

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 *citiesandtheirsburbs* 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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1961

Criteria for a Rational Tax System

A NUMBER OF ENTHUSIASTIC –perhaps some would call them fanatical –“single–taxers” insist that any tax other than a tax on the rental value of land is *per se* morally objectionable. The state has no right, under any circumstances, to levy on the earnings of labor and capital, they argue. The rent of land should suffice for all legitimate governmental expenditures, they believe, and any governmental services which cannot be financed without drawing on other sources should be foregone.

I do not hold any view so extreme. The services of government are important to all of us, except, possibly criminals. All of us benefit from the existence of government, though perhaps in varying degrees which cannot be precisely measured. The so-called earnings of labor and capital are secured by their recipients, and can be so secured, only when there is the order and protection which government provides. The maintenance of settled government and, if this government is democratic, of the social and cultural conditions essential to the well-being of the citizens may be of supreme importance, therefore, to all of those who receive interest on capital and to most or all of those who receive only wages. If no better and adequate source of revenue is available, it may be proper, therefore, to demand substantial contributions from both capital and labor. Indeed, even though a more desirable source of revenue is available but is not used because popular ignorance and misunderstanding prevent its taxation, it would be better for capital and labor to support

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government wholly from these earnings, however hard and fairly won, than to be deprived of governmental services. A system of taxation which is very bad and which is relatively unfair between individuals and the classes may yet be immensely better than no system at all.

Nevertheless, it is important that we work for as good a tax system as possible. And what is a good system is to be determined in the light of all the facts regarding sources, as well as amounts, of income and regarding the various consequences which different taxes and tax systems are likely to produce. It may be that, on the basis of the various relevant tests, taxation of the rental value of land will rank high enough to justify its use as the *first* source and maybe as the, or a, *chief* source—even though not the *only* source—of public revenue.

Certainly a land-value tax would be inadequate for the financing of a modern war in addition to the ordinary expenses of all branches of government. If and when the continued independent existence of a free nation is threatened by foreign foes, it may well seem supremely important to those who treasure national independence that nearly all the current income of its citizens, beyond that necessary to maintain efficiency, be drawn on to meet the expenses of the war. That is a time when, for the sake of all, everyone must contribute what he can, whether his income be exploitative or fairly earned. The principle here is the same as that in selective military service. In selective service, the man who is old and feeble is exempt. The man who is young and physically fit is required to fight. This may mean that the young man will lose a leg, his eyesight or even his life. When, for the life of the nation, such discrimination is practiced in regard to military service, even the man who truly *earns* by his productive activities \$50,000 or \$100,000 a year or more cannot reasonably complain if all of this income, beyond, say, \$6,000 or \$8,000 a year, is taken from him to help insure his country's existence. He cannot reasonably complain that he is made to contribute a far larger per cent of his income than is, say, the factory worker who earns, altogether, only \$4,000 or \$4,500 a year.

This is not to endorse such taxation as a long-run peacetime policy. For to take nearly all the earnings of the efficient above enough to purchase current necessities is likely to weaken the desire for efficiency and dissipate the motive for spending long years in training for efficient service. And similarly in regard to taxation that takes, endlessly, nearly the entire income of capital, and so weakens the incentive to save and

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invest in capital making. But to take the difference between needs and earnings temporarily during a desperate war, when millions of citizens are required to risk their lives at the fighting front, is not so likely to have this unhappy consequence. It may be necessary in order that the earnings of this very efficiency and thrift may be secure in the ensuing years. Believing as I do that the common welfare is best promoted if we use first for the support of government the geologically-produced and community-produced rental value of land, I nevertheless realize that in “total war” the earnings of labor and thrift should also be drawn upon for nearly all they will yield.

What, now, of the national gasoline tax? Since the advent of the automobile there has been a wide extension of the gasoline tax as a means of building and maintaining concrete and other state highways. It has been contended that this is a fair arrangement on the ground that, by this tax, the motorist pays for an expense incurred on his account; that it is as reasonable for him to pay for the upkeep of highways as for the user of a railroad to pay, in the rate charged, for the upkeep of rails, ties and roadbed. And it can be cogently argued that to let motorbuses and trucks use highways kept up by the state at no expense to owners of the commercial vehicles, while the railroads must keep up their own road-beds, rails and ties, discriminates unfairly against railroads. Such a policy would surely cause goods to be carried by motor truck which, except for the *subsidy* in the form of a free road, could more cheaply be carried by rail. At the expense of taxpayers, the state would be encouraging economic waste. Something is to be said, therefore, for the gasoline tax, or some form of tax compelling bus and truck companies to contribute toward road building and repairs. Nevertheless, *nothing is to be said for using such a tax as an excuse for letting private landowners keep in their own pockets a situation rent which the growth and development of the community, and perhaps the very highways built by the gasoline tax, have produced.* Such rent should go, entirely or almost entirely, to the community for the community's special needs. *Leaving it to private owners involves inexcusable special privilege.*

