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LAND VALUE TAXATION: PRO

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Dr. Harriss, who is Professor of Economics at Columbia University and serves as a tax consultant for the Tax Foundation, is an advocate of land value taxation. He also addressed one of the Conference's General Sessions on "An Economist Looks at the Property Tax" (see page 12).

Three clearly distinguishable, albeit related, prospects attract me to proposals for substantially greater reliance on land as a tax base—justice, progress, and efficiency.

(1) *Justice in Sharing Costs of Government.* My first course in economics taught that much of what people pay for the use of land ("the original and indestructible" qualities) will reflect *socially* created demand. Much of the cost is *not* a payment to bring land into existence. The community can capture in taxes some of the values which it as society has created—including values resulting from local government spending on streets, schools, and other facilities. In this "most just" manner the community can get funds to pay for local government.

(2) *Progress.* Relief of taxes on structures would result from the enlarged revenue from land. In many cities the tax on buildings has become so high as to exert a worse than bad effect on replacement of old structures with new and the attraction of investment capital for new buildings.

(3) *Efficiency in Land Use.* Higher land taxes would put greater pressure for the fuller and better use of (urban) land. A more active and efficient market in land would facilitate more productive use of this immensely important resource.

In combination do not these make up a total which must command respect? I think so.

Proposals and Results

Today my proposals differ somewhat from those of a "package" a year ago. Another year's work might see more change in my assessment of priorities among possibilities and of feasibilities. One purpose of sessions like this is to distinguish good from bad, discover points overlooked, and modify (improve) accordingly.

The big element, of course, would be to make land (the use of land by an owner or a renter) the base for much more of the property tax than it is today while the use (by owner or renter) of improvements would occasion much less tax. The relation of land to buildings as sources of tax might be 3 to 1 or 4 to 1.[1]

Greater use of special assessments would also be wise although absence of deductibility for income tax purposes exerts a bias against them. A somewhat new form of tax on (urban) land might well appear. It would use such objective elements as plot area (size) and location to determine tax due. One result would be to reduce the weight placed on value alone. Another would be to relate tax more to the cost of providing certain services—streets, sewers, sanitation, fire protection—especially those at different distances from centers.

Increment taxes on land values, even those limited types known (in the United Kingdom and South Africa) as development levies or charges, offer less real promise than once seemed to me likely. Yet an annual tax on capital values will differentiate burdens over a period of years according to changes in value if assessments are accurate.

A paper in which I undertook this spring to examine problems of *transition* to site value taxation was 50 pages long when I had to end. Time, not despair, stopped me from going on. There would, of course, be difficulties. Results not adequately foreseen are to be

[1] The actual tax rates would differ by more because the tax increase would in itself depress land values and thus require a higher rate to yield any particular amount of revenue. Personal property, public utilities where now taxed on other than an *ad valorem* basis, and other special forms would each need examination in the context of the conditions of the state and locality. Moreover, the relative rôles of state and local governments in reliance upon, and administration of, property tax can certainly stand re-examination; but such issues are beyond the scope of this paper.

expected. Allowance must be made for surprises, in nature or kind and in degree. No one can expect to identify in advance all of the consequences, welcome and disappointing, of a major modification of a major tax having major and direct bearing on a major industry and a major element of the economy.

Federal income tax changes, if in the general nature of those passed by the House in the Tax Reform Act of 1969, would substantially affect the real estate and construction industries. Property tax considerations would grow in relative importance because income tax features would lose some of their influence. Therefore, the influence of a shift to site value taxation would be greater if the income tax were to lose elements "sheltering" investors in real estate.

How can any responsible American economist today support a large increase in the rate of any big tax? The total tax on real property would not rise, but one element would. What would happen?

ECONOMIC FUNCTIONS OF PRICE

A high tax which is in force for long will do one thing: reduce the quantity of that thing—with one exception, a high tax on land. God made land (in its natural state). He made lots of it and has not charged us for it. Land, for the most part, especially as space, has not come into existence because someone paid to get it produced. Yet for some land we do pay a very high price, for other land almost nothing. When we pay a generous price, the Creator does not get it. Perhaps the persons who do get the payment, and prior owners through history, have invested money and effort in the land and in the neighborhood. Where such is the case, something of what present users pay will represent compensation for such investment of capital. Most urban land, however, brings prices which are vastly greater than the worth of inputs of owners (including what they have paid in land tax for local development, as distinguished from maintenance and current services).

