

## VALUES AND THE VALUE OF LAND

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(The following partially quoted editorial was brought to GroundSwell's attention by Walt Rybeck, [walttrybeck@aol.com](mailto:walttrybeck@aol.com))

"At the Lincoln Institute of Land Policy, our activity centers on policy-relevant research and training. We are non-partisan, and our work defaults to objective and evidence-based analysis. We pose questions and test hypotheses that can be answered empirically—through dispassionate inquiry and defensible methodology yielding results supported by data. We do not espouse or advocate for a particular ideology. We are mindful, however, that many policy decisions hinge on normative principles, not dispassionate analysis. And sometimes, especially when land is involved, conflicts arise at the level of principle. At the Lincoln Institute, we are not unwilling to take principle-based positions. Our work has always been driven by an objective economic analysis of land markets and a principled position regarding the just deserts of land ownership.

"Because the supply of land is fixed, demand determines its price. As such, landowners enjoy monopoly power and garner the full amount of price increases generated by higher demand. And over time, demand for land tends to increase. Because landowners do nothing to "earn" the windfalls of price appreciation, many economists and philosophers have considered them ill-gotten gains. This is best expressed by John Stuart Mill in *Principles of Political Economy* (1848):

"The ordinary progress of a society which increases in wealth, is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were in their sleep, without working, risking, or economizing. What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged if society had, from the beginning, reserved the right of taxing the spontaneous increase of rent, to the highest amount by financial exigencies?

"This normative view is also fundamental to arguments put forth by Henry George in his most famous work, *Progress and Poverty* (1879). He asserted that it was unfair and inefficient to distribute unearned financial benefits to idle landowners while taxing the incomes of productive labor and entrepreneurs. He considered it a form of slavery that reduced economic growth and generated persistent poverty. George proposed taxing away this unearned land value to support the functions of government and to eradicate the poverty that accompanied the unparalleled opulence produced by the Industrial Revolution.

"With some additional nuance, our recent work

around land value capture emerges from a similar analysis of the market value of land and a normative view of the just deserts of land ownership. Land value capture is based on the notion that the public is entitled to all, or a portion of, land value increases that result from public investment in land improvements or public actions that increase land value. If a municipality pays for roads, sewers, or public transportation that increase the value of proximate land, the municipality is entitled to recoup some, or all, of this increased value from landowners or developers. Similarly, if a city rezones a neighborhood to permit more dense development, the city is entitled to a share of the resulting land value increase. This recompense is predicated on a basic principle: those responsible for creating value should reap some, if not all, of the benefits. ...

"These limited experiments are indicative, but not definitive. For our part at the Lincoln Institute, we recognize the need to deepen our understanding of the intricacies of land value capture and its potential to close infrastructure finance gaps. In the coming weeks, we will launch a new global value capture campaign. We will document the legislative processes that enable land value capture and legal defenses to constitutional challenges. We will study the methods used to determine the value of land before and after public improvements are made. We will document the share of land value increases that can be captured through various instruments. And we will consider the potential unintended consequences of using land value capture as a major public finance tool. ... <<