

PROGRESS

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COHERENCE



**Across economy, environment and
society.**

PROGRESS

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Karl Fitzgerald

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Prosper Australia

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Contact

Prosper Australia

64 Harcourt Street, North Melbourne Vic 3051

Tel: +61 (03) 9328 4792 - land@prosper.org.au

Contact Information Related Organisations:

ACT & NSW

Association for Good Government

www.associationforgoodgov.com.au

goodgov@westnet.com.au

02 9698 2436

QLD

Site Revenue Society

dspace@spains.com.au

07 5574 0755

PO Box 8115

Gold Coast Mail Centre QLD 9726

WA

Georgist Education Association (Inc.)

www.gea.org.au

georgistedu@bigpond.com

0476 260 927

PO Box 472 Bassendean WA 6934

TAS

Prosper Australia (Tas branch)

foleo55@gmail.com

03 6228 6486

8 Rosina Court, Mt Stuart TAS 7000

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ABOUT

Prosper Australia is a 130 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 taxes on land and natural monopolies

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“We reject the assumed tradeoff between productivity and employment underlying the [debate about technological progress]. Market power is fundamental to our view of the economy and market power simultaneously retards productivity and depresses employment. Hoarding of property away from its most productive uses creates unemployment but also reduces economic growth.

Monopsony power, whether created by institutional investors or by natural monopsony in data economies, induces artificial unemployment to hold down wages and devalue work. Exclusion of the workers of poor countries from the opportunities in rich ones lowers global productivity and may reduce work opportunities overall by spurring automation. Anaemic employment and low productivity growth result from institutional failure rather than changes in technology.”

Eric A. Posner & E Glen Weyl (2018) *Radical Markets: Uprooting Capitalism and Democracy for a Just Society*, Princeton University Press, p255

Editorial

Dear readers,

I want you to look at the back page graph to remember why this is such an important story. It quickly paints a picture that Australian land prices are out of control. The 1999 halving of the capital gains tax opened the door to rampant land speculation. A decade on, the aggressive GFC stimulus package, which included six interest rate cuts in 7 months, slashed interest holding costs for property owners by 142%.

November 2010 was the last time interest rates increased. Remember back then when we thought surely the world wouldn't risk another property bubble? Despite land prices increasing by \$683.5 billion in 2016-17 - the most on record, the RBA held interest rates steady for nearly 3 years, as land prices continued to unhinge from reality.

Then the correction. In 2018-19 land prices fell by twice as much as during 2009's GFC. So the RBA cut twice, followed by another 4 occasions during the 2020 pandemic, shrinking holding rates by another 93.3%. With governments routinely throwing everything they can at the property market, we can only hope land prices don't increase beyond previous records.

The graph tells us why the 2000s really were called the noughties. During the decade following the CGT halving, land prices flew at 12.6% p.a. As wage stagnation kicked in alongside the 4 year GFC moderation, land values increased by a more moderate 4.9% over the 2010-20 decade.

What the graph forecasts into the future is even more pertinent. If we take the last 10 year growth rate and forecast that over the next 5 years to 2026, national total land prices could increase by 33.3%, or by \$2 trillion to \$8.2 trillion.

Considering this is the growth phase of the 18 year cycle, if we forecast based on the last 20 years of growth (8.7%), land prices may increase by just over \$4 trillion to more than \$11 trillion, a 64.9% increase in the next 5 years.

In the current political climate, with a mix of wealthy expats returning en masse alongside

what may become a lucrative trade in golden visas for wealthy immigrants, these forecasts may not be far off the mark.

I spell this out to remind of the significance of Prosper's work. We know that such an increase in land values will enable greater credit creation, burdening recent mortgagees with ever higher repayments. With the RBA recently leaking that a 1% fall in interest rates could likely increase property prices by 30%, these forecasts are further reinforced.

Now we have that big picture story in place, this edition addresses many of the issues society faces with a sense of coherence. Bryan Kavanagh looks at how two popular current economic policy movements, UBI and MMT, are enhanced when counter-balanced by Land Value Taxation. Fred Harrison gives us a chilling reminder of the need to align the responsibilities of government with our moral code. Next we venture into a chapter from our 10th Speculative Vacancies report, revealing further flaws in trickle down land and housing supply policy. Why is trickle down economics ridiculed everywhere except in housing (read:land) policy?

The recent Capitol Hill invasion (USA, Jan 6) reflected the lack of faith some have in democratic practices - when it suits them. Long time supporter Kidane Hiwot (Ethiopia) writes on the importance of sovereign nations aligning resource beneficiaries with the promises of a nation's constitutional platform. Similar to Harrison, without such consistency, the integrity of the system unspools over time.

Following his recent passing, Prof Mason Gaffney deserves the highest honouring. His *Economics in Support of Environmentalism* winds effortlessly through so many issues to dig into root causes. Such wit alongside such considered thought, we will miss you dear Mase.

Throughout this edition you will note the adaptive nature of Georgist theory and how integral it is to rebuilding faith in governance, particularly through its ability to appeal to both right and left.

Enjoy!

Change Is Happening by Bryan Kavanagh, LVRG



Supporters of the ideas of Henry George are not being Cassandras by calling out the repetitive recessions experienced when land price bubbles burst. 'Doomsaying' is a near-venomous label for those promoting the positive story that wages and profits will increase and poverty be abolished if we were to tax ground rent instead of allowing it to be privatised.

Where exactly is the negativity in freeing ourselves from real estate bubbles and the taxation we foist upon labour and capital? It is surely a simple and logical proposition that to protect private property rights, privately earned incomes ought not be taxed, and that public property rights are

secured by capturing the ground rents created by public services and amenity?

Henry George was a realist, not a doomsayer, when he forecast the 1893 depression during his 3-month tour of eastern and southern Australia in 1890. George was quoted as saying:

"You people of Victoria are now at the zenith of your prosperity but, mark my words, it is but a fictitious prosperity and cannot last. The day is not far distant when you will suffer the inevitable depression that must follow." Melbourne Town Hall, 25 March 1890, PROGRESS, December 1949, "E.B.", 'How and Why I Became a Single Taxer'.

"In the colonies [of Australia] I have been through, the curse of land monopoly and land speculation is over everything. I don't know of any new country where more striking instances of the absurdity and injustice of our present treatment of land is to be seen." Adelaide Observer, 26 April 1890

The other side of the ground rent coin, of course, is provision of a universal citizens' dividend, to abolish poverty and inadequate pensions. A proper distribution of the nation's net income is the right of all citizens, instead of it being privately expropriated by rent grabbers. Rising inequality has become the signature of our times. It is not widely understood that a universal citizens' dividend also has the advantage of reducing wage costs, insofar as businesses need then only offer an amount additional to the citizens' dividend for wages in order to attract or retain employees. What is not to like about a win/win solution that finally resolves our troubled industrial relations?

As an English friend of mine puts it: No taxes and a pension for everybody; and why should it not be? To take land values for public purposes is not really to impose a tax, but to take for public purposes a value created by the community. And out of the fund which would thus accrue from the common property, we might, without degradation to anybody, provide enough to actually secure from want all who were deprived of their natural protectors or met with accident, or any man who should grow so old that he could not work. All prating that is heard from some quarters about its hurting the common people to give them what they do not work for is humbug. The truth is, that anything that injures self-respect, degrades, does harm; but if you give it as a right, as something to which every citizen is entitled to, it does not degrade. Charity schools do degrade children that are sent to them, but public schools do not. - Henry George "The Crime of Poverty", Burlington Opera House, Iowa, 1 April 1885.

But Henry George was not only a 'single taxer' and supporter of a citizens' dividend; he was

also a Greenbacker, a 'modern' monetary theorist who considered that direct government spending supports people and businesses. Although combining ground rent (misnamed land value 'taxation'), a citizens' dividend (universal basic income) and deficit government spending (modern monetary theory) bothers some supporters of the ground rent proposition, it should not, because they are integral to thoroughgoing socio-economic reform.

So, here we are in 2021 amidst an enormous public health threat for which we were unprepared. At the time of writing, Australia is doing very well in managing the pandemic in comparison with other countries. World governments have taken up the pandemic's economic slack by providing people and businesses with proactive financial support, though not as effectively as an ongoing citizens' dividend. The extent of COVID-19 spending has been staggeringly out of character with the concern of both political parties about deficit budgets, which is suggestive strong Treasury advice on the matter in the national interest. Morrison government expenditure will be multiples of the Rudd government's much-criticised \$50 billion spending in the wake of the 2008 GFC real estate collapse. That raises the question:

Do federal government budgets really increase the national 'debt' which our children and grandchildren are going to have to pay?

