Second, although rich communities generally spend more than poorer ones, in most cases they do not spend as much more as their superior tax bases would permit. The result generally is that the rich communities have lower tax rates than do their poorer neighbors.[23] This is often observed in aggravated form in connection with small communities with extensive concentrations of business property. The public service requirements of the business property are low, but it can yield very large amounts of tax revenue. The consequence is an extremely low tax rate.

This, in turn, has two effects. It encourages economic activity to locate in low-tax jurisdictions, which may or may not be the optimal locations for particular forms of economic activity. Equally important, it encourages communities to plan land use for fiscal advantage, rather than on the basis of broader considerations:

> The examples of the industrial tax colonies and the high income/low tax rate enclaves have encouraged large numbers of communities to zone to attract tax base and repel consumers of public services. From a fiscal standpoint, the best of all possible worlds appears, to many suburban decisionmakers, to be development of the community's vacant land by campus-type offices and laboratories and by housing expensive enough to assure that there will be few schoolchildren (because of the anticipated age levels of the owners).
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> The popularity of this "fiscal merchantilism"—efforts to export service costs and import tax base—has generated a good deal of argument about the extent to which the various forms of land development "pay for themselves." There are, of course, endless possibilities for local variations in cost-revenue situations for particular classes of property. The presence of factories and shopping centers can increase some costs disproportionately, under certain circumstances, and have adverse rather than favorable effects on property tax rates. In some places, more expensive residential property is associated more with larger numbers of schoolchildren per family than with less expensive residential development. But by and large, the intuitive judgments of local policymakers are likely to be right since, in suburban areas, the school levy is usually more than half the total property tax levy; business property, that is, produces a school tax "profit," and much residential property produces a school tax "deficit." And if the latter is the case, the best way to minimize the "problem" is to have as few "deficit-producing" houses as possible, for example, by requiring very large minimum lot sizes for single-family houses. Thus, in the New York area as of 1960, nearly half the vacant land in the 22-county region was zoned to require single-family houses on lots of 1 acre or more.
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> This is not the place to comment in depth on the adverse consequences of land use decisions made on the basis of property tax considerations. It should suffice to say that efficient patterns of land use in metropolitan areas, in the broadest sense, are not necessarily those that maximize the current fiscal position of

[23] *Ibid.*, pp. 125–130.