

HERE'S THE EVIDENCE

About this time I am pressed for the figures I promised last week. The subject was the property tax problem that the followers of my own persuasion believe is largely responsible for the economic stagnation of the cities and therefore the lack of markets for farm products.

Philadelphia presently taxes buildings and land at the same rate. A study authorized by their City Council and co-sponsored by the Henry George School shows that if building taxes were lowered 6 percent, and the land portion raised to 9.11 percent, most homeowners would pay less in taxes. Most income-yielding properties would pay very slightly more. And speculative holders of bare land would pay enough to want to get out of it.

Of course, the main purpose of a two-rate property tax is to encourage economic development. The available evidence gives good reason to expect that it would do so.

In Australia's state of Victoria, all 25 of the localities which switched to taxing only land values (they have no other tax) experienced a building boom in the years following the switch. The construction increases far exceeded whatever increases there were in surrounding and comparable localities.

Five cities in Pennsylvania already tax buildings less than land. Pittsburg, for instance, had been taxing buildings less than land since 1914, but in 1979 and again in 1980, it jumped its land-tax rate by 2.5 times. It currently taxes buildings at 3.2 percent and land at 13.3 percent.

Immediately after the first land tax increase in 1979, its new construction jumped 14 percent as compared to the average of the previous two years. Then the next year it jumped 312 percent and the year after that 590 percent. These figures average about six times the national average for those three years. It is possible that other factors were responsible for Pittsburgh's recent renaissance although no one has pinpointed anything yet.

Other Pennsylvania cities—Scranton, Harrisburg, McKeesport, and New Castle—have made similar moves with similar results but in different years. So it is hard to claim that the results only reflected some kind of national trend.

It would be pointless to try to decide whether building or farming is the most basic and important part of the total economy. The reason could be that if you look at it thoughtfully, you could conclude that they are merely minor variations of the same thing. So the health of the building industry is very much the just concern of people racking their brains over the farm problem.

No product is fully produced until it has gone through all of the steps including delivery to the final consumer. Most of the steps, after the raw crop leaves the farm are carried out in towns and cities where each productive step has closer access to related services and supplies. This is the reason why land in the cities has so much higher market value than does farm land.

Well over a hundred years ago, economists knew that the price of land is a serious drag on the rest of the economy. Modern economists seem to have forgotten that. They don't seem to know what comes with prosperity but what cancels prosperity.