III

Ought we to do away with taxes on inheritances, or is there cogent argument for such taxation? As long as the family affections endure in their present strength,

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much of the happiness of parents will be realized only as they are permitted to work for the future prosperity of their children. General welfare and happiness would probably not be furthered by a policy which entirely deprived parents of the privilege of bequest. Nor, in the long run, would the community get the use of as much additional capital, for less would probably be accumulated. A parent will be less likely to save and invest his earnings for the education of his children if he believes that, at his death, society will appropriate all the gain and thus deprive his children of the opportunity to earn a larger income for the larger services an education would have enabled them to render. In like manner, a parent will be less inclined to save and invest in the formation of material capital if he believes that society will allow his children to reap no advantage in return for the use of such capital.

It is clearly illogical, then, to abolish the inheritance of wealth without abolishing at the same time all the advantages of nurture and education that the children of thoughtful, thrifty and affectionate parents have over the children of other parents. It is, in short, illogical to abolish completely the inheritance of wealth unless we also abolish the family and make all children wards of the State. Few of us would regard the latter as conducive to human welfare and happiness.

There is no intention to suggest, however, that inheritances should never be taxed or that the law of inheritance should never be changed in any respect. At present, the state provides for inheritance of the property of intestate decedents by remote collaterals –e.g., fourth or fifth cousins, who in many cases have been entirely unacquainted with their benefactors. It can hardly be contended that this policy has been dictated by the necessity of encouraging accumulation or by the desirability of giving men and women the happiness of safeguarding the future welfare of those for whom their affections are strongest. Also, in so far as the existence of large estates is the outgrowth of a past when individuals were allowed to receive incomes clearly exploitative, or in so far as such estates may result from our inability ever completely to prevent the securing of ill-gotten gains, the regulation of the transmission of great estates, or their high taxation, may be the only means of avoiding the perpetuation of a most undesirable inequality. Even the transmission of estates honestly earned may possibly need to be limited or regulated or the inheritances heavily taxed, lest the inequality resulting from the bequest of these estates become unduly great and, perhaps, threaten democracy; but this is less likely.

We may fairly conclude, then, that the institution of inheritance should not be abolished. There may be justification, however, for placing limits on the right of inheritance or for taxing inheritances. If a policy of taxation is adopted, there is a certain reasonableness in making the rate of taxation progressive in proportion to the distance of relationship between the decedent and the beneficiary. It may also be well to make the rate higher where the value of the property inherited is large than where it is small. For where this value is very large there is perhaps less reason to assume that the principal motive for its accumulation was to make provision for offspring and that the prospect of such a progressive tax would discourage the necessary saving. There is even less reason to worry that the heirs will fail to derive a sufficient advantage in the struggle for existence from the affection and thrift of the accumulators of the estates in question. When the sums inherited are very large, the danger that they will be conducive to great inequality, political corruption and permanent class differentiation is more to be feared than when the sums inherited are small.

Perhaps sharply progressive inheritance taxation would help to cure the inequality which has resulted, in considerable degree, from our past errors in public policy. Unfair competition permitted for many years the long delay in developing proper supervision of our public-service industries, our failure to stabilize the general price level, and the maintenance of a land and taxation policy which has consistently allowed private persons to appropriate community-produced values – all these mistakes and others have helped to bring about the inequality which carefully adjusted inheritance taxation is expected to mitigate. But if our economic system is reformed in all these respects, it is not quite so certain that continued inheritance taxation would be important either as a necessary means of preventing great inequality or as a source of any appreciable public revenue.

We need not, perhaps, inquire whether circumstances would then justify the permanent retention of such a tax. But it should be noted here, whatever our final conclusion regarding the merits of different kinds of taxes, that inheritance taxation is subject to *some* criticisms that do not apply to taxation of the rental value of land. Beyond certain limits, inheritance taxation may discourage accumulation; land-value taxation cannot. Inheritance taxation, if applied extensively to moderate amounts of property inherited by the very near of kin is inconsistent with the maintenance of the family and of parental responsibility for offspring;

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land-value taxation is not. Inheritance taxation does not especially penalize speculation in land and does not make land less expensive to those who would use it; land-value taxation certainly does. Whatever, therefore, may be its virtues, inheritance taxation definitely can *not* be regarded as a substitute for taxation of the geologically-produced and community-produced rental value of land. Nor can the host of other taxes now commonly in use, whatever may be said in favor of any of them, be regarded as desirable if they are *used in place of* or *as substitutes for* such taxation.

