

LAND-VALUE TAX ADVOCATE FINDS BACKING IN BIBLE

By Stephen Darst

Nothing is more frustrating than an idea whose time never seems to arrive, particularly if you have been advocating that idea, year after year after year.

Noah Alper is an advocate of an idea—land valuation taxation—which has been around for at least four centuries, perhaps since the time of Moses, but has not caught on yet. But Alper is not discouraged—far from it. As the president of the Public Revenue Education Council, a nonprofit, nonpolitical foundation based at 705 Olive St., Alper has worked for the idea for the past 25 years, and his enthusiasm remains strong.

The idea, basically, is this: if you have a lot with an apartment building on it, you are taxed partly on the **land**, partly on the apartment building — the improvement of the **land**. Alper is an advocate of the social theories of Henry George. George, who lived from 1839 to 1897, felt that if there were one tax placed on real estate, and that tax set by the potential value of the **land**, with no tax whatsoever on improvement, many social evils would be eliminated. In particular George thought that slums would disappear.

George thought that his land value tax idea would discourage **land** speculators. If real estate owners were forced to pay high taxes on potentially valuable **land**, they would soon build on the **land** and stop holding it for speculation.

“Henry George formulated this idea in his book Progress and Poverty,” Alper told the St. Louis Review in a recent interview, “but it had been around for a long time before George wrote about it. It was written about and discussed in sixteenth century Italy. Why, you can even go to the Bible, back to the time of Moses and his ideas on redividing the **land** every 50 years.”

Alper’s devotion to the land-value tax is really based as much on religion as it is on economics. “The Bible comments directly and clearly on man’s equal rights to **land**,” Alper says. “Many are familiar with these quotations which, unfortunately, are largely ignored in and out of the pulpit. ‘The heaven, even the heavens, are the Lord’s; but the earth hath He given to the children of men’—Psalms. ‘The **land** shall not be sold forever, for the **land** is Mine, for ye are strangers and sojourners with me’ -- Leviticus. ‘We are many; the **land** is given us for inheritance’—Ezekiel. ‘The profits of the earth is for all’—Ecclesiastes.”

Alper does not see these as vague principles but as precise moral statutes, to be obeyed to the letter. “Morally and legally one man has as much right to the use of the natural gift of **land** as another,” he says. “Since access to **land** in some form is essential to everyone’s existence, to say that some men have the right to use **land** while others do not is the same as saying that some men have a right to exist while others have no such right. The very concept of the brotherhood of man, economically and morally, rests on an equal right to exist, and therefore on an equalized right to God’s material gift of the universe.”

Is Alper a lone voice? Does he have good reasons to believe as he does? Who agrees with his view of real estate taxation? It could be argued that he places too much emphasis on the land-value tax and has hopes for a better **land**, once the

real estate tax laws are changed, which are too optimistic. But he does have allies. There are reputable economists who agree with Alper's (or Henry George's or Moses's) contention that taxation should be placed upon **land** and not upon improvements. One who agrees with this is Professor Richard Netzer, dean of the Graduate School of Public Administration of New York University. Professor Netzer wrote a book entitled *The Economics of the Property Tax*, published by the Brookings Institute. In it Netzer states:

"The present property tax, with its weight on improvements, tends to discourage investment in new construction and rehabilitation. In contrast, a change to the site-value tax will encourage building and rehabilitation. Heavy taxation of **land** values would increase substantially the holding costs of **land** and thus encourage its more intensive use."

The effects of this, Professor Netzer told the Review, would be beneficial in every way. While such a change in taxation "would not pave the streets with gold, and I think Mr. Alper is a little optimistic about what it would accomplish and how fast, nevertheless it would have every advantage over the present system of taxation."

One difficulty with making changes in the real estate tax structure, he said, is that no matter what the predictions are for benefits under a new tax structure, "there are tremendous vested interests in the tax structure that now stands. These vested interests are not about to see change come without a fight." Another difficulty, he said, is with people who actually would benefit from change but might be afraid of change. These might include middle-class home-owners whose taxes under a land-value system would be reduced but who "would rather live with the devil they know than fly to a devil they know not of," Netzer said.

Land-value taxation is not unknown, though, and it has been tried in several places, with, Noah Alper and other experts claim, great success. At present it is in effect in Denmark, New Zealand, and Australia. In the United States it has been tried in Pennsylvania. When the Pennsylvania legislature passed a state statute permitting cities to institute the system, Pittsburgh put it into effect. Noah Alper claims that it has worked well in Pittsburgh; others say that it has made little difference. "The effect in Pittsburgh has been muted," Netzer said, "because improvements are now taxed at only half the usual rate. Also the **land** value tax only applies to the municipal portion of the tax—not to the part that goes for schools and other things. You can't really tell what effect it's had."

On the other hand there is the experience of New York City, immediately after World War I. At that time legislation was passed exempting improvements from taxation in New York and during the 11-year period following the end of the World War there were 282,000 housing units built in the city; Because of the New York experience other cities across the country tried the approach of abating tax on improvements as a way to spur building booms

Redevelopment abatement laws were passed in many states (Missouri among them) aimed at stimulating building in run-down areas by granting tax abatements for a number of years for the redeveloper who bought the **land** and made improvements. But even this, some say, has only part of the desirable effect which is aimed at.

According to Roger Starr, executive director of the Citizens Housing and Planning Council of New York: "We must recognize that granting tax exemption or abatement on one set of buildings merely shifts the burden to other properties, thus adding to their upkeep, discouraging their renewal, or forcing their

occupants to leave town. No one knows how far any city can go in continuing to erode its tax base — and that's what tax exemption does.”

In recent years the idea that Noah Alper has worked for these last 25 years has begun to gain some backing from men who are more than just theorists in the field of public tax policy. In 1966 the Missouri Joint Senate and House State Tax Study Commission heard testimony from experts on ways that the state tax system could be changed to advantage. One of the speakers was the Comptroller (and former Assessor) of the City of St. Louis, John H. Poelker. Poelker urged the commission to study ways a “more specific and definitive base of assessment could be developed. “It would be desirable to establish separate formulae for assessment of **land** and the improvements thereto,” Poelker said.

“Some of the problems encountered in recent years in sound development of urban areas are the result of actions of **land** speculators who retarded the orderly expansion by withholding desirable development tracts from the market and thereby reaped the advantage of both public and private area development costs which increased the **land** values without any contribution on the part of the **land** speculator. With this in mind and recognizing the age-old theory of the ‘economic wealth and production from **land**’ I recommend a separate formula for **land** assessment as distinguished from improvement assessment. It would seem to justify legislation to assess all **land** at 100 per cent of its true productive-economic value within an assessment formula and to assess improvements at 25 per cent of its depreciated reproduction costs. This approach would incite more fruitful planned use of **land** and would encourage the development and improvement thereon.”

Whether or not the Pittsburgh Plan is recognized in Pittsburgh as successful, it is imitated in other areas, Alper said — the State of Hawaii just adopted something that they refer to as the “Pittsburgh Plan”, although, according to Alper, it goes even further than Pittsburgh did in getting away from the tax on improvements. “No matter what you call it, the basic idea is the same — that the **land** be used for public purposes so that everyone gets the benefit of it,” Alper said. “But this is not the nationalization of the **land** and it is not the state owning the **land**. I just believe that every baby born is entitled to the **land**. The Bible is full of quotations like ‘the **land** shall not be sold forever. And I agree with these. I am Jewish, reformed Jewish, and I believe in the Bible. I think it is ridiculous that 200 years after Adam Smith we still have real estate taxation in the mess it's in. I think a better day is coming.”