

Land is the key to economic recovery

LAND, after playing a key role in the settlement and development of what is now the United States, has been widely ignored by our 20th century policy makers. *It is a strange turn of history.*

Free, abundant and rich land did much to shape our people.

● To the landless Europeans who flocked to our shores, land spelled the hope and opportunity that had been denied to them in the Old World.

● Land helped foster our sense of independence. The frontier ever beckoned to those who felt oppressed, restless, or eager to carve out their own destiny.

● Land nurtured the work ethic: whatever one's status, access to the soil, forests, minerals and other resources of this vast continent assured a degree of well-being to all who were willing to labor.

Our form of land tenure, with its emphasis on small holdings and with taxation initially based largely on one's land value, enabled North America to develop as a vibrant, open, democratic society.

By contrast, the mammoth land holdings of Latin America spawned rigid, closed and highly stratified societies.

Yet, once our land was all fenced in and the ownership of our critical surface and subsurface resources had become more concentrated, mainstream economists confronting the resulting problems searched almost everywhere for solutions – except the land.

In fact, the economics literature of our times could lead one to think that land as a factor of production had been spirited out of existence.

A MORE balanced view does not require us to claim that land questions hold all the answers to the universe. But it seems fair to insist that how land is owned, how it is taxed, how it is conserved, and how its productive capacities are made accessible are highly pertinent to much of what is ailing society these days.

Specifically, we call attention to half a dozen high priority problem areas that would seem to benefit

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greatly from some fresh work on land policy issues.

● Unemployment and Human Misery:

The persistence of poverty, hunger and homelessness in the world's richest nation has caused some to harden themselves to these social problems. They rationalize that misfortunes are largely the fault of the victims. They also suggest that social disruptions are the "price of progress".

On the contrary, we believe there are enough unmet human needs here and throughout the world to keep all kinds of useful production humming at full speed. We believe that virtually all who are able and willing to work will find employment in a well-ordered society.

If we viewed a small rural society and found widespread starvation while some of the most fertile lands were fenced off and held out of production, we would find it self-evident that the hungry should be allowed to grow food on such lands.

In our urban and industrial settings, however, too many of us have lost our sensitivity to the connection between idle land and idle hands.

Economists should be measuring the extent of these lands that are held speculatively out of production. When high speculative prices drive employers and workers to inferior sites that are less suited to their work, how many jobs are lost? How much productivity is eroded? How much of our natural advantages are sacrificed to the benefit of our international competitors?

● Disintegrating Cities:

Cities are vital not only for their role in integrating the many facets of production. Cities are also the seedbeds of the arts and learning, the

stimulants of culture, the caretakers of the good and beautiful in civilization. At least, that is what cities often have been and can be. Yet the very word "city" now conjures up an image not of what is best and noblest in society, but of slums and decay, crime and degradation, declining tax bases, and of places from which commerce, industry and the middle class are fleeing to the countryside.

Those who have given careful study to land taxes feel confident they could help restore fiscal vitality to local governments.

A shift of taxes off productive activities and structures and on to land values would help enterprise overcome land speculation. More compact residential and commercial land use patterns would again be the norm.

Land economists do not accept the inevitability of the high land price syndrome that drives large and small businesses from downtown to outlying shopping centers and that causes city workers to settle in sterile suburbs far from the places they work. Neither do we find a lack of sound alternatives to the current tax policies that enrich slumlords while making it difficult for legitimate providers of shelter to earn fair profits.

● Farmland Conservation:

The premature urbanization of farmland is the other side of the coin of urban sprawl. Conservationists need to examine the urban tax and land policies that keep splattering cities across the landscape.

The past generation marked a turning point in public awareness of the ecological reasons for saving and husbanding our land resources. Perhaps the current generation can be awakened to some of the economic factors behind our distorted land use

patterns that underlie so much of the waste and abuse of our lands.

● **Recessions, Inflation and Public Debt:**

The inexorable rise of land values is often perceived from bits and pieces of information, but the full story is hidden from view.

Several years ago, through the House Banking, Finance and Urban Affairs Committee, we began an effort to quantify land values. We undertook the initial steps toward the creation of a national Land Price Index. Like the CPI (Consumer Price Index), we felt the LPI would give the nation a periodic overview of land values.

Would it not be illuminating to know how land values per capita differ from state to state and city to city? With such data we could begin to discover whether high or low land values correlate with healthy communities. We could start to distinguish which state and local policies generate favorable results.

