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Tax Policy and the Modern City¹

By HARRY GUNNISON BROWN

THE ADVANTAGES of raising public revenues by taxing community-produced land values, rather than by penalizing industry and thrift, certainly are not confined to cities. Nevertheless, an appreciation of these advantages will perhaps be etched most sharply on the reader's mind if we pass in review, briefly, certain salient characteristics and problems of the modern city and of modern city life.

I

THE CITY is a much larger part of the economic life of the modern world than it was of the economic world of the ancients or of the middle ages. To begin with, it is a trade center. That, the city has been always, but never before have the efficiency and cheapness of transportation made this function so important. Great fleets of passenger and freight trains rush daily into and out of magnificent passenger stations and large freight depots, coming from places hundreds and thousands of miles distant and from many directions. Concrete roads, grey ribbons stretched across the fields and through the woods of the countryside, converge on the city. From all parts of the sea-faring world, if the city is a seaport, come giant ships to cast anchor in its harbor. The products of distant mines, plantations and factories pass through on their way to far markets and are, in part, intercepted and used by the city's people. Many of these products are raw materials which must be manufactured and sent out again in finished form for sale to widely scattered consumers. Trade, indeed, is ancient, but trade on the contemporary scale is wholly modern.

The location of the city is partly a matter of position in relation to the territory to be served. The city may be as the hub of a wheel of which roads and railroads are the spokes. Its location may be dictated in part by the results of physical forces which operated in remote geological ages. Ships must dock and land their cargoes where there is a harbor. Railroads must focus where ships come in. Men must work where work is to be done. There must be men at the wharves, men at the railroad stations, men to build and to repair stores and factories and houses, men to operate trucks and taxis, men and women to work in the factories, men and women to sell to all these workers the food and clothing they need, the luxuries they desire and can afford. There must be insurance agents, bankers, ship

¹This paper is adapted—with additions and some rewording—from my book, *Basic Principles of Economics*, 3rd ed., Columbia, Mo., Lucas Brothers, 1955, pp. 478–82.

brokers and men of numerous other occupations. In a single one of the towering buildings which make for the eyes of the approaching visitor a picturesquely jagged skyline there may be thousands of workers—accountants, lawyers, investment bankers, brokers, and others.

In the city is now done much of the work which, a few generations ago, was done in the country. Spinning and weaving are done in the factories, not in the home. Clothing is purchased ready-made. Food is canned, frozen or otherwise processed largely in factories. Farm work which used to be done by hand or with simple tools inexpensive to make and to buy is now done with the aid of expensive machinery made in the city. Proportionally less labor, and so less of the population, is needed on the farms. Competition tends to force down, relatively, the remuneration of farming and to drive the excess farm labor supply to the cities, where there is the lure of apparently much higher wages—the evils of city life for the poor not being clearly visualized.

For all these reasons the city draws its millions to do the work which can be done adequately nowhere else. And here their work is effective, aided by every device that inventors can plan and by the workers' nearness to each other and their high degree of specialization.

But because the work must be done here and because the workers who do it must live here—or near here—those who are allowed to claim this part of the surface of the earth as their own reap rich returns. Men must pay them *for permission to work in this area*, must pay them *for permission to live on this part of the earth*. And because, as the city grows, this land becomes more and more valuable, there are persons who buy land and hold it vacant hoping for it to rise in value that they may sell it at a profit.

Thus is land made still more expensive. Thus are the poor compelled to live in even smaller quarters. Thus is home ownership made, for many, a yet more impossible ambition. Land becomes so expensive that the people of the city, even in their corporate capacity, feel they cannot afford to buy sufficient space for parks and playgrounds and school athletic grounds, since *the city must pay private owners for the very values that the city itself creates*. And so the children whom high land values have crowded in their homes are, from the same cause, denied relief outside.

Why must Americans of "liberal" tendencies continue to think of the land problem as purely *agrarian* and as having to do mostly with *European and Asiatic peasants* whom the United States must somehow try to help?

