the supply of building land (the supply of sites for private housing rose from one site per 12 persons of population increase in 1958-9 to one per 5 persons of population increase in 1970-1). Thus, because the municipal authority levied its rates on the unimproved capital value of land, the community's essential services were financed annually out of a source of income which grew as a direct result of the collective efforts of all the people living in Canberra.

In the early phase of Canberra's growth, however, speculative influences did help to push up land values sharply. In 1962, therefore, the Department of the Interior introduced a new class of auction which was restricted to people building their first homes in the city. Bidding was limited to those who had not owned a house site lease for a specified period. In this way the speculator-builder was eliminated from a sizeable number of the auctions. The average price of A$2,071 per site paid for the 618 sites sold at the restricted auctions in 1970-1 compared with the average level of about A$3,200 per site paid for the cheaper house sites in the five largest state capital cities on the continent.[38] This difference of over A$1,000 was largely attributable to the power of speculation.

This measure of speculative effect is a rough-and-ready one. There are two reasons why it understates the true proportions. First, the Canberra figure reflects a relatively high demand arising from determined public sector expansion. The rise in the rate of growth of land use was higher in the capital than the rate existing in the other cities arising from the natural growth of population.

Secondly, there was some evidence that the authorities *did* artificially restrict the supply of land to push up premium payments[39] (the sum over and above the figure used to determine annual rental payments). Critics argued that the public authorities operated as 'land sharks' in the old-fashioned sense of the private land monopolist to boost their revenue. Thus, prices paid at restricted auctions might have been lower but for the bureaucratic attempts to regulate supply.

TABLE 18:II

Relative Movements in Land Prices and Average Earnings: 1969-73

		Annual percentage changes in		Number of years' earnings required to buy site
		Land Prices	Average earnings	
Sydney	1969	12	9	1.7
	1970	14	9	1.8
	1971	20	12	1.9
	1972	28	8	2.3
	1973	34	12	2.7
Melbourne	1969	8	9	1.2
	1970	2	8	1.1
	1971	20	12	1.2
	1972	22	8	1.4
	1973	46	12	1.8
Perth	1969	9	9	2.5
	1970	-3	9	2.2
	1971	7	14	2.0
	1972	21	5	2.4
	1973	22	12	2.6
Canberra	1969	4	9	0.8
	1970	-9	9	0.7
	1971	50	12	0.9
	1972	73	8	1.4
	1973	34	12	1.7
Adelaide	1969	6	8	0.7
	1970	6	9	0.6
	1971	-3	12	0.6
	1972	22	8	0.6
	1973	46	14	0.8

Source: Urban Land Prices 1968-1974; An Urban Paper, Department of Urban and Regional Development, Canberra: Australian Government Publishing Service, 1974.

A comparison of Canberra's performance with that of Sydney, Melbourne, Adelaide and Perth (Table 18:II) lays bare the contagious malaise of the speculator. There was a uniform rise in average earnings. However, marked differences are revealed in the number of years' earnings required to buy sites. Although this factor doubled in Canberra, from 0.8 in 1969 to 1.7 in 1973, the latter figure still lagged behind Melbourne (1.8), Perth (2.6) and Sydney (2.7). The brakes on consumption and investment, the cumulative effects of tens of thousands of household decisions all influenced by the downturn in spending power, were evidently slammed on harder outside Canberra, in the cities where public policy failed to minimise the acquisitive functions of the land speculator.[40]

The striking exception was Adelaide, and the explanation for this has to be sought in the origins of the state of South Australia.[41] In the early decades of this century, the South Australia Housing Trust rapidly emerged as the largest land developer in the state. It built up land banks well in advance of demand, in a conscious effort to eliminate the shrewd dealings of speculators who tried to anticipate the trust's development plans. For these plans caused a rise in the value of land — and adjoining tracts — favoured with development. According to Alex Ramsey, the trust's general manager, it was not wholly successful: 'No matter how far ahead we bought, we always bought back some of the unearned increment because there would be some speculators who had bought right beyond that need'.[42]

