

that the consumer can continue to provide unlimited money—in the form, no doubt, of higher prices—at a time when the continental producers are becoming increasingly competitive. Every industry would like to accumulate substantial reserves to assure future development. But shall we be able to afford it this year or next? The acceptance by the Iron and Steel Board of the industry's proposals for basing depreciation on a 25-year plant life instead of the 30 years hitherto, seems a naive way of increasing prices. And it would be a welcome sign to find even one steel firm selling below the maximum price.

4. As far as future outlook is concerned, the Report seems contradictory. On the one hand, it states that the industry's prospects for the next twelve months are more than usually difficult to forecast; and on the other it goes on to talk of a further growth of production beyond 30 million tons during the 1960's.

5. As for the "Relations with the Iron and Steel Board" there seems to be a considerable overlap of authority between the Council of the Federation and the Iron and Steel Board. Indeed, one is tempted to ask, which is the central authority?

6. Central trading arrangements are all very well in times of shortage, but one wonders if it is advisable to place contracts up to twelve years ahead at the present time. Flexibility in buying and selling seems to be the keynote under present general marketing conditions.

7. In general, the steel industry champions large-scale planning and centralisation—the very essence of nationalisation. It would be well advised to reconsider its organisation and see where sound commercial sense can be substituted for centralised planning; and to ensure that, if centralised price arrangements are necessary, they do not operate to the detriment of the consumer.

Land Prices Rising—Home Building Falling

By A. R. HUTCHINSON, B.Sc., A.M.I.E.Aust.

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A paper presented on July 1 at a Melbourne conference of delegates from organisations concerned about the inadequate level of housing construction. The conference was called by the Australian Council of Trade Unions.*

IT is no accident that the present decrease in home-building coincides with a substantial step-up in the price of home sites. Land prices have risen to the point that it is now impossible to buy home sites already serviced with water, sewerage and road facilities in the Melbourne metropolitan area below £1,000. Four years ago they were available for £500.

How High Land Cost Curtails Building

The high price of home sites is the direct cause of the decline in home building. It makes it impossible for many people to finance home construction. The difference between £500 and £1,000 in the price for a site does not sound much compared with the outlay of £3,000 or more in the building itself. But this extra payment for the site has a multiplied effect altogether out of proportion to the total cost of the complete house. Let us follow the effect on home finance.

Effect on Home Finance

In financing home building, it is necessary for the home seeker to save enough money to buy a site, plus some further cash to give him sufficient equity in the property to carry a mortgage for the balance. Increase in the price payable for land obviously extends the duration of saving and defers commencement of building. That reduces the home construction level in itself. But the harmful effect on home finance does not stop there.

A Typical Case of Home Purchase

Take a typical case of a person who has sufficient money saved to start building with a loan of £2,000, provided he can get the site at £500. We assume he can afford to make annual payments of £200 covering principal and interest at 5½ per cent. Such a home builder would pay off his loan completely in 14½ years.

In that time he would have paid a total of £2,900 in wiping off the loan.

If this same home builder has to pay £1,000 instead of £500 for his site, this extra £500 will reduce the balance available for building and he will now have to seek a loan for £2,500 instead of £2,000. He may not have sufficient equity left to stand this extra loan and may have to defer building. But even if he is able to go on it will now take him 21 years instead of 14½ to pay off the loan. In this time his total payments will have been £4,200, compared with only £2,900 where the site cost £500. This is an extra £1,300 in the terms of finance. *Added to the extra £500 for the site this increases the cost of his home by £1,800 above his outlay with a £500 site. Thus the extra paid for the site is multiplied nearly fourfold in its effect on the total cost of the home.*

Effect on Lower Income Groups

Consider the effect upon ability of lower income groups to undertake home purchase. It is generally considered by home purchase agencies that home purchase cannot safely be undertaken unless the annual outlay in repayments plus rates is less than one-quarter of the purchaser's income.

* Mr. Hutchinson's paper was printed in the August 26 issue of the Melbourne *Building and Construction Journal*, the official organ of the Building Industries' Congress.

