

Book Review

The Property Tax and Its Administration, edited by Arthur D. Lynn, Jr. University of Wisconsin Press, Madison, Wise., 288 pages, 1969. \$7.50.

One might have thought that a 288 page discussion by experts on the property tax would have included an attempt by someone to define the word "property." Alas, nowhere in this volume do we find any such attempt, nor any indication of an appreciation of the great gulf which exists between "property" in land and property in the fruits of labor. From time to time, particularly in the report of the conference discussion following the presentation of the papers which make up the bulk of the book, we did note some references to "land value taxation" and the exemption of improvements. Unfortunately, nowhere was there much evidence of a basic understanding by the members of the conference as to the significance of the proposal to eliminate the private collection (and retention) of the rental value of land.

While most of the papers dealt with proposals to improve the administration of the "property tax" as it now stands, there was an undercurrent throughout which renewed this reviewer's conviction that academic economists as a body are enamored of economic planning and view various "tax reform" proposals merely as means to an end—state direction of economic activities—which means state control of men themselves! The admiring references to zoning, urban planning, land use control in Hawaii and in Australia, etc., serve as evidence.

A quotation from one paper in particular will cause some hackles to rise:
"The [land] speculator performs

the socially useful function of providing a market between the extremes, thus permitting an "original" owner, perhaps a bona fide farmer, to take part of the profit without having to wait out the whole transitional period and play "all or nothing." . . . For his contribution in providing a market in the transitional interim the speculator certainly deserves some reward"

How can a writer on economic topics confuse speculation in land with speculation in commodities? The "providing of a market between the extremes" encourages people to produce wealth — commodities — and is therefore a "socially useful function." The exact opposite is true in the case of natural resources. These exist irrespective of man's activities; are necessary for all production of commodities; and if the speculator denies the necessary access to those who would use them, production and wages must suffer. How long, O Lord, will it be before our economics professoriate can see this simple truth?

In this same article, the author displays further lack of understanding:

"The contrary argument [to a capital gains tax on land profits] holds that the land should be forced into use, or at least into availability, by taxing it up to the allowable hilt. The reasoning is this would force a lot of land onto the market at once and drive down the price. The geometry involved in this suggestion, however, is not comforting. [There follows a diagrammatic illustration which reveals the astonishing fact that if one were to draw ever larger concentric rings about the center of a city, the area encompassed by outer rings would be far greater than the area encompassed by the inner rings!] Seldom can a sizeable ring be used for devel-

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opment all at once because seldom does a city grow that fast. Hence there is unlikely to be a development market on which it could all be forced."

Opening land to natural use and improvement is not "forcing development." On the contrary, it is speculation in land which forces an unnatural pattern of development, or inhibits development altogether, leading to that phenomenon so enigmatic to the New Economists — unemployment.

Attempts by governments to force land development via "urban planning" and a thousand other nostrums have a long and sad history.

In the future it is to be hoped that the deliberations of TRED (Committee on Taxation, Resources and Economic Development) rather than concentrating on "tax reform" or methods of "improving" taxation, will indicate a growing appreciation of the necessity for a really basic reform—the abolition of all taxation directed at man's creative activities.

W. L. H.

A government Housing Task Force in Pennsylvania in a recent report on taxes and insurance, mentioned local property taxes among the three salient tax issues affecting low income families. Since there is increasing evidence of "undesirable effects of federal, state and local taxes on urban land use and on housing quality and quantity," and since the property tax remains the principal source of municipal funds, it was recommended that the state must:

- a) assist localities in property assessment, and in rational and effective administration of the property tax,
- b) develop programs of tax relief for the poor, and consider a system of regressive taxes on capital improvements, with heavy taxation of abandoned or substandard properties, and
- c) eliminate the tax on transfers of real estate.

"We cannot afford tax structures," the Task Force concluded, "which at worst subvert housing goals and at best ignore them."

The annual conference of the Henry George School will be held in Chicago, July 9 to 13 inclusive, at the Sheraton-Chicago Hotel.