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Source: *The American Journal of Economics and Sociology*, Vol. 24, No. 1 (Jan., 1965), pp. 69-70

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3485483>

Accessed: 20-01-2022 16:36 UTC

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A Capital Incentive Reform Beneficial to Labor

By HARRY GUNNISON BROWN

DEFENDERS OF CAPITALISM—free private enterprise—should logically support land value taxation. If they truly *believe in* capitalist incentive, they cannot consistently oppose this reform in our property tax. For, in any city or state, to abolish or greatly reduce, taxes on capital, definitely increases the reward—the incentive—for increasing capital (buildings, machinery, trucks, etc.) in that city or state.

To tax land values at a higher rate than now, so as to secure the same total revenue as before, certainly *decreases* the “incentive” to *handicap* commerce and industry by holding good and needed land speculatively out of use. Such *strangulation* of the economy (nearly 13 million vacant lots in American cities), cannot possibly strengthen capitalism in its rivalry with communism. Instead, it must inevitably *weaken* capitalism. Hence, our business and political leaders who are opposed to—or merely uninformed about—land value taxation, though they may vociferously profess opposition to communism, are, in practical effect, allies of the communists.

But how about labor—how about the citizen who has no income from property but must support himself and his family by what he earns at his job?

Such a citizen is likely to feel that the ideal tax for him is a tax which bears heavily upon the very rich whose incomes are many times larger than his. And he is likely to feel that it should bear very lightly—preferably, perhaps, not at all—on him. Scarcely ever does he have the slightest idea that it would be any advantage to him if land values were taxed much more and man-made capital much less or not at all.

The truth is that a land value tax, *within the limits of what it can yield*, would be *more advantageous to him* than a sharply graduated income tax bearing heavily on the rich and from which he was himself *completely exempt*. This may seem startling, for the tax authorities generally cited *never mention it*. Yet it is none the less true. And despite the fact that the recognized authorities seem to be unaware of it, it is as important as it is true.

To reform our property tax by abolishing—or at any rate greatly reducing—the tax on buildings and other man-made capital, and increasing the tax on land values so as to get the necessary revenue, would greatly benefit such a worker. *But how?*

(1) By breaking the log jam holding land speculatively out of use, land value taxation would make building sites cheaper. This alone would inevitably lower the cost of rental housing and would lower, also, the cost of buying or building a home. And it is not necessarily only the lower price of land that makes rental housing cost less. For with the tax on buildings abolished—or greatly reduced—those who buy or build rental housing may for this reason, too, more easily afford to charge lower rentals.

(2) Slum owners will no longer be *punished* by higher taxes if they make their slums less slumlike; and they will no longer be *rewarded* by lower taxes if they allow their slums to become still less habitable. Consequently, fewer of our low income families will be forced to live under the almost intolerable conditions that many of them must now suffer.

(3) Obviously, industrialists are more likely to build, expand and modernize when they are not penalized by higher taxes for doing so. Thus labor is better equipped and can produce more and, therefore, can earn more.

A sharply progressive income tax, with substantial exemptions, may indeed take little or nothing from a worker's pay check. But it *cannot*, in addition, lower the cost of rental housing, lower the cost of acquiring a home, minimize slums or increase the worker's productivity,—hence, his wages. A land value tax can accomplish all four of these.

Here is a reform consistent with the principles of incentive to which capitalists give at least lip service, and demonstrably more advantageous to labor than any other tax policy can possibly be. Should not both capital and labor support it enthusiastically?

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