The amount paid now, whether capital value or annual rental, greatly exceeds, to say the least, the amount needed to get the land in its present state. What city today has more land (within the same boundaries) because the average price which people must now pay is three or four or more times that of a generation ago? If more of the payments for land, beginning before or with Henry

George or a generation ago, had been channeled into the local government treasury, the land as space would still be with us. For land—but nothing else—price does not determine the amount to be produced.

Price, however, does have an economic function other than getting things produced, one very important for land. That other function consists of guiding the use, of preventing waste in consumption, of allocating the utilization of resources according to their relative productivities and scarcities. A "high" price (or the equivalent in rental) for some land is essential for directing land into the best available use. Higher prices for some plots than for others must prevail if space on the earth's surface is to be used efficiently.

Let me repeat for emphasis: A good market in land, one built around prices, is of the utmost importance in getting the most productive use of something we must all have, space.

What we pay out as more for some plots than for others, however, play a rôle different from that of differences in other prices. For other things, "higher" price does more than restrict use—guiding, allocating, apportioning. Price also encourages and pays for more or less new output. Not so for land. The user must pay, but the owner need not receive all paid, to assure efficient allocation. Therefore, government can step in and take quite a chunk of what the user pays, with no harm to the supply (output) nor to the pressures and incentives for efficiency in use. But not take all, not by any means. An owner must feel confidence that his cunning and effort in finding a use yielding more return will bring *him* benefit.[2]

By imposing the land tax here urged, government would make a change in the conditions of land ownership. The total yield of land, the gross income collected from users, would not change. Private owners would get less.[3] The public treasury would get more.

[2] Moreover, as a practical matter, ample room should be left for rewarding investment in land and the development of location. Assessment will not always be able to separate out such elements of value.

[3] The "con" argument challenges the propriety of destroying rights in private property in land. Giving "windfalls" to owners of fine buildings may also be criticized; the tax reduction would do so. My "pro" statement should perhaps have dealt with the very real issues. For most owners, the net change would be slight. The other cases unquestionably justify concern. The analysis would be much more complex than appears on the surface. Federal income tax considerations, the length of prior discussion and "notice,"

The price system would still allocate land use.

More Investment in New Structures

A reduction of half to two-thirds in the tax rate on buildings would reduce the numerous and substantial ill effects of the present tax.[4] The 25 to 35 percent sale tax equivalent for housing would drop, if not to the four or five percent so now often imposed on most consumer goods, at any rate much nearer that level. The tax relief for junky, slummy, obsolete buildings would be slight; where assessments are truly accurate, no reduction at all would result for properties with structures which are seriously inappropriate. For fine, new buildings, the tax reduction could be large in relation to return on investment. For a time the owner (or, depending upon rental contracts, the user) would enjoy a windfall of higher after-tax income. Market forces, however, would respond to alter matters. How? By supplying more buildings, new and better ones.

Lowering for the years ahead the tax on (new) buildings as an operating expense will increase the attractiveness of such investment. The competitive position of building in the demand for capital funds will rise.[5] An important result ought to be some rise in demand for land, a partial offset to the forces adversely affecting land prices.

Every decision involving the construction, modernization, improvement, or demolition of buildings must be weighed against the tax results. The greater the tax on structures, the fewer the num-

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the effect of rising demand due to an increase in building, the nature of the outstanding lease and rental agreements, and other elements, all bear upon the problem.

[4]My address entitled "An Economist Looks at Property Taxation" (page 12) deals with some of these results. See also: Harriss, C. Lowell, *Property Taxation: Economic Aspects*, Govt. Finance Brief, No. 13. (New York: Tax Foundation, Inc., 1968).

[5]The first communities to shift to site value taxation would have an impressive advantage over those coming later. As more and more localities offer the better attractions, less capital would be potentially available, on the average, to each. Compared with the present, all would be in better position but not so strikingly as for those leading the parade. No one, so far as I know, will be confident whether the supply of new saving out of income, especially saving for investment in real estate, will rise appreciably in response to higher after-tax yields. The United States would become somewhat more attractive compared with other countries in competing for capital in world markets. More of our savings would stay here, and more capital accumulated overseas would seek investment here.

ber of investment projects—and the smaller the number of dollars on the average put into each—which will yield a satisfactory after-tax return. Lowering the tax rate would raise the legitimate expectations of benefitting from more investment (in quantity and average quality) in housing and other types of buildings. An annual tax of one percent on capital value must be quite a different thing from one of over three percent.

