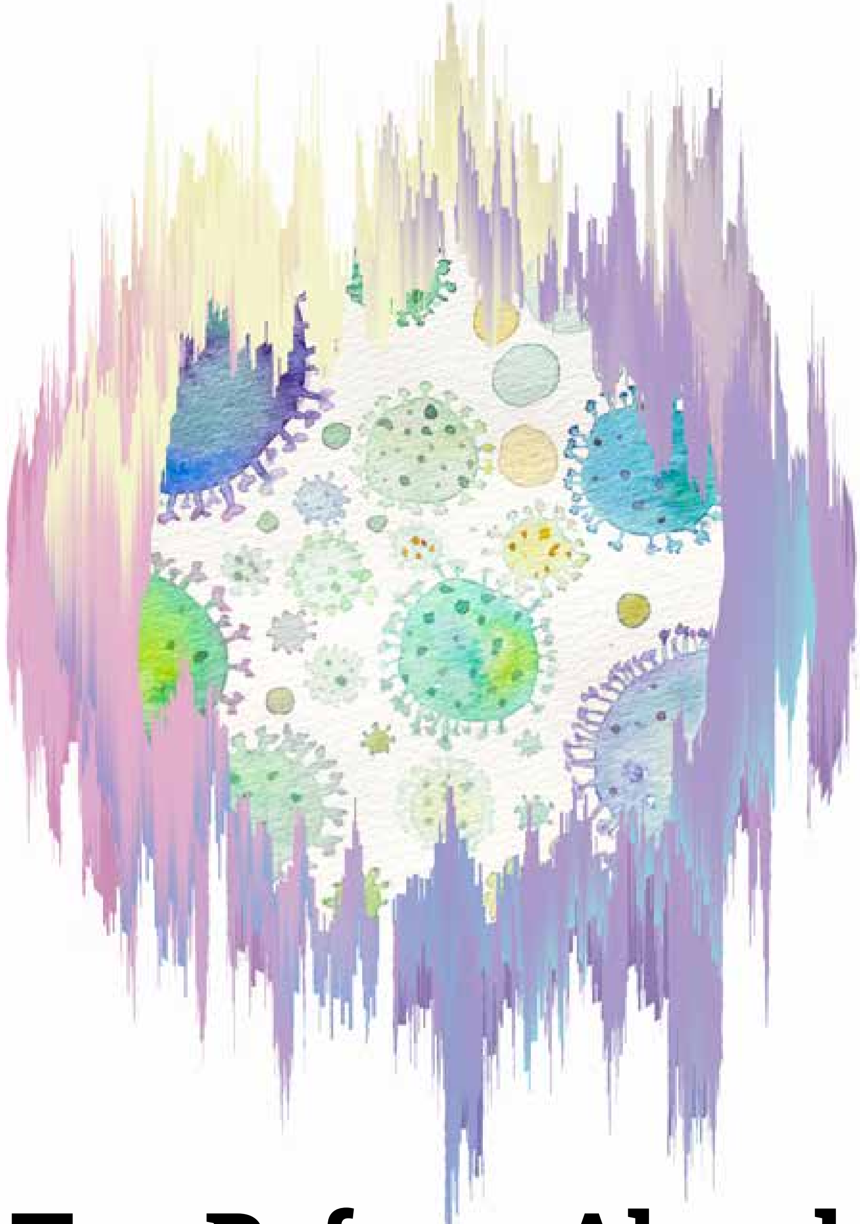
PROGRESS

SHARING THE EARTH SO ALL MAY PROSPER

1129th EDITION
WINTER 2020
FIRST PUBLISHED 1904

BEYOND THE PANDEMIC



Tax Reform Ahead

PROGRESS

Winter 2020
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ABOUT
Prosper Australia is a 129 year old advocacy group. It seeks to move the base of government revenues from taxing individuals and enterprise to capturing the economic rents of the natural endowment, notably through land tax and mining tax.

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Front cover: photo by Elena Mozhvilo, Unsplash

Contents

"It is a matter of common knowledge that in proportion as land monopoly advances, Agriculture either recedes or changes its form from that of a free holding yeomanry, to that of a tenant farmer.

...

The mammoth holdings dominate the older districts. They push settlement into the back country. They are an impediment to industrial progress - raising the cost of transit upon producers and the price of commodities to consumers- crimping development, limiting the financial resources of municipalities, and imposing in a variety of ways a heavy monetary burden upon the general community.

...

At Skipton there is a farmer (John Gardiner) with 2000 acres. He has so improved his land that for six months in the year that portion carries 18 sheep to the acre, and his wheat crops average between 24 to 30 bushels per acre. He is therefore taxed twice as much per acre as the owners of the large estates around him."

Frank Anstey, MLA, "Monopoly and Democracy - The Land Question of Victoria" (1906)

Editorial

Talk about Progress & Poverty! With the world economy sitting on a pandemic precipice, casualised workers have been hit hardest, whilst sharemarkets are enjoying a liquidity rally few saw coming.

The era of record low interest rates will have implications for land and natural monopoly prices, as investors search for yield. Whilst the Federal government is doing its' utmost to keep markets afloat in the short term, state representatives are doing the long term thinking.

The issue of the moment is the steady drum-beat of 'the transition' away from stamp duty and towards land tax. The NSW Thodey Review has been driving the reform agenda. Without tourism and immigration as significant drivers, alongside prolonged periods of downturn for the hospitality industry, state governments have recognised that tax reform can deliver productivity dividends in times of need.

Prosper's recent work on 'the transition' from stamp duty to land tax has surely helped. If only we could say what is happening behind the scenes!

The September cliff, when Federal Jobseeker assistance is set to wind up, alongside US government protections for bankruptcy, looks to be the next major hurdle. Will landlords allow for rental relief when this next wave hits? Alongside rising unemployment, the looming revaluation of land may force recent purchasers underwater, with margin calls enforcing foreclosure. Whilst banks have been somewhat reasonable so far with 429,000 mortgages put on hold, will this continue as bad debts inevitably mount?

Another aspect we are considering is the potential of Automatic Valuation Mechanisms. With many councils now using these software models, should land be revalued in real time when such calamities hit the global economy? Could an accord be made with a banking industry that recognises the advantages they garner from rising land prices and the associated keyboard credit? Can anyone foresee a time where banks enable a three year land revaluation (and accompanying mortgage resize) without foreclosure? After that period of recovery, repayments could ramp up to pre-disaster levels, akin to the Saint-Simonian banking model (France, early 1800s) Michael Hudson has so often discussed.

This edition of Progress, the now biannual magazine, highlights some of the key articles during this reform era. Laurie Macfarlane was one of the first to state publicly that any form of income support will act as a prop for land prices. Adam Creighton's piece on the transition sums up the states' motivation for land reform and Prosper's Talking Points brief is provided as a resource for your studies. NSW Planner Tim Sneesby highlights how some planners understand land value is important and why developers seek to game the system for windfall gains.

With our regular events on hold, Jesse Hermans and I have conducted two Virtual Lunches via Zoom. I was soon schooled on the danger of zoom-bombing when our first VL had to be quickly restarted following an avalanche of teenage angst! The second event went more smoothly and was entitled *Airports, Highways and Airwaves*. This format was built upon in episode 584 of the Renegade Economists and again, here in print, to ask why government bailout packages ignored the role of monopolists?

Karl Williams' exemplary *Geoists in History* series continues with Ebenezer Howard, the pioneer of the Garden City movement. With the times as they are, we look into the challenges establishing a more sensible way to not only design cities, but to fund them.

As the Black Lives Matters protest movement sweeps the world, we are reminded how property rights are often used as a stage for police to ask whether an African American or Aboriginal person has a right to be in a certain neighborhood. With decades of precarity adding strain to the social contract, the urgent need for Georgist economics continues.

Thanks for your continuing support.

Our economic system is on life support. But who are we really saving?

By Laurie Macfarlane

Nikita Fox, Unsplash

Pumping new money into the economy without altering power relations will only exacerbate existing inequalities.

30 March 2020

In recent weeks governments around the world have injected extraordinary sums of money into the economy to support businesses and households in the face of the coronavirus pandemic.

In the UK, the government has committed to paying up to 80% of the wages of workers impacted by the outbreak (subject to a cap of £2,500 per month), and has provided £330bn of financial support for businesses. Similar measures have been announced across Europe.

In the US, President Trump has signed the largest ever financial stimulus package worth $2tn, which includes plans to send cheques of $1,200 to every American earning less than $75,000 per year. Such measures would have seemed unthinkable only a few weeks ago.

Given this, people may be forgiven for asking: where on earth are governments finding the money to pay for all this? After all, for years we have been told that "there is no magic money tree".

Tax hikes are not on anyone's agenda – doing so at a time when household and businesses are already struggling would only make things worse. This leaves two other options: borrowing money from financial markets, and printing new money. It's clear that most governments intend to pay for their new commitments through a combination of both.

National treasuries have already started issuing large quantities of government bonds, most of which will be purchased by financial institutions. Crucially though, central banks have announced plans to purchase some of these bonds on the secondary market using newly created electronic money. This practice is not new – it has been happening since the financial crisis through a process called 'quantitative easing' (QE).