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1962

The Communist Specter in Latin America

IN A COLUMN entitled “Time Is Running Out For U.S. In Latin America,” Drew Pearson commented: “In the territory., storms are brewing which are certain to wreck the gold and glittering civilization of the Spanish landowners who still govern Latin America.” And he went on to say that if those storms “succeed in sweeping over Latin America, that vast continent will go Communist without any effort or encouragement from the Kremlin.” Continuing, he made dramatic reference to “the big estate owners, the oligarchies which have ruled most Latin American countries since the days when the grandees of Spain received huge grants of land from their king and have tenaciously held on to them ever since.”

But then comes the anti-climax, a *non sequitur* if ever there was one. For what Mr. Pearson believes we should do –will the Kennedy administration follow such a policy? –is persuade the Latin Americans to “impose income taxes somewhat comparable to ours.” Although the evil especially emphasized is the vast *landed estates* of the privileged few, there is *no suggestion* that heavy taxation of land values would be in any way desirable. Instead, the Latin Americans should be asked to tax incomes, regardless of source, as we do. They should therefore, presumably, take as big a per cent in taxation from an income earned by labor or from an income yielded by capital brought into existence by labor and saving, as from income derived from landownership, as such. If common folks are exploited by landowners, our government, in this

Noted in the *News-Tribune*, Beaver Falls-New Brighton, Pa., Dec. 15, 1961, p. 5.

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view, should advise a tax that penalizes efficiency and that penalizes capital formation but that does *not* penalize the holding of vast quantities of land unimproved or

under-improved, in the hope of speculative gain.

Nevertheless there is a difference between income from man-made capital that can come into existence only by way of saving and investment, and income that some are able to enjoy by charging others for *permission* to *work on* and to *live on* the *earth*, in those locations made desirable by geological forces and community development, and to draw *from the earth* subsoil deposits. Far too few of our leaders in economic education, in journalism and in public life recognize this difference and sense its significance. For this reason, our private enterprise system cannot possibly serve us so well; our leaders do not understand what is needed to further the well-being of the exploited and to allay discontent in Central and South America and elsewhere; and we cannot hope to inspire in the underprivileged of these countries the enthusiasm for our system and for us as its practitioners, which a truly self-consistent private enterprise system could –and would –inspire. Thus, because our leaders do not understand the essential facts about incentive, we continue to spend billions –and tax ourselves billions –for foreign aid, attempting to make our caricature of incentive and of private enterprise look enough better than Communism so that Communism –including Castroism –will not tempt them!

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1965

Tax Policy for Optimum Production

WHEN THE ADVANTAGES are pointed out of exempting from taxation buildings and the other man-made capital, and getting the necessary revenue by increasing the rate of taxation on land values, the objection is sometimes raised that such land value taxation violates the principle of taxing on the basis of “ability to pay.” How can one get such an objector to *consider* any other principle relevant to tax policy? Perhaps the most effective way is to show him that our *present* tax system certainly does not conform to the principle of “ability to pay for

which he is arguing.

To illustrate clearly *both* why such an objector insists that land value taxation fails to conform to the ability theory *and also* wherein our *present* real estate tax policy fails to conform to it, we shall assume that each of four owners of real estate owns a building lot of equal size and the same shape as the other three, and on the same side of the same street. None of the lots is a corner lot or has any other advantage (or disadvantage) as compared to the other three. And each lot, we shall suppose, is worth \$20,000. The four owners are John Doe, Richard Roe, Paxton Poe and Mortimer Moe. However, John Doe's lot is vacant; Richard Roe's lot contains a one-story building worth \$20,000; Paxton Poe's lot contains a three-story building worth \$60,000; and Mortimer Moe's lot contains a four-story building worth \$80,000. The objector to a land value tax policy contends that Moe has the greatest ability to pay (having the most valuable building, which yields the largest rentals), that Poe has the next greatest ability to pay, that Roe has the third greatest ability to pay and that John Doe has the least

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ability. And since land value taxation would tax each of the four owners the same amount, our objector calls it "unjust"; whereas our present real estate tax system taxes our four owners in due proportion –or so he *assumes!* –to their respective tax-paying abilities and hence is "just."

But Mortimer Moe's property is *mortgaged* to a lender for \$90,000, and under our *present* real estate tax system, Moe, whose *net* ownership is the *least*, has to pay the *most* in taxes. How, therefore, can *anyone* who objects to land value taxation as not being in proportion to "ability," *consistently defend* our *present* real estate tax system?

Suppose now that in the city or town where these four men own this property, buildings and other man-made capital are exempted from taxation and a land value tax system is adopted. In that case the net yield of capital to the investor would certainly be greater. Hence, if John Doe were thereafter to *borrow* \$80,000 and use the sum to construct an \$80,000 building on his vacant lot, he would receive a higher net yield from the building than would previously have been possible. And since he would have had to borrow, to be able to have the building, not more than \$80,000, he would clearly now be *better off* than Moe, who was –and is –in debt \$90,000. Likewise, Richard Roe (for example) might borrow in order to add another story to his one-story building.