Market processes will work to replace the old buildings with new because the cost of using the new (as compared with old) will not include the large element for government expense now required by the property tax. The owner (or tenant) using the building will get more in benefits of occupancy for his dollar. The mighty forces of private enterprise—large in some cases, small in others, decentralized, partially obscure, dispersed—will work with fewer impediments in channeling capital funds into new buildings.[6]

In detail, the results cannot be predicted—which building, where, of what type. In general, however, the consequences can be foreseen with much confidence. Five, ten and thirty years from initiation of the change the stock of capital in structures would be larger than if the present system were to continue.

Slums—the legacy of generations (including two world wars, a great depression, and lesser troubles)—would not all be replaced by modern structures before the next election, to confirm all highly optimistic "promises." But the process of replacement would be accelerated. Let me assure you that I see, with discouraging clarity, obstacles to rapid and massive rebuilding of older cities and the construction of new.[7] All the more reason, therefore, to reduce the present property tax obstacles!

Modernization and maintenance of existing buildings would become somewhat more attractive as a use of capital. As a result the average quality of the community's stock of buildings would improve (as well as because of greater investment in new buildings).

[6]Empirical evidence, it is said, provides little concrete support for the conclusion reached deductively here. The whole history of enterprise economy testifies to the effectiveness of profit incentives. The fact that Pittsburgh was a long time in rebuilding what has become The Golden Triangle does not prove that a big property tax differential has no great influence. Pittsburgh's tax rate differentials were never more than a modest fraction of those envisaged in my plan. For more discussion of the economic forces governing the flow of capital see Harriss, C. Lowell, *The American Economy*, 6th ed. (Homewood, Ill.: Irwin: 1968).

[7]My paper in a forthcoming volume in the TRED (Taxation, Resources, and Economic Development) series will deal with some of the problems.

Such benefits might be so mixed with other conditions that tracing and identifying cause and effect relations would be impossible. Yet logic points clearly to this general result.

Users—owner-occupants or renters—would get better accommodations per dollar of cost. Less of what they would pay for the use of the building would go to support government; much more of the payment for the use of land, however, would finance governmental services. Each dollar spent for the use of a building would buy better quality, larger quantity, or some combination. The construction of somewhat larger units would permit society to benefit from the "law of the cube," getting more usable space per unit of labor and material input.

Indirect Easing of Financing

A tax increase on land reduces its price but *not,* we assume, the total costs of ownership. Let us look at an interesting aspect which, on balance, would be productive of favorable results.[8] A purchaser will pay less in price after land tax has been raised. But he will then pay more each year as tax.

In a meaningful sense, as indicated earlier, government has changed the conditions of land ownership. From one point of view, it might seem, the position of the new buyer will not really be any different—less interest but more tax to pay each year. In another respect, however, the position of some (potential) buyers will be different, and better.

The change favors the person with less capital. It does so without burdening or making things harder for the person more amply supplied with funds.[9] Because price is lower a buyer can

[8] See Shultz, W. J., and Harriss, C. Lowell, *American Public Finance,* 8th ed. (Englewood Cliffs, N.J.: Prentice-Hall: 1965). A drop in land prices will impair the security of outstanding loans where the favorable effects of lower taxes on buildings are not offsetting. This result is one requiring more detailed study and perhaps special precautionary arrangements. A plan for gradual shift of taxation from buildings to land—perhaps over five years—would have to be taken into account in new loan financing contracts. If the change were also to involve greater reliance upon taxes related to elements other than value, the analysis would have to be modified accordingly, taking account of the other bases such as plot size or location.

[9] One possibility of the transition must be noted. When at the start the land tax rises considerably, the owner of land who expects to use it as collateral for borrowing to finance new construction will be in a poorer position.

acquire land with a smaller outlay; he needs less of his own resources. His financing problem will be easier in the sense that less borrowing is required, less in absolute amount for any plot of land. More buyers, especially those with below average capital and access to borrowing, will have a chance to acquire land. The annual charges for interest plus loan amortization will be less. Carrying costs fixed by contract will be less. But the owner will have to pay more to government out of each year's gross yield, the amount being subject to change according to assessments and tax rates.