But we are now about to witness QE being unleashed on an unprecedented scale. In the US, the Federal Reserve has pledged to buy a potentially 'unlimited' amount of government debt. In Europe, the European Central Bank (ECB) has launched a €750bn 'emergency' bond purchasing programme. In the UK, the Bank of England has committed to purchasing £200bn of bonds, and indicated that more could be in the pipeline.

Unlike in 2008, some governments are also openly talking about cutting out the middle men in financial institutions who intermediate (and profit from) this process. This means that we could see central banks purchasing government bonds directly from national treasuries (also known as 'the primary market'), or allowing governments to run up large overdrafts at their account at the central bank. Both would amount to direct monetary financing of government spending – something that has long been taboo in the economics profession.

Given this sudden abundance of money, the obvious question is: why did we have to put up with a decade of austerity? The truth is: we didn't. Austerity was always a political choice that was fuelled by right-wing ideology and bad economics. As I wrote back in 2017:

> "You may have noticed that issues of 'affordability' never arise when the spending relates to activities like going to war or bailing out the banks. That's because for a country like the UK which has its own central bank and borrows in its own currency, financing government spending is never a problem. The claim that there is no "magic money tree" is simply a convenient way to mask an ideological crusade to shrink the state."

Now, a decade after austerity began, we are paying the price for this ideological crusade. Our healthcare systems are woefully under resourced, and our public institutions are ill-equipped to respond to the challenges we face.

Of course it is welcome that governments are now loosening the purse strings to help people and businesses get through this crisis. Human lives should always come before economic dogma.

But we must be careful not to fall into the trap of assuming that central banks can solve all our problems. As with any policy intervention, it is essential to ask: cui bono?

A good starting point is to consider how the coronavirus pandemic has impacted the flow of money through the economy. As the economist and former trader Gary Stevenson has outlined this in detail, this exercise helps to reveal who stands to gain from the present course of action.

In normal times, the economy is driven by household spending. Some of this spending is on essential goods like housing, utility bills and food, while the rest represents discretionary spending on things like entertainment, leisure and travel. Importantly, richer households spend proportionally far more on discretionary spending than poorer households.

This spending generates revenues for businesses, who in turn use some of these funds to pay wages to their workers. In countries like the UK and the US, where capitalists and landlords have significantly more bargaining power than workers, most of the money workers earn ends up flowing to the ownership class in the form of rents, mortgage payments and bills. In normal times, these income flows would fund lavish discretionary spending habits, and the cycle would then continue.

How has the coronavirus impacted this flow of money? While spending on essential goods has been maintained, discretionary spending has collapsed. Restaurants, bars, theatres, cinemas and cafes have all closed, while domestic and international travel has ground to a halt. This collapse in discretionary spending has led to a collapse in business income, which means that many companies can no longer afford to pay their workers' wages.

It is worth considering what would happen here if governments did not intervene in some way. Landlords would soon find that many of their tenants couldn't afford to pay their rent; banks would witness large-scale loan defaults; and companies would see their revenues and profits fall sharply. The ownership class would take a serious economic hit.

That's not to say that workers wouldn't also suffer: the shock would likely result in large-scale layoffs, an unprecedented spike in unemployment and a dramatic rise in general hardship. This is not a desirable outcome.

In order to stop this from happening, governments and central banks have stepped in to plug the income gap, and they are filling this gap with newly created money.

Who wins and who loses from this overall? Even in countries with the most generous employee compensation schemes, workers are only being compensated for 80% of their wages. But most of this will be required to pay for essential expenses, meaning that overall most workers will be left worse off.

The flipside of this is that the income streams for the ownership class – rents, interest and corporate income – are protected.

But crucially, because the discretionary spending of the rich has collapsed (they are no longer going to nice restaurants or spending money on holidays), they will now have much more money left over each month. So while the bank balances of working people will shrink over the coming months, the bank balances of the asset owning rich will increase dramatically. This is the key to understanding where all the new money that is being injected into the economy will end up. It is not gross incomes that matter, but net incomes (i.e. how much money people have left after their essential expenses have been paid).

As Stevenson notes:

"The government has created new money to replace the lost spending of the rich, so that working people can continue to pay their bills to the rich."

What is being presented as a bailout for working people is, in practice, a bailout for the wealthy. Who will pay for this? When the crisis eventually subsides, governments – now saddled with debts higher than at any time during peacetime history – will inevitably face calls to implement austerity to pay off the debt burden. Once again, the burden will fall on ordinary people.

As Christine Berry writes: "The costs of the crisis, then, are still being borne largely by workers and small businesses – albeit subsidised by the state, and thus by future citizens – it's just that some of those costs are being deferred. As yet, no sacrifices have been demanded of banks, landlords or profitable corporations."

None of this should be surprising. After all, we live under an economic system that delivers unequal outcomes by design. Pumping more money through this system will simply result in more money flowing to those already at the top.

What makes things different this time is the sheer scale of the sums involved. Governments are injecting unprecedented amounts of money into the economy, often for good reason. But unless steps are taken to prevent it, this will simply be hoovered up by the ownership class.

What can be done to prevent this? According to Stevenson and a growing number of economists, the most effective policy would be an emergency wealth tax. This would ensure that those with the broadest shoulders contribute to resolving the crisis, and would also provide a mechanism to claw back any wealth that is accumulated from the government's response to the crisis. Policies such as rent freezes, debt jubilees and attaching robust conditions to any corporate bailouts could also help spread the burden more fairly.

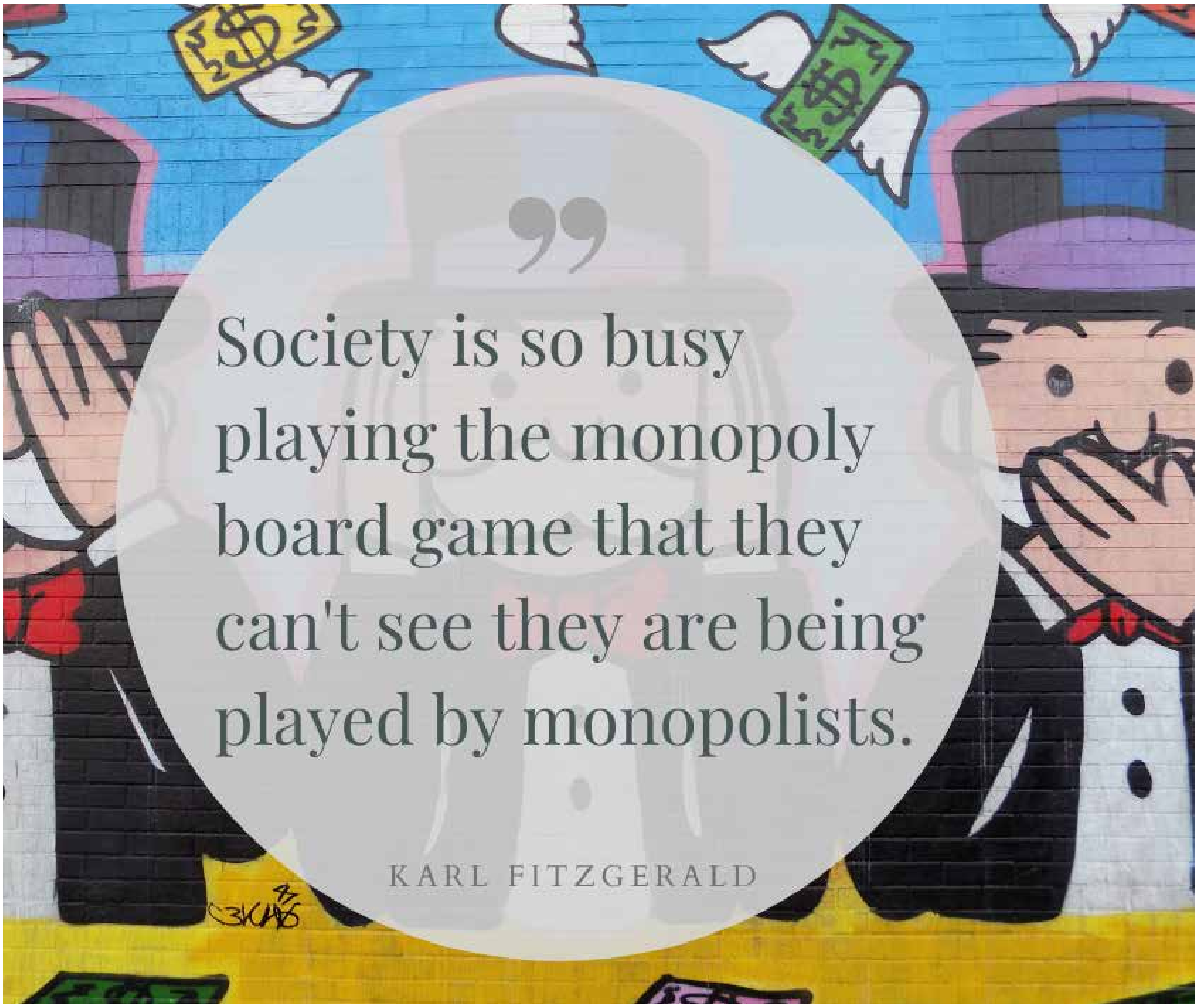
Regardless of the precise solution, the lesson is clear: pumping new money into the economy without altering power relations will only exacerbate existing inequalities. We made this mistake in 2008 – it's essential that we don't make it again.

https://www.opendemocracy.net/en/oureconomy/our-economic-system-life-support-who-are-we-really-saving/

Neil Thomas, Unsplash

Monopoly in the Covid Period

by Karl Fitzgerald



Society has grown up playing the monopoly board game, without realising they spend their entire life being played by monopolists. The covid-19 era reiterates this trend. Industries are on their knees but little is being done to look further up the tree to ensure all are 'sharing in the pain.' Instead of getting it right, policy busy-ness has presided over burden sharing.