When such facts are thoroughly understood by the objector who has so emphasized the idea of "ability to pay," he will perhaps be willing to admit that a really good tax policy *must* give attention to *incentive*. Our present local tax policy, which encourages speculative holding of good and needed land out of use, which discourages building, keeps rents high, breeds slums, increases the cost of acquiring ownership of a home, discourages establishment of industries in a community, and keeps down the productivity and the earning power of labor, is definitely *not* a good tax policy.

A Capital Incentive Reform Beneficial to Labor

DEFENDERS OF CAPITALISM

Defenders of free private enterprise should logically support land value taxation. If they truly *believe in* capitalist incentive, they cannot consistently oppose this reform in our property tax. For, in any city or state, to abolish or greatly reduce, taxes on capital, definitely increases the reward –the incentive –for increasing capital (buildings, machinery, trucks, etc.) in that city or state.

To tax land values at a higher rate than now, so as to secure the same total revenues as before, certainly *decreases* the “incentive” to *handicap* commerce and industry by holding good and needed land speculatively out of use. Such *strangulation* of the economy (nearly 13 million vacant lots in American cities), cannot possibly strengthen capitalism in its rivalry with communism. Instead, it must inevitably *weaken* capitalism. Hence, our business and political leaders who are opposed to –or merely uninformed about –land value taxation, though they may vociferously profess opposition to communism, are, in practical effect, allies of the communists.

But how about labor –how about the citizen who has no income from property but must support himself and his family by what he earns at his job?

Such a citizen is likely to feel that the ideal tax for him is a tax which bears heavily upon the very rich whose incomes are many times larger than his. And he is likely to feel that it should bear very lightly –preferably, perhaps, not at all –on him. Scarcely ever does he have the

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slightest idea that it would be any advantage to him if land values were taxed much more and man-made capital much less or not at all.

The truth is that a land value tax, *within the limits of what it can yield*, would be *more advantageous to him* than a sharply graduated income tax bearing heavily on the rich and from which he was himself *completely exempt*. This may seem startling, for the tax authorities generally cited *never mention it*. Yet it is none the less true. And despite the fact that the recognized authorities seem to be unaware of it, it is as important as it is true.

To reform our property tax by abolishing –or at any rate greatly reducing –the tax on buildings and other man-made capital, and increasing the tax on land values so as to get the necessary revenue, would greatly benefit such a worker. *But how?*

(1) By breaking the log jam holding land speculatively out of use, land value taxation would make building sites cheaper. This alone would inevitably lower the cost of rental housing and would lower, also, the cost of buying or building a home. And it is not necessarily only the lower price of land that makes rental housing cost less. For with the tax on buildings abolished –or greatly reduced –those who buy or build rental housing may for this reason, too, more easily afford to charge lower rentals.

(2) Slum owners will no longer be *punished* by higher taxes if they make their slums less slumlike; and they will no longer be *rewarded* by lower taxes if they allow their slums to become still less habitable. Consequently, fewer of our low income families will be forced to live under the almost intolerable conditions that many of them must now suffer.

(3) Obviously, industrialists are more likely to build, expand and modernize when they are not penalized by higher taxes for doing so. Thus labor is better equipped and can produce more and, therefore, can earn more.

A sharply progressive income tax, with substantial exemptions, may indeed take little or nothing from a worker’s pay check. But it *cannot*, in addition, lower the cost of rental housing, lower the cost of acquiring a home, minimize slums or increase the worker’s productivity –hence, his wages. A land value tax can accomplish all four of these.

Here is a reform consistent with the principles of incentive to which capitalists give at least lip service, and

demonstrably more advantageous to labor than any other tax policy can possibly be. Should not both capital and labor support it enthusiastically?

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1966

The City – Will It Be Revolutionized?

BECAUSE IT WAS “virtually ignored by most daily newspapers,”¹ a significant passage from President Johnson’s recent message on cities, housing and urban redevelopment has certainly escaped the attention of many Americans. The passage reads as follows:

“Few factors have greater impact on cost, on land speculation and on the ability of private enterprise to respond to the public interest, than local and federal tax policies. These, too, must be examined to determine how they can best serve the public interest.”

It is noteworthy that the President recommended “establishment of a Temporary National Commission” for the purpose of studying taxation as it relates to housing. He suggested that the commission “may emerge with ideas and instruments for a revolutionary improvement in the quality of the American city.”