Individuals or real estate enterprises, such as builders of apartment houses, who are "short" of capital relative to opportunities for good use of funds for buildings will find conditions of financing easier. Builders will be able to proceed more rapidly, not only because the prospective net return from investment in new buildings will benefit from the decline in tax but also because land cost will absorb less of the available capital, including borrowing power. More people will be effectively in the market for supplying buildings.

Element of Justice: Socially Created Values

Raising taxes on the existing capital value of land would generally work against present owners of land. Building values, however, would tend to rise with the drop in tax rate on improvements. Many landowners have unrealized capital gain accrued since the land was purchased, but some legitimate expectations for which owners had sacrificed other alternatives would be destroyed. Nevertheless, for the great majority of cases in the short run, much of the effect on land prices would be offset by higher building values. The "average" owner's position would not change by enough to warrant concern in a world with constant change.

For owners of land having little in the way of improvements (little in value though perhaps quite a bit of space in an obsolete building), losses (from present values) would sometimes be more than nominal.[10] Yet some owners of *vacant* land might come off surprisingly well because they would be in a position to take quick advantage of the new conditions and build (tall) structures

[10] As compared with purchase price, the loss would be less in most cases (when the market has been rising), depending upon a variety of factors.

to make intensive use of land. Where losses do result, the justice of such change would be anything but obvious and to most ways of thinking probably not easily defended. It can properly be argued, however, that society owes nothing to the owner who has kept land out of use (or much below its potential). Withholding of a resource scarcely seems to justify compensation. Still, changing the "rules of the game," must not be done without regard for implied as well as explicit commitments.

For the immediate transition let us assume that some adjustment will ease the more extreme cases. Chief emphasis will be prospective, on future value increases. In a society with large population increase and rising income, land prices seem certain to go up over time (even without general inflation).

Morever, as a matter of permanent policy, investments by owner (or tenant) in improving land ought to be treated as inputs of capital. To the extent practicable, such inputs deserve the same tax consideration as investment in structures. Certainly, public policy ought not to discourage real investment in clearing, draining, landscaping, and other forms involving land as compared with buildings or machinery.

Over the longer run, present and future landowners would get less of the increment in land values. The general public would get more. On this score, the equity results commend themselves strongly indeed. Socially created values would go for governmental rather than private uses—and locally. The absorption of increments for local, rather than state or national, governmental use would relate financing to a benefit basis geographically. The localities doing most to make themselves attractive would have most of this revenue source. In major cities $10,000 to $15,000 of governmental outlay is often needed for each new dwelling unit—schools, streets, and facilities for fire and police, sanitation and health, parks and prisons. Under present arrangements much of the benefit from such outlays accrues to the owner of land; his payment toward the cost will generally be only a modest portion of the total.

As regards the future, the tax on land values above present levels is almost no burden, except as owners of land and their heirs get less "unearned increment" from rising values. Where land values drop, the tax would decline. Then, because the tax rate is higher, assuming good assessment, local government would share more fully than now in the loss of worth. The proposal is not a one way affair.

Future taxpayers will be no worse off for the heavy tax they pay on land because the purchase price of land will be correspondingly less. The landowners (and their heirs) who would have received the (unearned) increments will be worse off. But even this latter sort of burden, a disappointment, can be largely eliminated. How? By building a society in which such expectations get no support.[11]

No complete and precise ending of private title to increases in land values should be attempted. It could not be achieved without destroying the potential benefits from owner search for the best use of land; as noted in discussing the role of land prices, the prospect of gain serves a constructive social purpose. Going too far would work damage for which no more or less automatic remedy would be available within the framework proposed. One such result, under-utilization and misallocation of land, would involve clearly undesirable social costs.

More of the rise in land values due to (1) governmental investment in community facilities, and (2) the general rise in demand resulting from the growth of population and income, would go to pay for the costs of local government. Such a tax on a pure economic surplus seems to me about as fair and as equitable as any imaginable source of funds for financing local government. The National (Douglas) Commission on Urban Problems estimated that in the ten years to 1966 land prices rose by over $5,000 per American family—over $250 billion. Not even a large fraction of this amount would need to have been used for local government to have permitted quite a reduction of burden on buildings.

