

There's hope yet!



● William Coyne

PENNSYLVANIA'S experience with land value taxation offers a message of hope in these times of economic recession, according to William J. Coyne, Pittsburgh's Democratic Representative in Congress.

Pittsburgh won the legal right to tax land at twice the rate of the tax on buildings in 1914.

"A long line of mayors credited our differential tax with helping homeowners and businesses," says Mr. Coyne, who served in the state legislature and Pittsburgh City Council before election to Congress in 1980.

"During the Depression, the mayors said it helped us weather those bad times better than comparable cities."

The renewal of Pittsburgh's Golden Triangle was also encouraged by the lower tax on buildings.

Then, in 1978, a budget crisis forced councillors to make some hard choices. The mayor called for a 150 per cent increase in the city's income tax, which would have cost the average wage earner an extra \$225 a year.

The land tax had to be doubled to almost 10 per cent to raise the \$29m that was needed to balance the budget. The advantage of this, according to Mr. Coyne, was soon appreciated: the increase would cost the average homeowner only \$84.

So, despite mayoral opposition, a higher rate of tax on land was adopted in 1979. This had dynamic effects on the Pittsburgh economy:

- Vacant lot sales rose 17 per cent, suggesting that the new rate made it uncomfortable to sit on valuable urban space;

- Demolitions were down 23 per cent,

suggesting that people were maintaining existing structures and had overcome their tendency to tear down and hold land vacant;

- Authorisations for new housing units rose 15 per cent, while they dropped 18 per cent in the rest of the Pittsburgh metropolitan area.

"Since then, you have seen some of the results in our skyline," Mr. Coyne told the annual conference of Georgist organisations at Chatham College, Pittsburgh.

"We now have half-a-billion dollars worth of new construction under way in what is known as Renaissance II. This translates into a lot of jobs and economic opportunities."

Mr. Coyne is well placed to express his views on powerful Congressional committees, among which is the Banking, Finance and Urban Affairs Committee and three of its important sub-committees.

"It is my strong view that the property tax reform is good medicine for housing, for downtown development, for putting people back to work, for keeping cities from spreading out too far into precious open space, and for healing the ailing economy," declares Mr. Coyne.

"My biggest puzzle about all this is why it has had so little attention in the nation's media."

He called for more research by social scientists. "Pittsburgh and our sister land-tax cities are a kind of laboratory. I hope the scholars and researchers do not lose the great opportunity to make meaningful comparisons over time and between comparable communities that do not use our tax system."

"These are worrisome times. The country and the economy are in desperate trouble. I believe these tax reforms offer a message of hope."

Report by John Green

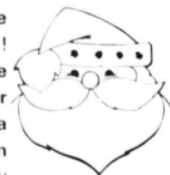
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