

MAY 1977

Ye Ed, The Gargoyle:

May I express my appreciation of Howard Thomson's scholarly March exposition of the influence of increasing the tax on land values. Yet it is less specific as to the financial beneficiaries of concurrently shifting taxes off of improvement values, regarding which it says only that "tax relief on such real wealth is beneficial to everyone." Granted that this would be a social boon, what reason do we have to think that this financial advantage will not, like all other such boons, be absorbed into land values?

To isolate the principle involved, let us conceive a fully built up "dormitory suburb" of houses in which tax appraisal is perfect, in which a history of resident pressure has not permitted any zoning other than for houses, and in which all the lots happen to be fully improved in a ratio of some fixed multiple of the value of the land. In our entirely imaginary town, let taxes be shifted so that in place of falling equally on building and land values, they fall only on land values.

So what? In our deliberately artificial town, everybody pays the same taxes he paid yesterday; his building value taxes have gone down in exactly the same amount that his land value taxes have gone up. Who would know that anything has happened?

But suppose that, two weeks later, someone's house catches fire one night and the fire truck is late getting to the location. The house burns to the ground. The owners lose not only their house but their lives as well, and their heirs, who live far away, decide to sell the now unimproved lot. Granted, the heirs will want to move promptly because the taxes will soon be due, building or no building. But

buyers are standing in line to buy this lot and rebuild immediately in this forward-looking community. The only question is, what is the land worth?

Well, it is less desirable because land values are more highly taxed; but it is in an equal degree more desirable because if that same house is rebuilt, its value will not be taxed at all. The government services which are provided continue unaltered. The tax change in this single town will have a negligible effect on the margin of production. We might well say that the land will sell for exactly the same price for which it sold before the shift to land value taxation, the advantages it offers being unchanged.

But we would be mistaken. It will not sell for a smaller amount. It will not merely sell for the same amount for which it sold before the tax change. It will now sell for MORE. The reason the new buyers are standing in line to buy it is that they can now build a yet nicer house than the one that burned, without having their own fingers burned by a higher property tax. Land values have perceptibly risen because of the tax change.

The benefit of Land Value Taxation to a community is not that something has been extracted from the pockets of landholders and erased or put into the pockets of someone else. The benefit is that, as Mr. Thomson says, production is expedited; we bring about more jobs, more wages, more well located housing and factories, a reduction in the violent crime associated with unemployment, all the other advantages which come with what we commonly call "good times". Land values themselves, whether wanted or not, will march on not only unabated by shifting local taxes off the values of other things and

onto land values, but actually rising. Speculative land values will have fallen, but real land values will have risen.

Did Pittsburg land values collapse with the change to the Pittsburg Graded Tax Plan, even in the face of a later increased total tax bite? No. Why should they? The lower tax on improvements value was a bullish influence on land values generally, an influence only partially held in check by the higher tax on land values. In insisting on anything else, we may be not merely mistaken, but our own worst enemies. We have not yet called to our aid our greatest potential ally, the landed opposition. The question deserves considerably more thought and discussion than it has yet received.

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