

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.

on both land and building assessments produce effects which pull in opposite directions.

His indictment of the tax falling on buildings is harsh: "Heavy taxation of new buildings must stand as a tragically apt example of mankind creating need-less obstacles for itself. Cities which urgently need to



replace obsolete, decayed, degrading buildings nevertheless put powerful tax impediments in the way of progress. Nobody planned to set up a tax system with such influence. No one tried deliberately to base local finance on a tax that would favour holding on to the decrepit structures, many of which spread evil influence through a larger area, while penalising the new, the good, the source of benefit to a whole neighbourhood."

The booklet continues with a discussion of the merits of land-value taxes with exemption for improvements, pointing out that in reducing the price of land, such taxes favour persons with less capital who are able more readily to branch out into business ventures.

POINTS FROM PROPERTY MARKET REPORTS

From the *Estates Gazette*, January 25

FAILURE OF GOVERNMENT POLICIES (London)

OTHER THAN in times of national emergency, the property market has rarely been so frustrated by government measures based on political ideology than over the past year, and, while certain branches of the profession have been very busy, others have been experiencing a difficult time . . .

The restriction on office development in London and the Home Counties has inflated rental values within these areas, but the Government's objective of dispersing offices to the development areas has not been achieved. The financial inducements which are intended to encourage people to move to these areas are viewed with some scepticism by those responsible for the long-term planning of business, who are aware that government inducements may be arbitrarily withdrawn in the future and that the present irksome restrictions may be moved. There is, therefore a willingness to

pay dearly for offices which are well designed and well served in established situations, while offices in outlying parts go on being filled mainly by the growing army of public employees.

Factory and warehouse premises must be in an area which can attract the right labour at the right price, and here again, government aid to the development areas is having only very limited success. A strong demand persists for factories in areas where people like to live and for distribution depots which are convenient to the areas that they will serve. Dark satanic mills at 6d. a square foot go begging, while there are queues for warehouses and factories at Southampton at 10s. a square foot.

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AND FAILURE OF THE LAND COMMISSION (Bedfordshire)

THERE was still a demand from builders and developers for building land, but there was very little available during the year. The Land Commission seemed unable to help in easing the increasing shortage and we begin to wonder whether it ever will.

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SUBSTANTIAL RISE IN BUILDING LAND (South Cheshire and North Shropshire)

PRICES have increased in the last eighteen months for building sites other than those with large front-ages, from about £3,000 an acre to between £4,000 and £5,000 an acre

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VERY HIGH PRICES PAID (Essex)

SOME very high prices have been paid for building land recently and this has been due, in part, to scarcity value and the desire of builders to ensure, as far as possible, some continuity in future operations. Almost certainly, however, much of the increase has been due to the desire of vendors to compensate for the payment of betterment levy.

C. M. STANFORD & SON

HIGH PRICES AND SPECULATION (Hampshire)

FLAT SITES sold at prices from £800 a unit to as high as £3,000 a unit in favoured positions, while land for bungalow units, more affected perhaps by mortgage difficulties, stabilised at figures from £1,250 to £2,000 a unit.

An interesting development has been a demand for "white" land. (This is not "sterilised" land like green belt, rather is it "frozen" or "hope" land.—EDITOR.) This is mainly because several town maps are being amended and "white" land brought into the residential zones, thereby encouraging speculation. Prices between £5,000 and £8,000 were paid.

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