

# THE HIGH PRICE OF LAND

A radio talk given by Mr. L. J. Hutchinson from Stations 3DB—3LK on 22/7/62 being the final talk in the series.

A century ago a simple question such as "What price are slaves fetching on the market" would be in good taste, and indicate one's interest in profitable investments. Today the same question would be meaningless. Yet should one enquire as to what price house allotments are bringing on the market immediately arouses one's interest, for here is either an investor or a home seeker. High land prices we usually associate with prosperity, low prices with depressed conditions.

Yet high land price is not a cause, but an effect of prosperity. It is an indicator of the vitality of the economy, just as flourishing parasitic mistletoe is an indicator of the vigor of a tree which it is in the process of killing.

When land price reaches levels which act as a bar to home building, the price is measured in the blood of children who might have been born to happy families. It is measured in the deformed and damaged lives of the children whose mothers have to go out to work in order to meet the instalments on the mortgage.

The effect of high land prices is a withering one. It brings a story of drying up of prosperity. It spells hopes deferred to young couples. They are confronted with the choice of having a family and paying rent which will effectively prevent them acquiring the necessary capital to own a home, or else buying a home-site on terms. The higher the price, the longer is hope deferred.

High land price is anti-social, it strips the home buyer of his building fund, it blights hope and ignores strains and tensions which leave their mark on the lives of the people.

What factors contribute to high land prices?

Prosperity and progress create real increases in land value by calling into existence more and better roads, sewerage, water and electricity — these and other services make land more desirable and thus more valuable. Special privileges attaching to land, such as zoning for shopping and business, increase the value of land. These real increases in value give rise to the thought in the minds of land owners that in some speculative future time their land will increase

in value far beyond its real value of today and so an unreal or speculative value arises. Each owner desires the greatest return on his investment in land and thus this speculative rise becomes the ruling price. The effect of inflated price is to rob genuine builders of the capital necessary to build with. The result is not only a deferment of their individual hopes but collectively it puts a brake on the building trade and those trades associated with building. Prosperity suffers!

It is the duty of government to legislate to prevent hurt to the people and the economy. The legislation can take the form of price control by pegging land prices. This method is cumbersome, causes injustice and is costly to administer and police.

The simpler socially desirable way to regulate land prices is for the government to partake of the real values brought into existence by its instrumentalities.

We have all heard the economists' advice in regard to siphoning off surplus spending power. Well, our legislators can siphon off the speculative boom value of land by a simple shift in the direction of taxation away from capital and wages towards land values.

The effects of this morally just and socially desirable change in direction of taxation will be quite dramatic for it will feed progress and prosperity in two ways. By relieving industry and labor of some of the burden of taxation the economy will receive a stimulus. By charging the investor or speculator in land a tax based on the value of the land held by him, land now held will be put to use to pay the taxes or else it will be sold. The higher the tax rate, the lower will be the price asked.

Incentive to produce is increased, which increases prosperity. Reduced price will make land more readily available to labor and capital to develop.

The chain of socially desirable benefits, ranging from the flowering of individual hopes, the expanding happiness and prosperity of an industrious, well-housed people, with a well filled treasury operating to provide public works of all kinds, becomes a consequence of economic law channelled for the good of the community.

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