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*Land Speculation,  
and How to Stop It*

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# *Land Speculation, and How to Stop It*

Too much valuable land in this country is tied up by speculators who merely sit on it and wait for an easy profit. This is economically unhealthy, nonproductive—and readily cured

**A Springboard for Discussion**

*An editorial review by*

WOLFGANG LANGEWIESCHE

*The home building industry faces a crisis: in many areas it can no longer buy land at a price that makes building profitable. This is the conclusion of House & Home, in a special issue on which this article is based. House & Home, a Time Inc. publication, has examined the problem of land prices in terms of the housing industry, but it is a problem that touches every one of us, whether we rent or own or want to own. As the magazine points out, "A cutback in homebuilding throws more men out of work than a like cutback in autos, or steel, or oil."*

*Here are the key reasons behind high land prices, plus an examination of the radical remedy which House & Home proposes.*

**O**N LONG ISLAND, builders are paying \$16,000 and more for raw acreage they could have bought for \$3500 in 1950. In San Francisco a

builder paid \$580,000 for a tract that was offered for \$15,000 in 1948. North of Albuquerque a builder paid almost \$1000 an acre for land

that sold ten years ago for \$4 an acre. Since 1950, while building-material prices have climbed 21 percent and wages 68 percent, land prices have risen 100 percent in many areas, as much as 4000 percent in others!

These figures might give the impression that we are running out of land. But there is plenty of vacant and under-used land left close to our cities, even inside them. It is merely being held out of use, or kept in *under-use*, by speculators who are holding out for absurd prices.

For example: in 1961 only about 40 percent of the "suitable" land in the 22 counties of the New York metropolitan area was developed for "urban" use. The 6,500,000 people of greater Chicago use only one sixth of the land within the metropolitan boundaries. In Indianapolis, a special study by *House & Home* inside the city limits showed nearly seven square miles of level land, zoned for homes—unused! Right around the city (well inside the present far-sprawling suburbia) are some 125 square *miles* suitable for housing—enough, at the present growth rate, to accommodate the needs of Indianapolis for the next 35 years!

**Operation Leapfrog.** So the land is there. But speculators have it, and are holding out on us. The result is that developers have to leapfrog the closer-in, too-expensive land, and go well out in the country to find land cheap enough to build on. Then prices rise there, and further development has to leapfrog again and go

still farther out. The result: suburban sprawl; millions of miles of wasted driving, at eight cents a mile, between home and work; extra highways at \$500,000 a mile.

Speculation by the "investors" who buy 20 acres or 2000 acres outside of town and won't sell until they can triple their money, takes land out of the market. And when it is finally sold, much still has to be done to get it ready for building—roads, schools, zoning, sewers, etc.—and it takes years. This further strengthens the impression that land is scarce.

**Room to Grow.** But the land is there, and cities don't have to sprawl. Suppose, *House & Home* points out, you have a built-up city, more or less round, with the outskirts eight miles from the center. Suppose now you extend streets, bus lines, water and sewers outward by one mile—putting the outskirts nine miles from the center. Well, in that one-mile addition all around, there will be space for 400,000 people in single houses at four families per acre. So why go 30 miles out?

Cities *could* even grow inward. There is lots of space downtown and right around it; we don't see it because much of it is covered by old buildings—low-cost buildings known as "taxpayers": warehouses, decrepit factories and slums. In downtown Fort Worth the under-used or derelict land had space for: a belt highway; parking garages for 60,000 cars; a 300-percent increase in office space; a new civic center; a

convention hall—all that, and “green belts” too!

*House & Home* says that the land now being held speculatively far exceeds any possible demand for building land for generations to come. A lot of speculators are going to be left out in the cold! But, meanwhile, some of the blocked-out land is very much in our way.

**Tax the Land.** And how can we pry this land loose? *House & Home* says: Tax it loose.

It's not how *much* we tax, but *how* we tax. Most cities now tax land and buildings at the same rate. This is *wrong*. We should tax the land more heavily, the “improvements” more lightly or not at all.

The average homeowner might even be better off. He would save on house tax what he'd pay extra in land tax. The town treasury would come out even: the total tax take would be the same. But the system would radically change the climate in which our cities grow and sprawl.