With the economy slamming shut as pandemic pressures arose, the airline industry was under immediate pressure with passenger numbers dropping 95% in a matter of days. Virgin Airlines is now in receivership. The company engaged in a bold, last minute survival campaign on keeping 'the air fair'.[1] A full page advert stated "A monopoly in Australian skies will be good for no one." It didn't mention what was happening on the ground, but surely it was a factor.

Australia has four of the top ten most profitable airports in the world.[2] Three of the top five.

1 V Kelly, Virgin Australia Kicks Off Campaign Against Monopoly in the Skies, https://mumbrella.com.au/virgin-australia-kicks-off-campaign-against-monopoly-in-australian-skies-623773

2 P Hatch, Perth Airport Takes Qantas to Court Over $11m in Unpaid Fines, https://www.smh.com.au/business/companies/perth-airport-takes-qantas-to-court-over-11m-in-unpaid-runway-fees-20181217-p50msn.html

Perth is one of the more aggressive. When Virgin's demise accelerated as covid-19 spread, airport management quickly surrounded a number of grounded Virgin airplanes to ensure they paid outstanding fees. A Qantas spokesman stated:

"Protecting your interests is one thing but parking a bulldozer in front of an aircraft while saying you're 'working to secure an agreement' is ridiculous," a statement from the head of external communications Luke Enright said. "It's no way to treat a customer of 20 years."[3]

Qantas too is frustrated at the financial pressure our privatised airports are placing on their services. A long-running feud between Qantas and Perth Airport over landing fees has reached the courts - twice.[4] The largest Perth Airport shareholder is Utilities of Australia, a specialist in infrastructure investment and a major beneficiary from the privatisation of natural monopolies. They hold stakes in the recently privatised NSW Land Registry, TransGrid - the nation's largest transmission network, and Melbourne Airport. This suggests they are strategic experts in the exertion of monopoly power.

Across all airports, landing slots (take-off and landing charges) have risen 26 percent in real terms over the last decade, whilst ticket prices have fallen by 40 percent.[5]

This suggests profits have been directed away from productive enterprise and toward those who own property rights - as all good monopolists demand.

If Virgin's administrators cannot find a suitor, higher ticket prices will result.

We should note that Ansett airlines fell into liquidation in 2001, following the 1997 privatisation of Melbourne, Brisbane and Perth airports. Monopolistic pricing pressures were likely to have played a significant role, where it was reported that airport profits ramped up post-privatisation.

"Aeronautical performance data reported by Melbourne Airport in its GPFR show that there has been steady year on year growth in this revenue stream over the period surveyed and that over the entire period 1997-2013, aeronautical revenues grew by 344% while passenger numbers grew more modestly at 119% and aircraft movements by 41%."[6]

Brisbane airport revealed similar rent-seeking. The nature of such predatory behaviour soon motivated the ACCC to produce a yearly report on the profitability of airports.

Contrary to the advice given on the benefits of privatisations, tax revenues from these former statutory bodies plummeted soon after privatisation and have remained that way.

Rupert Murdoch once said "Monopoly is a terrible thing until you get one. If I owned it I wouldn't sell it, but if you're silly enough to sell, I'll buy."

Prosper's submission to the Productivity Councils Economic Regulation of Airports review (2019) highlighted these shortcomings.[7] The PC's issue paper found EBITDA (Earnings Before Interest, Depreciation, Taxation and Amortisation) profit margins up by 46% for aeronautical, and up to 70% for car parking operations (2016-17). In comparison, a business operating in the open market can expect greater volatility on lower margins.[8]

The squeezing of margins by both falling prices and rising airport access fees placed Virgin under increasing pressure.

Tellingly, government applied no pressure on airport owners to reduce their fee structure. Australia's airport owners have been wise enough to

3 B Gubana, Perth Airport Moves to Seize Airplanes Over Debt, https://www.abc.net.au/news/2020-04-24/perth-airport-moves-to-sieze-virgin-australia-planes-over-debt/12183344

4 H Hastie, Qantas and Perth Airport Continue to Clash as Aviation Sector Nosedives, https://www.smh.com.au/business/companies/qantas-and-perth-airport-continue-to-clash-as-aviation-sector-nosedives-20200507-p54qsb.html

5 J Freed, Airlines Take Aim at Australia's Airport Privatization Model, https://www.reuters.com/article/us-airlines-iata-airports-idUSKCN1IX43Q

6 Aulish C, Airport Privatisation in Australia: A Tale of Three Cities (2014) http://www.redfame.com/journal/index.php/afa/article/view/614/597

7 Hermans J, Prosper Australia's submission to the Economic Regulation of Airports (2019), https://www.pc.gov.au/__data/assets/pdf_file/0010/231121/sub019-airports.pdf

8 ABS Business Indicators (5676, Mar 2020)

keep a low profile, unlike India's private airport operators, who attempted to impose a coronavirus surcharge, and faced a public backlash.[9]

A further advantage airport owners enjoy is an exemption from land tax, as airports are located on Commonwealth land. Savvy business insiders such as Lindsay Fox have purchased sites like Essendon Airport and turned them into large retail centres. Without the land tax burden, land price growth rates are likely to be higher, encouraging additional rental growth rates.

Does everyone need a bailout?

Requests for support in the commercial radio sector raised alarm bells on the pressure monopolists were exerting throughout the economy. Commercial Radio Australia requested immediate relief from spectrum licence fees for two years, alongside a greater share of government advertising. Spectrum fees were quickly waived by the Federal government,[10] but there has been no mention of sharing the pain between broadcasters with plummeting revenues and broadcast tower operators.

Some community radio stations pay over $100,000 to monopoly interests for aerial rights. There should be some pressure applied to recognise that the largely fixed costs of owning and maintaining a tower could be wound back without affecting the survival of the operator.

Prosper's monthly *Renegade Economists radio show* appears on the 3CR airwaves.

In a sign of foresight by 3CR's station's founders, the station not only owns its broadcast premises on Smith St, but also owns the broadcast tower at its Werribee land holdings. The station has therefore protected itself from monopoly rents, something they must be congratulated for.

9 Airport operators seek to levy 'corona surcharge' https://timesofindia.indiatimes.com/business/india-business/airport-operators-seek-to-levy-corona-surcharge/articleshow/74620669.cms

10 http://www.commercialradio.com.au/content/mediareleases/2020/radio-welcomes-govt-relief-measures-but-more-actio

Privatisation and Profit

The privatisation of our road network is another area where government could be looking to reduce overall cost pressures on the productive sector. Bygone eras saw infrastructure as a major component to a nation's comparative advantage. By keeping such costs down, nations could outcompete others.[11]

However, governments have been convinced that privatising natural monopolies such as our road network are an effective tool to minimise public debt.

Macquarie Bank has been a central player in Australia's privatisation agenda. Between 2001 - 06, over half of the bank's profits were related to financing and management of infrastructure. Jefferis and Stilwell provide a fascinating analysis of the financialisation process inherent in the Macquarie infrastructure model.[12] They find that 'the bank's profits represent a rent charged for channelling superannuation through the financial sector rather than using taxation to directly finance infrastructure provision.'

Jefferis and Stilwell write:

"The Macquarie Infrastructure Group fund therefore acts as a financial version of drift net fishing, leveraging asset price inflation in the broader market to channel income to private investors.

Investors in Macquarie Bank funds are not deriving profit from 'value management' or innovation in a particular industry but from the broader conditions of the market i.e. creation of credit from asset price inflation via the infrastructure fund.

The infrastructure funds therefore share the central feature of a REIT that makes them unstable. Income is not derived from an internal source but from speculation and refinancing against future market conditions."

11 https://michael-hudson.com/2011/10/simon-patten-on-public-infrastructure-and-economic-rent-capture/

12 Jefferis & Stillwell, Private Finance for Public Infrastructure: The Case of Macquarie Bank (JAPE), https://128f2a8c-7e2b-db29-c5ed-c863dde6f97c.filesusr.com/ugd/b629ee_012121776c8eed0594bef95329846dbd.pdf

Edwin Hooper, Unsplash

It is not hard to see where Macquarie gets their nickname the 'millionaire's factory'.

The other major player in the nation's privatisation agenda has been Transurban. Their flagship project, Melbourne's CityLink tollway, cost $1.8bn. By the time their concession expires in 2045, they will have reaped some $30bn.[13] That's a handy return for a company borne out of a Public Private Partnership.

Jesse Hermans stated on our radio episode *"Monopoly Interests in the Pandemic"* that such PPP's represent a transfer of risk away from the private sector and onto the public. Voters have been convinced that a faster project completion timeline and lower public debt are worthy of the accompanying cost burden for the life of the project. Many commentators are concerned the pendulum has swung too far, particularly in this low interest rate environment.