Because the trust was able to supply a large part of the needs of the land market, however, the cost of land in Adelaide remained low. The speculator had been all but beaten, and he did not like it. This was why, when Gough Whitlam's Labour Party assumed governmental power in 1972, the speculators succeeded in persuading the 'socialist' politicians that the trust ought to be compelled to reduce its share of the housing market (which had, in fact, markedly declined in favour of private developers). Successful lobbying permitted 'most land and building prices to drift upwards, as the lobbyists intended. Of the workers who have set up house since, many must have lost more money to that decision than they gained from all the other policies of that government', bitterly records Hugh Stretton, professor of history at the University of Adelaide.[43] Partly due to the successful political pressures, Adelaide's land prices leapt by 46% in 1973, matched only by an equivalent increase in Melbourne. That political influence culminated in a row that illustrates yet another mechanism for 'privatising' socially-created land values, and so it is worth noting in passing.

In 1973, 61 blocks of residential land were bought on the Mornington Peninsular, about 70km south of Melbourne, by Grosvenor Nominees Pty Ltd. This company managed a property trust for the family of Philip Lynch, Australia's Treasurer.[44] The deal subsequently reaped a profit of A$74,000: there was nothing illegal in the operation, but the political row which ensued resulted in Lynch's resignation from the Government in 1977. His misfortune was to be associated with two men who had succeeded in making handsome profits out of selling land to the Victorian Housing Commission, a public body whose task it was to erect cheap houses for low-income families.[45] A public inquiry was instituted into the VHC deals,[46] but the affair did not prevent Lynch's re-election in October 1977, or his return to Malcolm Fraser's Liberal-National Country Party coalition government.[47]

And so throughout the first century of industrial society in this vast outpost of European civilisation, the refugees from the metropolitan countries who sought a better life were betrayed by land speculation. The original philosophical foundations of Australia had promised something better. An early campaigner for social and economic justice was Sir Samuel Griffith (1845-1920), a former Prime Minister of Queensland. Born in Wales, he migrated in 1853 and retired as the first Chief Justice of the High Court of Australia in 1919. He introduced into the Queensland Parliament a Bill entitled To Declare the Natural Law relating to the Acquisition and Ownership of Private Property (1890). The philosophy which shaped the definitions of the economic terms embodied in that Bill were straight out of *Progress and Poverty*. It did not succeed, however — one of the earliest of a long line of honourable attempts by enlightened politicians who sought to capture the socially-created portion of wealth for the benefit of the community.

Today, politicians have to remain alert to the forces of reaction which want to shift the property tax back on to capital improvements. The failure to administer the existing tax system properly is arousing public irritation and creating electoral support for regressive change. For example, the lobby organised against the land tax in Victoria in 1977-78 (led by the Urban Development Institute of Australia) was encouraged by the introduction of 1974 valuations. Had valuations been revised annually, landowners would not have been hit so forcibly by sharp upward increments in their payments, and there would have been no public expression of dissatisfaction.

A progressive increase in the land tax would have transformed modern Australian history, and strengthened her against the storms that engulfed the industrial economies of the free world in the 1970s. The existence of speculation in the continental economy has been interpreted as proof of the ineffectiveness of the land tax *per se*.[48] But all that this demonstrates is that the authorities had failed to pitch the tax at a deterrent level and to administer it intelligently.

Higher land tax revenue would have permitted a reduction in taxes on wages and capital.[49] These, in turn, would have stimulated consumption and investment, raising domestic living standards well above their present levels. Even so, Australia would have felt a degree of economic discomfort due to her heavy dependence on exports of primary goods, but this would have been a relatively mild set-back to the vigorous process of sustained growth. She would have been well-placed to shift the pattern of investment in favour of extending the domestic manufacturing sector, thereby displacing some of the imports and ensuring a healthy balance of payments from international trade. And the higher level of disposable incomes would have provided a larger domestic market for manufacturers, thereby reducing Australia's dependence on foreign trade.

As it was, Australia went through the protracted recession of the 1970s and '80s, and only when she applies her tax consistently on the market values of land, and at a uniform and deterrent rate, will she achieve the level of prosperity that is on offer on the bountiful continent.

