

ment. Wage rates are relatively high compared with returns to native labour elsewhere and the well-being of the Tongans is clearly linked with their rights to land.

— From a report published by the Land Values Research Group, Australia, in *Progress*, June 1965.

## The Example of Canberra and Brasilia

**L**YING 500 miles north-west of Rio de Janeiro, the former capital, the brand new metropolis of Brasilia, capital of Brazil, has been literally carved out of the jungle.

What is particularly interesting about this move is that, along with Canberra, the capital of the Commonwealth of Australia, Brasilia has been town-planned from the outset and its financing is to be based on the appropriation of the unearned increment in land values. Development and future growth will proceed according to orderly schemes, quite unlike what hitherto has happened in most countries, where the land speculators, subject to minor restrictions, have in practice undertaken the planning to suit themselves, with the profit motive predominant.

In this connection it might be recalled that in the United States, shortly after the original thirteen states obtained their independence, it was decided, mainly owing to state jealousy, to institute a capital called Washington. The layout was designed according to plans drawn up by a French engineer, Pierre L'Enfant; but in the first decade its progress was so obstructed by the operations of the land speculators around the perimeter that the project nearly collapsed.

### A Vital Principle

What makes Canberra and Brasilia of such particular interest to-day is the land tenure principle and the rating method whereby all buildings and improvements are exempt from taxes, and rates are levied on the ground rent of the land only. The state owns the freehold of all the land and gives title to occupiers on the basis of leasehold only. The terms are usually for a period of ninety-nine years, subject to revaluations every twenty years, and the rent is fixed at 5 per cent of the appraisals, which are determined by advertised public auctions.

The advance of any new plan which encourages progress and enterprise is always slow where there are vested interests and widespread public apathy. But with Brasilia joining Canberra in demonstrating to the world the equity and popularity of this successful method of rating, it should have a far-reaching influence in many other lands.

— From an article by Geo. M. Fowlds, in the *Manukau Progress*, May 26

## Towards Land Based Taxes in the U.S.A.

**A** ROUND TABLE CONFERENCE of tax and municipal experts has called for major reforms in American local tax policies.

Sponsored by the Lincoln School of Public Finance and supported by *Time*, *Life* and *Fortune* magazines, the National League of Cities, the Urban Land Institute and the National Council for Good Cities, the conference was attended by a galaxy of economists, city planners, and academics. While there are substantial differences between local government organisation and tax policies in the U.S.A. and in Great Britain it is interesting to note the similarities of the problems in both countries.

The participants in the conference recognised that every business decision must first be weighed against its tax consequences; the important question was not just one of raising more taxes from local sources but how to raise more money in a way that would help rather than hinder the right kind of urban development and redevelopment. In America there is a movement afoot to restore more responsibility to local government to meet local needs independently of centralised Washington decisions. This demand could be met only if local governments were able to solve their present financial difficulties and find a better way to raise the added taxes.

While the Conference did not oppose efforts to gain more local revenue from income, sales taxes and grants, and was in favour of more realistic user charges for such services as water supply, sewage disposal and garbage collection, it was emphasised that the most urgent need was for property tax reform—as now applied, the most misguided of all local levies.

It was considered that although the present United States property taxes might be administratively bad, fraught with undesirable economic consequences, and unpopular in that they made voters unhappily conscious of what local government costs, the property tax base was not inadequate for future needs and was far from exhausted. Property tax reform required, however, major reforms in assessment practice and drastic rethinking on exemptions and incidence. In particular the Conference was unanimous that assessment practice should not discriminate by favouring land at the expense of burdening improvements. Many suggestions were put forward for increased taxes on land, the maintenance of separate valuation schedules for land and buildings, reductions in tax rates on improvements, differential taxes on valuable sites to stimulate development, capital gains taxes on land values and complete improvements exemption. The Conference was almost unanimous in accepting four basic contentions:

- \* The bigger the taxes imposed on improvements, the more buildings cost and the less their profit.
- \* The bigger the tax on land the lower its price and the

## INTERNATIONAL NEWS

bigger the profit left for improving it.

