

U.S. URBAN COMMISSION REPORT

FORMER PRESIDENT JOHNSON'S National Commission on Urban Problems, which was set up following the riots and disturbances which shook America, has now completed its report. The Commission, under the chairmanship of ex-Senator Paul Douglas, has been looking at the many aspects of urban life and management which combine to make up the twentieth century city. The Commissioners travelled extensively, heard on-the-spot evidence from people in all walks of life, and saw for themselves what is being done and what needs to be done to bring city life closer to the dream which Americans traditionally hold.

Many recommendations were made in the Commission's lengthy report, which included one chapter entitled "The need for new approaches to land-value taxation." In this section the Commission summarised the important evidence put before it pointing to the need to harness the potential tax yield from rapidly rising land values. When it came to the recommendations, however, it was considered that the evidence in favour of L.V.T. relied mainly on deductive reasoning. It was therefore proposed that the United States Treasury Department should undertake an intensive study to see how the Federal Government might recoup for public purposes a materially greater portion of land value increases. State governments were further urged to look at the ways in which state-local revenue systems could recover additional taxation of land value or land value increments.

From these suggestions it seems that the Commission as a whole was not prepared to make any controversial political points. Instead, it invoked the twin excuses of complexity and additional research requirements to avoid coming to terms with L.V.T. A minority of the members, however, led by the chairman, signed a supplementary chapter on the taxation of land values. This small group, while welcoming the main recommendations as recognition of an important topic, felt that it was an error to leave the matter with the Treasury. "Government civil servants," they believed, "rarely initiate reforms. They can furnish valuable details, but they seldom arouse public sentiment. We only ask that the men and women who make up society should be allowed to share in the increase in value which this presence and productivity have created. Unless there is such a public awareness and commitment, we shall repeat the history of the past and permit those who sit tight and hold on to a scarce

factor of production to reap a large part of the product created by others."

Apart from these forthright statements, the minority group made a number of strong observations and felt that the pall of silence should not continue, and that the powerful forces which operate against any lucid consideration of L.V.T. should be recognised.

We hope to comment on extracts from the Commission's findings in later issues. Both the Commission's report and the evidence submitted in public sessions and written form contain a wealth of information on the urban land scene.

U.S. Economist on Property Taxes

WHILE BRITAIN blunders on with its outmoded rating system, which is held together by expediency piled on expediency, there are encouraging signs of a more thoughtful approach to local taxation problems in the U.S.A. In a recent booklet* Dr. C. Lowell Harriss, Professor of Economics at Columbia University, had this to say: "The past will not be done over. The public must live in housing whose quality has been adversely influenced by effects of the property tax in the past. The future, however, is ours to make. Being forewarned, society can try more rationally to avoid avoidable errors."

Too few people, according to this critic, are aware of the "duality" of property tax—the contrasting effects of taxes on land and taxes on buildings. In a very carefully reasoned argument, Dr. Harriss points out that the incidence of taxation on buildings has had a considerable but unmeasurable effect in reducing domestic space standards and the quality of construction. "The property tax on buildings," he comments, "by adding to occupancy costs creates pressure for building smaller units. The higher the price of housing, the smaller the quantity of space purchased. The dollar amounts spent on housing by a family of given income will be the same on average whether tax is low or high. To make up for a higher price due to tax, however, the amount and the quality of space obtained will be curtailed."

This aspect is only one of several that Dr. Harriss examines. In the short space of fifteen pages he covers a field embracing the local government revenue problem, housing maintenance, urban blight, sprawl, and commercial expansion. In every case he demonstrates how the schizophrenic qualities of taxes based

**Property Taxation: Economic Aspects* by C. Lowell Harriss. Government Finance Brief No. 13. Tax Foundation Inc., New York.