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STANFORD UNIVERSITY SCHOOL OF MEDICINE
Department of Genetics

March 23, 1970

The Hon. Paul N. McCloskey, Jr.
House of Representatives
1719 Longworth House Office Building
Washington, D. C. 20515

Dear Pete:

Thank you for your letter of March 9 and for the copy of your address at Yale on "Congress and Environmental Quality: Now or Never". I will comment mainly on your proposals concerning land use, which probably have not been discussed as widely as the ideas on economic control of pollution. I am very much in agreement with these as an important element of an over-all strategy of environmental conservation. I do have to caution about one very small item - that there are still considerable gaps in our knowledge about NTA that ought to be filled before we are sure that it is a panacea in the detergent field (if I learn more about this I will surely let you know).

Let me express my enthusiastic support for your proposal about land use regulation, and for financing it out of the gain on appreciation subsidized by public expenditures.

I wonder if it really would add very much to that idea to incorporate a wrinkle that I may have briefly discussed with you some time ago, in effect imposing a retroactive increment on assessments and property tax due when a land use is changed. Lest this sound like confiscation, it could be implemented by assessing all land at evaluation based on its maximum potential development, but holding ~~it~~ in abeyance and forgiving those taxes that have accrued while land is maintained in an undeveloped state. The taxing authority could then easily reach back for a period of ten or fifteen years to share in the sudden appreciation of the value of land when its use has in fact been improved. A possible virtue that this scheme might have as a supplement to your proposals would be its self-enforcing character; your proposal would require a rather elaborate system of allocation of benefits, some of which might be regarded as quite dubious on the part of nearby landowners.

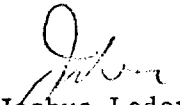
The kernel of your idea is, I believe, an important contribution and I hope you will be pushing it.

McCLOSKEY

I would also view this proposal as part of larger actions that must be taken against a rather vicious piece of economic pathology in this country; rampant speculation in land values. I find it rather difficult to identify a legitimate economic function for such speculation; and you have pointed out all too clearly the distortions and pressures that result from it. The inflation of paper values in land leads to a pyramid of credit that can only encourage non-utilitarian developments, is accompanied by a siphoning of gimmicky profits, and could lead to a rather serious collapse if ever punctured. One of the very simple things that might, and probably ought to, be done is the elimination of the preferential capital gains tax advantage on appreciation of land values. You are very familiar with the innumerable schemes for tax shelters that are encouraged by the present law and serve, as far as I can see, no discernible social purpose.

However, these suggestions are just frills, and I want to reemphasize my wholehearted support for your proposal in precisely the form that you have presented it.

Sincerely yours,


Joshua Lederberg
Professor of Genetics

P.S. I would indeed like to write a column to discuss these ideas, and I could peg it on your speech if you just give me the date (which was not on the copy). However, as an alternative, if you could give me a line when you intend to discuss this issue on the floor or introduce some legislation, it might be an even more propitious time to bring it up.

I realize that my "self-enforcing scheme" may founder because it deals with a direct extension of taxes that are not now within the province of federal activity, and it would take forever to get the requisite peripheral legislative action. However, it should still be possible for the federal income and capital gains taxes to accommodate the situation.

I would also suggest that you consider a similar approach to implementing your own proposal as an alternative to establishing a new system of taxation within the framework of the urban land bank. For example, a developer might be subject to an "excess profits tax" at close to 100% of the appreciation on his land, subject to remission on a scale dependent on a finding from the local urban land bank authority that implicit subsidies - like that accelerator! - were not the source of the gain. With such an approach one could also build in a floor to eliminate a large volume of nuisance level applications. (For example, that capital gains up to \$1,000 per year could be treated as they are today.)