Returning to our central theme, Transurban has stated they will not reduce the planned 4.25% p.a increase in tolls over the near future. They have however agreed to some fee waivers for the unemployed.[14] For a company that rarely pays taxes - even James Packer has expressed concern over the paucity of tax they pay[15] - government should ensure they do more to support society .

The privatisation of our roads sees costs transferred off the public balance sheet and onto the private sector, undermining the economy's competitive advantage. However, the Victorian government has finally indicated a turn away from costly PPP's with the North-East link to be built and funded by a public toll operator.

This is a welcome change to an infrastructure pipeline dominated by Transurban for close to thirty years. Like airports, the company has been granted a land tax exemption on the land under tollways such as CityLink and even its Richmond HQ.

Another area of concern Jesse raised was the impact of privatisation on our utility cost base. NSW and Victoria have privatised electricity production, distribution and retail. His research found that the smaller states and Territories who still maintain public ownership have been much more proactive in recognising the burden of these monthly costs.

13 R Millar et al, Transurban: The Making of a Monster, https://www.theage.com.au/national/victoria/transurban-the-making-of-a-monster-20160512-gotjm9.html

14 J Thompson, Transurban Fights for Momentum inVirus Slowdown, https://www.afr.com/chanticleer/transurban-fights-for-momentum-in-virus-slowdown-20200401-p54fys

15 C Low, Crown a Role Model Australian Company, https://www.smh.com.au/business/crown-a-role-model-australian-company-says-gambling-tycoon-james-packer-20151021-gkenfs.html

In the ACT, small business owners with electricity usage below 100 megawatts per year will see rebates of $750 automatically applied to their next electricity bill. Victoria has done comparatively little to lean on internationally owned companies such as distributor PowerCor to reduce margins during these testing times.

Landholders

Across the nation, state governments were urged early in the pandemic shutdown to engage in assistance packages to ensure that landlords too 'share in the pain', as our Prime Minister so famously quipped.

The Victorian rental relief package saw $80m in direct potential relief for renters, with $420m for landlords who offered rental discounts.

With many investors paying just $875 land tax on a $550,000 land valuation - a 25% reduction is barely a few days rental discount.

Landlords in wealthier areas have a greater capacity to discount. A landholder with a land value of $1.55m would typically face a $7,375 land tax bill. That could see a saving of $1,844 passed onto the tenant, equating to 1-2 weeks rent on a $2.2m home (assuming a 3% yield at $5,500 pcm).

Further watering down of the package sees these meagre savings split between commercial and residential. With commercial land values often higher (CBD) the support for residential rental is likely to be minimal.

Whilst landlords can receive a 25% land tax discount, there has been little detail on potential thresholds landholders must offer to renters.

How far will the direct rental relief package, worth $80m, assist those in precarity?

The $80m in rent relief could help about 200,000 renters facing hardship for a short period, maybe a week or two at the current $390 weekly median rent. Considering there are about 600,000 Victorian renters, many will remain under duress.

Premier Daniel Andrews soon stated that the rental relief was limited to 30,000 renters. This

Raivis Razgals, Unsplash

equates to less than 5% of all Victorian renters, who may receive 1-2 months relief. To qualify, renters must have less than $5,000 in savings and be paying 30% or more of incomes on a place to call home.

NSW and Queensland have a similar 25% land tax deduction for landlords who enter into rental discounts with tenants.

These states have limited their land taxes to wealthier suburbs. Less than 14% of NSW investors are required to pay land tax, thanks to indexed land tax thresholds to land values.

In NSW, all investor owned land under $734,000 is exempt from land tax thanks to the land tax threshold. This $734,000 threshold is indexed to the Valuer General's median land price index. Thus as land prices increase, more land falls under the threshold, incentivising investment in once affordable regions. Queensland has adopted a similar system, with other states threatening to join them.

Like the absence of casualised workers from Jobseeker payments, those who really need the support - those in less amenable suburbs - will receive very little rental assistance. Neither NSW or Qld have offered any direct relief to renters.

Politics

We should point out that the state based support was limited by the absence of Federal assistance. Such behind-the-scenes sparring may have caused the month long delay in certainty for renters.

In the end renters must realise that neither state nor federal governments have done much to assist. Instead of government intervention, pure market forces have done more to assist renters. With 100,000 fewer migrants and some estimating 40,000 AirBnB properties re-entering the rental market, rents have dropped accordingly.

During this pandemic shutdown, Prosper has been delighted to see a flurry of momentum to replace stamp duty with land tax. One of the drivers to the reform agenda has been the understanding that productivity must increase to drive wage growth.

The visit with UK economist Josh Ryan-Collins to Canberra last December revealed this growing impetus for productivity incentives at the Federal level. Implicit behind this is the need for such wage growth to support even higher land prices.

As we know, too much has been spent on land for too long, reducing the ability of businesses to invest in productivity enhancing plant and equipment. Will the Federal government do its part to support this nation building reform?

Potential Pathways

Transurban could well face a Tollmaster's License fee. An annual charge based on the value of their assets could be implemented to ensure they contribute to the public. This simple, annual payment based on the annual valuation of location could be applied across all monopolies, such as broadcast towers (with their special zoning). Airports could also be targeted in this classic Georgist prescription.

Such revenues could be used to shift taxes off the productive sector, assisting competitiveness.

With your help, we can remind governments to prioritise the contributions natural monopolies can offer. Governments should lean on them as a quid pro quo for maintaining their social license.

Monopoly is a luxury society can no longer afford.

Key states put their stamp on tax reform leadership *by Adam Creighton*

Stephen Leonardi, Unsplash

Victoria and NSW are quietly working away on what would be one of the biggest, and most beneficial, pieces of tax reform since Federation.

And unlike the introduction of the GST in 2000, which was trenchantly opposed by Labor, this effort is laudably bipartisan.

NSW Liberal Treasurer Dominic Perrottet and his Victorian Labor counterpart, Tim Pallas, are pursuing the holy grail of tax reform: phasing out crushing stamp duties for property sales and replacing them with annual land tax.

The superiority of land over other taxes has been well known ever since Henry George published his brilliant and best-selling Progress and Poverty in the 1880s.

“Land tax, the most just of all taxes …. will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, purify government, and carry civilisation to yet nobler heights,” he wrote enthusiastically.

About 100 years later, free-market economist Milton Friedman agreed, arguing that taxes on land were the “least bad” taxes.

Stamp duty on property transfers, which makes up about a quarter of states’ own tax revenue, costs the economy $2.35 for every collected dollar, compared with 16c for land tax, according to the NSW government. It’s not hard to see why.

Stamp duty punishes people for moving, while locking households and businesses into their properties for longer than they would like.

Land taxes also offer a far more stable revenue stream for state governments than stamp duties, which can gyrate wildly depending on the state of the housing market, making budgeting difficult.

Abolishing it would boost the number of property transactions in NSW by 25 per cent, freeing up spare bedrooms equivalent to 70,000 houses, according to a report commissioned by NSW Treasury in 2017, as households were freed to move where they wanted to live.

Land tax, by contrast, can’t reduce the quantity of land. Avoidance is impossible; unlike income, it can’t be hidden.

Taxing the unimproved value of land, which is estimated by councils, rather than the property value encourages productive development of the land, perhaps including higher-density dwellings — to spread the tax burden across more taxpayers.

And broadbased land taxes have the virtue of being very hard, politically, to increase because they are salient and directly affect many voters.

However good the economics, the politics of introducing them are challenging. Governments prefer hidden taxes. Stamp duty is paid by most of us infrequently — maybe only once. It’s also overshadowed by the price of a home, typically paid with borrowed money. It’s far less salient than having to stump up even a much smaller sum annually.

The ACT, halfway through a 20-year tax reform process of its own, is trying to phase out stamp duty too.

NSW and Victoria would be wise to proceed differently. The ACT is gradually ratcheting up land tax while slowly reducing stamp duty — infuriating home owners without even the carrot of immediate abolition of stamp duty.

It would be far better to give buyers the choice, sparing anyone who doesn't want to pay land tax, and neutralising inevitable "tax on the family home" arguments. NSW and Victoria should give buyers the option of paying land tax on their new property, or sticking with stamp duty.

The choice of paying $40,000 upfront for a median Sydney house or say $2500 a year in land tax will be an easy one for many: land tax, please, by a mile. An annual land tax rate of about 0.5 per cent of the unimproved land would be enough to replace stamp duties.

Here's the kicker though: that property would thereafter be a "land tax property". Any future buyer of it would not have the option to pay stamp duty instead.

Over time, many years, the entire stock of land would be subject to the new regime. A little over 3 per cent of the housing stock turns over each year. A transition period, perhaps in a few select suburbs of Sydney or Melbourne, would reveal what share of buyers opt for land tax.

Governments could also permit land tax to be deferred until the sale of the property, in certain circumstances. And buyers might be given a credit for any stamp duty paid towards their land tax obligations.

Federally, there appears little appetite for tax reform, unless you count the return of some bracket creep in four years' time. But the federal Coalition could help Victoria and NSW — and encourage other states to reform their systems too — by tweaking the GST distribution formula.

NSW reckons it would lose $1bn a year in GST payments from a switch to land tax. The arcane formula that divvies up the consumption tax among states and territories would penalise a state for eschewing stamp duty, based on the thinking a state that forgoes stamp duty is deliberately passing up a taxation opportunity.