Finally, among the points bearing upon fairness, I should like to quote from an unpublished manuscript by Mason Gaffney: "...unearned enrichment discredits wealth and property. Instead of being a mark of distinction, a symbol of productivity and service, [such unearned] wealth symbolizes predation, dependency, and corruption. Unearned wealth makes hypocrisy and a mockery of efforts to legitimize property and rationalize capitalism. Parasitic wealth stigmatizes all wealth. The latent sense of civic community and polity, now so frustrated in American cities, is lost

[11] Land prices now include some element of expectation of future increases. My proposal, by destroying such hopes, no matter how small, would impose some "unearned decrement" on present owners. How large? I have no way of knowing.

between the avarice of some and the disgust of others. Not to tax rent, therefore, is to alienate those outside a small circle, and lose a valuable resource of community spirit."

"Highest and Best" Use of Land

The necessity of paying tax, in cash, at "high" rates, on full current market value will exert stronger pressure on the owner than at present to get the best income possible. Heavier tax will sometimes force owners to make more effective use of land. The "speculator" will face new conditions. These will generally increase the inducements to put land—space—to a use more nearly up to that which market demand suggests as most productive. Today, as in our past, keeping urban and suburban land idle or nearly so while waiting for the price to go up may cost rather little. If, as seems to be the case, the assessor "cooperates" by assigning lower figures (relative to full value) than for developed property, the public official works against the public interest. He probably does so without realizing the deeper implications of the under-assessment. Users of other land must pay more when under-assessment of some land helps to keep it under-utilized.

Where land is held out of the "highest and best" potential use for whatever reason—ignorance, lethargy, or desire for future capital gain from community growth and development—a heavy tax payable in cash will add inducement to find and adopt a type of use which will bring more income, now rather than later.[12]

Keeping land idle, vacant, or substantially under-utilized will become more costly. At present an owner can keep a resource created by nature (plus governmental outlays for community facilities) from being used, or used to best advantage. The higher land tax would reduce such possibilities. The economics of slum

[12] Federal income tax considerations complicate any *general* analysis such as this or an analysis made for any *particular* piece of land. Such tax factors differ from one case to another, depending in part upon whether ownership is by an individual, corporation, or nonprofit organization; the owner's other income and deductions; capital gains and the possibility of avoiding tax by holding till death; and so on. I shy away from using the term "highest and best" because it implies a degree of knowledge which is more nearly one we would like to have than the one we do have about *best* potential use. Possible ambiguities need not concern us here, I think, if we use "higher" rather than "highest" and "better" instead of "best."

properties and seriously deteriorated structures—and generally, the economic aspects of the use of land in run down areas of cities—would need re-examination.

With reduction of the tax on buildings, especially new ones, conditions for putting land to better use would improve. Both the "negative" aspect of higher land tax and the "positive" element of lower burdens on new buildings would aid replacement.[13] Over the long run one effect of lower taxes on improvements would be to encourage earlier replacement. Economically it would become feasible and profitable to demolish buildings at a younger age.

"But," it may be asked, "does not the owner now have ample incentive to put his property to best use?" No—and for more than one reason. History has enough examples of success in cases of speculative withholding to lend substance to hopes for more in the future. A substandard building, as noted earlier, will in fact sometimes reduce the tax on the land as such and thus also the cost of delay in putting the area to more productive use. Furthermore, cost in the form of a foregone alternative, income which might be obtained, does not have the impelling force of a requirement to make a larger cash outlay, to write a bigger check for land tax, now.[14]

One man's use of land has "spillover" effects on neighbors. Better use, including forms which involve more capital in good

[13] Pressures on the assessor to put a positive value on almost every building which has some substance could be resisted more easily when the land alone has more value than the land plus the structure. The assessor would be freer to avoid the endorsement of distorting valuations where in fact the structure has negative or slight worth. Today's property taxation may in fact help keep submarginal buildings in use when full economic accounting would not justify their retention as against an alternative of a better structure using the same land.