Libertarian supporters of the Austrian school of economists have long argued that escalating national debt inevitably induces hyperinflation. Modern monetary theorists respond that not only has this not occurred as US federal 'debt' approaches \$28 trillion, however, but in the absence of overseas borrowings it will not happen, provided a nation has its own currency: and that far from totalling national deficits into national debt, deficit budgets are not similar to household debt needing to be repaid; they are merely an historical record of government spending into the private sector. They proceed further, to the point of claiming that issuance of government bonds is un-

necessary for governments being able to spend. Their arguments appear to have merit.

In view of the sheer extent of deficit spending during the COVID-19 recession, we may be about to learn which of the contrary views of Libertarians and Greenbackers are correct on hyperinflation. Examination of Germany's 1920s hyperinflation may provide useful ideas.

It's regularly claimed that the Weimar Republic's hyperinflation in 1922 and 1923 was the result of unbridled money printing. However, it was vice-versa: the money printing arose from the hyperinflation generated by Germany's impossible

enmark, a new currency consisting of 100 Rentenpfennig, to establish financial order. But how could it be possible that a new currency would stem the rampant fifteen-month inflation running at over three hundred per cent each month? Panicked Germans did see a ray of hope in the new Deutsche Rentenbank. The bank's assets were mortgages against major industrial and agricultural real estate interests, and these incoming rents were regarded as underpinning the bank's stability. The land-based Rentenmark was seen to be supported in substance and, along with renegotiation of the terms of the Treaty of Versailles into staggered repayments under the 1924 Dawes Plan, confidence in the solid Rentenmark put an



foreign debt. Germany having lost WWI, Article 231 of the Treaty of Versailles required its war reparations be paid in gold or foreign currency. As the Papiermark began its rapid decline, the cost of Germany's foreign financial commitments rocketed upwards, becoming a financial millstone for the Papiermark, literally devaluing the currency to its paper namesake.

Although the Weimar Republic's hyperinflation is renowned, Germany's remedy is less well known. The state-owned Deutsche Rentenbank was established on 15 November 1923 to issue the Rent-

enmark. Recovery permitted the interim Rentenmark to be replaced by a new gold-backed Reichsmark in 1924, but Rentenmark notes continued to be accepted until 1948.

The German remedy is instructive. It chose first to instil confidence in the new currency by supporting it with land income. The intermediate step was essential, because success could not have been achieved by returning to Germany's pre-war gold-backed currency, the failed Goldmark, because gold and foreign exchange debt had been the cause of the hyperinflation. Germans accepted the Renten-

mark during financial chaos because it was directly secured by the flow of 'rent' repayments.

The lessons are obvious. First, a national government should not borrow in foreign currency. Next, if it were to abolish taxes on labour and capital and capture its ground rents instead, the currency is immediately backed by the stream of land rent, along with any necessary deferrals. The fiscal arrangement provides immediate stimulus to business and industry. Cancellation of taxes not only provides a green light to employment and productivity but acts to reduce consumer prices, assisting miscreant foreign borrowing to be paid down. Public capture of ground rent also reduces land prices, a not unsatisfactory outcome once it is understood that land has no cost of production.

The problem is not the so-called 'national debt' about which economists agonise but record levels of private debt from ever-inflating land prices. These prices are not a function of the undersupply of land, but of inadequate public capture of ground rent.

Monetary inflation does not arise in a vacuum: it is closely linked to deadweight losses accompanying the taxation of productivity—consumer price inflation—and to escalating land prices—

asset price inflation.

A hyperinflation on the other hand seems only to arise when a country does not have its own currency, or when its level of foreign debt has become such as to trash its own currency, as with Germany, Zimbabwe, Venezuela, etc. On this understanding at least, modern monetary theorists seem to have it right: countries operating their own currency won't experience hyperinflation unless significantly exposed to foreign debt.

Notwithstanding this case, declining real wages and increasing poverty continue to tear at Australia's social fabric. It is urgent that taxes on labour and capital be replaced by ground rent and a living wage citizens' dividend. The program will not be an easy one to have implemented, because the "conservative/fascist" and "liberal/communist" labels used to divide people into one of two camps works exceptionally well for the invisible rent-grabber.

Ideas for genuine economic reform have blossomed during the pandemic's enforced hiatus.

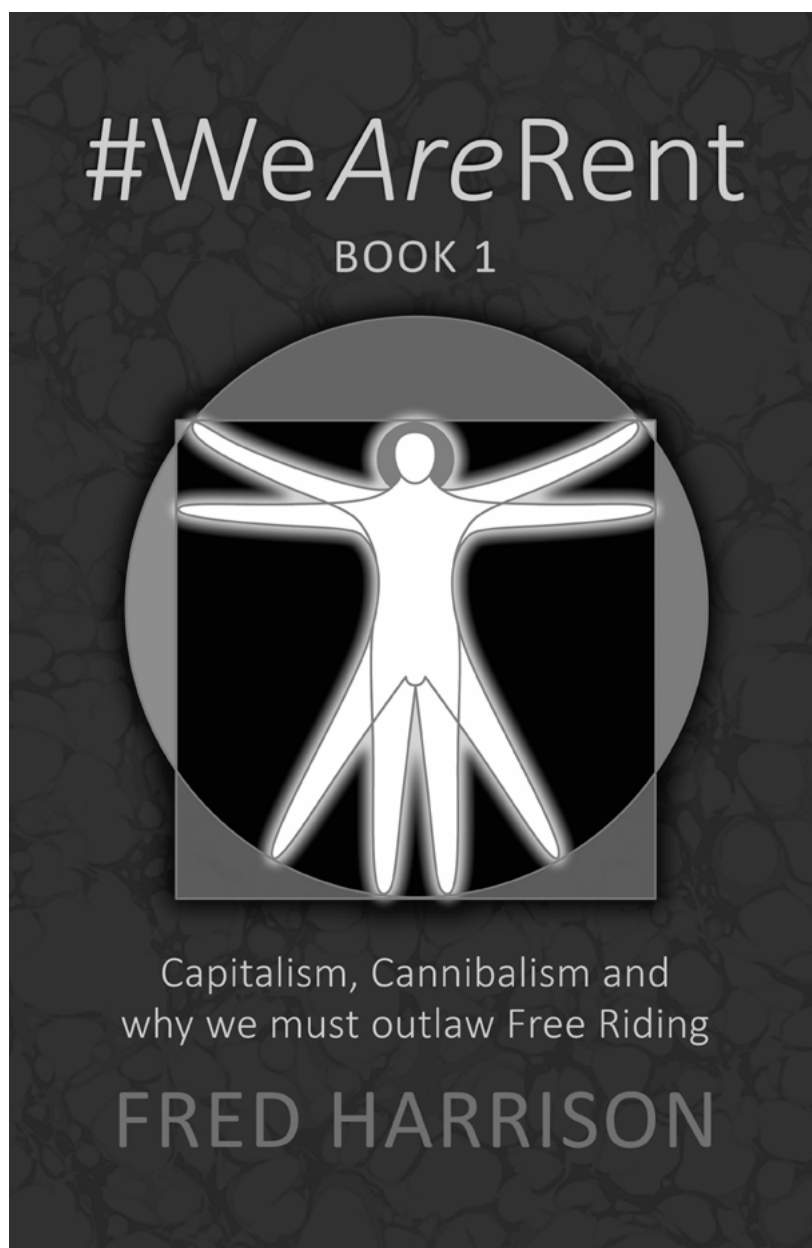
Read more of Bryan's prolific work:
[@bryankav123](#)
thedepression.org.au/



HENRY LAWSON

"WHEN OUR IDEAL OF
MATESHIP IS REALISED,
THE MONOPOLISTS WILL
NOT BE ABLE TO HOLD

The Irresponsible Society by Fred Harrison, author



We occupy a society that is systemically irresponsible. By identifying the source of that organised irresponsibility, we can apply remedial measures to convert the doctrine of human rights into one that links rights with responsibilities.

Before the onset of urban civilisation, people lived in small groups. They were able to personally intervene to censure what is now called “free riding”. Individuals who wanted to sit back and let others go foraging for food – and then share in the spoils – were deterred by various devices such as shaming. This established a balanced relationship between individual freedom and social wellbeing.

In complex civilisations, personal interventions had to be replaced with rules enforced by authority figures (the priests and princes in the civilisations of antiquity). The new authority structure was necessary to administer spatially distributed populations. One of its responsibilities was to collect the net income which people produced, which we now call economic rent. Rent was applied to serve the common good. But, sooner or later, it was the possession of those resources that tempted people in power to abuse their responsibilities.

