

Two Capital Cities with Unique Financing Methods

By GEO. M. FOWLDS

Recently, when President Eisenhower visited South America on a goodwill tour, he was present at the inauguration of a new capital city for Brazil named Brasilia. Lying 500 miles north-west of Rio de Janeiro, the former capital, this brand new town has been literally carved out of the jungle and at present 200,000 people are jamming a town with accommodation for only 60,000.

What is particularly interesting about this move is that, along with Canberra, the capital of the Commonwealth of Australia, Brasilia has been town-planned from the outset and its financing is to be based on the appropriation of the unearned increment in land values.

Their development and future growth will proceed according to orderly schemes, quite unlike what hitherto has happened in most countries, where land speculators, subject to minor restrictions, have in practice undertaken the planning to suit themselves with the profit motive predominant.

It might be recalled that in the United States, shortly after the original 13 States obtained their independence, it was decided, mainly owing to local jealousy, to institute a new capital called Washington. The lay-out was devised according to plans drawn by a French engineer, L'Enfant. But in the first decade, its progress was so hindered by the operations of land speculators around the perimeter, that the scheme nearly collapsed.

In more recent times a new capital city on town-planning lines with magnificent state buildings was established at New Delhi, but its method of rating is not significant. What makes Canberra and Brasilia of such particular interest today is the rating and tenure method adopted whereby all buildings and improvements are exempt from taxes and rates are levied on the ground rent only. The nation owns the freehold of all the land and gives title to occupiers on the basis of leasehold only. These are usually for a term of 99 years, subject to revaluations every 20 years, and the rent is fixed at 5% of the appraisals, which are determined by advertised public auctions.

PLANNING FOR POSTERITY

At Canberra (and presumably the same thing would apply to Brasilia in the initial stages) there had to be an extraordinary expenditure of money to provide the necessary services as roads, water, drainage, parks, &c., for a very large unascertained population. In the case of Canberra, within a few years after its establishment in 1913, over £17,000,000 was expended, but the Capital City Commission has stated that "it is beyond doubt that the project will eventually pay for itself". Further, "the economy of the policy decided upon for Canberra is easily demonstrable, for the cost of acquisition of the large area of land necessary for Federal buildings in a state capital would be prohibitive, apart from burdensome interest. On the other hand, the cost of building land in the Territory has been comparatively light, and already, with nearly half the expected official settlement to be made, revenue from rates at 5d. in the £ on the unimproved value, represents about half the official outlay".

Like Washington in its early years, Canberra, because of its generous planning was spoken of as "the city of magnificent distances", a feature which made it unpopular with some of the civil servants who had to be transferred in the early stages. Only in recent years have more of the Government departments been moved from Melbourne, while the educational and social amenities have steadily improved. Lately it was reported that Canberra has a higher ratio of cultural organisations of all kinds than any other town in Australia. Mr. A. D. Fraser, M.P., who has lived in the city for some time, in reply to an inquiry said, "Yes, the land tenure system in the Australian Capital Territory is most successful and public opinion is overwhelmingly in favour of it . . . The occupier has the satisfaction of knowing that the annual rent he pays goes into the community treasury, instead of into the pocket of a private owner".

THE GENESIS OF THE IDEA

At the beginning of this Century, when the separate States in Australia finally decided to federate, because of the interstate jealousies, there was no possibility of agreement on accepting one of the existing State centres as a federal capital. So a special commission was set up to investigate the position. After inspecting many areas it recommended the district of Canberra, then practically an isolated sheep station, 203 miles by rail (S.W.) from Sydney and 517 miles (N.E.) from Melbourne. A world competition was instituted for the design of the capital and the scheme plan of Mr. Walter Burley Griffin, of Chicago, U.S.A., was accepted.

There is no doubt that the tremendous interest aroused throughout Australia in 1890, of a lecturing tour made by Mr. Henry George, an American writer in economics and author of the best seller in the literature of political economy—*Progress and Poverty*—had much to do with the adoption there of his idea for the taxation of land values. Mr. George's crowded meetings in Australia in the 90's coupled with a wide distribution of writings, soon resulted in the incorporation of this principle in the legislation, first of Queensland and then New South Wales, and later in other States so that today the first-named two have practically discarded rating on improvements and polls are regularly being carried extending its adoption in other States.

In the year 1896 an Act was passed in New Zealand providing that a petition signed by 15% of the ratepayers could "demand" a poll to decide whether to substitute rating on the unimproved value for rating on the capital or annual value. The result now is that over 60% of the local bodies have adopted this method, and Auckland, with a few of its larger suburbs and the Lower Hutt, are the only towns in the country retaining the old system. The advance of any new plan which encourages progress and enterprise is always slow where there are vested interests and widespread apathy. But with Brasilia joining Canberra in demonstrating to the world, the equity and popularity of this successful method of rating, it should have a far-reaching influence in many other lands.

—This article first appeared in "Progress", November, 1960 and is reprinted for the Henry George League, 18 George Parade, Melbourne, Victoria from which further copies are obtainable on application.