\* Taxing land more and improvements less would tend to increase overall real estate values by stimulating development and investment.

\* By abetting slums close in and sprawl far out the present property taxes tend to inflate municipal costs.

Apart from recommending reform of assessment practice, publicity facilities and appeals procedure, many of those at the conference considered that land could be assessed easier, quicker and cheaper than improvements.

The Conference agreed that cities could be functionally efficient only if they were kept compact, with their traffic arteries free and open. While the need for better metropolitan planning and zoning was emphasised, it was agreed that zoning at best is a negative power which alone cannot ensure a desired use. City planning was futile if the tax system encouraged speculation in land, making it profitable to misuse and underuse land rather than improve it for its highest and best use. While the need for public open space in urban areas was appreciated, many thought that private owners and exclusive clubs should not be given tax exemptions on valuable and strategic central sites.

Research undertaken by Professor Mason Gaffney showed that if taxes were transferred from buildings to land in central Milwaukee it would become profitable to erect twenty storey buildings on land where currently twelve storeys is the height of diminishing returns. Higher intensity of use in central areas stemming from increased land taxes would tend to contain sprawl, thus cutting transportation and service costs. Moreover, low taxation of strategic sites encourages blight and slums, making for further decentralisation by forced migration or acute overcrowding of existing accommodation.

So far in this country we have not reached the stage where there is real fear of mass flight from the cities. Indeed, our planning controls provide some check on this. Nevertheless the Milner Holland Report illustrated that there is a tendency for younger families to migrate from the inner London area.

Urban renewal is an international problem. It is encouraging to note that in the United States those closely concerned with property taxation are pressing for reform and research. That further serious attention is now being given to the merits of land based taxes in America is a healthy sign and one which should be followed up in this country. At present there are at least some site-value taxes in the United States and the door for extension is partially open. In Britain we have yet to get a foot in the door.

Britain was represented at the conference by Professor Colin Clark, from Oxford University, who explained Australia's system of land taxation.

The report of the conference should be given a wide reading. Copies are available from the Land & Liberty offices.

## BOOK REVIEWS

By PETER TRACEY



### Plan for Parking

NEXT TO HOUSING, the supply of roads, and more particularly of adequate parking space, is probably the most intractable problem facing the British people today. Perceptive observers may note that these two problems — houses and roads — are the only two commodities in continually short supply in our more-or-less free enterprise economy. Economists searching for the reason for these two conspicuous failures amidst the relative abundance of other products may also note that these are the only two commodities whose expansion requires a proportionate increase in land area.

The price mechanism, which ensures the equating of supply with demand, has been disturbed as far as housing is concerned by the numerous government interferences in the free market such as rent control, subsidies, council houses etc.

In the field of parking, the price mechanism hardly exists. Most parking is free, and when it is paid for, the price is arbitrarily fixed. Parking space has, up till now, been regarded rather as a public service, not a proper subject for competition. The effect of this, as is pointed out by Gabriel Roth in a new Hobart Paper, *Paying for Parking*,\* is that allocation of parking space by administrative decree or regulation can be arbitrary, capricious and wasteful.

Mr. Roth remarks that "the idea that parking space can be usefully treated in the same way as office space, hotel rooms or theatre seats seems strange to most people. Readers are therefore asked to put aside all preconceptions . . ." — a necessary warning, for what follows is pretty revolutionary.

The alternative to physical rationing, says Mr. Roth, is pricing, and he shows convincingly that parking troubles, including the use of present-type parking meters, are due to attempts at *rationing*. Pricing would overcome all these difficulties. Parking meters that "sell" a small basic unit of time at a price that varies from place to place would balance supply and demand for street parking.

"If car owners are unwilling to pay parking charges in full, they are asking part or all of parking costs to be paid by non-car owners," points out Mr. Roth. He advocates that private enterprise should provide off street parking space at full economic cost, and that this should not be undermined by free or subsidised parking. "Once the local authority provides *some* parking space below cost, it is liable to find itself having to provide *all* the parking space in its area — below cost."

\**Paying for Parking* by G. J. Roth. Hobart Paper 33. Institute of Economic Affairs. 6s.