Our contemporary system of real estate taxation, by which land and buildings are taxed at the same rate, punishes with increased taxes any owner who improves his building or buildings. It rewards with lower taxes the owners who allow their buildings to become slum-like, and taxes lightly also the land speculators who hold needed land out of use for years and even for decades. Hence, we have relatively high cost of rental housing, high cost of becoming a homeowner, blighted business districts, slums, urban and suburban sprawl and entirely unnecessary

See, for this and the President’s statements, *Labor* (editorial), March 20, 1965.

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burdening of federal taxpayers for subsidized housing and for slum clearance.

The quoted passages from President Johnson’s message are indeed encouraging in view of what they could mean to the future of America and to the future of private enterprise in a world that has become increasingly communist. Yet to the best of the authors’ knowledge, President Johnson is the first of our presidents² to show awareness of the nature of the problem. If during his administration, a substantial beginning could be made toward the tax reform that is so desperately needed, it would be a greater accomplishment than that of any administration since the abolition of chattel slavery. It would be a greater achievement than anything else he could do, other than, perhaps, ending racial discrimination. And indeed, without this tax reform, Negroes will continue to suffer, probably more than Caucasians, from our present policy.

How are we to account for the fact that, as noted in the March 20 (1965) editorial in *Labor*, this dramatic – and basically most important

– section of the President’s message “was virtually ignored by most daily newspapers?”

² Franklin D. Roosevelt's national commission on urban land policies, of course, recommended the differential taxation of land and buildings but the President did not take up the issue.

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1967

Incentive Taxation in Australia

WHAT WAS THE STATE of building in South Melbourne, Australia, prior to and following the adoption there by vote of the property owners of land value taxation, with buildings and other improvements tax exempt?

In the first six months of 1965, under the newly adopted land value tax system, the value of new building permits was 2.4 times what it had averaged for the four preceding six-month periods. The expenditures for alterations and additions to houses were 2.5 times the average in the four preceding six-month periods. Alterations and improvements on commercial buildings were about 50 per cent greater than the average in the four preceding six-month periods. The total value of new office building construction was 4½ times the previous figure. And the value of construction permits for industrial buildings more than tripled.

“South Melbourne is now showing the stimulated development found with municipalities generally” when they stop taxing buildings and tax community-produced location values only, one observer writes. “The extent of stimulus varies but the general direction is the same.”

Why can't we have this advantage in America? Or can we?

Section 301 of the Housing and Urban Development Act of 1965 directed the Secretary of the Department of Housing and Urban Development to “study the structure of ... (3) Federal, State, and local tax policies with respect to their effect on land and property cost and

¹ *Progress*, Melbourne, Australia, November 1965.

on incentives to build housing and make improvements in existing structures.

Statistical studies in Australia show clearly that in the cities, districts and states where land values are taxed more heavily and improvements are tax exempt, (1) much less land is held speculatively and wastefully out of use, (2) there is much more construction of dwellings and other buildings, (3) a much larger proportion of stores is modern and a smaller proportion is obsolete, and (4) there is a greater proportionate increase of investment in factories and machinery.

To the best of our knowledge and belief there are no correspondingly convincing statistical data pointing to the efficacy of any other tax or tax policy. Today, when the world is already about a third Communist, our political leaders are purportedly desirous of preventing the further spread of Communism. Is it not high time these leaders show awareness of what a land value tax policy can accomplish?

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1968

*Obstacles to Adoption of
Land Value Taxation*

READERS WHO HAVE FOLLOWED the theoretical argument and the impressive factual, including statistical, data on land value taxation frequently ask: "If it is so good, why is the progress of this reform in America so slow?" Perhaps the story of one city – Meadville, Pennsylvania – will shed some light on the matter.

During the fall of 1963, signs appeared that a serious study might be made of this tax policy, with a possible recommendation for action by the City Council. At one meeting in the Chamber of Commerce rooms the subject was discussed. Shortly thereafter, however, it became clear that no serious attention would be given to it until after the Thanksgiving and Christmas holidays. But then on January 9 plans were announced to a group of business and civic leaders for a program entitled "Operation Update Downtown."¹ In this program no reference was made to any encouragement of "updating" by exempting improvements from taxation or even by somewhat reducing the taxes on them. A chief point in the program – one by far more costly than any other part of it and probably much more expensive than all the rest of it together – was subsidization by the city to provide 800 more parking meters. These, it was thought, would aid the downtown merchants in meeting competition of a newly developing shopping plaza. The program was proposed by the City Council and the Meadville Planning and Zoning Commission. This "\$2

¹ John U. Shaffer, 'Merchants Enthusiastic Over Updating Program,' *Meadville Tribune*, Jan. 11, 1964, pp. 1-2.

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million-plus Plan" was to be financed by a \$10 occupation tax and a business privilege tax in order to raise the \$105,000 a year needed.