When I say that ours is an irresponsible society, I am not singling out individuals like those who might try to cheat on the football field. I am referring to the way in which irresponsibility has been embedded within the social system by people who appropriate their society’s net income.

Today, most of us have been co-opted into irresponsible behaviour through our society’s laws and institutions. Thus, when we buy a home, we acquire an asset which becomes the tool for soaking up part of the net income that is created by everyone in the community. We celebrate our capital gains without thinking about how it came to us. But if we investigate the evolution of modern societies, the root of the problem is exposed. Working backwards, we see that the distribution of income was shaped by the way government applied its tax policies (the public’s pricing system); which, in turn, was shaped by the nobility of Europe who appropriated the commons as their private property and charged the peasants rent for working on the land.

Landlords originated irresponsibility as a way of life. In displacing people from the commons and pocketing the rents, they were responsible for the ensuing anguish in its many forms. They degraded humanity, and they are responsible for transmitting that culture of rights without responsibilities through the generations. The

outcomes are logged in the finest detail, in the form of poverty, inequality, homelessness, unaffordable housing, the abuse of the natural environment, and much more – without attributing responsibility.

Governments try to address these problems with palliatives that are funded out of the taxes that add further burdens on low-income families. This deepens the suffering while accommodating the cause, a vicious circle that exposes an irresponsible form of politics. People’s lives are shredded by what we call democracy, whose authority rests on our votes.

Systemic irresponsibility was legitimised as it was gradually embedded into European culture to protect and enrich the people who originally grabbed other people’s land. If we are to erase this outrage that blights the lives of everyone in the 21st century, we have to amend the doctrine of human rights. The UN and European conventions, for example, have to be repurposed to link rights with their corresponding responsibilities. The outcome would be a transformation of behaviour to accord with the evolutionary blueprint which guided humans out of nature. By this means, we would restore health to our communities, and empower people to work for, and enjoy, full lives.

<https://wearerent.com/>

Listen to Fred Harrison on the *Renegade Economists* podcast: <https://www.prosper.org.au/4ul>

A key quote from the must read book:

“The mutation of rent seeking into a culture that could dominate the world would not have been possible if the collective consciousness that guides people through life was not first ruptured. By compromising the capacity to realistically appraise the nature of their environments, people were rendered vulnerable.”

The Persistent Puzzle - Speculative Vacancies 10 *by Karl Fitzgerald*



Key Findings

- Water usage data finds 69,004 properties vacant, a ratio of 4.1% in 2019.
- Vacancies recorded in 2019 could house 185,000 people at current household averages.
- Vacancies increased 13.3% between 2017 and 2019.
- Properties using zero litres per day on average over 12 months totalled 24,042, a ratio of 1.4%.
- When added to the short term rental rate, some 4.7% of properties were likely vacant.
- Up to 16.1% of investor owned residential properties were potentially vacant.
- Just 12.3% more properties were sold as were likely vacant.
- These findings do not include 370,000 vacant land lots, largely within master planned communities.
- The Valuer General's quantification of residential property 'assessments without buildings' equates to approximately 63,314, a similar volume to our findings.
- Three times the amount of non-residential property stood vacant as was sold in last year's vibrant industrial market.
- The state government's Vacant Residential Land Tax was levied on only 2.6% of absolute vacancies. No fines have been recorded against non-declaring landholders. Water consumption has not been used as a vacancy indicator. Weak enforcement has cost the taxpayer at least \$160 million a year.
- Vacancy rates in the gentrification belt of the inner north, alongside the cultural hotspot of mid eastern suburbs such as Box Hill and Glen Waverley, increased markedly in 2014 remaining >5% over five years.

Housing supply has been the centrepiece of national and state government affordability policy for over twenty years. Prosper has spent a decade advocating for more accurate, timely vacancy data, so those properties withheld from use could be added to advertised vacancies to deliver a holistic analysis of land use.

Land and housing supply is recognised as a key ingredient to affordability, yet we fail to effectively gauge inefficient land use.

Meanwhile, industry bodies regularly call for more land supply in the form of rezoning, or de-regulation of existing land supply.

Such advocacy occurs even when the development lobby aggressively cuts supply in response to falling demand or weak market conditions.

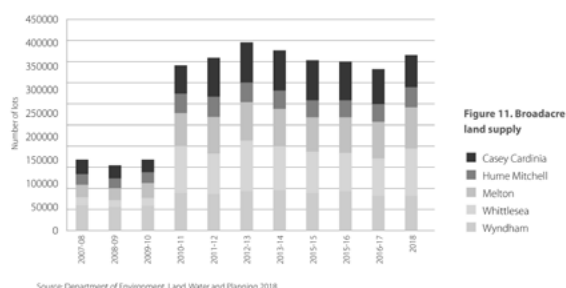
Housing Industry Australia (HIA) Economist Angela Lillicrap stated in October 2019:

"A shortage of land is one of the factors that has driven home prices to increase over the past decade. The process of making land 'shovel ready' can often last a decade, therefore, responding to shortages cannot be met with increased supply in the short term. An adequate supply of land is required to avoid a deterioration in affordability."

A more objective take was presented by the Urban Development Institute of Australia (UDIA):

"Developers responded to the subdued market conditions by releasing lower levels of stock to market in 2019, with a total of 11,964 annual lot releases which was 35% lower than 2018 and 48% lower than 2017."

The most recent Urban Development Plan - Broadacre report found available land supply averaged 21 years across our growth areas. Plan Melbourne states 15 years supply as a sufficient public policy aim. Melton has 42 years and Hume-Mitchell 30 years available land supply.



has more than doubled the broadacres supply from the pre 2010 era of 150,000 lots to some 350,000 lots over the following 8 years.

This supply pipeline has not rectified affordability concerns or reduced the price of housing.

"While land prices have come down during 2019, over the last decade the price of new residential land per square metre in Sydney has doubled and more than doubled in Melbourne," stated HIA Economists Angela Lillicrap.

The HIA press release then continues to counsel that land prices are the sole responsibility of limited land supply.

Furthermore, greenfield median lot sizes have fallen by 23.5% since 2009. Per metre costs have increased by more than double, from \$327 per metre to 837 p/m - up 256%.

Let's turn our attention to the relationship between pricing and supply responsiveness in three growth area suburbs:

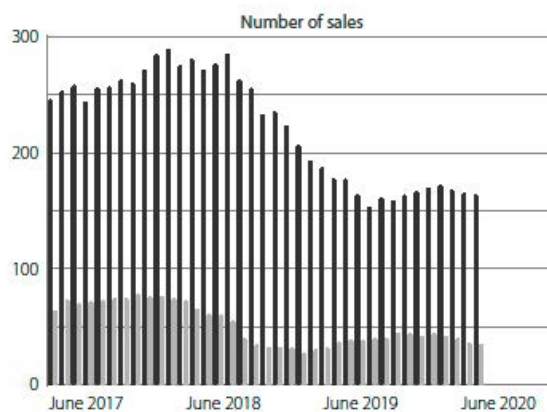
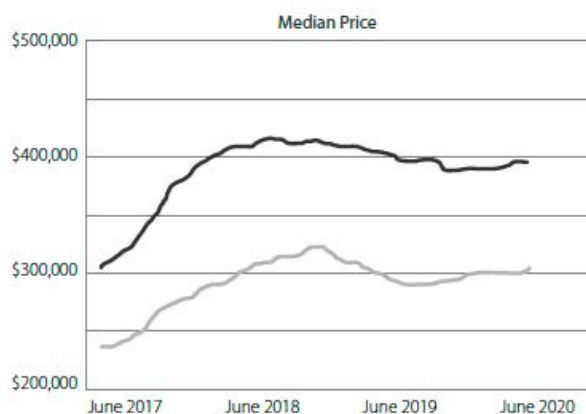
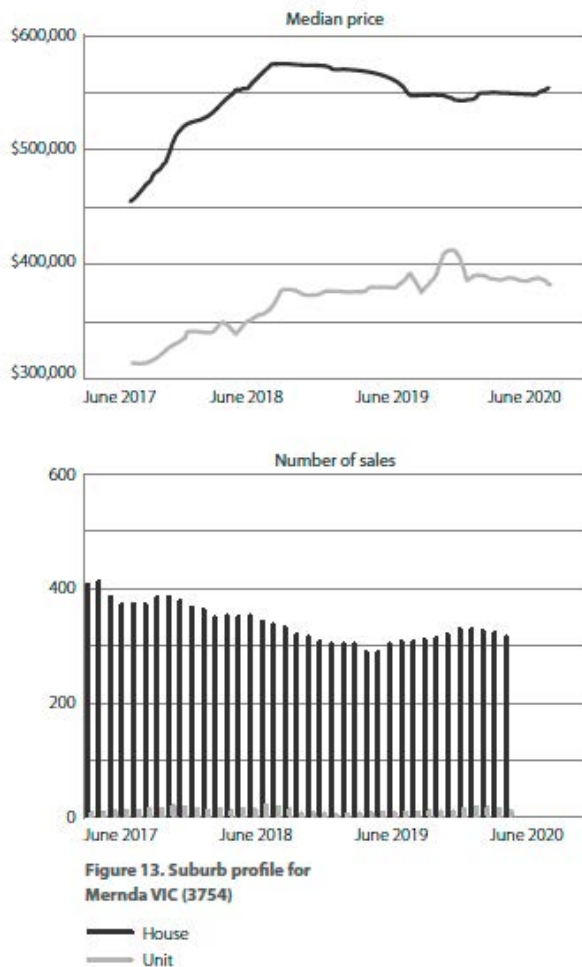