Even if the commonwealth doesn't help, states shouldn't fear going into deficit to pull off the change — an argument that equally applies federally.

The piddling interest cost of public debt would be dwarfed by the long-term economic benefits of replacing a highly damaging tax. States can borrow almost as cheaply as the federal government, about 1.3 per cent for 10 years.

There's a strong moral case for taxing land relatively more, beyond the economics. As former Treasury secretary John Stone told The Weekend Australian:

"A land tax is not only harder to avoid and more efficient, but also surely more equitable, since the 'social dividend' that accrues to land owners, particularly in our major cities, simply via the effluxion of time as growth occurs around them, is really impossible to justify".

In September, households across Australia owned land (as distinct from the property sitting on top of it) worth $4.9 trillion, up $1.2 trillion in a decade. The increase had very little to do with individual effort or innovation.

A comprehensive tax on unimproved land was part of the Labor Party's platform from 1891 to 1905. Conservatives are increasingly seeing the benefits too.

Britain's new Chancellor of the Exchequer, Rishi Sunak, is mulling over a switch from taxing small businesses to their landlords. "Business rates", paid by business tenants based on the rent they pay for their shop, could be replaced with a direct tax on the landlords.

Premiers Gladys Berejiklian and Daniel Andrews have the chance to leave a significant reform legacy, far beyond anything achieved by the federal government for at least 20 years.

Together they could help restore faith in politics too, putting the national interest above the petty, highly partisan debates that frustrate voters.

Article courtesy of The Australian.

Land Positives in Thodey Review

Nicolas Rivas, Unsplash

Prosper Australia welcomes the release of the *Thodey Review into Federal Financial Relations*. It provides the vision the nation urgently needs for the post-pandemic era. The replacement of stamp duty with land tax is key to assisting the necessary productivity improvements.

"The funding challenge looms just beyond the crisis phase. To repay additional debt means facing up to the problem described in the discussion paper as the long run 'fiscal gap'. To avoid higher taxes, revenue sources must be as efficient as possible to remove the barriers to economic and productivity growth. The efficiency of state taxation is a critical hinge between the economic recovery and the fiscal recovery – attempting to repair fiscal capacity with economically damaging taxes will hold back progress on both goals.

A broad-based land tax is the best instrument for this task, and a transfer duty to land tax switch would establish the right settings for fiscal recovery and long-term growth." (p.43)

Less than one in 20 NSW households contribute to schools, roads and hospitals via their stamp duty payments. A much fairer and more resilient tax scheme would see all landholders contribute annually according to the locational advantages they enjoy.

As the review rightly argues:

"The Henry Review estimated that some 26 per cent of owner-occupiers have remained in the same property for at least 20 years. Most of these people have benefitted not only from the services provided by the state over that time but also from a once-in-a-generation land price windfall. In exchange for these gains, they have contributed very little towards essential services and critical infrastructure via property taxation. Others who have moved to find a job, to be closer to schools, or to match housing size to their family situation – including young buyers without the financial means or parental support to buy their 'once-and-forever' house early in life – have picked up the tab. This approach just doesn't seem fair." (p.39)

"The value of land is a measure of the benefits accruing to particular locations from infrastructure, services, regulation, access to markets, amenity, culture and community. A tax on land is therefore like a generalised user charge for the benefits society at large provides the landowner, which is a principled way of funding public services." (p40)

The report also highlights the productivity enabling aspects of the transition away from stamp duty and towards land tax:

"[Stamp duty] impacts citizens' freedom to move home throughout their lifetime and inhibits labour market matching and transfer of business assets, ultimately reducing the productivity with which land is used." (p40)

"[Stamp duty] can be inequitable and create distortions, such as between land uses or between small and large firms, which reduces productivity." (p.48)

"The economic costs, such as lower productivity with more time spent commuting to places of work and higher transport costs are well known and quantified. Sydney is the 23rd most congested city in the world, with Sydneysiders losing the equivalent of nearly five days (119 hours) of their lives due to traffic in 2019." (p.89)

The Transition Detail

The review states in detail :

"An ideal reform under the criteria of maximising efficiency and simplicity would involve the replacement of both transfer duty and existing land tax with a flat tax rate based on unimproved land value. However, flattening the progressive rate scale of existing land tax and transfer duty would involve significant redistributions of tax from large businesses and investors onto small businesses and owner-occupiers. Those with less valuable land assets would also pay more tax relative to the replaced taxes than those with larger land asset values due to the change in progressivity of the rate structure."

"This reform would be the simplest and deliver the highest efficiency gains but would be politically challenging and raise significant vertical equity concerns."(p.45

"In designing the new land tax, a balance must be struck between fairness, efficiency and revenue objectives while bearing in mind the fundamental purpose of reform – to establish as low as possible tax settings, which are sustainable and do not compromise the ability of states to fund future services and infrastructure."

"Productivity-enhancing tax reform packages are often revenue-negative, but the scope for this in the present environment is limited. To reduce reliance on less efficient taxes in the context of the overall budget repair task any revenue loss must be carefully considered."

"Transition design is critical. There are genuine issues of equity at stake, particularly in relation to landowners who have recently paid transfer duty and who will now face a broad-based land tax."

"There could also be concerns from households whose properties have been held for extended periods of time and who will face a different future tax liability than previously expected under the old transfer duty regime. These property owners may have paid transfer duty many years ago (a significantly smaller amount than what is paid on average now given the rapid price growth over recent years) with the expectation of enjoying tax-free future tenure. Transitioning away from transfer duty to a broad-based land tax may be seen as a 'new tax' by these cohorts who will be asked to contribute a greater share of the cost of government services." (p.48)

Removing stamp duty would create short-term revenue shortfalls. NSW Treasurer Perrotet has raised the need for Commonwealth support to assist the transition.

Vertical Fiscal Imbalance

The nature of Commonwealth-state funding reveals significant pressures.

"Having the Commonwealth solely responsible for the personal income tax system has practical benefits. …

"However, this approach has its costs. By significantly reducing the revenue raising capacity of the states, the services and infrastructure that states deliver are instead funded in-part through a system of tied grants that has become increasingly complex, based on inputs rather than outcomes, and bureaucratic (at present, New South Wales is party to around 50 Commonwealth funding agreements)."

"Incentives for state governments to undertake productivity-enhancing reform are also limited since the revenue they receive is not linked with the revenue they generate from supporting employment and income growth." (p.55)

"We remain the only high- income federation in the OECD where state governments do not raise or share personal income taxes. Further it is the only one that distributes federal revenues – the GST – based on a model which fully equalises the fiscal capacity of state governments" (p.56)

"The dire economic circumstances facing the nation mean that it is a priority for state governments to show leadership in pursuing productivity-enhancing reform. In support of this, it is recommended that:

- Personal income tax revenues should be shared with the states based on the state in which the income is earned to ensure states are accountable for revenue raising and expenditure.
- The revenue received should be quarantined from the Commonwealth Grant Commission's calculation of GST relativities. That is, a state gets to retain more revenue when it undertakes reforms that support the economic recovery and the benefits are not redistributed to other states (see Chapter 4: A broad-based land tax is more efficient and equitable than transfer duty)." (p.59)

During Malcolm Turnbull's leadership, significant state-based reforms were incentivised by 'City Deals'. Such federally funded nudges need to be reintroduced.

Regarding the other major component of the review, an expansion of the GST, we advocate against the expansion of such a regressive tax. One common misinterpretation of this report by headline readers has been the assumption that stamp duties would be replaced by a higher GST. However, the report clearly warns:

"While the Review agrees reform of the GST base and rate is merited in its own right, it should not be used as a replacement revenue source for transfer duty – states should replace one property tax with another. Crucially, this is a reform any state can enact alone.31" (p44)

"31 Prosper Australia argued similarly in its submission to the Review: "There are numerous disadvantages to this [GST] proposal relative to states going it alone with a replacement land tax. One is distributional: it will result in windfall property price gains at the expense of any consumers not fully compensated through the income tax and transfer system. Another is that it would be significantly more difficult to implement, since it would require unanimous intergovernmental agreement, federal legislation, renegotiation of the GST-exempt boundary, and design of compensation for low-income households. Finally, it would further reduce states' autonomy over their revenue bases and accountability to their residents in relation to taxation".

Whilst our *Designing the Transition report* was referenced, no mention was made of increasing state borrowings to assist the move away from stamp duties. With interest rates at record lows, we expect ratings agencies to be as supportive of rebuilding economies as central banks currently are.

This report is another fine effort from Treasury. As an educative tool, it is essential reading for the civically minded.

https://www.treasury.nsw.gov.au/federal-financial-relations-review

Don't blame planning for a supply shortage and rising house prices

by Tim Sneesby (19 May 2020)

Photo by Kelvin Li on Unsplash

Recently I argued that cutting red tape or fast-tracking planning approvals would not help the housing market recover from its COVID afflictions. Some developer lobbyists have responded, doubling-down on the claim that rapid and less scrutinised approvals are essential for property market recovery. This claim underpins their attacks on the planning system – it demands a close look at the evidence.