With a site costing £500 a person could pay off a loan of £2,000 at 5½ per cent interest over a 30-year term by payments of £135 per annum. But with site cost raised to £1,000 his payments to wipe off a loan of £2,500 would have to be at £165 annually over the same period.

The extra £30 per annum outlay involved has the effect that persons in an income group £120 per annum above the previous minimum at which home purchase could be undertaken are now excluded from the home purchase field due to the increased price of sites.

With site at £1,000 and house cost £2,000 there are approximately 800,000 persons in Australia with incomes exceeding £1,060 and who could therefore afford the payments for this minimum quality home on terms. Private building is now practically confined to this group.

There are approximately 450,000 persons in the income group between £940 and £1,060. These were previously in the field for home purchase, but are now excluded due to the rise in cost of home sites.

A high proportion of those in the higher income groups already own or are purchasing homes. On the other hand, the lower income group now excluded is almost an untouched market.

From these facts the interest of the building industry in getting the price of home sites to the lowest level possible is evident.

Easier Money Not a Lasting Solution

The proposals for the Government to make more money available for home finance are not a lasting remedy for the decline in building. They can only bring a limited and temporary help for a few by whittling down the margin of cash backing required by the home purchaser. The easier credit would in itself serve to spark off further rises in the price of home sites, which will cut down building construction still further later.

How to Stimulate Home Building

Only by making home sites cheaper can the required step-up in private home building be achieved. The only practicable means to reduce the price of land is a land value taxation. This stimulates supply and reduces price by about 20 times the amount of the tax. *By shifting taxes from buildings and building materials and placing them on land values instead, we will assist people to buy homes and the building industry to expand.*

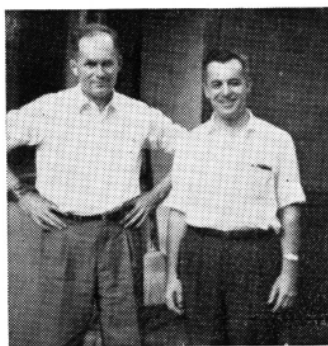
As a first step in this direction site-value rating should be made mandatory for all municipal councils, water, sewerage and other property rating bodies. This would bring Victoria into line with practice over most of the other States, since two-thirds of all Australian local rating bodies have already made this change.

Already 40 Victorian councils have made the change with their ratepayers' approval (26 of them since the war). This movement is accelerating, but the time factor requires governmental action to bring the remaining 163 councils into line before high land prices cut building further.

The campaign already initiated by the Central Council for Rating Reform to secure this change in the Melbourne and Metropolitan Board of Works rating system should be supported by all bodies interested in solving the housing shortage and stepping up building construction generally.

OBITUARY

With deep regret we record the passing of **Mrs. Signe Bjørner** who, with her husband was one of the founders of the Danish Justice Party; **Dr. Edgar W. Culley**, the eminent Australian osteopath, who, in 1928, established by gift of £20,000 the Henry George Foundation, Australia; **Dr. Ralph Vaughan Williams**, the beloved British composer, a life-long donor to our funds; and **Mr. Fredk. J. Hopper**, of Norfolk, who entered the Geogest fraternity in his mid-seventies nearly two years ago.



**Dr. Busey (left) is Associate Professor of Political Science at the University of Colorado
Mr. Clancy is Director of the Henry George School of Social Science, New York**

EDUCATION AND POLITICS

Joint statement by Dr. J. L. Busey and Robert Clancy

James L. Busey and Robert Clancy met at the former's home in Boulder, Colorado. After discussing their friendly debate on education and politics (see L&L, Nov., 1957, and Feb., 1958, issues), they agreed on the following joint statement:

"We agree that the educational work of the Geogest movement, particularly the Henry George School, is needed in order for Geogest ideas to make further progress.

"We agree that other efforts besides the educational effort will be needed in order to bring about the application of Geogest ideas.

"We agree that both the educational work and other proposed efforts should be further evaluated and explored."

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