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Land Values and Congestion

THE *New Republic* for June 7th discusses in a sober spirit the question of taxation of land values as related to urban congestion and the housing problem nct ow pressing upon the country. We note with pleasure that its advocacy of special taxation for unimproved land is distinctly limited to such taxation as would absorb future increments of value. "We would not confiscate existing values, as the Single Taxers propose," says the *New Republic*, "because we do not believe in revising the rules of a game and making the new rules retroactive" With confiscation out of the way, it is possible to argue the merits of the question upon economic grounds—that is, with an eye to specific and practical consequences rather than ethical or political principles.

The idea running through the *New Republic's* article, and through all that is written by enthusiastic advocates of the "unearned increment" tax as a solution of the problem of urban congestion, is that the speculative holding of land is the one great barrier to the comfortable housing of millions of people now herded together in crowded city centres. The view is plausible, and to many appears absolutely self-evident. Nevertheless, we believe that it is almost wholly unfounded. "All around every large city," we are told, "there is a broad zone of unimproved land, much more than adequate for the comfortable housing of a vast population, every acre of which is held at a price that drives away prospective home owners"; a population of eight millions could be housed within the limits of Greater New York, allowing an acre for every ten families, which "is scarcely more than a village density." But if one examines this broad zone of unimproved land, one finds that nearly all of it can be had at prices so small that the addition to rent which the land value would cause is insignificant. It is true that the commuter finds that in the places where he would like particularly to live sites are fairly expensive; but these are not places where large areas are held out of use, but choice spots which for some reason or other have themselves become attractive centres of population. You can not lump the hundreds of thousands of acres within a ten or twelve miles' radius of the City Hall as one homogeneous mass, any more than you can lump together the million acres,

sufficient to house half the population of the United States, which lie within the commuter's radius.

A concrete example may serve to emphasize this point. In a certain admirable water-front location, where highclass houses have been built in considerable numbers in the last ten years, and only about a half hour's rapid-transit ride from the City Hall, building lots 40 by 100 feet go begging, though the prevailing price is only $2,000 per lot. In less desirable but still very good locations, somewhat further from the centre of the city, such lots can be had for $500; and $500 means $50 a year in the rent. It is not this $50 — say $25 per family for two families, or $17 per family for three families — that is keeping houses from being built in the suburban zone, "while the children of the city grow pale and anaemic in cramped tenements." The great reason why people do not go to these outlying districts is because the advantage or the necessity of being near the centre outweighs, in the minds of the people concerned, the undeniable hygienic and moral benefits that might be attained by living further out.

The New Republic admits that "some men are drawn toward the limits of the urban area by the hope that values will advance." But it adds that to one man moved by the hope that prices will rise higher there are ten who are "deterred by prices of land that are already too high." This is a matter of opinion, and we feel very sure that the fact is quite otherwise. But however this may be, it has very little to do with the question of increase of housing facilities for the hundreds of thousands, perhaps millions, of the poorer inhabitants of a city like New York. These people will not go out by ones and twos and build houses for themselves. Even such of them as may somehow be able to command the capital could not afford to take the risk of loss when they may have occasion, as they all know they are likely to have, to change their residence and hunt for a purchaser for the house they have been living in. It is enterprise on a larger scale — the kind of enterprise that opens up considerable tracts for occupancy — which is substantially the whole question as regards this class of people. And it seems absolutely plain that the absence of the prospect of rising land values must greatly diminish the stimulus to such enterprise. The houses themselves in the nature of things decline in value. The increase of the site value is counted on to counterbalance not only this loss but the risk of mistakes in judgment in the first place, and adverse local changes which may occur in the future and which it is impossible to foresee.

Another consideration that is constantly overlooked by those who regard taxes on land as a panacea for high rents, is that on the face of it the tax operates not to lower rents, but simply to put into the public treasury what would otherwise go into the pockets of the landowners. We say "on the face of it," because in so far as the tax may operate to increase the supply of housing, it would tend to lower rents. That it would so operate is, as we have tried to indicate, highly doubtful; but the point that we wish to insist upon is that except in this way the tax would not even tend to reduce rents. Rents are determined by demand; if people can be found who are anxious to live in a certain kind of house in a certain location and are willing and able to pay a certain rent for it, that is the rent which it will command. The rents on Park Avenue or Riverside Drive are not what they are because the landowners wish to get that amount of money, but because there are few locations presenting such attractions and many people willing and able to pay the price. If the full rental value of the land were taken by the city in the shape of taxation, the city treasury would be by so much the better off through this act of confiscation, but rents would be no lower.

If we are to do anything really helpful towards the solution of the housing problem we must concentrate our attention on the question of supply. Speculative holding of land out of use may not be wholly an imaginary obstacle, but it is certainly at most a very minor element in the case. To look for relief in that direction is to follow a false scent, and thus to divert attention from real possibilities of helpfulness. There is plenty of land to be had at prices so small as to constitute no hindrance to any well conceived plan of development. There is almost no limit to the amount of capital that could be obtained for the prosecution of great home-building enterprises, carried on primarily for the public benefit and offering only the most modest return on the investment. Two things are essential to the success of any such scheme — first, sound judgment in the choice of location and plan, and secondly, the enlistment in the enterprise of men whose names command the unhesitating confidence of the community. The practice of making subscriptions running into the hundreds of millions, for every possible kind of public purpose, has now become a habit; there is the best possible opportunity, before the habit wears off, for a great movement to supply, on a self-supporting basis, attractive and healthful homes for the masses. Never has the need been so keenly felt or so widely recognized.