

## INCENTIVE, VACANT LOTS AND YOUR CITY

By HARRY GUNNISON BROWN

To tax buildings and other improvements lessens the incentive for construction and improvement in your city. Such taxation is a *hindrance* to the growth and development of your city.

To tax just the value of the land does *not* lessen the incentive to construct and improve and is *not* a hindrance to your city's development. Instead, it *removes* one of the greatest hindrances to development, the speculative holding of vacant land at prices that keep it vacant, often for many years.

Moorabbin "is the largest of the municipalities which together comprise Greater Melbourne" (Australia). For years "its development lagged behind that of many smaller Melbourne Municipalities" that exempted buildings and taxed land values. "Much land was held vacant for speculation." In 1946, after a vote by taxpayers in its favor, Moorabbin adopted land value taxation. Twelve years later (Aug. 22, 1958) "the *Moorabbin Standard-News* published a special supplement featuring the growth of the city from obscurity to one of the most important municipalities in Victoria." The *Moorabbin Standard-News* further stated that it "has established its place as Victoria's fastest growing municipality . . . and the second fastest growing city in Australia." This growth had been in "all of its phases—population, industry, commerce, housing, parklands and civic amenities."

Does it make sense and is it fair to the majority of our people, for our lawmakers in the United States to pursue a policy as a result of which we have nearly thirteen million vacant lots (*not* counting parking lots)<sup>2</sup> in our cities, enough to provide housing space for a third or *more* of our entire population? Has there ever been a strike—or a series of strikes—by labor, of such magnitude as this more or less perpetual strike by our owners of vacant land? And while workers hold back

<sup>1</sup> *Land & Liberty*, London, England (July, 1959), p. 121.

<sup>2</sup> See Chapter entitled "Urban Expansion, Will it Ever Stop," by Dr. M. Mason Gaffney, in U. S. Department of Agriculture Yearbook for 1958, p. 521.

their own labor, owners of vacant land hold back from the use of others, a considerable part of the *earth*! How many of our citizens have ever considered the economic waste involved?

Does it make sense and is it fair to the great majority of our citizens, that they should have to suffer such evils as retardation of saving and of investing in the construction of buildings and other capital, lessened productivity of our economic system, high cost of both rental housing and the acquisition of home ownership, widespread and perpetually recurring deterioration and slums, and perpetual heavy taxation to meet the perpetually recurring costs of government directed slum clearance?

Suppose the amount of land speculatively held out of use, waiting for a price that the holder considers "right," were enough to provide housing space for half of our people,—or for two thirds of them, or three quarters of them! Would our people suffer that, too, and continue the tax policy that permits it, for the sake of encouraging—by taxing them lightly—our speculators in vacant land? For *of course* such speculative holding *makes land costly* for those who need it. How could the result be anything else?

To how great an extent should we, by our tax system, discourage capital accumulation, handicap industry, keep down the productivity of labor and, therefore, the wages of labor, keep the cost of housing high, make home ownership unnecessarily expensive and bring into existence new slums faster than, at great expense to our taxpayers, old slums are cleared,—to how great an extent should we do all this for the protection of the land speculator, whom the magazine *HOUSE & HOME* has termed<sup>3</sup> our "public enemy no. 1?"

But, some may ask, if tax policy in the United States is so bad, how can any of our cities and towns retain any industries? And how can they avoid depopulation?

The answer is that this tax policy is followed generally throughout the United States and neighboring countries. In other words, industry and people remain in your city and your area because conditions are equally bad in surrounding areas. To find any considerable area where these conditions

<sup>3</sup> Editorial, June, 1958.

can be avoided, they must migrate thousands of miles. If *there were a few Moorabbins in the United States*, it would soon become clear to serious observers that the rest of our cities and towns were hopelessly handicapped in seeking to attract—and, often, even to hold—both industries and people.

We have, indeed, many thousands (perhaps the number runs into six or seven digits?) of holders of—speculators in—vacant lots. Each hopes that the others will continue to ask more than they can get, so that buyers will have to come to *him*. Many vacant lot owners dream of fortunes they might make if a metropolis were to grow around or near to their vacant lots. Because of such hopes and dreams, they are all the more reluctant to let their lots go cheaply or for relatively moderate prices. Hence, though there are indeed millions of vacant lots in *existence*, relatively few are *available* except at comparatively high cost. The high price—and similarly, of course, the high rent—of vacant lots is obviously a *barrier* to new industries, a *barrier* to expansion of industries already present, a *barrier* to low-cost housing, a *barrier* to home ownership other than via heavy mortgage indebtedness, a *barrier* to high productivity of labor and, therefore, to high wages,—and, along with all this, an *encouragement* to *deterioration* and *slums*.

Is it worth while for us to suffer such evils, lest the effective remedy of land value taxation make land speculation no longer profitable and even make it quite unprofitable? The 1959 legislation of the Pennsylvania General Assembly has given Pennsylvania third-class cities a possible—and an easy—way out. Your city council, if you live in such a city, can follow this way whenever they so choose. Why not urge them to do so and encourage them by your support if they do?

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If you can spare time for getting at the root of the problem and the reasons *why* it is so little understood by those who should understand it best, see THE EFFECTIVE ANSWER TO COMMUNISM and Why You Don't Get it in College, by Harry G. and Elizabeth R. Brown, published by Robert Schalkenbach Foundation, 50 East Sixty-ninth Street, New

York 21, N. Y., 35 cents postpaid. Note especially chapters 2 through 7. Professional economists, however, whether Keynesians or non-Keynesians, might be startled to read (in Chapters XIII and XIV) about a most unfortunate—if not, indeed, a fatal—oversight in Keynes' depression and liquidity-preference analysis. The only plausible explanation for such an oversight by Keynes and, apparently, all or nearly all Keynesians, would seem to be that "You Don't Get it in College." Also economists appear, generally, not to have noticed "How Keynesism Gives Aid and Comfort to the Communists."

Some professional economists and political scientists may be interested, too, in the chapter on "Land Value Taxation and the Rights of Property." In this they can find presented important considerations that are missing in nearly all—if not, indeed, in all—earlier studies of this aspect of the problem.

Dr. Glenn E. Hoover, Professor Emeritus, Mills College and Councilman, City of Oakland, California, says of this book:

"Those who are serious about creating a truly liberal and just order in these United States should read THE EFFECTIVE ANSWER TO COMMUNISM and Why You Don't Get it in College. . . . The authors write well because they first think well. They know economics and they know, too, the American colleges, in most of which economics is, in truth, a 'dismal science,' and this for reasons which the authors make abundantly clear."

A British periodical (*Land & Liberty*, London, March, 1959) takes as the heading for its review of the book:

### A Conspiracy of Silence

#### Smothering the Answer to Communism

The Public Revenue Education Council (705 Olive St., St. Louis, Mo.) in a recent comment on the book says:

"We can encourage the accumulation of capital and its use in productive enterprise, or we can tax capital into oblivion and strangle the private enterprise system to death. This is the challenge of these fifteen provocative essays. . . ."