

Wangaratta's Success Story and America's Slums

By HARRY GUNNISON BROWN

I

Wangaratta's Story

Wangaratta is an important town lying some 145 miles northeast of Melbourne, Australia. In August, 1956, taxpayers were invited to vote on a very simple question: should taxes be taken off of buildings and other improvements and levied on land values only. The answer given was "YES," and by MORE THAN FOUR TO ONE! With what result? That new buildings are being erected and old buildings are being modernized. Hence a better town, more jobs, increased business turnover. An across-the-page headline in the *Wangaratta Chronicle Despatch* of June 5th, 1958, says: "BUILDING WAVE ENVELOPS WHOLE OF TOWN." And this is taking place *during a fairly general recession in the building industry in Victoria.*¹

"Of course there is nothing new or surprising about all this. It is the inevitable and invariable experience of towns which adopt a scientific local taxation, instead of playing catch-as-catch-can and beggar-my-neighbor. Similar reports appear with clockwork regularity in place after place, year after year. Just recently, for instance, the *Sunraysia* carried a headline: 'RECORD BUILDING TREND CONTINUES.' That referred to Mildura City—351 miles northwest of Melbourne—where taxpayers gave a 3½ to 1 vote in favor of adopting land-value taxation in August of 1956. Building in 1957 broke all records. And at the present rate, the 1957 record will be broken this year.

"But to get back to Wangaratta. The borough levies *all* its rates on land values as follows: General 8d., water 3½d., sewerage 3d., making a total of 1s. 2½d. in the £ of the assessed capital value of land. That gives a tax rate of 6 per cent."

The *Chronicle-Despatch* commented editorially:

"This seems to be one of Wangaratta's most energetic years. Announcements of new commercial building and rebuilding indicate just how rapidly the town is going ahead. The expansion of Yarrunga's shopping center is particularly significant and could set a pattern for suburban centers of the future in the western and southern sections of Wangaratta.

¹ The story of Wangaratta—as also of Mildura City—is taken from *Land and Liberty*, London, England, Vol. 65, No. 771 (August, 1958).

"Plans for remodelling the Commercial Hotel will also be widely applauded. A new face on this century-old building should bring it into line with the growing number of modern fronts in Murphy Street and greatly improve the main street's appearance."

New developments now on the way include shops, offices, a modern engineering workshop, a motor showroom, and a service block for the hospital. Valuable blocks of idle land have been sold at "very satisfactory" prices. Also, some derelict buildings have been demolished to make room for new ones. Mr. H. Bell, who purchased the Commercial Hotel last August, said that ever since he was a child he had looked at the hotel and thought it was about time it was improved. "I never dreamed I would do it," he told a reporter.

II

New Zealand's Answer to the Slum Problem

Considerable publicity for the land-value taxation policy was secured by Dr. Rolland O'Regan during a recent (1958) visit to the United States. Dr. O'Regan, a leading Wellington (New Zealand) surgeon, is president of the New Zealand League for Land-Value Taxation.²

The reason cities have slums, says Dr. O'Regan, is that slums are more profitable than highly developed areas. "*One reason you get dead hearts in your cities is that you tax improvements. . . . Homes have a very high ratio of improvement value as compared to the bare land. About 80 per cent of the homeowners of New Zealand found their taxes reduced under this system,*" *i. e.*, the land-value tax system.

If 30 per cent of the property owners of a community sign a petition for land-value taxation, the local governing body calls a special election of just the property owners. And because homeowners usually represent the big majority of property owners, and realize their taxes will be lower, the land-value tax system "spreads like a grease spot at the rate of four communities a year. Some 56 New Zealand communities have adopted land-value taxation, exempting all buildings and improvements, in the last fourteen years."

In New Zealand the weight of land-value taxation on decadent areas becomes so heavy that the site holders are compelled to put their land to better use than rundown, unsanitary tenements or car parks, says Dr. O'Regan.

"We simply don't have rundown residential housing in any community that has adopted land-value taxation. In fact, the city of Auckland is the only one in New Zealand in which it has been necessary to undertake slum

² The account of New Zealand's local tax policy is presented more fully in *Christian Science Monitor*, July 29, 1958, Pacific edition.

clearance. . . . And it is worth noting that these projects are in the city which still hasn't adopted the land-value tax system."