Figure 12. Suburb profile for Melton South VIC (3338)

House
Unit

Figure 12 shows recent pricing trends in the suburb of Melton South. We can see immediately above that sales reduced from 2018 and throughout 2019 whilst prices have stayed fairly constant. In a softening market, reduced stock acts to maintain prices.

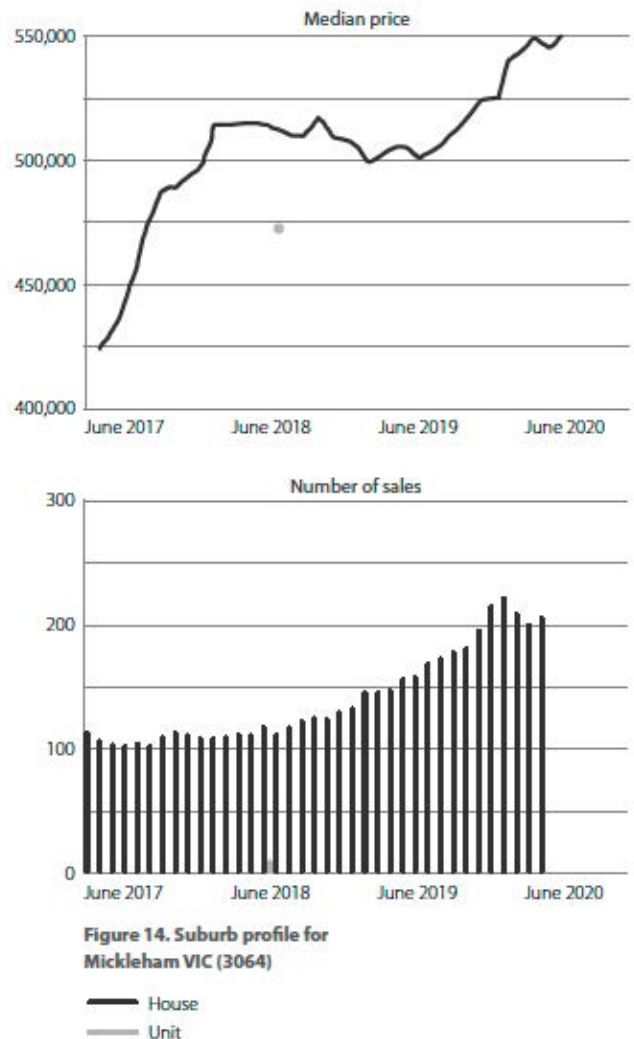
Mernda, in the Whittlesea district (with an available land supply of 22 years), has also seen supply trending downwards.



A similar theme repeats in Mickleham, one of the growth area suburbs within the Hume-Mitchell catchment.

Figure 14 shows how supply appears to lag housing pricing trajectory. Despite more than 30 years available land supply (double the amount of supply Plan Melbourne sees as appropriate to enable affordability), prices continue to head northwards in Mickleham, home to some of the nation's largest master-planned communities. The slight pricing downturn in early 2020 was im-

mediately followed by the countervailing change in supply, indicative of price preservation.



We highlight these examples because urban economic theories, upon which much housing policy has been based, claim that private housing markets will continue to supply equilibrium homes until a new, affordable equilibrium is reached.

This overlooks the market signals private developers must adhere to in order to remain in business. It is as if developers are expected to be pro-cyclical in the good times but when challenging market conditions change, are expected to behave as good samaritans, holding production steady to provide housing for all.

This only exists in theoretical models with questionable assumptions. That's not how it plays out in reality.

Private markets act rationally to maintain land and housing prices by reducing supply. Financiers deter land price discounts in order to preserve their balance sheet, reducing the impact on credit creation. Lobbyists move quickly to create a distraction: be it the shortage of labor, the ubiquitous planning delays, or the need for yet more supply.

Similar behaviour is apparent in many markets where a small number of producers can influence market prices with their monopoly power.

Government must step in to ensure there is adequately affordable housing. Only government can repair the market failure generated by land's status as a monopoly resource. And it is the government who can ensure that everybody shares the benefits of urban economic development.

All the way along, the absence of accurate data on the time taken for housing to reach the market is overlooked. Inaccurate vacancy figures have allowed these "supply-side" narratives to dominate the public debate.

Questioning the theoretical assumptions of supply-side narratives

One of the criticisms the economics profession faces centres around static models. These are models calculated at a 'given point in time'. This limits its ability to address how behaviour changes over time.

In the past it was seen as too difficult. Dynamic equilibrium modeling makes use of larger data sets over time to evaluate market behaviour.

As a measure of how widespread static modelling and the assumptions behind it are, a widely critiqued paper by the Reserve Bank of Australia found that zoning controls added \$355,000 to apartment prices in Sydney, but only \$97,000 to Victorian prices.

Dr Cameron Murray (University of Sydney) applied the predominant Glaeser and Gyourko modeling to 'find a high "regulatory tax" even in the absence of regulatory constraints using both simulated data and historical land sales data from

colonial Australia and ancient Mesopotamia.' The model used to justify land market deregulation failed the counter-factual of application in periods prior to the existence of planning controls.

Building on this research, Murray has developed an alternative theoretical approach based on property options, which helps to explain why developers are motivated to hold land vacant over time.

In his dynamic equilibrium model, the return to not developing i.e. leaving a property vacant or underutilised, comes from the changing value of the option to develop as society grows.

This model sees land not only becoming more valuable over time, but as development sites become relatively scarce, or market conditions tighten, a higher return for waiting occurs due to increasing options i.e. higher density development becoming more feasible/allowed.

This helps explain why prime corner blocks or sites near train stations are left vacant in the hope of an apartment rezoning.

Further, "return-maximising developers will limit new housing supply per period independently of the optimal or allowable development density. They will increase supply in rising markets, but decrease it in falling markets. This means there are no private incentives to generate market supply-led price reductions." The end result is that price falls are stymied by rapid supply constraints when pricing trajectories are threatened.

Macroeconomic drivers of vacancy trends

Monetary policy has been a key driver of housing price rises and construction rates. Low interest rates contribute to the spread of speculative vacancies.

In mid 2013 the Australian property boom was re-ignited with three interest rate cuts from 3.25% to 2.50% (Dec 2012 - Aug 2013). With the northern hemisphere already enjoying an interest rate differential with Australia, it became apparent that rates would continue their downward trajectory.

'Jawboning' was used by central bankers to

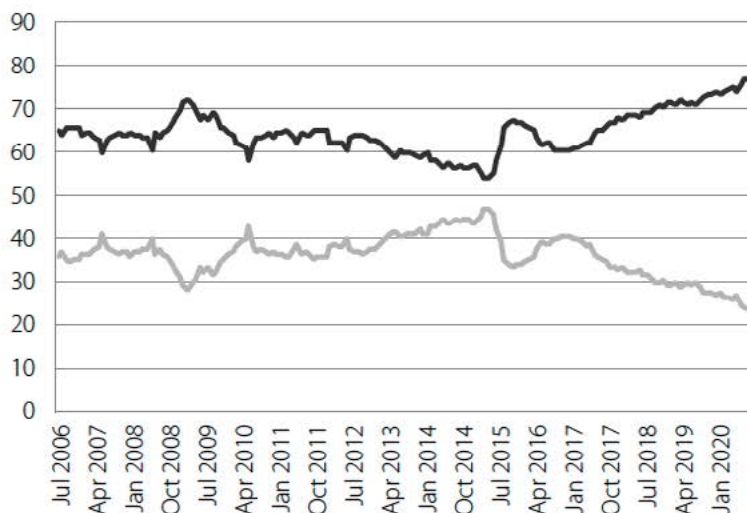


Figure 15. Investors, Owner Occupiers as % Total Loans

— Investors
— Owner Occupier

telegraph future intentions and push the currency further southward to support export growth. Policymakers responded inadequately to the impact this was having on housing affordability.