The COVID crisis has amplified the push by development industry lobbyists to cut red tape and fast-track planning approvals to "boost the housing market and associated construction jobs". While the developer lobbyists shibboleth hasn't changed in recent times, the economic contraction and uncertainty of COVID has meant that simple (but wrong) supply side solutions are gaining traction with the NSW government.

As I argued here with clear evidence, housing supply in Sydney is a success story with the city having the highest housing approvals in the developed world – a product of the established planning system (not of course without its flaws but by no means the block or barrier to development it is painted as).

The recent fall in approvals and commencements are a result of a collapse in demand, not an excess of red-tape or lack of fast-tracking.

Taking the higher ground to find common ground

The response by Urban Taskforce to my recent piece on cutting red tape was measured. It's good to see developer lobbyists backing away from unsubstantiated claims about red tape and focusing on issues on which there is broad consensus, for example, the need to fund additional capacity at council, NSW government as well as the Land and Environment Court.

I expect to see more nuanced soundbites calling for more public servants, and not just more of the same "policy by press release" on planning red-tape, housing supply and unaffordability.

There is agreement from developer lobbyists that planners need to have a better understanding of economics. This may have the opposite effect than expected.

Far from accepting the usual talking points of the industry lobbyists, planners could "pull back the curtain" and see for themselves that many lobbyist claims will neither deliver public benefit nor stimulate economic activity.

For example, high infrastructure contributions are not "passed on" to the final dwelling price. When clearly signalled, they are factored into the development equation and work to suppress land values.

The profession would then better understand why developer contributions can be up to 10 times higher in greenfield areas compared to inner city areas, where the smaller dwelling is twice as expensive. Planners would understand why land value is so important and why developers seek to game the system for windfall gains.

They would also appreciate that landowners pay contributions, not developers, if the industry players are diligently doing their Residual Land Value feasibility assessments.

Lastly, they'd recognise the importance of implementing value capture schemes to reduce the incentive of rent-seeking (for strictly private gain) and apply the public's share of windfall planning gains to implement strategic plans.

The lobbyists don't want us to pay attention to the man behind the curtain – they rely on economic illiteracy in policy makers so no one will question their claims.

The "supply gap" shibboleth, planning, house prices

Some developer lobbyists argue that develop ment approvals for new dwellings have "dropped off a cliff" because of "a fundamental failure of the NSW planning system".

The argument of falling approvals is cunning. Approvals have dropped, but not approval rates. No one is buying, so no one is building, so no one is putting in applications, so there's less to approve. That is not a problem with the planning system.

But this "supply gap" is intuitive at face value, which is why it has such currency and is rarely questioned by the mainstream media and politicians.

How is it possible that Sydney has approved and built record numbers of new dwellings, while at the same time planning "red-tape" has been a handbrake on new housing supply, forcing up prices?

To test this idea, policy makers need to first ask the right questions: how is it possible that Sydney has approved and built record numbers of new dwellings, while at the same time planning "red-tape" has been a handbrake on new housing supply, forcing up prices?

Why is it that companies in the business of selling housing are lobbying for a policy that increases supply and reduces the price of their product?

If supply is the issue, why don't lobbyists advocate for large-scale social housing construction?

Why don't they advocate for a bigger role for the government as a developer, such as Landcom in NSW?

Why do they dismiss the Missing Middle as a supply solution? Because their members don't profit from that kind of supply boost.

The reality is they wouldn't lobby for steady supply, and they don't. Supply elasticity (responsiveness) at the macro scale (pushed by RBA, Treasury, et al.) is completely disconnected from the spot rezonings in an inelastic (unresponsive) market that lobbyists want.

And the reason they want easy spot rezonings is because they don't make money actually building houses, they make money through approvals increasing the value of their land assets by maximising yield relative to what is permissible.

And further, the apartment towers built may be less likely to find a buyer if a steady, more incremental supply base is established.

There is an abundance of supply

In the long run, an adequate supply pipeline is important for several reasons apart from moderating house prices, such as orderly development – coordinated with infrastructure – to accommodate population growth and change across Sydney.

In the short to medium-term, there is an abundance of approved and ready to develop greenfield and infill sites in Sydney, with 190,000 dwellings in the pipeline in the next five years. This is an 8 per cent increase compared to the last five years, which was the largest approvals and construction boom in Sydney's history.

Since 1999, the cumulative gap between approvals and completions is 142,000 in Sydney alone, with over 100,000 surplus approvals granted since the 2012 price boom began.

Photo by Claudio Schwarz | @purzlbaum

Is the "supply gap" creating high house prices?

The idea that supply inelasticity (that is, an unresponsive supply pipeline) is a significant factor pushing up house prices is a thought-bubble repeated by some who have little understanding about how housing markets operate.

The RBA last year acknowledged, based on detailed empirical modelling, that house price increases in Sydney and Australia have been driven by interest rate falls, along with record high immigration.

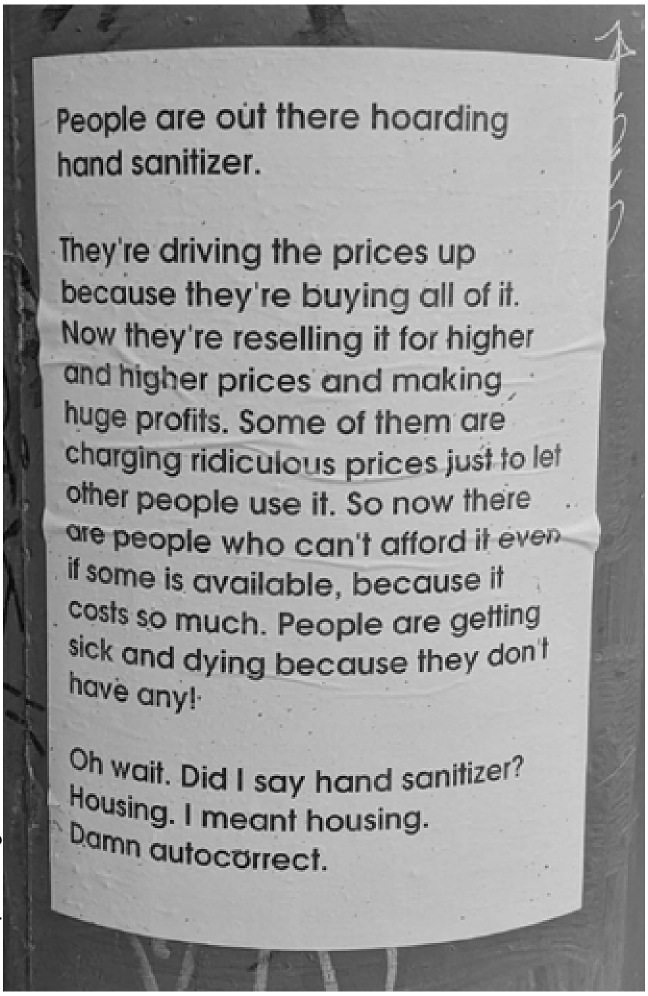
The RBA study shows that a 1 per cent drop in interest rates will increase prices by 30 per cent, but a 1 per cent increase in the number of dwellings only lowers house prices by 2.5 per cent. Given that new housing supply only adds just over 1 per cent to housing stock each year, even a doubling of housing supply would have a negligible impact on house prices where these are set by all house sales, old and new.

What about slow approvals?

The assessment of Planning Proposals and Development Applications is designed to add value by maximising the public benefit of a project consistent with a community's adopted strategic plan for the future growth or change of a precinct.

Development lobbyists often make the argument that approvals taking too long are the real issue in NSW. To the extent that lack of government planners creates delays, there would be little disagreement that this could be addressed. But there's more to it than this.

The Productivity Commission found that developers often push the boundaries for "potential windfall gains, [which] will see some developers persevere with rezoning proposals in areas that are not part of the government's strategic plan. This might provide a hint as to why lobbyists may despise the GSC [Greater Sydney Commission] and a strategic plan-led system.



Christopher Peguero

It is also revealing that lobbyists dismiss strategic planning as the government responding to "local communities and councils" like it's a bad thing.

Why would developer lobbyists want "certainty" in the system to reduce delays, since that certainty could mean not getting their "proponent-initiated merit-based planning. They wouldn't and they don't. What is requested is "certainty we'll get what we want". If the choices are "certainty we'll have to follow the rules" or "uncertain flexible rules that offer us a chance for an unearned increment", they will take the latter. The torturous process they can go through is their own doing: follow the rules and you'll generally get approved and faster. Let's not pretend normalising spot rezoning or attempting to remove rigour in assessment processes is good planning.

