THE LAND CYCLE

By Catherine Cashmore

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Prosper Australia acknowledges the Traditional Custodians of the country throughout Australia and we pay our respect to their elders past and present.

We honour their unbroken connection to country, and acknowledge that sovereignty was never ceded.

About Prosper:

Prosper Australia is an economic research organisation founded in the Georgist tradition of political philosophy. Our work centres on the monopolistic nature of land and how it shapes our economy and society. Our vision is a just and equitable society, created by ensuring everyone who benefits from our land, natural resources, and natural monopolies pays a fair rent for their use.

About the author:

Catherine Cashmore is a real estate market analyst with over 20 years of experience. Her work focuses on long-term property cycle analysis, particularly the land price cycle and its interaction with credit conditions, population dynamics, and government policy.
Former President of Prosper Australia, Catherine is an established commentator and public speaker, specialising on the relationship between tax policy, urban development, and real estate markets.
She has held senior editorial roles within the financial publishing industry.
Catherine currently publishes the independently published Land Cycle Investor, examining real estate cycles, commodity trends, and macroeconomic conditions, with a focus on land market cycles.

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Executive Summary

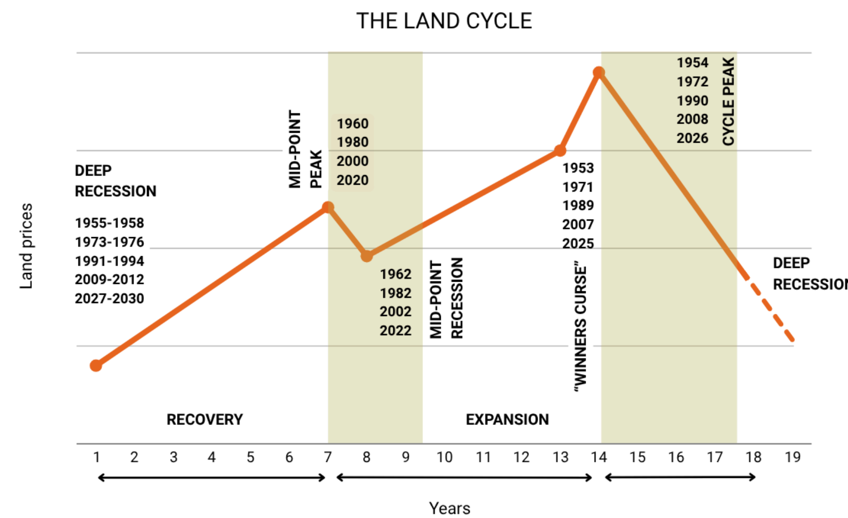
The Land Cycle argues that Australia is approaching the final phase of a historically recurring land price cycle that has repeatedly preceded major economic downturns in Western economies. Drawing on more than 250 years of historical evidence, this paper contends that speculative booms in land values are not random events, but part of a recurring economic rhythm that typically unfolds over approximately 18 years.

The central thesis is that land speculation, fuelled by expanding credit and reinforced by tax systems that reward unearned gains from rising land values, lies at the heart of recurring financial crises. As land prices rise, increasing amounts of capital are diverted away from productive sectors of the economy and into speculation. Debt expands against inflated land values, while productive activity becomes progressively weaker relative to the growing debt burden. Eventually, the system becomes unstable and vulnerable to collapse.

The paper argues that this process has repeated with remarkable consistency across multiple countries and historical periods. Researchers including Fred Harrison, Fred Foldvary, Homer Hoyt, Roy Wenzlick, Edward Dewey, independently identified recurring boom-bust cycles tied to land markets, construction activity, and credit expansion. Many of these analysts successfully forecast major downturns years in advance, including the early 1990s recession and the 2008 Global Financial Crisis (GFC).

A key argument of the paper is that the 2008 GFC was not an unforeseeable “black swan” event, but the predictable culmination of a mature land and credit cycle. Georgist economists Fred Harrison and Fred Foldvary both forecast the timing of the crisis more than a decade earlier by applying land cycle analysis. Their work demonstrated how speculative increases in land values eventually overwhelm productive economic activity, leaving the financial system highly exposed once credit conditions tighten.

The paper explains that the land cycle has three broad stages.



Original chart design: Fred Harrison

1.) The long expansionary phase typically lasts 12–14 years, during which low interest rates, expanding credit, population growth, and rising confidence drive sustained increases in land values.

2.) A mid-cycle recession, which often creates temporary financial stress but does not usually produce a major collapse in land prices.

3.) The final phase is characterised when speculative excess, aggressive lending, surging construction activity, and rapidly rising land prices detached from productive economic fundamentals. When credit conditions tighten or confidence weakens, the cycle reverses sharply, often leading to banking instability, falling asset prices, unemployment, and recession.

Australia, according to the paper, did not consistently display a regular cycle until after the Second World War. Earlier periods were shaped by stronger land taxation, tighter banking controls, rent regulations, and dependence on British capital flows. However, from the mid-1950s onward, financial deregulation, mortgage expansion, the floating of the Australian dollar, and tax policies favouring property speculation created conditions for a clearer and more measurable 18-year land cycle to emerge.

Since the 1950s, Australia has experienced four major post-war land cycles. The fourth, according to the paper, is now approaching its final stage with land values expected to peak around 2026–27, followed by a recessionary period into 2028–30.

The paper argues that Australia largely avoided a severe housing collapse during the GFC because of extraordinary government intervention, including rapid interest rate cuts, first-home buyer grants, bank guarantees, and large-scale fiscal stimulus. These measures prevented a major correction in land prices as seen elsewhere, but also deferred and intensified the next cycle by reigniting speculative demand.

The current cycle is described as one of the strongest speculative booms in Australian history. Ultra-low interest rates following the GFC and the COVID-19 pandemic, combined with rapid population growth, housing shortages, foreign capital inflows, and demand-side housing incentives, accelerated land price inflation throughout the 2010s and early 2020s.

The analysis identifies several warning signs consistent with previous cycle peaks: elevated household debt, stretched housing affordability, heavy reliance on property-driven economic activity, construction surges, and tightening monetary conditions. The paper also highlights unemployment indicators as evidence that Australia's historical boom-bust rhythm remains visible in modern economic data.

Importantly, the paper argues that crises are often misdiagnosed. Events such as oil shocks, pandemics, banking scandals, or geopolitical disruptions may trigger downturns, but they are not considered the root cause. Instead, these shocks merely expose underlying fragilities created by excessive land speculation and overleveraged credit systems.

The paper concludes that recurring real estate crises are fundamentally the result of policy failure. Tax systems that place heavier burdens on labour and productive activity while allowing rising land values to be privately captured encourage speculation and channel investment away from productive enterprise. According to the paper, this structural imbalance ensures that land booms and busts continue to recur.

The proposed remedy is a shift toward taxation of the unimproved value of land while reducing taxes on productive activity. The paper argues that capturing the economic rent of land reduces speculative incentives, stabilises land prices, redirects capital toward productive investment, improves housing affordability, and reduces the severity of future economic cycles. Without structural reform, it concludes that Australia is likely to remain trapped in increasingly volatile and damaging cycles of land speculation, financial instability, and recession.