Figure 15 reflects the growth in national housing loans to investors between mid 2013 and late 2015. Investors grew from 37.4% of all loans (Jan 2013) to a peak of 46.4% (April 2015). APRA's December 2014 announcement of a tightening in lending conditions, with the 10% cap on investor loans per annum, started the process of winding back investor influence.

Further deterrents included the announcement of the Royal Commission into Banking, alongside the looming Federal election where the ALP opposition was favoured to sweep into power to deliver on their promise of negative gearing and capital gains tax reform.

Interest rates are a significant holding charge for property investors. With their recent cut to 0.10%, holding charges on property are at an all time record low. Melbourne's median house value was \$730,000 in 2019.

Assuming that the land component equated to 60% of the median house price, a typical investor with a single investment property would be liable for \$650 in land taxes. In our opinion, when combined with low interest rates, these are insufficient holding charges to encourage highest and best use of land.

With investor share of credit falling, the combination of government responses to vacancy may have been having the desired effect. At the state

level, the VRLT and the foreign investor surcharge, plus existing land tax on investors targets speculative behaviour. At the federal level, macroprudential lending controls and absentee surcharges on foreign investors may have worked to counteract what might otherwise be an alarming level of vacancy.

We expect Speculative Vacancies to significantly increase if these policies are wound back. Treasurer Frydenberg has recently announced the Commonwealth's intention to remove responsible lending obligations from the National Consumer Credit Protection Act 2009 (Cth). This has been criticised as encouraging risky lending behaviour.

The Victorian Government has waived the Vacant Residential Land Tax in response to the COVID crisis, and has not signalled if or when it will be reinstated. These developments take us backwards.

Whilst record low inflation of 1.3% was heralded in March 2015, house prices increased 18.4% (Sydney) and 11.5% (Melbourne). Such a disparity alludes to another key statistical indicator that needs further reform to reflect the reality of daily living. With many spending significant amounts of their weekly budget on housing costs, a more accurate weighting within the basket of goods used to calculate inflation is required.

In summary, it appears vacancy rates will remain a consistent constraint on affordability under current policy settings.

Read the full report with footnotes:
<https://www.prosper.org.au/4tl>

The Right of Utilising a Domestic Natural Resource

by Kidane Hiwot, Director Ethiopian Georgists



Daniele Levis Pelusi, Unsplash

Ethiopia has abundant resources in addition to agriculture, which had been considered as the backbone of a country's economy - tilling the land by yoking the ox. This overlooks the best economic revenue source to secure the birth rights of man. Such an oversight is also a major cause of poverty, corruption and the inequalities that violate the birthright of man. Urban land is the vital economic resource - where the gap of poor and rich inequalities occurs.

The prime function of the responsible government is securing the equal rights of all by avoiding the basic causes of poverty. Governments instead fulfill the public needs by providing basic public infrastructures and utilities services and funding these by collecting unjust tax and by borrowing. But, land value increases following the growth of population and the advance of technology. Thus, providing public services facilities in urban areas will compel rural people to migrate to urban areas looking for basic public services like roads, schools, telephone, hospitals, etc.

Funding these public infrastructure and utilities services by collecting tax from workers and business activities are not only unjust, but also complicate the tax collection method. Therefore, taxation upon such improvement activities has

no good side and does not encourage working people, except increasing prices on the ultimate consumers whilst reducing purchasing power and demand.

Thus, we should aim to reduce and abolish the tax burden levied on the improvement of business activities. This will undoubtedly incentivize a better productive output, enabling sustainable development. Land revenues also offer a more reliable public revenue source.

Ethiopia is the owner of Blue Nile Dam (Abay Gedeb).

Exploiting domestic resources for national benefit is an Ethiopian right. Therefore, utilizing domestic resources must be for a domestic common benefit.

There is a readymade economic remedy for problems created by man. Abolishing tax burdens levied on the value of common property land is the basic economic remedy that can be a springboard for other reforms. Of course for many years Ethiopia has been unable to use the Blue Nile River (Abay Wenze) to its full potential

via the Grand Ethiopia Renaissance Dam (GERD). Has this been a socio-economic and political reflection of national interests? Is it the rent seeker's game or the driver of each government, as framed in their national constitution? Either designing for development or borrowing from future generations?

But, the nation expects policies to be framed in a way that brings social integration, peace, and development, not to challenge the negative output of the constitution. Then commensurate with the fixed supply of land and the growth of population and development is a duty of government and policy makers to adopt the most effective governing systems possible.

Let me take an example of the early appreciated effort by King Theodros 2nd, who wanted to avoid illegal activities such as plundering, through his domestic policy, "All Ethiopians should have work. Let the farmer till the land, the business people do their business, and the unemployed get a job." Such desires need the support of the tax system to root out the basic cause of economic problems. Without this basic remedy to the cause of problems, which manifest itself, solving the cause of problems will remain wanting for the state.

Since all man has the equal right of using natural resources granted by the creator; the 19th century American political economist and social reformer Henry George pointed to these facts by saying:

"The equal right of all men to the use of land is as clear as their equal right to breathe the air - it is a right proclaimed by the fact of their existence."

These fundamental rights knocks on the door of fact, confirming the equality of human beings to land rights, of the right to live the life. But, recently Ethiopian media has reported ethnic discrimination contrary to this fact. Displacing people from their living environment is an unjust and heinous act of man upon man, which exposes the lack of reasoning behind the claim that this "land is mine". Ethnicity is the art of languages and culture only - nothing can change the nature of a human being.

Man is not entitled to live in poverty and breathe pollution. Man is not responsible for being the cause of social problems such as poverty and environmental pollution.

Limited economic laws fail to root out the basic cause of poverty and its attendant evils which manifest themselves by blocking progress.

Since man is social in nature, as evidenced by trade exchanging commodities with unknown persons regardless of the types of topography, "men seek to gratify their desire with the least exertion." Only when the economic laws of government reflect the advantages of natural resource ownership, can man act as nature intended.

Kidane G. Hiwot
P. O. BOX 805
Addis Ababa
Ethiopia.

Economics in Support of Environmentalism

by Mason Gaffney

With the recent passing of Prof Gaffney, we pay our respects to his work with this key insight on economic reform and the environment.



Joe Green, Unsplash

"Economics in support of environmentalism" -- is that an oxymoron? There are economists who put down environmentalists as unwelcome intruders in social policy; there are environmentalists who file economists under "The Great Satan..." Some economists deserve it. I will show how these differences arise, and how they may be composed.

Worthy goals often conflict with each other

Growing barley is a worthy goal (especially if you enjoy a little beer). So is growing corn. It would be great to raise as much of each as anyone wants, but the Earth has its limits. A choice and a decision are required. People invented (or stumbled into) the discipline of economics to help with such hard choices, and to console

ourselves that we are doing the right thing. The hardest choices are those regarding land use, because there is just so much. We can build more houses, cars, and boats, write more music and drama, spawn and educate more people, but we cannot make another Hudson Valley.

Barley grows on cheap land, and the demand is limited, so the best barley land is used for growing corn. Economics reconciles the competing demands and rationalizes the outcome. It defines the "highest and best use" of land as that yielding the highest net gain, the excess of revenues over costs. Economists include non-cash "service flows" among "revenues," although they bear watching: sometimes they forget. Thus, economics shows how the market sorts and arranges land uses, giving us a corn belt, a wheat belt, and a cotton belt. Economists

pride themselves on this achievement. (Some preen themselves too much, as we will see, and pride goeth before a fall.)

By the same logic, irrigated crops take land from dry-farmed crops; orchards take land from irrigated row crops; housing takes land from orchards and groves; commerce takes land from housing.

Sometimes the rich take land from the poor, provoking sympathy, strong rhetoric, and occasionally effective rear-guard resistance to such changes. Actually, a well-oiled market is often quite democratic. People of moderate income, by crowding, can outcompete those of high income for the same land, as when a Sears or Wal-mart takes the best commercial sites from a Nordstroms or Broadway; or when an old estate is subdivided into five lots per acre. This, too, provokes negative rhetoric, but developers know how to make hay out of this, and mincemeat of their opposition. At this point developers become populists and accuse preservationists and environmentalists of snobbery and elitism. We need an answer for that one if environmentalists are going to command enough popular support to win, and hold the gains. Of this, more later.

