

By
**ROBERT
CLANCY**

Mixing with a

IF IT WERE asked who was the most outstanding economics professor who made land value taxation the cornerstone of his teaching, the answer would be Harry Gunnison Brown who died 12 years ago, aged 95.

Professor for many years, author of several books and articles, Brown is at last the subject of a new book outlining his economic teachings.* His influence has been more pervasive than is generally recognized, many of his students having gone on to notable careers, and his many associations with well-known economists are cited in this book. Paul Samuelson counted him among the prominent American economists born after 1860.

Author Christopher K. Ryan offers a brief biography, then considers various phases of Brown's teaching. The core of his career was at the University of Missouri, where he headed the Department of Economics, spanning 1915-1947. Earlier he taught at Yale, and later at the New School in New York and Franklin and Marshall College in Pennsylvania. While at the latter, he worked to promote the adoption of land value taxation.

Brown stayed with the classical tradition and accepted land, labour and capital as the factors of production, and rent, wages and interest as their returns. He disapproved of the innovation of John Bates Clark and others in confounding land and capital and in blurring "economic rent" as a return to any factor of production above a marginal return. His conception of land was "land space" which was fixed and non-reproducible.

Economists who basically agreed with Brown included H.J.

NEW STUDY OF HARRY GUNNISON BROWN

Davenport and John R. Commons. They also agreed with land value taxation, at least to a great extent. Those who disputed this view included Frank Knight and Willford I. King.

IN ALL his works on the subject of taxation, Brown argued strongly for greater land value taxation and against taxes on production, using economic arguments that impressed colleagues even when they refuted his conclusions.

Though an admirer of Henry

George, Brown was not a thoroughgoing "single taxer", but he did advocate that income from site values should constitute the first source of public revenue, and that other taxes should be eliminated to the extent possible.

Also, he did not go all the way with George in citing land speculation as a basic cause of the business cycle; and he had reservations about George's refutation of Malthus.

Nevertheless, Brown did regard

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WALL Street Journal headline

"Land Partnership Drawing New Interest As Tax Overhaul Hurts Lure Of Shelters." (March 24, 1987).

It turns out that a growing number of syndicators are selling land partnerships to both well-heeled and modest-income investors. Today, 54 syndicators are selling these partnerships, up from only three in 1984. Many say they hope for annual returns of 20% to 30% when the land is sold.

It's better in this game to be well-heeled rather than modest-income, since land properties may have to be held for many years before they can be sold at such profit margins. You have to have staying power.

And moral blindness. Such land speculators have not created the land from which they profit so much — God did that, presumably for all of us to have equal access to. They profit but have not produced, so necessarily the real producers give up to do-nothing landowners some of what they have produced.

Note that it is not just land speculators who rob from the real

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producers — it is landowners of all sorts. It's just that speculators are the most egregious type of land-owning robbers.

Take the case of Clifford Tracy, a Costa Mesa, Calif. accountant who thinks the time is ripe to invest in land. He recently put \$20,000 in a partnership syndicated by TMP Properties, Inc. that owns undeveloped land near Riverside, Calif. The property is a good investment, Mr. Tracy says, because it's in the so-called "Inland Empire", one of the last open areas in southern California with affordable housing for workers.

Those homes for workers will now be a lot less affordable because of landowners like Mr. Tracy, but no doubt he is not aware of that.

Mr. Tracy doesn't mind tying up his money for three to five years until the land is sold to a developer

*Harry Gunnison Brown, *Economist*, By Christopher K. Ryan. Westview Press, Boulder and London. 1987. \$23.50.

Missouri marvel

land value taxation as important enough to cover fully in one of his best-known works, *The Economic Basis of Tax Reform*. This included the place of land in economic theory, the concept of rent, the economic effects of land value taxation, and strategies on promoting the measure.

Brown considered landholding a privilege which land value taxation would remove. He criticised the proposal to tax only future increments of land values as avoiding the issue of "vested rights" in land, which he challenged.

He was also an advocate of free international trade. He did important work on the regulation of

utility rates. He was a monetarist, collaborated with Irving Fisher, and his views were commended by Milton Friedman. While opposing the Keynesians, Brown thought they ought to recognize that higher land value taxation and reduced taxes on capital would remedy some of the ills they cited and raise the return on capital investment.

Brown ranged over the field of economics in *The Basic Principles of Economics*, long used as a textbook. He was much admired as a teacher. It was said that even though he did not emphasize mathematics in his work, his exposition was so clear and precise

that it partook of mathematical precision. (I can vouch for that, having heard him lecture.) He stressed objectivity in his teachings, but still sought to bring out issues of economic rights and wrongs.

THOUGH Brown covered the entire field of economics, Mr. Ryan brings out clearly that land value taxation was his most notable interest, and that he is mostly remembered today for his advocacy of the measure and his arguments with other economists about it. It was a great disappointment to him that economists in general did not accept the policy. Brown found their objections unsound.

His career was in the generation after Henry George when there was lingering hostility among economists which was inherited from those of George's generation against this amateur upstart. That period is over and now there is the possibility of a more objective look at land value taxation.

While most of today's "mainstream" economists are not enthusiastic advocates of land value taxation, neither are they particularly hostile. They concede that the land value tax has merit, is neutral, is not a charge on production and that it cannot be shifted. There is also some recognition of land value taxation as an instrument in urban renewal. Economists who more strongly advocate the measure include Mason Gaffney, William Peirce and Roger Sandilands.

An impressive bibliography and citation of economists in Mr. Ryan's book attest to the extent of Brown's work, influence and associations. We are indebted to Christopher Ryan for offering an overview of this remarkable man and his teachings and for helping the world to remember Harry Gunnison Brown.

ROBBERY

at what he expects will be a handsome profit. "My potential return will more than make up for the loss of cash flow," he says. His annual rate of return on a previous land investment with the Orange, Calif.-based TMP was more than 12%, Mr. Tracy adds.

We ask the reader to imagine an economy where there is no land speculation because the annual land-rent is being collected by the government in lieu of taxes on wages, buildings, sales and other labor-produced incomes. There would be no land speculation then because there would be no annual land income available to a speculator, or to any landowner, for that matter.

- Workers would then be able to afford better or cheaper housing, since they would not have to pay land-speculation costs.

- Accountants such as Clifford Tracy would pay no taxes on their wages; nor would other workers.

- The return to labor would go up, thereby increasing private incentive and initiative, thus also economic growth with less unemployment and poverty.

- If taxed, land would have to

be efficiently used. This by itself would spur economic growth.

- Here we go again with another speculative land boom (no doubt we are in the midst of one already, but now a new spurt). It can only be abetted by a monetary inflation, which seems to be looming on the horizon. The inevitable BUST/CRASH will follow, sending non-LVT economists scurrying all over to come up with morsels of truth to explain why it happened. Meanwhile, the basic land cause was right in front of their eyes, too big for them to see.

- The robbery of producers by non-producing landholders would suddenly cease.

Note that we do not call private landownership into question, only untaxed private landownership coupled with the taxation of privately produced wages and labor-produced capital investment.

Now, dear reader, what do you intend to do about all this? One hundred and fifty years ago, would you have stood aside in the Great Campaign to Abolish Slavery?