In this situation, when privileged owners of land are pocketing the rents which the growth of the city and its suburbs and its tributary territory,

and not any activities of their own, have produced, when land rents, thus the result of general community development, are the highest they have ever anywhere been in the previous history of the world, we hear constant pleas that land should be *relieved* even of part of the taxes it now pays, and the burden put elsewhere. Such relief would but encourage speculation; it would leave *yet more of community-produced value* in the hands of *privileged private owners*, and it would make land *still more expensive* for the poor man's home.

At the same time we hear men talking about rising land values as if such increase were to be desired! This seems to be the ordinary popular view, perhaps because the tone of opinion is set by speculators in land, while the masses of common folk, working for salaries and wages and living, often, in hired apartments or tenements, are not directly and acutely conscious that *land* is something they have to pay for the privilege of using, *both* where they work and where they live. The truth is that high sale values for land are, could these common folk only realize it, *an economic and a social calamity*. Who would boast of a high price, in his city, of bread or meat or clothing, as if that were desirable for the people who must live there? Then why think of high land values, brought about by allowing private individuals to enjoy, to capitalize into sale prices, and to speculate in, community-produced advantages, as desirable?

For the highly civilized countries with their efficient technology which transfers so much production to towns and cities, the old days of life in the country are gone, so far as a large proportion of men and women and children are concerned—gone, probably never to return. The open fields and woods, horizons not shut from view by skyscrapers and closely-set dwellings, the healthful work of the out-of-doors—these are largely things of the past. Men must live close to their fellows; they must work in towering buildings, twenty, forty, sixty or more stories from the ground; they must rush in busses, surface cars, elevated trains and subways to their work in the morning and back to their homes at night, for the millions who work in a great metropolis cannot all live within a few blocks of where their work is to be done. Yet they must not live too far away. And so, land in the great cities *and their suburbs* comes to have a tremendous value, and speculators, holding part of it for higher prices, make it artificially scarce and still further increase this value.

Gardens, green grass, trees and play spaces are too seldom seen. And for too many children there are, in place of the woods and fields, only the dingy and dirty and traffic-filled streets and the crowded city sidewalks. Yet childhood demands, and will have, its play. The instincts of the

race cannot be entirely thwarted, however bad the environment in which they have to be expressed.

Some day there may come into existence the ideal city, a city that, from our present conservatively cruel point of view, may seem a dream city, although there are, even now, some remote approximations to it. In that city a tax will take all or nearly all the rental value of all the land, to be used for the common benefit. Improvements, brought into existence by the labor and thrift of individuals, will be tax exempt or nearly so. Tax burdens on the necessities of the poor will not be preferred to tax levies on community-produced land values.

No one will be able to afford to hold land out of use for speculation. Except for the tax, land will be costless or nearly costless, for there will be no large privately-received site rent to capitalize into a gigantic sale price. And so the city government can afford, without risking bankruptcy, to construct beautiful and spacious public buildings and to provide sufficiently numerous playgrounds and parks. Then we shall have for all, including the city's children, the best substitutes available for life in the country and the country village, enjoyed by a majority of children in the generations which have passed. And these we shall have without sacrificing but, rather, while extending, those opportunities for education and culture which city life, whatever its evils, has tended to promote.

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*Tax Policy and Commercial Site Development*¹

AN EXTENSIVE SURVEY of the stores ("shops" to the British) in the eastern states of Australia—Queensland, New South Wales and Victoria—shows that where taxes are levied on land values, with consequent tax-exemption for buildings, modern stores predominate. But where taxes are levied (as in Great Britain and the United States) on the assessed value of the composite subject, land and buildings, a much larger proportion of the stores are "obsolete."²

¹ This article, originally entitled "Shops in Australia," is reproduced by permission, from *Land & Liberty*, 64 (London, England, March, 1957), pp. 36-7; also "Correction—Shops in Australia" (June, 1957), p. 88. Only such changes or adaptations have been made as would, it was felt, make the article more meaningful to the American reader. [The editing is by Elizabeth Read Brown.—Ed.]

² The terms "modern," "semi-modern" and "obsolete" are not defined.