Other worthy goals that conflict are open space and water conservation. A major problem in an arid land is that much wide open space guzzles up water. Conserving open space and conserving water conflict directly. Green grass uses more water per acre than almost any farm crop except rice (and rice returns part of it downstream). In cities most water is used not for swimming pools or toilets or washing machines, but for sprinkling lawns. Cemeteries, golf courses, horse-pastures, parks, freeway banks, and the spacious tax-exempt grounds of institutions are the greatest water junkies outside of farming itself, which of course takes much more than all cities.

Something has to give. Thus far it has been wetlands that gave. Once, perhaps, we had too much wetland, but that was long ago. We cannot accommodate all those uses, and save wetlands too, just by having restaurants stop serving water, or putting bricks in toilet tanks. Those are just token or "Goo-goo" measures for parlor reformers; they distract us from real problems, and substitute for real solutions. What is the

highest and best use of water? Wetlands, maybe; more golf courses, maybe not. But we need a rule to gauge "highest and best use." Is it the market?

Some of the losers in the market game are not willing to grin and bear it. Instead, they write new rules; they want to play a different game.

Soilsmen did this long since. They like to classify land and rank it by its potentiality for growing crops. Farming is to them the ultimate value, so it is the highest and best use: cities may have what's left over. It is perhaps poetic justice that habitat-savers are now doing the same thing to farmers. They conceive highest use as that which saves endangered species: soils and farming may be damned, right along with housing, commerce, transportation, industry, storage, water supply, waste disposal, fire control, education, religion, mining, government, national defense, recreation, and whatever else needs land. All human activities, and survival itself, need land, so that list is a long one. Each constituent of the other uses becomes an enemy.

Thus, to restore citriculture and habitat in what is now L.A. we would move the city folks to hazard-prone floodplains, steep slopes subject to fire and erosion, quake-prone fault lines and liquefiable soils, etc. We would also move them away from the center, imposing longer commutes, greater auto-dependency, longer utility lines, longer hauls to dispose of solid wastes, more air to protect, more aquifer surface to protect, more land to protect from flooding, etc.

Sometimes preservationism, like any good cause given power, runs completely amok and makes itself ridiculous. For example, in Downey, California, the Los Angeles Conservancy and the National Register of Historic Places are fighting hard to save - I am not making this up -- a McDonald's drive-in, complete with neon sign! They are serious! Governor Wilson weighed in with this outburst of California pride: "The modern history of McDonald's will be as important to the cultural history of our nation as the invention of Coca Cola." (That comparison seems apt enough.) "Preserve for posterity the home of McDonald's golden arches!"

In Victoria, B.C., the University of Victoria bars people from 2-3 acres of its tax-free campus

to preserve habitat for its nesting skylarks, an endangered species. Never mind that they are an import from England, like starlings: now they are being "preserved" to keep things natural. Likewise, a certain residence on a steep slope in the arid Malibu Hills contains an artificial pond, filled with pumped water, but adorned with reeds "to keep it natural."

Both soilsmen and habitat-persons will become isolated and ineffective unless they forswear extremism, and modify their new rules to accommodate other worthy goals with other constituencies. Until then, they will appear to others to be single-valued ideologues, fundamentalists with siege mentalities.

To succeed they -- we -- must learn to lead larger alliances by offering more complete philosophies and guidelines for policy.

The Dereliction of Economists

There is another kind of fundamentalist, the private property kind. The economics profession (my tribe) has, in recent years, largely abdicated its proper role as an arbitrator and gone over mainly to the side of private-property extremism. This is the essential meaning of "Neoclassical Economics," which is the idiom of most discourse in the field today.

How did economics get so twisted? Don't blame Adam Smith, or David Ricardo, or John Stuart Mill, or John E. Cairnes, or Knut Wicksell, or Philip Wicksteed, sterling 19th Century writers. Rather, blame J.B. Clark, Karl Marx, Richard T. Ely, Alvin Johnson, Frank Fetter, Frank Knight, George Stigler, and a host of lesser figures who gradually warped economics into its present form. How did they do it?

Defining away land

They wiped out land, resources, nature, and the environment as a separate class for analysis. In official Neoclassical doctrine, the world is an infinite reservoir of raw land and resources. Raw land has no value until man does two things:

1. Man subjects land to private tenure. The very act of privatizing land gives it value it lacked

before. Land without an owner has no value -- take that, Aldo Leopold! You will find this in J.B. Clark, 1886, *The Philosophy of Wealth*. Clark points out that wealth is created "from the mere appropriation of limited natural gifts ... " (p.10). The atmosphere as a whole, showers or breezes, "minister transiently to whomsoever they will, and, in the long run, with impartiality." Therefore they are not wealth. Those who appropriate them create wealth by so doing. The essential attribute of wealth is "appropriability," to create which "the rights of property must be recognized and enforced, Whoever makes, interprets, or enforces law produces wealth." It follows that those who pollute the common air, or anything held in common, are not damaging anything of value, since it belongs to no one.

Clark writes of "the essential wealth-constituting attribute of appropriability." He goes on in that vein: those who seize land and exclude others thereby produce its value. Clark founded Neo-classical economics, and is emulated closely by the "New Resource Economists" of today.

2. Man improves the raw land, pumping value into it. After that it is just like any man-made capital. Raw land has no value: God contributed nothing.

Consistently with this worldview, merely eyeing the General Sherman redwood tree adds nothing to GNP, but cutting it down would add a lot. Eyeing it would only raise GNP if you had to pay for it, or had to drive a long way to get there, and bought a kewpie doll while you were there. Likewise, commuting 80 miles a day raises GNP, while finding a homesite near work lowers it.

Private property: from means to end

In a proper view of things, I submit, private property is a means to an end. It is not an end in itself; it needs a functional rationale. The end is to get land put to the best use. All the private land in the world was originally granted by some sovereign public person or body, mainly for that purpose, not as a welfare entitlement. Landowners and their lawyers have slyly, over time, turned the means into an end, a fetish they endow with "sanctity." This is a term they borrowed from absolutist medieval theology. "Sanctity" means the

quality or state of being holy or sacred, hence inviolable. It means property may not be challenged, or even questioned. It has become an end in itself, its own voucher. You're not even supposed to think about it.

The Neoclassical economists' view of their proper role is rather like that in The Realtor's Oath, which includes a vow "To protect the individual right of real estate ownership." The word "individual" is construed broadly to include corporations, estates, trusts, anonymous offshore funds, schools, government agencies, institutions, partnerships, cooperatives, the Duke of Westminster, the Sultan of Brunei, the Medellin Cartel, Saddam Hussein, congregations, Archbishops, families (including criminal families) and so on, but "individual" sounds more all-American and subsumes them all.

This is a potent chant that stirs people to extremes of self-righteousness and siege mentality when challenged.

The resemblance between Neoclassical economics and the Realtor's Oath is easier to understand when you learn that Professor Richard T. Ely, founder of the modern discipline of Land Economics, was heavily subsidized by the National Association of Real Estate Boards, the utilities, the major landowning railroads, and others of like mind and property interests.

When it comes to violating property rights, air pollution today is perhaps the greatest invader and confiscator of property.

Where do economists stand? Once a few of them tried to say, following A.C. Pigou, "let the polluter pay," and in parts of Europe they still do. In our modern backward thinking here at home, however, it's not the polluter who is invading the property of others, nor the human rights of those not owning property. Rather, when you tell them to stop, the government is invading their rights. The wage-earning taxpayers must pay them to stop, else you are violating both the 14th Amendment and the "Coase Theorem," a rationalization for polluting now dearly beloved by Neoclassical economists.



Valentin Petkov, Unsplash

Leapfrogging, floating value, and compensation

The environmental damage from those attitudes might not be so bad were it not for leapfrogging, urban disintegration, and floating value. Leapfrogging is when developers jump over the next eligible lands for urban expansion, and build farther out, here and there. This has been a problem in expanding economies ever since cities emerged from within their ancient walls and stockades, but in our times and our country it has gone to unprecedented extremes, with subsidized superhighways and universal auto ownership and truck shipping.

Alfred Gobar, savvy real estate consultant from Placentia, has recorded the amount of land actually used by city and suburban dwellers for all purposes. From this, he calculates that the entire U.S. population could live in the state of Missouri (68,965 square miles). That would be at a density of 3,625 people per square mile, fewer than 6 per acre. That is 7,683 square feet per person. On a football gridiron, this is the area from the goal to the 16-yard line.

