

AUSTRALIA'S CAPITAL A SINGLE TAX CITY

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IN 1861 an Australian girl married in California a young American printer, Henry George. Sixty-six years later the Commonwealth of Australia established its national capital, Canberra, on the principles of the Single Tax which Henry George had brought to the attention of the world in his book, "*Progress and Poverty*".

The chief object of that book was to prove the injustice of private ownership of land and the duty of every community to appropriate the rental value of land in lieu of all other forms of taxation. Two great reforms, George argued, would be achieved by this change in taxation. One would be the paying of all governmental expenses by a tax that would not fall upon labor or the products of labor, and the other would be the extinguishment of what he called the curse of idle land through the elimination of land speculation.

On May 9, 1927, the formal opening of the new government building at Canberra took place, and thus was launched the greatest experiment in the Single Tax philosophy yet attempted. Canberra (pronounced with the accent either on the first or the second syllable) is admirably suited to this test as it is a new city built for the government along the lines of Washington, the American capital. It is laid out on a virgin site and the government of Australia plans to make it the most beautiful city on the globe.

The new capital is situated about 80 miles from the coast in New South Wales between Melbourne, Victoria, the capital of the Commonwealth up to this year, and Sydney, the metropolis of New South Wales and the largest city in Australia. The city being constructed virtually out of raw bush land, the government was not confronted by the question of paying huge sums to the landowners for the acreage of the site. The act empowering the

building of the city provided that the Federal territory there should cover 900 miles as against the 100 miles of the site of Washington. The greater part of the 900 square miles was crown land and was taken over by the Commonwealth without cost. The small percentage of land in this area which was in private hands was sold to the government at a price fixed by statute to provide against the inflation of price by private owners as soon as the location was determined on. By this precautionary measure against "boom" prices the government was able to acquire this property at the small price of \$15 an acre. The tremendous increase given to the value of land by the building of the new city is shown by the fact that although the city may be said to be still in an embryonic condition the government is receiving rents amounting to \$4,000 an acre annually for some of this land purchased for \$15 an acre.

The exploitation of the government by land speculators in acquiring the site having been prevented, it was decided to checkmate any efforts that might be made to introduce the element of speculation in land with the growth of the city. To accomplish this object it was voted to put into operation the Single Tax principle of having the increase in land values accrue wholly to the government through the Federal Capital Commission as trustees of the nation. Parliament has decreed that none of the land may be transferred to private ownership.

The primary object of the Single Tax theory of Henry George is to release land held in private ownership in such a way that it will practically revert through taxation to the people. However, in Canberra a different situation exists from that obtaining in countries whose chief cities are already established. Thus, instead of basing the rental values upon prices obtained by private owners through years of buying and selling, the government disposed of sites for building purposes by auctioning off parcels of the land and basing the annual rental values upon the auction prices. All land is turned over for individual use only through leases and these leases are expected to return to the government 5 per cent. of the unimproved value of the land.

Leases for as long a period as 99 years may be obtained and such leaseholders will not have their rents increased during the first 20 years, but after that length of time there will be rental revaluations every ten years. If these revaluations are not frequent enough the people always have the power to change them. Laws also have

been passed to prevent speculation in leases. The idea of leasing instead of selling outright obtains equally in the open country outside the city proper. There farms and grazing terrain are disposed of through leases with all increasing values going to the government.

As far as the development of the city is concerned two objects, it is hoped by the government, will be accomplished by this plan. One will be the consistent expansion of the city along the original lines and the other will be the prevention of arrested growth through high speculative rents. The study by the Australian officials of the effect of private ownership upon the growth of Washington has shown them the danger of subjecting the city to the caprice and moods of land speculation. The commission in charge of Canberra will see to it that no part develops at the expense of another part and that the spreading out of the city takes place in accordance with the original plan.

Only a restricted acreage is thrown open to development at a time and thus the growth of the city is under the absolute control of the authorities entirely uninfluenced by those sectional appeals which are so often made in cities of the United States where speculation in land runs riot. Transit facilities are often given to one part of an American city, not because that district is more in need of them, but because the landed interests there can bring greater pressure to bear in favor of their locality.

As one studies the method by which Australia is setting about the building of its capital city, one is tempted to draw a contrast with the American system of throwing open public lands for settlement as in the cases of the Indian reservations. Under the American plan the Australians would either have sold their Canberra land to private buyers or would have thrown the tract open on a certain day to be seized and staked out as private property by the speediest or the most unscrupulous. But, evidently enlightened by the lamentable results of such clumsy, primitive methods of colonization, the Australian government has adopted this Single Tax system.