The business privilege tax was to range up to a maximum of \$100 a year, depending on the volume of business. The occupation tax was expected to yield about \$85,000 a year and the business privilege tax \$25,000. Of the \$110,000 yield per year, then, the occupation tax would provide a little more than 77 per cent! At a special meeting, on January 10, of the board of directors of the Retail Division of the Chamber of Commerce, a motion by Phil Toppo to "give enthusiastic support to the plan" was passed unanimously.

Robert Echnoz warned that "if downtown business goes to pot," presumably for lack of subsidization mostly by an occupation tax of the same amount on the unskilled laborer and the \$20,000 or \$30,000 a year executive, "there will be fewer store clerk jobs." And of course nobody referred to the effect land value taxation has had, where it has been tried, in attracting industry, increasing building construction, and increasing employment.

F. C. Stewart, manager of the Chamber of Commerce, said that an educational program would be necessary. "Council is willing to assume all responsibility. All it asks is help," he said. He added: "Is the downtown worth saving? If it is, we need action now. City Council is ready to move but can't go it alone, needs support.

And the support was quick in coming.

In the same issue the local newspaper defended the plan with enthusiasm.² Two days later the board of directors of the Chamber of Commerce unanimously approved.³ Considerable newspaper space was given, for several days, to publicizing the plan.

A public meeting of the City Council, on January 14, in the Council room at City Hall⁴, showed there was considerable opposition to the plan. The Council room was altogether too small to accommodate all who wanted to attend. Demands arose from the audience that no action be taken until another meeting could be held where there would be adequate room. It is worth noting at this point, however, that at the end of this first meeting, the chairman of the Planning and Zoning Commission expressed privately to the authors his view that the answer needed for Meadville was land value taxation.

² *Ibid.*, "Bold Plan Merits Support" (editorial), Jan. 11, 1964, p. 8.

Ibid., "C of C Board Approves Update Downtown Program," Jan. 15, 1964, p. 16. (Action taken Monday, Jan. 13.)

~ Halver Getchell, "Council Defers Action on 'Update Downtown,'" *Meadville Tribune*, Jan. 15, 1964, pp. 1-2.

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The later meeting was held January 16 in the Junior High School auditorium⁵ with "more than 900 persons" in attendance. Opposition to the plan and especially to the \$10 occupation tax was led by two labor union officials and

by Dr. John B. Henderson, chairman of the Economics Department, Allegheny College, with other faculty members supporting him. Alternate cheering and booing came from an audience that was clearly opposed to the plan. Before the end of the meeting the Council abandoned what they had indicated to the Chamber of Commerce they favored.

Somewhat earlier in this same meeting, however, Mayor William C. Arthur had stated that he planned to appoint a committee to study land value taxation.⁶ Yet at present writing, well over four years later, no committee has been appointed. One cannot but wonder why.

When the proposal for an occupation tax and for a business privilege tax was announced, the directors of the Retail Division of the Chamber of Commerce and the directors of the Chamber of Commerce as a whole approved and supported these taxes. Within a few days of the public announcement, the Council, had it not been for opposition, would have made them mandatory. The local newspaper supported the whole plan. So far as we are aware, no petition has been signed by anyone, urging the plan or requesting that it be financed by these taxes. Yet several months later a councilman, who is apparently interested in and sympathetic toward land value taxation, remarked to one of the authors that the Council might consider land value taxation if it first had presented to it a petition signed by 1,000 citizens, far more citizens (since many in the audience of over 900 were Allegheny College students) than had attended the big meeting of January 16.

Nevertheless the Council – in collaboration with the Planning and Zoning Commission – had been willing to consider, and even to propose, an occupation tax on all employed persons without there being any such petition, though there was, indeed, a special interest group ready and eager to support it.

II

The downtown or “core area” of Meadville is the area where, we are told, a single acre of land cannot be purchased for less than \$100,000, whereas at the Shopping Plaza area where Mason’s, Trask’s,

Halver Getchell, “City Bows to Citizen Opposition,” *Meadville Tribune*, Jan. 17, 1964, pp. 1-2.

⁶*Ibid.*, “Core Area Plan Dropped,” Jan. 17, 1964, p. 2.

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and Super Duper stores have recently located, the price of land may be in the neighborhood of a tenth as much.

If the city were to subsidize parking, as was planned, for the core area where land is already so expensive, land in this area would become still more desirable and rents would go still higher. The gain from such subsidizing would go to landlords. It certainly would not go to the clerks who work in the stores. Nor would it go to labor in general. It would not go to merchants who now pay rent to landlords, for they would be required to pay higher rents. If the subsidized parking did increase the profitability of doing business in the core area, competition for space there would certainly enable the owners of those sites to get more rent from them. The gain would not go to merchants as *merchants* even if they owned the land they are using but would go to them only as *landowners*. And in so far as the taxes to provide the parking were on labor – and the plan called for placing nearly 80 per cent of it on workers – the city would be subsidizing landowners *at the expense of wage earners*. Incidentally, too, the city would be subsidizing downtown landowners who did not provide their own parking, against landowners who did provide it.

