Land, Wealth, Inequality and Taxation

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Abstract

Urban and suburban land is a component of wealth with distinctive features. Land supply is not produced by human activity and does not deteriorate. It is immobile, and each urban land plot has a unique location and is valued for access to public services and market activities. Land is used in conjunction with structures to provide housing services and office space for professional activities. Understanding the dynamics of land inequality requires coupling capital accumulation and urban economics. The literature highlights that credit market imperfections shape land auction allocation and spatial sorting. Only inheritance can compensate for credit rationing, explaining that land wealth inequalities are passed on from one generation to the next, accelerating during periods of credit tightening. The economist sees many reasons, from both efficiency and equity viewpoints, why urban land constitutes a quasi-first-best tax base, but operationalizing it requires obtaining a credible land value for each built parcel, which raises empirical issues.

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