One may imagine what would have happened if in any of the big Indian reservation openings in the Western states of America the Canberra principle had been put into operation. Instead of the frenzied rushes of frantic land-grabbers seeking to best their neighbors to desirable locations, the land would have been auctioned off and let only on leaseholds. Then there would have been none of the orgies of cupidity and greed which have made these Indian

land openings the scenes of murder, robbery and scoundrelism of every description. With nothing to gain by the increase in the value of land there would have been no incentives to those deeds of low cunning and fraud which made those "settlements" disgraces to civilization.

Often in those land rushes a man would seize upon a tract and stake it out and before the sun went down would be offered thousands and thousands of dollars for the site because it had been decided that the county court house would be built near it. None of this value having been created by the man who had been able to obtain possession of that site, under the Canberra, or Single Tax, principal the value of which the man put into his pocket would have accrued to the state and thus to all its citizens.

One may understand the difference between the American and the Australian plan of opening land to use by contrasting this Canberra system with what would happen if Central Park, New York City, were opened for residential and business purposes the way the land of the Indian reservations has been thrown open. An announcement from the mayor would give notice that at 12 noon of a certain day a gun would be fired at a certain entrance to the park as a signal for location of site grabbers to make a rush into the park. To keep out those who might try to "beat the gun", the park would probably be surrounded by police or National Guardsmen. Of course there would be restrictions as to how much a man might grab but this limitation would be easily circumvented by the hiring of men as "dummies" to seize sites and turn them over to others. In a few minutes the land of Central Park worth hundreds of millions would be in possession of a few speculators; few, that is, compared with the millions of citizens who previously had owned it as public property.

Not only would the huge values of the park land fall into the laps of the land grabbers, but all the tremendous increase in values which the succeeding years would bring would also accrue to the grabbers of the opening day or their successors. Nothing of the kind could happen under the operation of the Canberra system. The land of Central Park by that method would be auctioned off and held only on leases, the annual tax absorbing the rental value of the land. Thus nobody would profit by being a mere landlord or landholder. None would profit from a location except by putting it to use and obtaining an income from the improvements upon the land.

Through all the years to come the people of New York would still under the lease system own the land formerly used for Central Park and all the augmentation in value would be turned back into the city treasury.

It may well be that the Australians in adopting the Single Tax principle were moved to do so by the experience of Chicago which threw away millions in land values by parting with public lands at a small price. In accordance with the policy of the United States government to foster public education some Western states decades ago received grants of the sixteenth and thirty-sixth square miles of the thirty-six square miles making up a township for the support of the common schools. Now it happened that the sixteenth or school section of the old town of Chicago lay between State, Madison, Halsted and Twelfth streets, a square mile in the heart of the second largest city of America. One might liken it in its locational value to a mile in New York City with Forty-second street and Broadway as the center or in the down town district with the City Hall as the center. Naturally the land values could not fail to be enormous.

The Federal government made that grant of land to supply the municipality with a revenue for the perpetual support of the public schools. Yet with a blindness that one would hardly believe possible in the case of hard-thinking, close-bargaining Western pioneers the city of Chicago sold 138 of the 142 blocks which made up this tract in 1833 for the pitiful sum of \$38, 619. Of the four blocks that were saved from the sale two were retained, not as investments but as sites for school buildings. These school buildings have retired to quieter and cheaper neighborhoods to make way for business buildings yielding a revenue to the school fund.

One of these blocks became one of the most valuable in the city, lying between Dearborn, State, Madison and Monroe streets—the very heart of the “loop” district. On a valuation assessed every ten years the ground rent, at six per cent, 40 years ago was paying the school fund \$82,369. Thus that amount of school revenue was provided without taxation.

In that year (1887) the 138 blocks sold in 1833 were worth \$50,000,000, the additional value having been created by the whole city of Chicago, by the growth and development of that metropolis. Then the revenue from that tract amounted to \$3,000,000 a year, but none of it went to the school fund. It was taken by the heirs of

those who purchased those 138 blocks in 1833, while all the city got out of the original sales price was the interest on \$38,619. The cost in 1887 of the school system of Chicago was about \$1,200,000 and the total cost of the city government about four millions.

If the 138 blocks had not been sold by Chicago but disposed of on the Canberra plan, the revenue in the shape of annual rent would have paid the total cost of the schools nearly three times over and would not have fallen far short of supporting the entire city government without resort to taxation of any kind. But the community-made value of the 138 blocks was taken by private owners while the city had to tax its citizens for the support of the schools.

