

Does Land Value Taxation Cause Overbuilding?

RALPH NADER'S Tax Reform Research Group endorses the heavier taxation of land values "as an instrument both of tax equity and of desirable patterns of land use."

But the Nader Group in the *Property Tax Newsletter* of November, 1971, expresses a concern to many ecology-minded people, that "an unmodified site-value tax might force into dense, even high-rise development areas perhaps better left in another state—as farmland, open space, or unique urban neighborhood. We are also concerned that noise, crime, pollution and the cost of providing public services may well increase with density of population."

This is a plausible concern and one very frequently heard these days. But in fact, rather than creating these problems, land value taxation would alleviate them, for these reasons:

1 It would tend to put land into its most optimum use as determined by the market but it would not favor more intensive use than that. Land taxation encourages not huge buildings but buildings which could obtain enough revenue to at least pay the land tax (plus no doubt a reasonable profit on the building investment itself).

2 If some land is used too inefficiently, as in urban sprawl, then other land must be used too intensively. But by making urban sprawl unprofitable, land taxation would thereby tend to eliminate this cause of excessive crowding.

3 The higher the cost of land, the bigger the building needed to start making a profit. You simply cannot build a modest building on expensive land. But by reducing the cost of land, land taxation reduces this cause of overcrowding.

4 The present undertaxation of land is obviously not encouraging farm uses, open space or unique neighborhood preservation. Rather it is encouraging such anti-social uses as empty lots and underused land (urban sprawl). Of course, as the Nader Group correctly points out, we can always use zoning and land-use planning in conjunction with land value taxation to protect the social interest.

If land value taxation is as equitable as the Nader Group says it is, it is likely to be practical also.

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