Government planners don't have a monopoly on good ideas, so the system can accommodate others putting their ideas forward, particularly when strategic plans are being prepared. But let's not pretend planning is creating a supply gap at an aggregate level and that this has been the cause of high house prices.

https://www.thefifthestate.com.au/innovation/design/dont-blame-planning-for-a-supply-shortage-and-rising-house-prices/

Geoists in History
Ebenezer Howard (1850 - 1928)

By Karl Williams

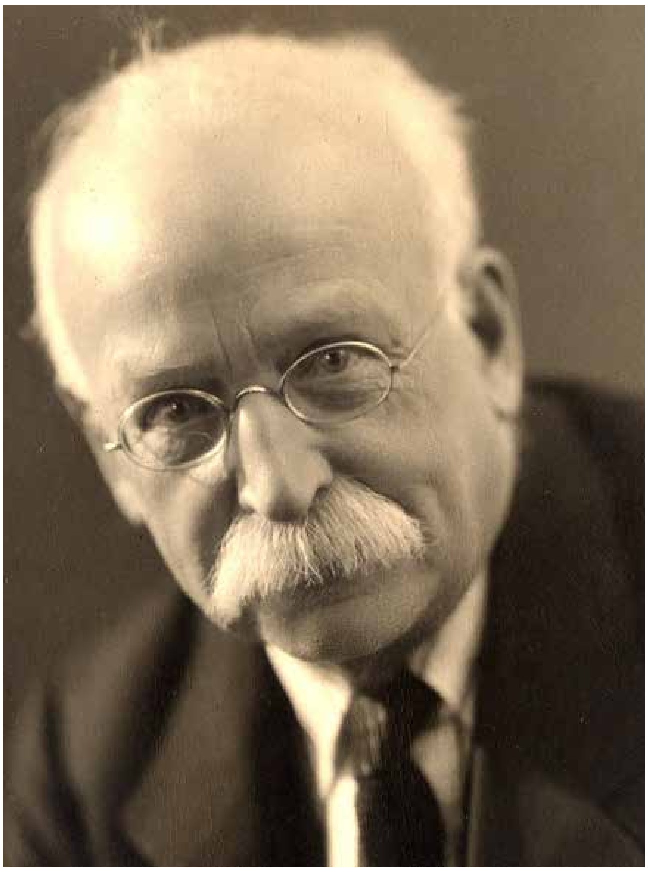
Letchworth was the original garden city planned by Howard, and 100 years later the picturesque atmosphere of this town still reflects the genius its enlightened design.

> "Perhaps no difference between town and country is more noticeable than the difference in the rent charged for the use of the soil. Thus, while in some parts of London the rent is equal to £30,000 an acre, £4 an acre is an extremely high rent for agricultural land. This enormous difference of rental value is, of course, almost entirely due to the presence in the one case and the absence in the other of a large population; and, as it cannot be attributed to the action of any particular individuals, it is frequently spoken of as the 'unearned increment', i.e. unearned by the landlord, though a more correct term would be 'collectively earned increment'."

Filthy, crowded, toxic, mindlessly-planned (if there was any planning at all) cities were once the widespread scourge of the "Dickensian" era. One man, inspired by the vision of Henry George, created the Garden City Movement, although few today realise how Garden City principles have spread all over the world without that term being used (indeed, Garden Cities were created in Melbourne at Sunshine, Lalor and Fisherman's Bend). And who today has even heard the name of this man who was one of the greatest of town planners, yet who remained poor for most of his life? Even in his own lifetime public recognition came only a year before his death. But he was first and foremost a social reformer, and his garden cities were intended to be merely the first step towards a new social and industrial order based on common ownership of land.

Ebenezer Howard was born in London in 1850 into a family of modest shopkeepers who still managed to give him a reasonable education. That four of his eight siblings died in infancy in London's infamous fetid air and grey cityscape might well have planted a seed in young Ebenezer that would germinate in his early manhood.

After starting work in a stockbroker's office at



age 15, Howard learned shorthand and held various jobs as a private secretary and stenographer before becoming a shorthand reporter in the London law courts. At the age of 21, influenced partly by a farming uncle, the bold and adventurous Howard emigrated to America. He first went to Nebraska and, after his farming efforts failed, concluded that this would not be his lot in life. If he had found farming to be his vocation, then the world would have been a vastly different – and immensely poorer – place.

He then relocated to Chicago to work as a reporter for the courts and newspapers and, by one of those well-timed interventions of Fate, witnessed the aftermath of the gigantic Great Chicago Fire which had obliterated most of the city's centre and business district. Here was the turning point in Howard's life. His travels and experiences had already led him to ponder the great inequalities in people's lives and how they might be improved. Now here in Chicago he witnessed first hand the planning and rebuilding of the devastated city …. more grist for his mental mill.

A few years later he was back in England where he found a steady job with Hansard where he spent the rest of his working life producing the official verbatim record of parliament. As he listened to parliamentary debates he was further fed a multiplicity of ideas about social reform, and this was to plant many more seeds for his town planning proposals. His energetic and original mind also gave rise to a number of inventions, particularly regarding typewriters, but these endeavours were a miniscule side show compared to his revolutionary designs for urban living.

While his modest livelihood barely supported his wife and four children, in the evenings he was free to hatch his magnum opus which was eventually published in 1898. Garden Cities of Tomorrow proposed the founding of self-sufficient entities — not dormitory suburbs — of a 30,000 person community, each ringed by an agricultural belt unavailable to builders. One aim was to reverse the large-scale migration of people from rural areas and small towns to cities, which were becoming squalid, inhumane and overpopulated. These garden cities were intended to provide heretofore rural districts with the economic opportunities and amenities of large industrial cities.

There had been earlier attempts by wealthy industrialists (most notably Lever and Cadbury) to build their own healthy towns for their employees near their factories, but nothing as comprehensive and revolutionary as Howard's. His home in London positioned him to eagerly mingle with free thinkers, anarchists and social reformers who greatly enriched his world view. At the same time, the growth of Victorian industrial cities was leading to ever worsening urban poverty, overcrowding, low wages, dirty alleys with no drainage, poorly ventilated houses, toxic substances, dust, carbon gases, infectious disease and lack of interaction with nature.

> "Surely a project, which thus brings what Mr Herbert Spencer still terms 'the dictum of absolute ethics' – that all men are equally entitled to the use of the earth – into the field of practical life, and makes it a thing immediately realizable by those who believe in it, must be one of greatest public importance."

Howard's towns, aiming to be the ideal blend of city and nature, were to be largely independent as well as to be managed and financed by the

Clem Onojeghuo, Unsplash

citizens who had an economic interest in them. They would be located in clusters around the central cities, interconnected by road and rail as well as sharing leisure facilities and services.

The great inspiration for Howard was none other than Henry George's Progress and Poverty. But rather than waiting for nationwide implementation of George's so-called single tax on land values, Howard's cities were to be developed on land that was leased from a municipal corporation where "men of probity" would serve as trustees and in which financing would be based on ground rents. This was when Henry George's ideas were sweeping the English-speaking world, and Howard was just one of millions who firmly believed in capturing the "unearned increment". Howard's adaptation was to kick-start his garden cities immediately (rather than wait interminably for national tax reform) by having this uplift in land values captured at a municipal level.

"It also embraces a system of rate-rents by which many of the farmer's hard-earned sovereigns, hitherto lost to him by being paid away to his landlord, shall return to his exhausted exchequer."

In 1899 he founded the Garden Cities Association, known now as the Town and Country Planning Association. By his association with the co-partnership housing movement, his ideas attracted enough attention and funding to found in 1904 Letchworth Garden City, 37 miles north of London. A second garden city, Welwyn Garden City, was started in 1919.

"Homes are being erected for those who have long lived in slums; work is found for the workless, land for the landless, and opportunities for the expenditure of long pent-up energy are presenting themselves at every turn."

The funds needed to buy the land came from wealthy donors who would collect interest on their investment if the garden city generated profits. Some have dubbed this 'philanthropic land speculation'!

Howard had tried to include working class cooperative organisations, which included over two million members, but could not win their financial support. Because he had to rely only on the wealthy investors of his first garden city, Howard had to make concessions to his plan, such as eliminating the cooperative ownership scheme with no landlords, having short-term rent increases, and hiring architects who did not agree with his very particular design plans.

Letchworth gradually attracted more residents because it brought in manufacturers through low taxes, low rents and more space. Despite Howard's best efforts, the home prices in this garden city could not remain affordable for blue-collar workers to live in and so residents comprised mostly skilled middle class workers. After a decade, the first garden city became profitable and started paying dividends to its investors. Although many viewed Letchworth as a success, it did not immediately inspire government investment into the next line of garden cities.

The garden city of Welwyn, only 20 miles from London, was next established and captured the charm of the countryside and managed to stay unspoiled by urbanisation. The architecture in Welwyn embodies so many of Howard's ideals, and the residential cottages with their wide roads and open spaces made Welwyn a stark contrast to London of the time.

After 10 years of existence Welwyn had a population of 10,000, with well-established residential, industrial and commercial zones. Just as Howard forecast, in 1930 the health of Welwyn inhabitants was a great improvement over that of nearby London, with hard evidence in the form of lower death rates and infant mortality rates.

It could still be argued that Welwyn fell short of Howard's ideals. Howard had wanted investors to invest for the sake of philanthropy, but investors also wanted returns. So too, local democracy failed with an exclusive government group formed. Finally, Welwyn was marketed as a middle class commuter suburb, entirely disrespecting the garden city ideals of a self-reliant city.

Nevertheless, Howard's powerful ideas had taken firm root and soon began to spread over the whole globe. Letchworth and Welwyn were influential for the development of "New Towns" after World War II by the British government. This produced more than 30 communities, with the last (and largest) being Milton Keynes. Walt Disney used elements of Howard's concepts in his original design for EPCOT (Experimental Prototype Community of Tomorrow).