It is interesting to note that, or so it appeared, none of the various proponents and supporters of “Operation Update Downtown” so much as suggested that any of the expense should be levied on land values. Yet the recipients of rent from these very valuable downtown sites are deriving their rental incomes because of community-produced advantages. The high location value of this downtown land is due to the growth of a community around and near to it. The owners are able to derive sizable incomes by charging their fellow citizens for permission to work on parts of the earth to which the growth and development of the community, and not any activity of these individual owners, have given special location advantages. The proposed plan was intended to make these advantages even greater and charge the bill mostly to labor!

One reason why large support for land value taxation is difficult to get is that a decided majority of those for whom the reform is most needed have no understanding of what it could do or why. They do not realize that the effects of a tax on land values are directly opposite to the effects of a tax on buildings, machinery, and other capital that men make. They have no understanding of how, or why, they are being continually injured by the speculative holding of land out of use that our present tax policy encourages. Though they will – and we have just illustrated when and where they did – angrily protest against an occupation tax, or wage tax, as an injurious and unfair discrimination against them, they will suffer far

greater injury from our contemporary real estate policy, without protest. Hence, the members of a legislative body such as the U.S. Congress, a state legislature, or a city council, if they take the action that circumstances require, must do so because of understanding and because of conscience rather than because of any significant urging or support from those who need help most.

Still more important, probably, is the fact that slum landlords as well as owners of vacant lots (which they are holding speculatively out of use, to the disadvantage of everybody else) will vociferously protest against any tax policy that makes the maintenance of slums, or the holding of land out of use, unprofitable. Thus a vocal minority whose interests are antagonistic to the interests of the majority and to the economic development of the community as a whole may scare the elected representatives of the community so that they will not do what is demonstrably best for the great majority. Discussing in his recent book, *My People Is the Enemy*, the needs and the suffering of Negroes in the slums of Harlem, New York City, and the difficulty of getting justice for them, William Stringfellow remarks:

“Legislatures in American society today, both local and national, respond not to social and public needs, but to economic and political pressures.”⁷

Thus the fear of a special-interest minority may be so great –as it has recently at least *seemed* to be in Meadville –as to prevent even the appointment of a committee to investigate a policy which such an interested minority opposes.

There is, in any case, no intention to suggest that the political leaders in Meadville are less courageous than those in other Pennsylvania third-class cities. We know of other Pennsylvania third-class cities where it has seemed for a time that steps were likely to be taken in this direction but where, in the end, nothing was done.

Nevertheless, experience where this tax reform has been tried shows that nearly all homeowners find their taxes reduced. And, of course, the speculative holders of vacant land do not. Also, new dwelling construction is decidedly greater and this tends toward lower rents for tenants. Industrial development is promoted and employment opportunities are increased. Blight and slums are less prevalent when owners are not rewarded by reduction of taxes and when attempts to improve slum dwellings are not punished by increased taxes. Likewise, a much larger proportion of the stores are modern and a much smaller proportion are obsolete

My People Is the Enemy, an antol. 'iographical polemic (New York: Holt, Rinehart and Winston, 1964), pp. 7 1-72.

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where land values are more heavily taxed and buildings are tax exempt. It was ridiculously illogical, then, for the Meadville City Council, the Planning and Zoning Commission, the Retail Division of the Chamber of Commerce, and the Chamber of Commerce directors all to publicize and praise and work for “Operation Update Downtown” and completely ignore the fact that the present real estate tax system punishes, by higher taxes, any owner who ventures to do the “updating” of his building that he is being especially asked to do.

In several Australian states the question of whether to adopt a land value tax policy in a city, town, or rural district is decided, not by a council, but by a vote of property owners. Again and again they vote in the affirmative, often overwhelmingly, *e.g.*, by 3½ to 1 and 4 to 1.8 If, in an American city, a considerable number of influential property owners favor this reform and are willing to urge its adoption, they should not find it too difficult to muster some support among citizens whose sole income is wages. And it should not be too difficult to show that a political party which opposes the reform is in fact, whatever its pretenses, an enemy of homeowners and likewise an enemy of labor.

Although we shall not mention here any member of the Meadville City Council by name, we are strongly inclined to the view that several –and it could be most of them –are favorably disposed toward the land value tax policy. This view is based partly on personal conversations with several of the members and partly on comments from friends who are well acquainted with some of the Council. We feel pretty sure that the understanding of the subject by most members of the Council is much above that even of most rather well-educated citizens. Perhaps, therefore, if there were a considerable number of understanding, personally disinterested and dedicated citizens ready and eager to express their support openly, the Council would welcome this support and would take the necessary steps toward implementing a land value tax policy.

