

LOCAL TAX authorities, operating in Illinois where the unemployment rate has reached approximately 10% are currently continuing their desperate search for ways to secure the advantages of land value taxation without alarming Chicago's well-connected land speculators.

As previously reported in *Land and Liberty*, new large building projects here have for some time been encouraged by a method which guarantees that if the County Assessor continues to favour a builder—for the process is not a legislated requirement—the taxes payable on a new building will be reduced to a point which will permit the builder to make 12% on his "equity". This is the amount of money he has personally invested in the project, apart from any money he has borrowed from a financial institution to finance the construction. The tax on the land, as apart from the building, continues undiminished.

The abated tax load is then spread, willy-nilly, over the rest of the citizens, to provide the total income the local government continues to require.

Land & Labour

BRITAIN'S Labour Party is re-examining its land policy, writes Colin Green.

The Conservative Government's repeal of Labour's Community Land Act has sent the socialists back to the drawing board.

General Secretary Ron Hayward has written to constituency associations seeking their views on a fresh policy intended to shape the next Labour Government's strategy.

In his letter, Mr. Hayward admits that the repeal of the Community Land Act "was the fourth time this century that Labour has tried and failed to achieve positive community control over land and development."

The "working principle" adopted by the National Executive Committee states:

For a land policy to be effective it will have to be comprehensive. It will need to be a reform of the land ownership and land tenure system as a whole, so that, for example, all land in certain categories, other than occupied housing land (e.g., land occupied by commercial uses) would be publicly owned and its users would contribute rent to the public purse.

A CHICAGO LOOPHOLE!



CHICAGO has a tradition of generosity towards land speculators. The system used during the regime of the late Mayor Richard Daley was examined in the July-August 1979 issue of *Land & Liberty*. The system used by today's political bosses to revive the inner city is examined by **HENRY TIDEMAN** (above), who proposes a radical reform of the property tax.

This very local and very limited application of some of the principles of land value taxation, project by project, has worked well in bringing into existence the downtown Chicago office buildings which continue to raise their mushroom heads all about us.

But this method of incentive taxation is obviously both slow and ponderous, and necessarily subject to the major distortions inherent in the need of the Assessor's political party



● Ron Hayward

Labour's new policy is intended to have the following benefits:

- Speculation in city centres eliminated;
- Rental income would be diverted into community projects, such as the redevelopment of inner cities; and
- Land prices could be controlled.

Going on history, and the leftward swing of the party, it is probable that Labour will once again settle on a policy of physically controlling the ownership and use of land to try and achieve its objectives. If it does so, it will fail yet again.

But at least the Party is reopening the debate, and its Town and Country Planning Sub-Committee is waiting to hear alternative views.

for campaign funds and the need of the recipients of his favours to keep their benefactor in power.

SO THE Chicago political pundits are setting off on yet another tack in their effort to avoid squarely meeting the need for over-all land value taxation.

The "North Loop" (in Chicago the "Loop" is the central business area within and even closely surrounding the elevated train railroad ring that circles it) has been declared a decayed area, to qualify it for federal renewal funds.

This means that the land is bought from the current landholders at current speculatively high prices and passed out to selected developers at nominal prices, the resulting loss being taken by our rich Uncle in Washington, D.C., who prints his own money.

The area involved totals 26.7 acres. The last loop land sold changed hands for \$14 million an acre, and if all this land also goes at that figure, its cost will be \$374 million—a considerable haul to landholders for getting out of the way of construction!

Whether Uncle will continue to look upon this process paternally, now that Mr. Reagan in taking charge of the expenditure of his income, remains to be seen; but Mr. Reagan needs votes as much as any other politician, and since he could hope to share in the reflected glory of participation in this project, it is generally assumed that there will be no hitch.

Now will you build, please? You bet! A billion dollars' worth.

Hilton Hotels, for example, will build a new "flagship" hotel which will have 2,000 rooms and will cost at least \$130 m. Hilton also plans the construction of 500 apartment or condominium units. Aside from the fantastic amount of federal aid for land procurement, Hilton expects to save, over the thirteen year period of special treatment, approximately \$70 million dollars in taxes.

Altogether the plan envisages "bustling shopping malls, new office towers, a centre for the performing arts, perhaps three hotels and a total of a thousand apartments, all connected by a series of skywalk pedestrian ways one storey above the rehabilitated elevated train system." High above even these, the scheme

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GRAHAM Hallett addresses himself to town planning students and others interested in the theories and policies of state intervention in the land market.