[14] Is it fair, is it consistent with the principles of free enterprise capitalism, to exert such pressure on the owner of property? Whatever one may feel about government pressures on property use in general, land does differ in vital respects. For one thing, the owner did not create the land. His moral claim to any reward (net after tax) for just owning the land he did nothing to bring into existence seems to me less than impressive. (The portion of value attributable to the investment of the owner and maintained by him should to the extent feasible be taxed as improvement, not land.) Decisions about land use will affect not only the owner and any tenants he may have. The decisions also affect people around and those who may have to "leap-frog" and use more of their lives travelling farther for each day's work if he keeps the land at a use which is below optimum for the community. The individual landowner's "right" to impose higher costs upon others can hardly be large.

buildings, will spread benefits beyond the specific parcel. Cumulative benefits extend broadly and build upon themselves. True, congestion can detract from desirability. No one way magic can be expected from this or other modification of a social institution. But much good will appear in the neighborhood effects.

Speculation is not by any means to be condemned out of hand. It can be socially constructive as risk taking of a pioneering type. Sometimes withholding land from an apparently "better" use may be a form of "private conservation" (of green and open space), bringing benefits to neighbors. The objective I urge in this connection is to make all the costs and all the benefits—the full social costs and benefits—open and effective.[15]

The market in land would tend to be more active with more units available for sale. Both the assembly of larger units and the efficient subdivision and use of parcels of various sizes would, I think, be accomplished more readily. Along with the easing of financing noted above, the market would improve. In a dynamic society, one with endless forces of flux and change, public welfare will be served more effectively the greater the freedom to change land use, adapting and responding to conditions around.

What Patterns of Use of Land

The change in any area would depend upon the prior amount of "speculative" under-use, the change in tax rates, consumer desire, and other factors which will differ from one place to another.

Heavier taxation of land coupled with lower taxes on improvements would set up forces reducing what is so aptly called "urban sprawl." The effective supply of land, the amount in fact usable, would rise, especially in areas with high land values (as contrasted with places farther out). New possibilities of, and incentives for, compactness would appear over an urban area. The new tax relations would weaken the power of some landowners to "force" people in a growing community to settle farther out than otherwise.

More intensive, more solid, use of the central areas of cities, of "close in" rather than "farther out" sections, would result.

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[15] Good zoning and planning are always important. The speeding of urban change expected from the reduction of tax on buildings and increasing the tax on land would add to the need for modern and up-to-date planning.

Why? Because costs and benefits associated with land would be closer to market values and tax liabilities. Social accounting would be more nearly accurate. Keeping largely idle some parcels of land more or less "close in" would be not only uneconomic for the owner but more obviously so. Under-utilization and misuse of urban land imposes burdens which are real and unfortunate even though often dispersed and undramatic.

The filling in of idle spots would be accompanied by more vertical development. Building higher would increase somewhat with the drop in the tax cost of occupying structures. In other words horizontal expansion away from centers would be somewhat less attractive compared with more intensive land use. The changes in intensity of use would result from more adequate recognition of all costs and alternatives, individual and community. More capital would be economical per plot of land because of the decline in the tax element in the cost of using capital in structures.[16]

Real economies would result from more compact building of urban areas. Considerable saving in transportation would result—the hours each week spent in travel time, to say nothing of the cost of vehicles and roadways required for the shorter rather than the longer trips to and from work. Persons wishing to live with the suburban green of yards around a single family house would not be subjected to greater obstacles (except as relative under-assessment of land would disappear).

One difference would be the greater ease for those wishing to get more housing (the structure and its use) for their dollar. The difference between more and less distance from job, and from anything else they wish to use in the center of the city, would have both positive and negative appeal, depending upon family preferences.

Certain real economies of compactness ought to be noted. Ex-

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[16] The implication here that "up" may sometimes be preferable to "out" for living and working may seem the antithesis of the American dream. Some families will prefer "out," but the costs of alternatives, including the effects on others, must be realistic. Dreams cannot always become realities—certainly not in housing, especially not until for travel we can rely on a magic carpet moving at high speed and needing no parking space. Apartment life may not be ideal; neither is the life of the single family in a house in the suburbs. Apartment life will be with us permanently; the relevant issue for present purposes is to get it, along with other aspects of life, to be as good as possible. Easing the availability of both capital and land must certainly be an impressive method of encouraging use which conforms more closely with relative costs of local government services.

tension of streets, sewers, utility, and other facilities will generally involve rising costs per unit of service provided as the distance reaches out. Compactness reduces the need for extension of pipes and other capital facilities whose cost per unit of eventual service rises with distance. Reduction of the amount of moving "out" also means fuller utilization of any existing set of capital facilities.

