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Growing Urban Obsolescence and Tax Policy

By ELIZABETH READ BROWN

NEW YORK and other cities in the tri-state New York metropolitan area face "an eventual loss of population, industry, trade and jobs," according to the findings of a report called the "New York Metropolitan Region Study," of which Dr. Raymond Vernon was the director.¹ Other assertions concerning the cities in the area studied—"a twenty-two-county area in New York, New Jersey and Connecticut"—were that "the growing obsolescence of public and private plants" would retard the "economic advance of the region as a whole." Further it was added, "factories, housing, transit and even streets and avenues are largely outmoded."

Blighted housing was found, in this study, "to be growing fast," with this trend expected to increase "during the next decade." Also it was contended that "present plans for urban renewal and slum clearance . . . could only slow deterioration." Nevertheless, cities in various parts of the United States continue to seek tax aid for this urban renewal and slum clearance.²

"The whole exercise will be sterile," commented Dr. Vernon, "unless the public reacts and forces changes in public and private policy to stop what's happening."

C. McKim Norton, executive vice president of the Regional Plan Association—a voluntary private research organization for the tri-state metropolitan area—said that after evaluating Dr. Vernon's report, his organization would "urge the public to demand action." It was hoped that business and labor could be enlisted "in the fight for political decisions that could remedy the situation." But there were no specific suggestions as to *what* political decisions *could* "remedy the situation."

Nearly fifteen years ago A. R. Hutchinson, Director of Research for the Land Values Research Group of Melbourne, Australia, presented important data which have a bearing on the problem.

Mr. Hutchinson found that tax policy had a definite bearing on plant obsolescence. He discovered that in the Australian states where local taxes were levied on land values rather than on capital, there was "a considerably larger increase in value of plant and machinery in factories."³

¹ "Decline of Cities in 3-State Area Feared in Study," by Clayton Knowles in *New York Times*, June 1, 1959, pp. 1, 16.

² As an example see "Slum Clearance Plans and Loan Application Get Federal Approval," in *Columbia Daily Tribune* (Mo.), March 13, 1959, pp. 1, 4.

³ Harry G. and Elizabeth R. Brown, *The Effective Answer to Communism*, New York, Robert Schalkenbach Foundation, 1958, p. 15.

More than ten years later he conducted a second survey, again as Director of the Land Values Research Group.⁴ A comparison was made between municipalities in Victoria, New South Wales and Queensland where land value taxation had been in force for a considerable number of years, with municipalities in Victoria which had remained on the old system of taxing buildings and improvements as well as land. It was found that with land value taxation the proportion of modernized commercial properties was nearly double what it was in the areas which taxed both land and capital.

In 1958, after a vote for land value taxation, August 1956, in Wangaratta, 145 miles northwest of Melbourne, the *Wangaratta Chronicle Despatch* reported:⁵

BUILDING 'WAVE' ENVELOPES WHOLE OF TOWN.

This occurred in spite of general recession in the building industry in Victoria. "Announcements of new commercial building and rebuilding indicate just how rapidly the town is going ahead. The expansion of Yarrunga's shopping center is particularly significant and could set a pattern for suburban centers of the future in western and southern sections of Wangaratta." Valuable blocks of idle land have been sold at "very satisfactory" prices. Also, a number of derelict buildings have been razed to make room for new construction.

The flow of population—or migration from one area into another—is a sensitive barometer indicating localities considered more favorable places to live and work. The earlier study conducted by Mr. Hutchinson showed that more people were attracted to the areas taxing land more heavily and relieving capital.⁶

Not only is the high cost of land a handicap to the would-be home owner and low-cost rental housing but to slum clearance. If land were taxed heavily more land would be available. It would rent for less and sell for less. With many cities securing federal appropriations for slum clearance, owners of slum properties can charge and get a higher price. *House & Home*, June 1958, warned against just such a practice and advised:⁷

- (a) help deflate the bootleg value of slum property by making the slumlords pay more taxes and so make less profits;
- (b) help harness the profit motive to slum improvement, for you would,

⁴ *Ibid.*, pp. 20–22.

⁵ *Wangaratta Chronicle Despatch*, June 5, 1958, p. 1. Reproduced in *Land & Liberty*, London, 65 (August, 1958), p. 136.

⁶ Brown, *op. cit.*, p. 15.

⁷ A summary, with editorial comment, of a two-day Round Table held in Pittsburgh, Pennsylvania, on rental housing. (A reprint of an article appearing in *House & Home*, June 1958.)

in effect, be giving partial tax exemption to any money spent modernizing or rebuilding the slums.

If these recommendations offered by *House & Home* were heeded, slum clearance might become entirely unnecessary.

According to Dr. Vernon's statement quoted above, present methods do not prevent or decrease deterioration but can only slow it. Instead, slum clearance will have to be repeated at frequent intervals and always ultimately at the expense of the taxpayer.

Dr. Rolland O'Regan, a leading Wellington (New Zealand) surgeon and president of the New Zealand League for Land Value Taxation, commented on the problem during a visit in 1958 to the United States. "We simply don't have rundown residential housing," he remarked, "in any community that has adopted land value taxation. In fact, the city of Auckland is the only one in New Zealand in which it has been necessary to undertake slum clearance . . . And it is worth noting that these projects are in the city which still hasn't adopted the land value tax system."⁸

What has happened in Australia, New Zealand and other parts of the world where land value taxation has been adopted, indicates that this tax policy can do much toward solving such problems as loss of population, industry, trade and jobs, deterioration and obsolescence of commercial properties and dwellings. The land value tax policy brings a decrease of blighted districts and slums. *Why, then, do not those who conduct research on these problems point to the experience of Australia and New Zealand?*

Lancaster, Pa.

⁸ An interview by Harlan Trott in *Christian Science Monitor*, July 29, 1958, Pacific edition. Reproduced in *Land & Liberty*, 65 (Sept. 1958), p. 149.

A large and increasing national debt is not properly to be looked on with equanimity. Increasing the national debt (borrowing by government other than for refunding debt) is not justifiably to be resorted to even for the relief of unemployment or to stimulate revival from business depression. For a proper monetary and central banking policy can accomplish, without an increase of the interest-bearing debt of government, all that can be accomplished by such borrowing, and more.

HARRY GUNNISON BROWN