Notes

1 R. W. Archer, *Site Value Taxation in Central Business District Redevelopment*, Washington, DC: Urban Land Institute, Research Report 19, 1972. The municipal rate and the state land tax amounted to about 5% of annual site values. Owners were compelled to put their land to its best use. The fiscal pressure was illustrated by an examination of some properties which had yet to be improved. The land taxes alone absorbed between 28% and 83% of estimated gross incomes. After redevelopment, the ratio of site value taxes to gross annual income dropped to between 8% and 13%. *Ibid.*, p. 30.

2 N. G. Butlin and H. de Meel, *Public Capital Formation in Australia*, Canberra: Australian National University, 1954.

3 A. G. L. Shaw, *The Economic Development of Australia*, London: Longmans Green & Co., 1944, 3rd edn., 1955, Ch. IX.

4 M. Cannon, *The Land Boomers*, Melbourne: Melbourne University Press, 1966.

5 L. Sandercock, *Cities for Sale*, London: Heinemann, 1976, p. 9.

6 N. G. Butlin, *Investment in Australian Economic Development 1861-1900*, London: Cambridge University Press, 1964, p. 213.

7 R. Silberberg, 'Rates of Return on Melbourne Land Investment, 1880-92', *The Economic Record*, 1975, p. 208, Table II. The upward trend in the rate of return on investment in land flowed against the general tide of prices: the Melbourne wholesale price index indicates that the general price level fell during the 1880s. *Ibid.*, p. 204, n. 4.

8 R. Silberberg, 'Institutional Investors in the Real Estate Mortgage Market in Victoria in the 1880s', *Australian Econ. His. Rev.*, Vol. 18, 1978, p. 165, Table 1.

9 Quoted by Silberberg, *ibid.*, p. 209.

10 For a critical account of George's influence on Australia, see J. M. Garland, *Economic Aspects of Australian Land Taxation*, Melbourne: Melbourne University Press, 1934, pp. 24-29.

11 For resumé of early legislation, see M. Hirsch, *Land Value Taxation in Practice*, Melbourne: Renwick, Price, Nuttall, 1910.

12 Garland, *op. cit.*, pp. 182-4.

13 P. F. Parry and C. W. Guille, 'The Australian Business Cycle and International Cyclical Linkages, 1959-1974', *The Economic Record*, 1976.

14 M. Neutze, *Urban Development in Australia*, London: George Allen & Unwin, 1977, p. 162.
15 *Ibid.*, p.210.
16 *Ibid.*, p.211.
17 *Ibid.*, p.158, Figure 6.5.
18 C. Clark, 'Inflation and Declining Profits', *Lloyds Bank Review*, No. 114, 1974.
19 D.G. Murphy, *Economic Aspects of Residential Subdivisions*, Canberra: Australian Institute of Urban Studies, 1973, p. 15. The distinctive financial-cum-property developing institution which developed in France was the *Sicomis*, which was granted tax advantages which enabled them to attract funds for developments — and sub-let to industrial tenants who had a right to eventual purchase of the property.
20 *A Memorandum of Property Investment in Australia*, Melbourne: Richard Ellis, Sallman & Seward, 1972.
21 *Ibid.*, p. 37.
22 Quoted in *Housing and the Future Shape of Sydney*, Melbourne: Housing Industry Association, 1969, p. 11.
23 *Land Taxation and Land Prices in Western Australia*, Report of the Committee Appointed by the Premier of Western Australia on the Taxation of Unimproved Land and on Land Prices, Perth, 1968, p. 26, called the Perth Metropolitan Region Planning Scheme 'a speculator's guide'. For some examples of how re-zoning boosts the sale price of land, see *Report on Land Tenures* (chairman: Justice Else-Mitchell). In one case, a site was bought in Penrith, NSW, for A$20,000 a hectare in December 1970, rezoned in October 1971, and sold in March 1972 at A$155,000 a hectare (profit: A$135,000). Planners do not 'create' values when they re-zone land. Legal restraints are a means of altering (for better or worse) the pattern of land use. This results in prices being artificially distorted (in some cases boosting the value of land which would otherwise have been avoided as unsuitable for use). When land is re-zoned prices adjust to their latent levels.
24 *Op. cit.*, p. 2.
25 A.S. Tyler, *The Price of Land*, The Institute of Real Estate Development, 1973, p. 12. The price of house sites 10-15 miles from Sydney's centre rose from between A$2,900-5,000 in November 1964 to A$12,000-30,000 in September 1972. R.W. Archer, *The Rising Price of Land for New Housing*, Canberra: Metropolitan Research Trust, 1972, Table 1, quoting *Housing in Australia*, Commonwealth Savings/Trading Bank, London.
26 *A Study of Land Costs in Australia*, Melbourne: Housing Industry Association, 1971, p. 8.
27 Tyler, *op. cit.*, p. 19, and *A Study of Land Costs in Australia, op. cit.*, p. 2.
28 Commonwealth Bureau of Census and Statistics, *Consumer Price Index*, March 1973.
29 G.M. Neutze, 'The Cost of Housing', *The Economic Record*, 1972.
30 Quoted in *Housing and the Future Shape of Sydney, op. cit.*, p. 14.
31 See, e.g. J. Pullen, 'The NSW Land Development Contribution Act 1970', *Royal Australian Planning Institute Journal*, January 1971, and Tyler *op. cit.*, p. 9. In fact, the levy is not 'passed on'. What happens is that owners side-step the levy by not selling. This shrinks the supply of developable land, which consequently increases prices. These increases are assumed to be equivalent to the 'betterment' levy. The net result is that the land monopolist is not worse off.
32 *Land Taxation and Land Prices in Western Australia, op. cit.*

