

The graded tax, which levies higher rates on land than on buildings, is used by five cities in Pennsylvania. This may be a hidden treasure – “like finding gold in our own backyard” – claims WILLIAM J. COYNE, a Pittsburgh Representative in Congress. Here he explains why.

‘An idea we must nurture’



● William Coyne

THE LAND TAX may have a critical role to play in halting the unemployment problem.

This may be viewed from the perspective of three related issues: America’s economic strengths, land speculation and market incentives.

America’s economic strengths are many.

The U.S. is still a very rich nation by any measure. We are blessed with vast natural resources. Our workforce is well-educated and highly skilled. We have no lack of needs and desires to keep production humming.

Yet our economy is on the skids. One out of every 10 workers is jobless. Clearly something must be missing from this formula.

This brings us to land speculation.

Imagine a little country where the people are willing to work but where the population is near starvation. Then you find that much of the fertile farmland is fenced off so it cannot be used.

You will find it easy to recommend a solution: let the people cultivate that good soil so that they can feed them-

selves.

Surprisingly, this story closely parallels what is actually happening in America’s cities, where some of the most productive sites are, in essence, fenced out of use.

Let me quote from a Congressional report, *Compact Cities*.

● In 1971, the average city had 25 per cent of its land vacant;

● In 86 cities, land that was both vacant and usable amounted to over a million acres;

● Public agencies trying to buy up sites for public housing encounter high prices.

This brings us to market incentives.

Rarely have we heard why the market system did not save us from the Great Depression, or from the current prolonged recession.

If the tax system makes it more profitable to hold land out of use than to put it into production, the market system is undermined.

When land speculation becomes a national sport, the enterprise system is in deep trouble.

THE MISSING element in our formula for a dynamic economy is a device to put our idle land back into use.

The differential tax deals with these incentives in a rational way. Despite a national recession and despite a regional steel crisis, the five cities that are taxing land values more heavily and keeping their taxes on wages and buildings relatively low, are managing to show signs of economic growth unmatched by their neighbours.

This should be big news at a time when so many plants are closing, so many businesses going bankrupt, so many men and women searching for work. At the very least, these issues merit careful study.

● I would like to see our journalists do some investigative reporting about who owns Pennsylvania’s urban land and natural resources – and how much those who are simply sitting on these resources are being taxed for them.

● I would like to see state and local officials look more carefully into the extent to which land values are being created by public works and services, and how much the recapture of these publicly-generated values could ease the tax burdens on housing, factories and other productive activities.

● I believe we in Pennsylvania are on to something exciting. I do not want to claim too much for it. But I would like to see us nurture it and make the most of it.

There is great appeal, in principle, to the idea of a new federalism that returns more powers to localities. But this cannot make much practical headway until and unless local governments tap into stronger revenue sources. It appears that land value taxation may be one of the most politically palatable and economically beneficial avenues toward increased autonomy.

Federal programmes aimed at helping cities obviously will be ineffective to the extent that these efforts are eroded by perverse local taxes that favour land speculation and that weigh too heavily on wage earners, homeowners and small businesses.

● **BARBUDA:** From P. 33

With Antiguan pressure for the development of the land of its junior partner, it is almost inevitable that a land-tenure system as elementary as this will begin to creak at the seams. A physical share-out of land – the division of 60-odd square miles among several hundred families – must involve a degree of fragmentation. And in the modern world, with larger units of land needed for the advance of industry and commerce – to say nothing of leisure and recreation – fragmentation becomes a major obstacle to progress.

The Barbudan system of land tenure, benign though it may be to its beneficiaries, can hardly hold back the currents for very long.

But all need not be lost. It is quite feasible for the islanders to modify the system so as to preserve its benefits without perpetuating its shortcomings. It is quite possible for them to continue to enjoy the benefits of the land rent; indeed, it is possible to arrange for future citizens, whether born on Barbuda or not, also to participate in its benefits. Yet there need be no bar to the use of land in large units for industrial or commercial purposes.

The secret is to cease giving individuals a physical share of the land and give them, instead, a share of the land rent.

The key is to require the land user to pay the appropriate land rent but to pay it, not into the pockets of private landlords, but into the public treasury from where it would be used for the benefit of all citizens.

For convenience, we call it a land-value tax. For convenience, the land can be privately owned and the owners can be granted title deeds. But periodical valuations of the land and an annual levy on those valuations would ensure that, as nearly as possible, the annual value of the land (effectively, the land rent) would be taken into the public purse.

The Barbudan Council, instead of manning the barricades to preserve their benign but out-moded system of land tenure, would do well to consider whether the interests of their citizens would be better served by abandoning the physical division of the land, with its built-in rigidities and prejudice against the foreigner, and introducing, in its place, a system of land-value taxation.

Many local authorities in the Commonwealth – for example, those in New South Wales and Queensland – would be happy to advise them on how to set about it.

REFERENCE

1. *Financial Times*, 21.5.82.