The public as a whole need devote less capital per family to provide a given quantity of streets, utility, and other facilities when the area covered is X rather than 2X. I doubt that anyone now knows how much capital might be saved in a decade or a generation by a pattern of land use resulting from high tax on land values. But the total capital saving in itself ought to be great enough to constitute a significant reinforcement of other reasons for relying more heavily on land taxes.

Easier Administration

Assessing the land of a community, according to most students of the problem, requires less time and presents fewer difficulties per parcel than assessing both land and buildings. A tax on site value alone, its supporters believe, would be easier to implement than a tax on both land and buildings. Then, detailed studies of only a sample of properties would provide a reliable basis for valuing the land of the neighborhood.

Freeing the assessment process from the need to value most buildings would make more time available for doing the other parts of the job, especially valuing land, and doing it more nearly as the professional assessor's "instinct of workmanship" leads him to hope for. But if under the reform some tax remains on structures, as seems to me inevitable, the net reduction in demands on assessing might be no larger than "modest." A tax rate on land which is higher than that on structures would in itself often require that more attention be placed on separating the elements of value.

However, the use of objective elements instead of value as the base for some tax could simplify administration, for a given amount of revenue. If land area, distance from some base point, and perhaps such factors as number of square or cubic feet in a building were used as the base for tax—conceivably related to specific services of local government—then, after the system had once been established, considerable revenue could be collected with only modest effort for administration and compliance (per dollar of revenue).

A reason for urgency in shifting to much greater emphasis on land as the tax base stems from a feeling that public concern now with urban problems will lead to programs of special aid for cities. Some of the aids will be outright subsidies, some may be special tax concessions. Whatever the form, one prospect must be recognized: programs of urban aid which direct funds into particular areas will tend to raise land prices there. Will not much of the intended benefit then be incorporated into gains for landowners? Experience indicates a "yes" answer. Let us be alerted.

America's expensive farm programs have seen subsidies capitalized into higher land prices to the benefit of owners of land at the time the plans became effective. Future users of farm land must pay more and to this extent get no benefit from the subsidy. The same sort of thing must be expected in urban aid unless special precautions are taken. Economic analysis and experience teach a lesson of immense value: Future residents and other users will get less advantage from urban subsidies and aids than is intended to the extent that land prices absorb the worth of special aid. And one project's success will add to the cost of others in the neighborhood by raising nearby property values.

The property tax is not an ideal instrument for dealing with this general problem. (I know of none.) But the change endorsed here, to rely much more heavily upon taxes on land and less on taxes on structures, could provide considerable protection. Much of the worth of the rise in the usefulness of land could be converted into revenue for local government over the years. Present tax rates on land would have some such result, but much higher rates would do much more. And the lower rates on buildings would ease the other aspects of improving cities.

To "sell" a program in which one believes, enthusiasm leads to exaggeration unless caution asserts itself. So let me be clear. The changes proposed would not pour huge sums into city treasuries without pain to worthy voters. Nor would a change in the tax law build new structures where "junk" now plagues the slums or put land to its best use before the next election, or many elections. But the tax change would help. As a force in itself of no small size, a shift of tax from buildings to land would alter the outcome of calculations about real property, tip many a balance, and from one year to the next swing decisions involving large totals.

In an economy of intricate and elaborate interdependence, a change in one place has *some* effect at many others. Moreover, some movements feed or build on themselves—they cumulate or snowball. How natural for an advocate of some change, such as shift to site value taxation, to combine interrelation and cumulation and then envisage huge, pervasive, self sustaining results of *his* proposal. Fortunately, the economy and the society are more stable; they are not so susceptible that large, multiplied responses follow from all the many changes which impinge on an economy from various sources. Therefore, in presenting the case for site value taxation, I do so expecting "much" in response, and would not be astonished at what some of you might consider "very much." Yet my vision remains more mundane than miraculous, more for the decades than for the years ahead.

Large and sudden change, even if constitutionally and practically possible, may be less desirable than more gradual movement. For present purposes let us assume that transition (including advance discussion) would take enough years to assure considerable gradualness.

No change of such a human creation as property taxation will go quite as forecast. Shift to greater reliance on land taxation, along with relief for buildings, would present more problems and more opportunities than I have discussed. They can be handled well enough to leave an overwhelmingly large balance in favor of the proposal.