It's nigh impossible to list all the notable planners nor all the places that Howard has influenced, so let's just reel off a list of nations where one can walk in those blessed towns that bear Howard's intellectual legacy: USA, Canada, Israel (the design of Tel Aviv), Germany, Slovakia, Peru, Argentina, New Zealand, India (the design of New Delhi), Chile, Brazil, Philippines (the design of the then capital, Quezon City), Bhutan, South Africa, Italy, Belgium, Singapore, Vietnam, France, Spain, Poland, Latvia, Finland, Norway, Slovenia, Hungary, Russia, Czech Republic, Japan, China and Indonesia. Besides the 3 Melbourne suburbs mentioned earlier, influences are found in Colonel Light Gardens in Adelaide as well as in Canberra.

Howard worked tirelessly to the end, relocating to Welwyn in 1921. He remained poor for nearly his own life, but he found riches in the form of great fulfillment and, it should be said, to live out his last days in his beautiful second garden city. In 1927, a year before his death, he was finally properly recognised in the form of a knighthood. Fittingly, he was buried in a modest grave in Letchworth Cemetery.

"It also embraces a system of rate-rents by which many of the farmer's hard-earned sovereigns, hitherto lost to him by being paid away to his landlord, shall return to his exhausted exchequer"

> "The key to the problem - how to restore the people to the land."

Howard was light years ahead of his time with his utopian ideals (backed up by concrete plans) whereby people could live in harmony with nature while living productive 20th century urban lives. Howard knew that the key to funding his cities was the capturing of the ground rents, but in the absence of a national government to implement geoist sanity, Howard devised a hybrid funding system at a municipal level to get the movement off the ground. While many today may stand and admire Howard's pleasant, leafy landscapes, few realise Howard's geoist ideals which were the economic means of equitably self-funding the garden cities movement.

Next issue: Number 72, the American Marion Mahony Griffin who was one of the world's great pioneering female architects and co-designer of Canberra

Snapshots from Twitter

Prosper Australia @Prosper_Aust · May 20
Property Council wants it all - a $50K sellers subsidy (FHOG) worth$2.5bn plus a $25bn tax shift off the sector and onto the poorest. Brazen self interest

$50k grant proposed as RBA raises property concerns
Buyers of new homes would get a $50,000 grant under a Property Council plan to boost the sector.
theage.com.au

10 11

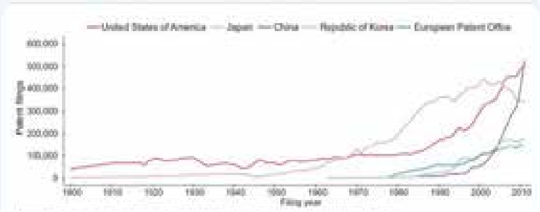
Prosper Australia @Prosper_Aust · May 14
Rental Backed Mortgage Securities threaten our #right2housing ie Blackstone. But our highly strung economic system sees even this business model under threat as rental payments falter. Will Trump bailout his mate at Colony Capital? #ethicalproperty

Colony Capital reveals $3.2bn default on portfolio ...
Trump ally Tom Barrack's investment group in talks with lenders over hotel and nursing home debt
ft.com

Prosper Australia @Prosper_Aust · Apr 23
Keeping a roof over our head when the economy is closed for business brings focus to this age old master and servant relationship, between landlord & tenant. prosper.org.au/2020/04/when-t...

1 2 6

You Retweeted
Andrew Paul @ASPaul85 · May 5
Do people think that patent lodging is a good proxy for innovation? I would think it would be just as good a predictor of economic stagnation. Patenting has taken off right as growth worldwide has shrunk.



Prosper Australia @Prosper_Aust · Mar 23
If you see something, say something. We cant afford rent-seeking. Ever. #DisasterCapitalism #coronavirus

1 2

Prosper Australia @Prosper_Aust · Jun 16
UK economist @jryancollins outlines the prospects for the global economy with interest rates at record lows. Plus insights on the need for monetary policy reform in light of its inter-relationship with land prices. #economics #land #LVT

Josh Ryan-Collins - Towards Productive Lending
UK economist Josh Ryan-Collins outlines the prospects for the global economy with interest rat...
youtube.com

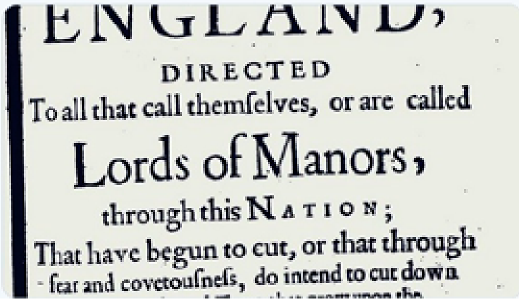
4 3

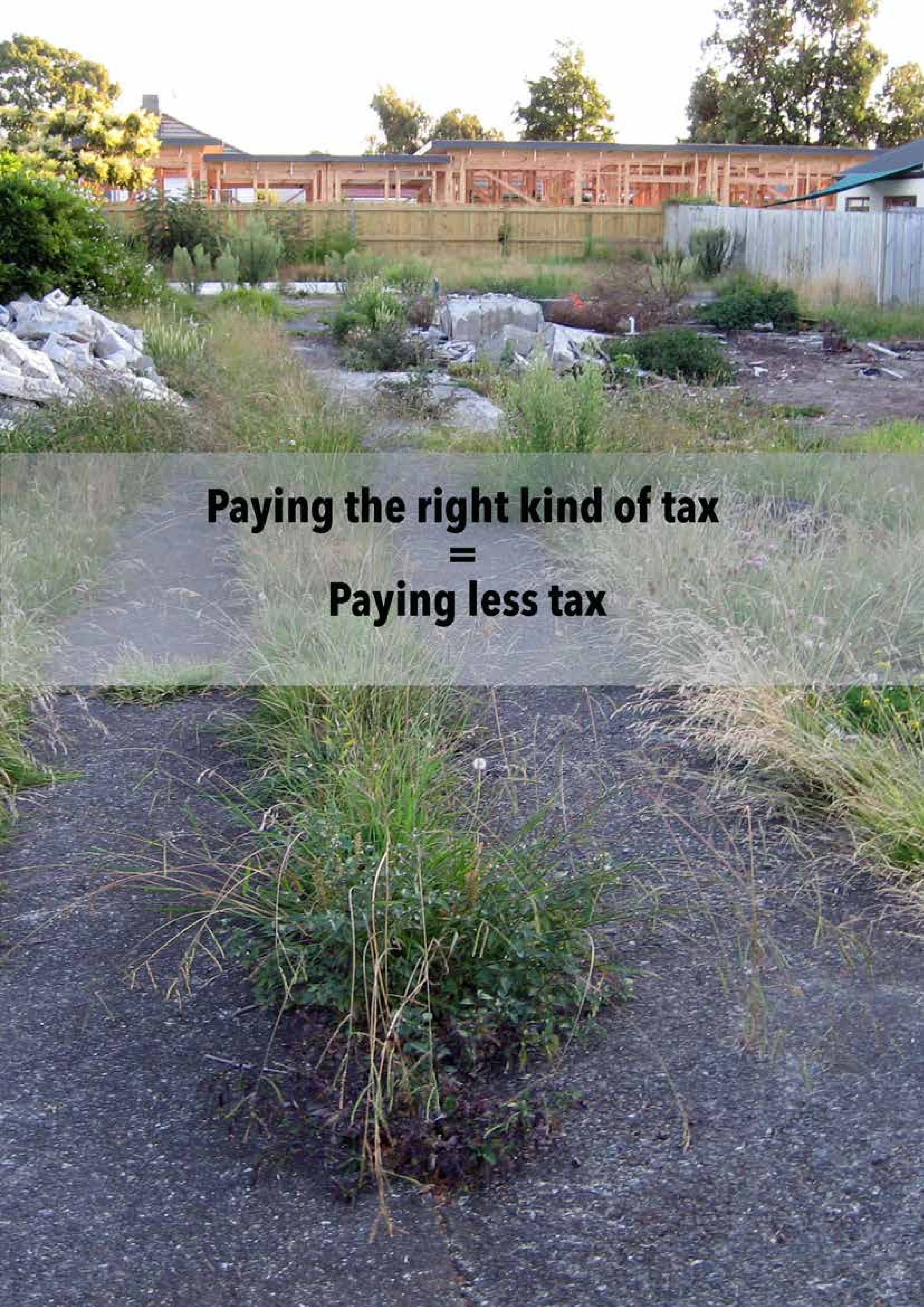
Earthsharing @earthsharing · Jun 18
The property lobby PM would have shut this down, understanding that the RE industry are old hands at choking supply in times of need. #LVT #economics

Dan Ziffer @danziffer · Jun 18
Exclusive from me: Reserve Bank considered shutting down real estate industry amid property crash fears... and house prices could drop 15 per cent (but more likely, 7%) #ausbiz #auspol abc.net.au /news/2020-06-1...

English Radical History @EnglishRadical · Jun 1
"England the land of our Nativity, is to be a common Treasury of livelihood to all, without respect of persons."

'A declaration from the poor oppressed people of England', written by Gerrard Winstanley and signed by 44 'Diggers', was published #OnThisDay 1649.


ENGLAND,
DIRECTED
To all that call themſelves, or are called
Lords of Manors,
through this NATION;
That have begun to cut, or that through
fear and covetouſneſs, do intend to cut down


Paying the right kind of tax
=
Paying less tax