Mr. Hallett is Senior Lecturer in Economics at University College, Cardiff and in the foreword to this book he states that he has attempted to bring together simple economic theory, empirical data and a little history in such a way as to illuminate some current issues in urban policy. As he found it difficult to recommend to his students one comprehensive book on urban economics he decided to write one himself.

I found the results of his labour very interesting. The book is certainly comprehensive, very carefully researched and contains much thought-provoking material presented in a lucid style.

In 270 pages, the author takes his readers from Ricardo to the Community Land Act and covers the property market, redevelopment versus rehabilitation, booms, slumps, trends and land value surveys. He then goes on to deal with compensation and betterment, the problem of the inner cities, methods of urban renewal and public land acquisition. Each chapter concludes with a short summary of the main points covered and this approach should be most helpful to students revising for examinations. The book also has a very useful index.

Mr. Hallett takes a critical look at price controls, rent controls and planning legislation. Looking at the emotional subject of speculation, the author points out that there is a lack of evidence to reach firm conclusions and that many builders have their own 'land banks' which they develop according to market demands. However, Mr. Hallett writes that there is in general a sound case for imposing some kind of tax on vacant urban land.

Under the heading of 'Taxation of rises in land values' Mr. Hallett states that there are three possible types of tax:

- Site value taxation;
- A tax on realised gains; and
- A tax on development value irrespective of whether gains are realised or not.

"Under site value taxation", he writes, "an annual tax is levied on the basis of the value of the site if it were not covered by a building . . . One advantage of site value taxation is that, not being levied merely when development occurs, it does not discourage development. Excessive

An Elegant Tax

REVIEW

Graham Hallett,
Urban Land Economics,
Macmillan Press, £15.

PETER HUDSON

claims have often been made for the system but it is unfortunate that it has never been seriously considered in the many British post-War experiments." And later he confirms that a tax on site values has theoretical advantages. He points out that site value taxes exist in Denmark, Australia and New Zealand with satisfactory if not startlingly beneficial results.

Although Mr. Hallett's assessment of the merits of site value taxes may lack positive enthusiasm it is pleasing to see that the site value system is supported. At least students are introduced to the concept and, if interested, can pursue further studies of the subject.

Following consideration of the arguments for land nationalisation, which he rejects, he suggests that there is in principle no reason why a market economy should not operate perfectly well under a system in which the state was the universal ground landlord with leases of around 100 years. Such a system now operates in Hong Kong. The problem with such a system in Britain would be that of compensation to existing owners. For my money, site value taxation is a far more elegant and sophisticated approach as it can be introduced at a fairly low rate initially and then increased progressively.

There is much in Mr. Hallett's book that is worth praising, and I am sure it is just what students studying urban land economics require. Although I could fault the drafting of three or four sentences in the book I would not hesitate in recommending it. Unfortunately the price is hard on the student's pocket and a cheaper paperback version would be welcome.

Chicago: cont. from P.25

envisages the bridging of some streets with hanging garden platforms high enough and sufficiently widely spaced to continue to admit light and air to the streets far below.

This is all opened up to the public with political hoop-la, which points out how useful this development will be to the city as a whole and how many jobs it will provide when this land is put to better use. And so it will, indeed, as each politician bows in glory and seeks to upstage his competitors in an effort to garner the larger share of the credit.

Credit? For what? The new State Constitution provides that at any time the local politicians gather their wits together, they can offer even better tax advantages to everybody. All the County Board has to do is to pass a resolution declaring that building

values are to be taxed at the rate of only 40 per cent of the taxes on land—that is to say, land values will be taxed at 2½ times the rate of the taxes on buildings—and new buildings and new jobs will as a result sprout not only in the Loop, but in the rest of the City and County as well. Why wait?

Is it not time for the Chicago and Cook County politicians, from Mayor Byrne down, to give up this pretence of lordly largesse and permanently open up to the public the treatment now offered only temporarily and to politically well-connected builders? There would be glory enough for all.

And there would be more than that. One of the very low-key aims of this project, one rarely openly mentioned, is to augment the continuing effort to bring into the centre of the city the more expensive apart-

ments and condominiums which normally cannot be afforded by Chicago's blacks. This, it is hoped, will help recover for the whites a larger share of the central city's evening streets. These are now chiefly occupied by the generally less affluent and often even unemployed blacks after nightfall, as the whites—wisely or foolishly—tend to find their recreation elsewhere in fear of becoming a statistic. (The leading cause of death among the 50% unemployed Chicago teenage male blacks is violence).

A measure like land value taxation, by providing additional jobs and higher incomes for the residents of the city as a whole, would do more for the blacks, and for the whites, and for amicable relations between the two, than the greatest special privilege for the most handsome and well-considered North Loop development. Speed the day.