The way it is now, *it costs almost nothing to hold land as speculation*. Taxes on it are low. As a matter of fact, a lot is usually assessed lower while vacant than the same lot is after it has a building on it! If land were heavily taxed and buildings lightly taxed, the owner of vacant land would find it less attractive to hold onto. Taxes year-by-year would eat too much of the profit he hopes for in the end; and taxes would be sure, the profits not. So he would be far more likely to put his land on the

market, and at a price at which it would move.

Or perhaps he would use the vacant lot himself. For instance, instead of renting it out as a parking lot, he might build a ten-story parking-garage on it. *He* would not be penalized for building it by having to pay more tax; *we* would have ten times as much parking space!

**Do Nothing.** To make such taxation by cities effective, some federal tax regulations would also have to change. If you just own land and finally sell it, your profits are capital gains, taxed low. But if you *do* anything to your land, such as subdividing, building roads—then your profits are “income” and are taxed twice as high or even higher. So, the smart man will sit on land like a bump on a log. And the only one who can afford to buy it from him is a rich man who will do the same!

The very idea of taxing “improvements” is a paradox—just to say it slowly makes you stop and think. It's strange. That stern old Uncle in Washington seems to *favor* speculation, idleness and waste, and to *penalize* enterprise and creativity. Local real-estate taxes are deductible for federal income-tax purposes. This means the rich land speculator in the 75-percent income-tax bracket can deduct 75 percent of his land tax from his income tax.

Taxing the land, un-taxing the building, would also clear slums, *House & Home* claims. Slums are largely tax-made. The ratty old buildings are taxed low; so is the

high-value land underneath. The "slumlord" is best off by leaving his slum a slum. Even if he merely did decent maintenance, his taxes would go up! Anyway, his real objective is to sell the underlying land someday at a big, low-taxed capital gain. In the end, because the rundown downtown neighborhood doesn't "renew" itself, it is bought up for "urban renewal" by the federal government, then resold to "re-developers" at about one third the cost. We taxpayers get hit for the difference.

**The Power to Build.** If land were more heavily taxed and buildings more lightly, the slumlord's situation would be reversed. He would no longer get a tax break from his ratty buildings; all buildings, ratty or not, would be tax-cheap. He would no longer find it tax-cheap to hold his high-value land for future gains; he would have to sell, to someone who would put up good buildings. Thus, by taxing land we could actually tax slums out of existence! The power to tax *could* be the power to build.

The idea is old. It has been tried and found to work. Pittsburgh taxes land value at twice the rate of building value. Pittsburgh is *the* example of an American city that has revitalized itself, especially downtown.

In Brisbane, Australia, buildings are tax-free, while land value is taxed up to ten percent per year. That's enough to make it unattractive to hold land you are not using; it keeps land available and keeps land prices down. There are no

slums as we know them. In Denmark, increases in land value are taxed so high that they are practically confiscated. You can't make money by land speculation in Denmark, so you don't try.

*House & Home* does not mention the most successful use of the land-value tax. This is in California, in connection with irrigation; it started about 1880, but it's still going. An irrigation district is formed; and a stiff tax (used to finance the building of dams and canals and bring water) is laid upon all land in the district, while buildings and crops are totally exempt.

This tax broke a speculative blockage much like the one that now troubles our cities. Before the tax, it had been more profitable to hold irrigable land as speculation than to irrigate it and grow crops. The land was held in big blocs, and farmers could not find farm-size parcels to buy at prices that made economic sense. There was water, and there was land; the two did not get together!

Then came the land-value tax. The tax made it expensive to hold irrigable land idle, or to under-use it as cattle range. Farmland appeared on the market, in small acreages, at economic prices. Farmers came, water started to flow and crops grew. The whole of California's immense irrigation agriculture stems from this one application of the land tax.

A LONG TIME ago, *House & Home* notes, young Winston Churchill

put the case for the land tax succinctly. In a thundering speech he made in 1909 in Edinburgh, when he was president of the Board of Trade, he described "the landlord who happens to own a plot of land on the outskirts of a big city, who watches the busy population around him making the city larger, richer, more convenient every day, and all the while he sits still and does nothing. Roads are made, services are improved, electric light turns night into day, water is brought from reservoirs hundreds of miles off in the

mountains—and all the while the landlord sits still. While the land is what is called 'ripening,' the artisan going to his work must detour or pay a fare to avoid it"—just our present trouble.

Finally, the land having risen 20 or 50 times in value, Churchill's landlord sells. What is the moral difference, Churchill asked, between the land speculator's activities and those of the man who buys and sells, for instance, old masters?

Churchill: "Pictures do not get in anybody's way."



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