The state of Nebraska affords another illustration. The Federal government gave to it 2,838,123 acres of land for the support of the schools. Instead of retaining state ownership in the land as the Australians are doing with the 900 square miles making up the Canberra district, from year to year Nebraska sold hundreds of thousands of these acres, thus permitting private owners to profit by the increase in the value of the land caused by the development of the state. Singularly enough the state law prohibited Nebraska from selling any of this land at less than \$7 an acre, but after the value passed that figure the state was allowed to sell. Nobody has ever satisfactorily explained why the state retained the land when it was worth \$7 an acre and why individuals were permitted to buy it after its value passed that sum.

Had Nebraska handled its great gift from the national government in the spirit in which the government of Australia is now controlling Canberra, the original 2,838,124 acres would be returning to the state so large a revenue in annual rentals that the state taxation would be reduced to a minimum. Just as Australia has profited by the experience of American states and cities in relinquishing ownership in public lands, so now communities in the United States may take advantage of the Canberra experiment in the future disposal of great public tracts.

There has been begun in the Everglades district of Florida a reclamation project for draining that huge area, as large as several of the smaller states of the Union. When the work is finished at an estimated expense of more than \$100,000,000 and the land is ready for settlement, it is safe to say that the government will permit the land to be sold outright to settlers or speculators with the land allotted or will permit an opening day rush like that marking the

settlement of an Indian reservation. Either of these methods would fall far short of the Canberra plan in assuring the rights of the people in the land.

When the Everglades project is finished the people of Florida will have the example of Canberra to go by. They cannot say: "Yes, your plan is very good in theory, but the trouble is there is no practical illustration, no actual application of it to guide us. Consequently we shall have to fall back upon the old plan of selling the land, giving up possession of that vast tract forever."

In reply the answer would be conclusive: "There is no reason why the system upon which the Australians' capital city has been laid out cannot be applied to the Everglades. All you have to do is to appoint a body of experts like the Australian Federal Tax Commission, which shall supervise the leasing of the Everglades land to prospective settlers. None of this land should be sold. It should always be held as state property to be cultivated as farm land or used otherwise by the lessee as long as he is willing to pay the value of the land in annual rent. Whatever increase comes to the value of the land will go to the state. In a few years the entire cost of this reclamation project will have been paid for by the rental of the land and afterwards millions will be turned in annually to the state treasury effecting a huge reduction in state taxation."

The matter of speculating in leases can be easily taken care of by a subsidiary law, once the main principle of the state's appropriation of the annual rental value of the reclaimed land is put into the laws. If in the light of the Canberra system the people of Florida sell the reclaimed Everglades land they will display an even greater lack of vision than did the officials of Chicago when in 1833 they sold their birthright for a mes of pottage in disposing of the 138 blocks in the richest part of Chicago.

It has been proposed that the city of New York fill up the East River to provide more land for the growth of the city. If this were done there can be little doubt that the reclaimed terrain would be disposed of in the old way, by sale to private persons. In that case the new land would become the object of the same speculative movements as have marked the development of the metropolis in the years gone by. Every improvement that would be made in the city would enhance the value of the reclaimed land, but, instead of the people of New York sharing in that value as the people of Australia share in the increased value of the land in the Canberra

district, the great value that would attach to the new land on account of the growth of the city would fall into the pockets of the owners of the land, and in the long run the inhabitants of the city, with the exception of the few landholders, would gain nothing by the filling up of the East River. When and if that proposal comes before the city fathers or other authorities for practical action it should be made clear that the law authorizing that filling should carry a provision like that obtaining in Canberra which will prevent the new land from passing into private ownership.

It must not be understood that Australia as a whole is operating under the principle of the Single Tax merely because of the Canberra incident. The government still believes in tariff taxes and taxes on improvements. Until all taxes are wiped out except the tax on ground rent, no state can be regarded as under the operation of the principles laid down by Henry George. But the system applied to the building of Canberra is distinctly the Single Tax in that the increase in land values that will inevitably follow the growth of the city is to be taken by the government.

This experiment is expected by many Australians to demonstrate the practicability and the justice of preventing the unearned increment in land values from falling into private hands, and may suggest to the Australians the importance of applying the principle of land value taxation to all the land of Australia in place of the present cumbersome method that now obtains in the raising of the revenues of the Commonwealth.