He is not being stingy with land, at 3,625 persons

per square mile. The population density of Washington, DC, is 10,000 per square mile, with a 10-story height limit, with vast areas in parks, wide baroque avenues and vistas, several campuses, and public buildings and grounds. This is also the density of Whitefish Bay, Wisconsin, a well-preserved upper-income residential suburb of Milwaukee, with generous beaches and parks, tree-lined streets, detached dwellings, retailing, and a little industry. San Francisco, renowned for its liveability, has 15,000 per square mile. More than half the land is in nonresidential uses: vast parks, golf courses, huge military/naval bases, water surface, industry, a huge regional CBD, etc., so the actual residential density is over 30,000 per square mile.

On Manhattan's upper East Side they pile up at over 100,000 per square mile. They do not crowd like this out of desperation, either. You may think of rats in cages, but some of the world's wealthiest people pay more than we could dream about to live that way. They'll pay over a million dollars for less than a little patch of ground: all they get is a stratum of space about 12 feet high on the umpteenth floor over a little patch of ground they share with many others. They could afford to live anywhere: they choose Manhattan. They actually like it there!

Take 10,000 per square mile as a reference figure, because it is easy to calculate with, and because it works in practice, as noted. You may observe and experience it. At that density, 250 million Americans would require 25,000 square miles, the land in a circle with radius of 89 miles, no more. That gives a notion of how little land is actually demanded for full urban use. It is 9.4% as big as Texas, 4.2% as big as Alaska, and 0.7% of the area of the United States.

And yet, the urban price influence of Los Angeles extends over 89 miles east-southeast clear to Temecula and Murrieta and beyond, at which point, however, it meets demand pushing north from San Diego. Urban valuation fever thus affects much more land than can ever actually be developed for urban use. Regardless, most owners come to imagine they might cash in at a high price, with high zoning, at their own convenience, with public services supplied by "the public," meaning other taxpayers. This is the

meaning of "floating value."

If their land is downzoned for farming, open space, or habitat, they regard it as a "taking," and demand compensation, pleading the 14th Amendment. Once we buy into the sanctity of private property, we owe them. If we think of the public's buying large quantities of it to preserve habitat or open space, the price is already high above its aggregate value, and the new demand will push the price higher yet.

Here is a case showing how this works. The Los Angeles Metropolitan Transit Authority (MTA) needed the old Union Station, northeast of downtown in a run-down neighborhood, as the centerpiece of its new, integrated mass transit system. With the decline of interurban passenger rail traffic, the old station was unused. The owners, mainly Southern Pacific, asked more than MTA offered, so MTA invoked its power of eminent domain and condemned the land. The case went to judgement, and in 1984 the court awarded SP an amount about twice the going price for land in the area. The court's reason was that the coming of mass transit would raise values around the new central station, and SP should be paid as much as neighboring landowners would be able to get after the station was built.

Thus, land originally granted to SP to help subsidize mass transit was used instead to obstruct and penalize mass transit. Private property had become an end in itself, Holy and Sacred, a welfare entitlement, rather than a means to an end.

MTA (the taxpayers) had to pay a price for land based on the unearned increment that its own construction and operation was expected to create in the future.

Later, MTA was to stint on subway construction, resulting in subsidence on Hollywood Boulevard, but there was no stinting on paying off SP for doing nothing: the award came to \$84.7 millions. This is how the 14th Amendment works in practice, making private property an end, sanctified for its own sake, rather than a means to a higher end. It makes landowners the spoiled children of the national family, inflating the cost of every program that entails acquiring land.



Jose M., Unsplash

It means there is no chance that the public, whether through government or the Nature Conservancy, can preserve more than token areas of habitat by buying it: it would bankrupt us.

Siege mentalities

The result of these trends is to put conservationists-environmentalists-ecologists under siege. Here is a sharp, clear statement of it from Vivian Null, San Bernardino Audubon Society.

Once humans lived in small groups surrounded by expanses of wilderness. Today, human civilization has pushed our natural world into ever smaller, fragmented pockets of deteriorating habitat. As a result, we are living in an age of mass extinction.

I sympathize with the view expressed, and understand what outrages provoked it. When it comes to solutions, however, we have a problem. Being under siege fosters a siege mentality. To the layman, self-styled “hard” Scientists can seem more hardheaded and hardball than scientific. They can seem single-valued, self-righteous and — dare I say it? — even a bit arrogant.

At the same time landowners also feel under siege. You may observe how developers rage about having their land set aside for the likes of Stephens Kangaroo Rats, Three-toed Lizards, and California Gnatcatchers. The ideology of Science and the ideology of Private Property have become clashing absolutes, no more able to come to terms than Koch Movement militants can compromise with Islamic Fundamentalists. What can we do? It helps to read some history of the successful Conservation Movement of the Progressive Era.

Defining "Conservation"

Gifford Pinchot was a great leader of the Conservation Movement. He defined his central term, conservation, as “The greatest good for the greatest number for the longest time.”

Caviling theorists sometimes pick at that famous phrase, since you cannot maximize three things at the same time, but that is unfair, since he was not being technical. He was making a speech, and obviously what he meant was that those three elements should all be considered, and none was to be slighted.

Notice especially the middle clause, for the

greatest number. Conservation was not just for landowners, or any other elite. Conservation was part of the Progressive Movement, which had sprung from the Populist Movement. Social equity was at its core. Here is some more of Pinchot's speech (to the 1st National Conservation Congress, 1909):

... the third principle of conservation... is this: the natural resources must be developed and preserved for the benefit of the many and not merely for the profit of a few. ... public action for public benefit has ... a much larger part to play than was the case ... before certain constitutional arrangements ... had given so tremendously strong a position to vested rights and property in general. ... by reason of the 14th Amendment to The Constitution, property rights in the U.S. occupy a stronger position than in any other country in the civilized world. It becomes then a matter of multiplied importance, when property rights once granted are so strongly entrenched, that they shall be granted only under such conditions as that the people shall get their fair share of the benefit which comes from the development of the country which belongs to us all. The time to do that is now.

You modern habitat-savers, your foes score points against you by calling you "elitists." Sure enough, you do appear a bit above, and therefore outside the mainstream, especially when you talk down to people from the eminence of "Science." Pinchot saw that brick coming and dodged it before it was even thrown. He teamed up with the populists; he spoke as a man for the people, even if not quite of them. Can you say the same? Is there a place in your plans, and your hearts, for Joe Sixpack?

When the Southern California Association of Governments (SCAG) surveyed public opinion on policy issues, preserving habitat and endangered species are not even among the top 17 priorities listed by citizens. Neither were private property rights. Their top three concerns are crime, education, and jobs. Politicians have preempted the crime issue, but no one is doing a thing this year for education and jobs. Take a leaf from the successful Gifford Pinchot: team up with some populists. Move into the vacuum left behind by the gale of anti-crime oratory. No one is serving

the constituency for education and jobs.

Other populist issues high on the SCAG list are homelessness, affordable housing, job training, and child care.

Finding common ground

On what basis shall habitat-savers identify with median Americans? We share a problem: we are all victims of private property rights carried to extremes. Abraham Lincoln, the original Radical Republican, once spoke to the effect that whenever landless people cannot find work and shelter, then the rights of private property have been carried too far and must be curbed.

Here are some ideas. First, environmentalists might rethink what we mean by "open space." To Gifford Pinchot, "open" meant the space had public access. Today it often means the reverse: golf courses, duck clubs, sacred Indian lands, private beaches, cemeteries, farmlands, vacant speculative holdings, unpoliced parks taken over by gangs, protected and posted habitat, water from which swimmers are excluded for power boats, rights-of-way closed to hikers, university experimental plots, and so on. In this sense, there is more open land in downtown Manhattan than in many of our rural and sylvan areas. Many a water reservoir is open to beavers, ducks and geese, who routinely powder their noses there, but not to humans who seldom do, and can be trained not to.

To get more support for habitat, find ways to open it to people, putting more funds and effort into behavioral controls if necessary.

In Pinchot's day, people spoke unblushingly of "character training," and practiced it. Pinchot himself said, "the training of our people in citizenship is as germane to [conservation] as the productiveness of the earth." Wilderness clubs preached and taught responsible behavior in the wilds. The Boy Scouts taught it, churches taught it, schools taught it, forest rangers taught it, camp managers taught it, community leaders taught it: you heard it all around, and it did help shape your character. It was a great community effort, enlisting broad support and conviction.

Then, in that less mobile, less commercialized, more communitarian age, social control over public behavior came naturally. We came to take it for granted, until it silently slipped away. Today it may take more conscious effort, but it was done then, it can be done now.