33 A. R. Hutchinson, *Land Rent as Public Revenue in Australia*, London: Land & Liberty Press, n.d. [1968], p. 26.
34 *Housing and the Future Shape of Sydney, op. cit.*, p. 15.
35 The Land Development Contribution Act, with its 30% betterment levy, has predictably been allowed to lapse on the grounds of its ineffectiveness.
36 R. W. Archer, 'The Public Land and Leasehold System in Canberra, Australia', *The American Journal of Economics and Sociology*, Vol. 36, 1977.
37 *Ibid.*, pp. 356, Table 1, and 362, Table 3B.
38 *Seventh Annual Report of the Secretary, Dept., of Housing, 1970-71*, Canberra, 1971, p. 7.
39 F. Brennan, *Canberra in Crisis*, Canberra: Dalton Publishing Co., 1971, pp. 160-66, who provides the best historical account of the origins of the Canberra land tenure system.
40 We do not claim that the Canberra solution to the private acquisition of publicly-created values is an equitable one. For example, the abolition of the annual land rent charge was explained in a Department of the Interior pamphlet *Your Crown Lease in the Seventies* (quoted by Archer, *The Rising Price of Land for New Housing, op. cit.*, p. 366) in the following terms: 'Rapid rises in land values over the past few years have created anomalies in land charges paid by Canberra leaseholders. People with similar blocks in similar locations have been paying widely different annual land rents. When land rent was reviewed in each twentieth year of the lease, payments often increased many times over'.
41 R. J. Roddewig 'Australia: Land Banking as an Emerging Policy', in N.A. Roberts, editor: *The Government Land Developers*, Toronto: Lexington Books, 1977, pp. 130-35.
42 Quoted by Roddewig, *ibid*, p. 132.
43 H. Stretton, *Ideas for Australian Cities*, Melbourne: Georgian House, 2nd edn., 1975, p. 177.
44 'The Lynch Affair', *The National Times*, Sydney, Nov. 21-26, 1977.
45 For an account of one transaction involving the VHC, which was obliged to pay urban prices for a tract of rural land in the Latrobe Valley, see Sandercock, *op. cit.*, 236-7.
46 *Report of the Board of Inquiry into Certain Land Purchases by the Housing Commission and Questions Arising Therefrom*, Victoria, 1978.
47 Under questioning during the election campaign Prime Minister Malcolm Fraser admitted that his family, too, had a trust, but that it existed to keep property in the family, and not as a tax-avoidance device. *Daily Telegraph*, London, 24.11.77.
48 R. O. Harvey and W. A. V. Clark, 'Controlling Urban Growth: The New Zealand and Australian Experiment', in R. B. Andrews, editor: *Urban Land Use Policy: The Central City*, New York: The Free Press, 1972, p. 245.
49 For a discussion on the amount of revenue to be raised under a full land tax in Australia, see Chapter 15.