⁸*Land & Liberty*, 65 (London, England, August, 1958), p. 136.

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An Attack on Tax Reform in Hawaii

EARLY IN 1967 Hawaii's Department of Taxation called upon Hawaii's Legislature to repeal its tax reform program. Why?

Those interested in tax policy as it affects the cost of housing, the proliferation of slums, the increase of capital and the productivity –hence the wages –of labor will find this story relevant.

Hawaii's tax reform program, adopted in 1963, provided for a reduction, by successive steps, of the tax rate on improvements, and a corresponding increase in the tax rate on land values. It is modeled somewhat on the tax system of Pittsburgh (and Scranton), Pennsylvania, and so is referred to in Hawaii as the "Pittsburgh Law."

However, the Department of Taxation has made a report to the 1967 Hawaiian Legislature "Relating to the Repeal of the Pittsburgh Law." The report contends that many residential properties have higher taxes under the Pittsburgh Law, that "the vast majority of these residential properties thus adversely affected were those with older homes" and that, "usually, older homes are occupied by older persons with relatively fixed incomes."

But usually these older persons do not have the expense of children. The homes of the younger owners who have children need to have more rooms, furniture, household appliances, etc., and so are likely to cost more. Often, therefore, they are mortgaged, sometimes heavily. So why assume that the older home owners are the ones most entitled to have lower taxes?

If we do not tax land values more heavily, all our citizens who must be renters will have to pay higher rents, however poor they are, because the speculative holding of land out of use makes land artificially scarce and

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expensive. So anyone who might build houses in order to rent them will be less inclined to do so unless the rent he can charge his tenants is higher by enough to justify paying the higher price for land that results from the speculative holding of land out of use. Also, anyone who might consider building houses to rent will not forget that he must pay taxes on all the houses he builds and rents. And the cost of buying a home –i.e., of becoming a home owner –is certainly higher because of land speculation. Hence, often, the buyer must borrow –or borrow more –and so be more

heavily mortgaged.

Those who made this report to the Hawaiian legislature were really, though perhaps inadvertently, arguing for a system which makes rents higher for every family, however poor, who must be renters. They were arguing for a system that holds up the cost of becoming a home owner. They were arguing for a system of taxation that breeds slums by rewarding with tax reduction slum owners who permit their tenements to become more slumlike, and by punishing with an increase of taxes any slum owners who improve their tenements. They were arguing for a tax system that contributes to urban and suburban sprawl, and so requires the extending of water mains, sewers, electric light and power lines and telephone wires longer distances and increasing the mileage delivery trucks must travel.

Also, they were arguing for a system that, because it decreases the amount of available land and discourages the inflow and increase of capital, holds down the productivity of labor and the wages of labor.

All of the above evils these “advisors” are willing to have their state suffer, ostensibly because of their belief that carrying out the “Pittsburgh Law” may mean an increase of taxes on some of the older residences which, they contend, are “usually occupied by older persons with relatively fixed incomes.”

But in view of evils that our present local property tax policy inflicts on renters of homes and buyers of homes, on slum dwellers and on wage earners as such, these “advisors” certainly do not have a case for repeal of the “Pittsburgh Law.”

Should there be any cases of exceptional hardship to aged owners from this law, it would be far better to have the state provide special aid to them for the remaining years of their lives, than to maintain forever the evils of the general property tax. And how can we be sure that the main pressure against the “Pittsburgh Law” does not come from slum owners and vacant lot owners who would like to have their unjust privileges defended by pleas that the law they want to repeal is really disadvantageous to the poor!

But if the authors of this report are opposed to the “Pittsburgh Law”

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because they consider it not in accordance with the theory of “taxation according to ability,” why have they for years – even decades – made no complaint about the general property tax? For the general property tax is certainly not levied on the basis of “ability to pay.” For example, assume that Smith and Carter each owns a building lot and building, assessed at \$80,000. Both of them will be taxed the same amount, *e.g.*, 2 per cent or \$1,600. And it does not matter if there is a mortgage of

\$70,000 on Smith’s building and lot, and no mortgage at all on Carter’s. Nor does it matter whether either – or both – is old and feeble. Both will be taxed the same amount. But when have these Hawaiian Department of Taxation advisors made any complaint about this? Presumably they are satisfied with the general property tax unreformed!

Yet when the general property tax is changed in such a way as to be far more favorable to ordinary folks in America – or a state in America – than it ever has been before, these advisors are ready to – and do – denounce it, on the basis that some relatively poor present owners might have to pay a somewhat higher tax than they had paid previously! What these advisors would do away with is far better for the overwhelming majority of common folks, than what these advisors want!