Dr. O'Regan insists that any city, anywhere in the world, that adopts the New Zealand method of waging war on slums will find that land-value taxation is "a silent, wholesome influence that makes for wider and better ownership of land."

III

America's Inept and Extravagant Slum Policy

Unless Congress acts immediately to provide \$2,000,000 to purchase the land for the George Washington Memorial Parkway extension near the nation's capital, "it may cost ten times as much next year," chiefly because of skyrocketing land prices. That warning was given to the Senate Appropriations Committee by Horace White, president of an association supporting the Parkway project.

But the significance of the warning goes far beyond this one use of land. For the high cost of land is a barrier to slum clearance, to home ownership, to low-cost rental housing, to industrial development, and to the provision of playgrounds for children.

In the June, 1958 issue of *House and Home*, there is extended consideration of a Round Table which, meeting in Pittsburgh, pondered rental housing for two days. *House and Home* presents its own recommendations which were written after careful study of the Round Table transcript. Among these recommendations are the following:

1. "Don't buy slum property for redevelopment without deflating its bootleg value—even though the Federal government stands ready to subsidize a big write-down.

"There is no more excuse for Federal taxpayers to buy up slums at prices based on the outrageous profits of overcrowding, under-maintenance, filth, and misery than for asking them to buy up a red-light district at a price reflecting the profits of prostitution.

2. "One big reason slums are so profitable and slum land prices are so high is that slum lords pay such small taxes per unit. They pay such small taxes because their buildings are so nearly worthless that they carry a very low appraisal; the worse the building the lower the appraisal and the smaller the tax.

"If you increase the tax load on land and lighten the tax load on improvements, you could, at one stroke,

- (a) help deflate the bootleg value of slum property by making the slum-lords pay more taxes and so make less profits;
- (b) help harness the profit motive to slum improvement, for you would, in effect, be giving partial tax exemption to any money spent modernizing or rebuilding the slums."

Of America's big cities, only Pittsburgh taxes land at a higher rate than improvements. Its recent mayor, now Governor David L. Lawrence,

has said that "the graded tax law has been a good thing for Pittsburgh. It has discouraged the holding of vacant land for speculation, and provides an incentive for building improvements."

Third-class cities in Pennsylvania, of which there are forty-seven, have the option of changing their tax systems in the same direction. *How soon will they take advantage of this privilege?* And how soon will the governments of other states follow Pennsylvania's—and Australia's and New Zealand's—lead in this policy, a policy favorable to low-cost housing, slum clearance and prevention, and the development and growth of capital and industry and, therefore, of labor productivity and higher wages?

IV

Closing Our Eyes to the Evidence

How long will our magazines and newspapers—*almost* without exception—*ignore* the truly impressive data from Australia and New Zealand on the effects of a land-value-tax policy? Here, indeed, is a strange silence! How long will our legislators insist that the only cure for high-cost housing and for slums, is subsidization by the Federal government? How long, therefore, will they insist that the parent who, by economy and hard work, is endeavoring to provide an education and acceptable housing for his children, must be handicapped *not only* by the high cost of housing for his own family; *but that he must be further handicapped by the taxes* he has to pay for *buying out slum landlords* and subsidizing new housing for others? Is this the best solution that our self-styled "liberals" can offer!

If a state and local tax policy which itself *conduces to slums*, is thus *encouraged* to continue, will there not be *perpetually recurrent demands for Federal subsidization of slum clearance?* An American motto—in the days of the Tripoli pirates—was: "Millions for defense but not one cent for tribute." Shall our new motto be: "*Billions for Federal subsidization of slum landlords and of slum-producing local tax policies*, even if this means—as, along with other such extravagances, it could indeed mean—too little for defense?"

There is a better—and a fairer—way to our goal.

For further data on this subject, see THE EFFECTIVE ANSWER TO COMMUNISM and *Why You Don't Get it in College*, by Harry G. and Elizabeth R. Brown, published by Robert Schalkenbach Foundation, 50 East Sixty-ninth Street, New York 21, N. Y., 35 cents postpaid. Note especially chapters 2, 3, 4, 6 and 12.

For a pictorially illustrated discussion of Australian and New Zealand tax policy and experience, see H. Bronson Cowan's MUNICIPAL IMPROVEMENT AND FINANCE, New York, 1958, distributed by Harper and Brothers, \$3.00.