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IN THE NATION

The Increasing Cost Of Land

By RAYMOND MOLEY

Secretary of the Treasury Robert B. Anderson, who is rapidly becoming the chief exponent of common sense in the Washington Administration, is mainly concerned, he says, with "sustainable economic growth—not just any kind of growth—as the major goal of economic policy." We may assume from what he has said on other occasions that "just any kind of growth" would include huge Federal handouts for housing developments in cities, with all the inflationary consequences attendant on that short-cut to prosperity. For housing — residential and business—is a major bulwark of our economy.

To anyone who chooses to look at the facts, it is apparent that lavish Federal expenditures are creating a new class of rich people who have done nothing, but whose ownership of land is inactive or speculative. A new wealth consisting of unearned profits is appearing at every spot where Federal money is flowing into public works, urban development, highways, and many water conservation projects.

Henry George's fame over the world in the last two decades of the 19th century was as great as is that of John Maynard Keynes now. His basic philosophy held that equity demanded the taxing of the "unearned increment" on land values and, as he said, taxes should "bear as lightly as possible on production" and "bear equally, so as to give no one an advantage or put anyone at a disadvantage as compared with others."

Those principles, first stated by Adam Smith in 1776, are true today and apply with great pertinence to urban development.

The magazine "House & Home" recently sponsored a round-table conference on housing and urban development generally. Participating were representatives of the housing, real estate, insurance, mortgage banking, savings banking, and savings and loan businesses. P. I. Prentice, editor and publisher of "House & Home" was moderator. The report agreed upon by all centered upon "tight money" and also inflationary land values.

The report had this to say about the latter problem:

"Steepest price inflation of all has been the price inflation in land . . . The builders know all too well what is happening, because the price of the land they need has risen far faster than the price of the materials they buy or the wages of the labor they employ. The price of big city slum land has soared so high that private enterprise cannot meet the need for low-income or even middle-income housing without a big land-write-down subsidy. The price of suburban land has soared so high that in some projects the land seller gets almost as many dollars for his acreage as all the manufacturers get for all the building products used in the houses . . .

"The only way land price inflation can be prevented is to tax land much more heavily, shifting a substantial part of the local tax burden now carried by improvements to the land itself. Taxes are the only important costs a land speculator must pay, so taxes are the only brake on the price of land. . . .

"Incidentally, taxing land more heavily would take the bootleg profit out of slums and force many slumlords to improve their property to get enough added income to pay their added taxes. It would deflate the bootleg value of slum property and make Federal subsidies for urban renewal land write-downs unnecessary. It would cut the cost of highway extension by cutting land costs for the right of way. It would make the unearned increment in suburban land values pay the cost of schools and other community facilities needed to convert raw land into housing. It would let home builders offer better homes for less money by spending for quality the money they now waste on land inflation. It would reduce taxes on good homes by increasing the taxes on vacant and under-used land."

The complete report of the round-table discussion appears in the current issue of "House & Home."