The LPI project, unfortunately, was sidetracked by the Reagan administration. Those of us who had a hand in it are keeping the notion alive so we can move forward again when times are more propitious.

Meanwhile, is it not amazing that, despite the mountains of data collected by government about so many facets of our existence, relatively little can be found about land values and the behavior of land markets?

One suspects that inflation, business cycles and the levels of public debt are more closely related to land value trends than conventional analysts admit. It is difficult to move from theory to firm conclusions, however, in the absence of extensive and reliable land value information.

● **Infrastructure Finance:**

Public officials and citizens are agonizing over America's deteriorating highways, bridges, railroads, dams and other public works. Yet, one of the prime certainties of economics is that infrastructure provides its own source of revenue. That is, public works leave a trail of land values in their path.

These values can be and should be recaptured by the public to maintain and operate existing infrastructure and to build necessary extensions.

Typically, however, publicly-created land values are left to enrich private landholders who are clever or lucky enough to own the strategic sites adjacent to public works.

There are various ways to

**PROPERTY TAX:
THE TOP 24
CITIES EARN
\$7.53 BILLION**

● **THESE are the cities that earned the most from property tax revenues in fiscal 1982. According to the Census Bureau, the two dozen top cities earned \$7.53 billion, or about 38% of all property tax revenues collected by municipalities.**

	\$m
1. New York.....	3,636.3
2. Boston.....	406.6
3. Chicago.....	341.0
4. Washington.....	339.1
5. Los Angeles.....	295.4
6. Houston.....	245.9
7. Baltimore.....	235.6
8. Philadelphia.....	208.0
9. San Francisco.....	204.6
10. Honolulu.....	189.8
11. Detroit.....	182.3
12. Dallas.....	135.5
13. Nashville.....	126.5
14. Memphis.....	100.1
15. Stamford, Conn.....	100.0
16. Rochester, N.Y.....	99.9
17. Providence, R.I.....	95.8
18. Buffalo, N.Y.....	93.5
19. Milwaukee, Wisc.....	89.8
20. Hartford, Conn.....	86.9
21. Richmond, Va.....	85.6
22. Yonkers, N.Y.....	79.6
23. Newark, N.J.....	77.6
24. Denver.....	74.7

SOURCE: Census Bureau

recapture the land values generated by infrastructure. Land value taxation is one way. Special assessment district financing is another. Excess condemnation and public land ownership, with leasing at full market rents, is another.

Until we begin collecting these values one way or another, we are doomed to fail in what could be one of our most easily resolved problems.

Many of the same people who seem overawed by the multi-billion dollar



'Land taxation will in principle produce desirable economic effects in two stages: an initial effect, followed by current stimuli to production during each year in which the tax is well administered'

- United Nations

costs of providing public works remain blinded to the multi-billion dollar land value bonanzas their governments are constantly creating and giving away.

● **Tax Inequities:**

Not long ago, U.S. citizens were proud of paying their taxes honestly. They could hardly believe how pervasive tax evasion was in other countries. Sadly, the distinction no longer exists. America's underground economy of tax escapers has grown to major proportions, with no end in sight.

Our federal income tax is so intertwined with special exemptions, exceptions, gimmicks and loopholes that it has become an object of scorn.

Land taxation appears to be one way of tapping the benefits of special privilege without imposing harmful burdens on labor and production. To what extent an increase in land taxation could help bring sanity and respect to the national tax system seems premature to speculate; only a handful of our communities have inched toward greater taxation of land than of buildings, and the property tax - which of course includes some land taxation - is declining as a source of public revenue.

That greater land value taxation would be a step in the right direction, especially at the state and local levels, is a conclusion justified by all experience so far.

This is not to say that it will be easy to achieve breakthroughs in this direction. Demonstrations to date have been modest. One must hope for adoption in several locations of a truly bold land value tax, sufficient to dramatize the justice and economic efficacy of this reform for all who are seeking new directions in tax policy.

IN SUM, these examples indicate that neglect of land issues has been a barrier to resolving serious socio-economic problems confronting America.

Land economists with insight into these issues have the opportunity and the responsibility to inject some new ideas into the political forum.

The climate for this may be more favorable now than it has been for decades. It does not seem intemperate to suggest that a "rediscovery" of the land and its role in economic affairs could give our nation, and the rest of the world as well, new reasons for optimism in the final decade and a half of this century.