Joeyy Lee, unsplash



Second, go with the flow for economy in government. For most of our lives now, we have looked to big government to resolve disputes by buying out both parties. We would have government pay top dollar for land, if needed, and then hire scientists to manage it for habitat. Thus, both sides dream of cutting into line at the government trough: but the trough is empty, and the taxpaying public is in a foul mood. Rather, let's look for ways to cut spending by curbing subsidies to urban sprawl.

Pinchot on "Development"

Gifford Pinchot, the father of Conservation, was not against developing land. In his own words:

The first principle of conservation is development, the use of the natural resources now existing ... for the benefit of the people who live here now. There may be just as much waste in neglecting the development and use of certain natural resources as there is in their destruction by waste.... Conservation, then, stands emphatically for the use of substitutes for all the exhaustible natural resources, ... [water power and water transportation are his examples]. The development of our natural resources and the fullest use of them for the present generation is the first duty of this generation.

In the second place conservation stands for the prevention of waste. So Pinchot was against waste, so what? Who isn't? This could be just a banality, but he gives it a new turn. To him, waste means failing to use renewable resources. Today, urban land is the best example.

Urban land is a renewable resource? Economists (who are not all bad) classify urban land as a "flow resource." They liken it to flowing water because its services perish with time, whether used or not, as we are trapped in the one-way flow of time. Likewise, urban land is not depleted by use. It is an even better example of a "flow resource" than flowing water, because, as we are so conscious today, "unharnessed" flowing water may have other downstream uses. Even in wasting out through the Golden Gate, it may repel salinity. The unrealed harvests of idle land, however, flow down the river and out the gates of time, to sink into the past beyond recall, like lost loves dimming in memory, and golden moments we let pass.

What is the "service" of urban land, that we should be mindful of it? For one thing, using central urban land conserves all the hydrocarbons and other resources otherwise needed to traverse it. Compact urban settlement is a direct substitute for oil, with all that implies — and it implies a great deal, which I will leave you to fill in.

Second, using good central land saves all the costs of settling on other land — including the cost of taking more of the shrinking habitat from endangered species. Therefore, habitat-savers should emulate Pinchot and favor development in the right places, the better to oppose it in the wrong places. This is the great lost secret of conservation our times have forgotten. You cannot beat development by opposing it everywhere it pops up. People need land for all kinds of legitimate things, and they will have it.

To stop urban sprawl, you must support compact, efficient urban development, including healthy, timely renewal of older cities, inner suburbs, and neighborhoods.



Samuel Regan Asante, Unsplash

We have met the enemy, and it is US (Urban Sprawl). Let's analyze this beast.

a. Development is not identical with Sprawl. Urban sprawl, which creates a psychological effect of great crowding, is not the product of development as such, but of leapfrogging. Leapfrogging means development in the wrong places. Infilling, on the other hand, is anti-sprawl. It is the cure for sprawl.

b. Sprawl is not a quest for open space. A common belief is that the search of open space is the main force behind sprawl. You may test that by observing high density, cookie-cutter subdivisions scattered throughout the land. Within each such development, you are living at downtown densities. It is when you get onto the freeway to commute, or shop, or take the kids to school or the dentist, or worship, that you experience open space. You experience it as a negative resource, an obstacle between where you are and where you want to go.

c. Sprawl is not the product of free choice. A favorite fallacy is that sprawl results from free individual choice. In fact, sprawl results mainly from subsidies to sprawl, enforced through taxation and/or utility rate regulation. Thus it is imposed, not freely chosen. The classic case, which exemplifies the whole genus, is postal service. It costs you 46¢ to send a letter across the street downtown, or from rural Idaho to rural Florida. The generic name for such subsidies to sprawl is "postage-stamp pricing" (a species of spatial cross-subsidy), which gives you the idea.

In British Columbia, people move around a good deal by car-ferry, because of the terrain. The Provincial Government runs the system. There are many lovely little islands in the Straits of Georgia, between Vancouver Island and the mainland, favored by the wealthy, the exclusive and reclusive. Being more sybaritic than Henry

D. Thoreau, and politically puissant, they have demanded and received car-ferry service. This service costs about \$10 for every \$1 in revenue. The resulting deficit is covered by raising rates on the main plebeian line, Victoria-Vancouver. Naturally, these cheap ferries attract new visitors to the islands, and new demand for land there.

d. Looking for Mr. Goodbar. Here is how we get urban sprawl with leapfrogging. Remember the last time you moved and went househunting? You saw some mouthwatering homes, but they were not for sale. You had to find motivated sellers, and pick from what they offered. It's the same with builders. They scour the exurbs seeking motivated sellers. Ideally the most motivated sellers would line up by distance from the existing city, but the market is not ideal. Each seller is moved by his personal circumstances, not the geographical location.

Potential builders are little concerned with the social costs they might impose, so long as others are to bear them. Thus, they sometimes settle for and build on steep lands with flammable brush and erosion problems, on flood plains, on soils subject to liquefaction in quakes, in canyons and arroyos, on lands with limited access for emergency equipment. They even build on lands without water supply, even in arid southern California, then demand water and get it, secure in the knowledge that Sacramento rejected a recent move to ban development in areas with no assured water supply.

e. The public pays twice. Let's go back to those Channel Islands in British Columbia, with subsidized car-ferries. Naturally, as I said, these cheap ferries attract new visitors to the islands, and new demand for land there. Developers and hopeful subdividers bid up land prices. This is not what the old settlers had in mind: their environment is threatened, including the habitat of endangered species. They appeal to the Crown, which subsi-

dizes their ferries, to help them preserve land for habitat.

They want the government to buy some of it, paying the high prices created by the ferry subsidy, to keep it from use by people who might use the ferries. Thus the government would pay twice: to subsidize the ferries, and then to retire the land at the high prices made possible by the ferries. Failing that, they want the Crown to downzone most of it. The landowners are not charged when the ferries raise their asking prices, but demand compensation when downzoned.

Here, in microcosm, is the American problem with sprawl and habitat.

Multiply that ferry subsidy a thousand times, and you have the Great American System of Public Works and Services for Private Gain.

First the public pays to bring urban demand to remote lands; now the landowners, the spoiled children of the national family, demand to be paid again for downzoning or selling that same land to preserve habitat. They demand payment not to cash in on the opportunities we just gave them free.

Thus far, it is true, the courts have let us downzone without compensating. However, now a storm has gathered. Proposition 300, on the ballot in Arizona, demands compensation for down-zoning — it is aimed at the Clean Water Act and the Endangered Species Act. There is a movement in Congress to compensate for any Federal regulation that devalues land by more than 50%. It is led by Congressman Billy Tauzin, a Democrat from Louisiana. You can imagine what a more conservative Congress might do. Speculative landowners may soon get everything they demand, leaving heavy debts to which their light tax payments now contribute very little.

Proactive solutions

How do we dig out from this one? I'll repeat: go with the flow of cutting public spending by cutting down subsidies to urban sprawl. They are a major source of the problem. We'll never win the environmental fight until those subsidies are withdrawn.

A second proactive solution is to motivate and help the owners of good land to sell or develop it. To help them, make infilling a positive goal. If you put impost fees on new buildings, do so only in outlying areas that require new public services, not on new buildings that help renew places like South Central L.A. If you ration sewer hookups, save them for central land with street improvements already in place.

Those are the carrots. A good stick is also needed. We have seen how leapfrogging results from the scattered locations of motivated sellers. We can motivate sellers near-in, and in compact increments as we expand spatially, by raising land taxes there.

I could wax rhapsodic about the results to expect from such taxation, but have done so elsewhere and will leave it with a word: visit Sydney, Adelaide, Brisbane, Copenhagen, or Johannesburg, which have made use of this principle to excellent effect.

Dig Deep

These are basic issues, and call for bold actions. Do not waste your time on wimpish meliorism, or "Goo-goo" thinking. Rather, let us study how to emulate the model of Butchart Gardens, near Victoria, B.C. Butchart doesn't sound like a name for a gardener, and sure enough, Mr. Butchart was a hardrock miner who dug up rocks and left a great ugly gash in the earth. Ah, but Mrs. Butchart, she wanted space for a garden, so she made one there. She rediscovered the truth that land is not just the matter that occupies space, it is space, always renewable and reclaimable. Now Butchart Gardens is one of the world's great beauty spots, drawing visitors from everywhere — in the summertime you hear every language there. Our decayed central cities, too, may bloom again like Mrs. Butchart's garden. Let us make it our model.

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AUSTRALIAN LAND VALUES to DOUBLE?

