

Getting Jobs Back to the Cities

HENRY TIDEMAN, a Chicago architect, recommends a reform of the City of Chicago's finances that would greatly benefit that city's industrial and housing development. His recommendation has crucial relevance for cities throughout the world. The following is adapted from a paper submitted to an International Symposium on Lower-cost Housing Problems.

BUILDINGS and their value come into existence only as a product of the builder. Taxes on buildings, in their inception, by absorbing part of the income from them, make buildings unprofitable, and because they are unprofitable, fewer buildings are built; men will not build at a loss. The ensuing artificial shortage, operating through the law of supply and demand, raises building rents, and it is only when events reach that stage that the tax on buildings can be and is passed on to the tenant. The resulting tax-created shortage continues indefinitely without ever being made up; the incentive to build the volume of construction needed to make up the shortage has been stifled by the tax, and rents continue artificially high as the tax continues to be passed on to the user.

Urban land, however, is not, like buildings, created by *anyone*; it has always existed. As Prof. Arthur Becker of the University of Wisconsin says, "Since urban land, considered in terms of its most essential characteristic as three-dimensional space, is a gift of nature, no economic inducement or compensation is required to bring it into existence." Similarly, the value of urban land is created not by the titleholder, but by its situation, by government activities, and by the presence and activities of others. Since a tax on land cannot make it better, cannot discourage its production or reduce its supply, it does not create a shortage of land which raises its price, and cannot be passed on to the user.

On the contrary, the tax on industrial land values—as is also true of taxes on other land values—makes it unprofitable to hold well-situated industrial land idle. It presses that land into the market and by increasing its use creates manufacturing jobs for those living in nearby housing. Not only does land-value taxation lead to the use of vacant land and the better use of that already occupied, it does so in a selective fashion, pressing first into use the most productive land, as evidenced by its having in men's eyes the highest value and therefore bearing the highest taxes. Taxes on construction discourage construction and raise rents; taxes on land encourage construction and lower rents.

(What is here true of factory construction is equally true of housing construction; the same land-value taxation which would tend to bring about the construction of factories with their jobs for the unskilled living in nearby housing, would also expedite

the construction of housing.)

The fact that industry would be encouraged is understood even by the local Assessor's office, since the comment of his observer at a session hearing Prof. Becker's testimony was that it would fill Chicago cheek to jowl with industry. Such a fantasy is hardly well founded. Industry does not exist in a vacuum either; it, in reverse, has its own relationship to housing. But from the standpoint of the poor living in adjacent housing, what could do more for them than a plethora of adjacent factories begging for employees?

Chicago industrial and other builders would no longer be driven not only out of the city but even leapfrogging over land at its margin also held at prices which make its current use unprofitable. Urban sprawl would be contained not by regulatory measures, but by the fact that men do not spread on to flood-plains and to places without railroad service, when good land in and closer to the city is available.

Beyond this, land-value taxation is what the economists call "neutral", one of its great merits in a day when taxes block and twist production in strange ways. It does not favour one industry over another. It does not raise the price of land. It does not affect the property taxes of an average man with an average value home on an average value lot; the higher tax on the land is offset by the lower tax on the building; and by encouraging production it actually lowers the price of the products he buys. It does not require that any building be located in a place the builder regards as unsuitable. It merely provides reasonable tax policies which make desirable locations available. We cannot coerce men into "goodness"; but by doing justice, we can—at no cost to the public—help them to find it to be advantageous.

For there is an answer to those who will thoughtlessly say that such a maximization of the tax on urban land values would not be fair; why should the landholder—as opposed to the owner of a building—bear the burden of taxes? Who makes the value of Chicago land? The Chicago public, all of us; first, individually, through our presence as producers and consumers; and second, collectively, as the medium raising and spending tax money for Chicago facilities like streets and alleys and their lighting, water lines and filtering and pumping stations, sewer lines and treatment plants, police pro-

tection, fire protection, municipal transportation, parks, and schools.

Since Chicago tax money creates and maintains these facilities, and since what rises in value when they are provided is Chicago land—not Chicago buildings, which can never be worth more than it would cost to create others like them—is it not entirely fair that the Chicago landholder pay for what he gets? It is not merely unfair to ask the building owner to pay; it is, as the evidence demonstrates, inexpedient, because it drives him out of the city. The land cannot go away; the prospective industrial building can, and now does, and when possible in the future will—until Chicago changes its tax policies—leave the neighbourhood of our low cost urban housing, spreading across our land like a cancer in an eternal search for something not really there either, while it leaves the unskilled and unemployed behind in the inner city.

As Prof. Becker says, in the carefully dry language of the professional economist: "Converting the uniform real-estate tax into a land-value tax would provide an immediate stimulus for economic develop-

ment and use of urban land."

Dr. Carl H. Madden, the Chief Economist of the United States Chamber of Commerce, puts the matter this way: "A powerful tool for rebuilding urban centres through private initiative lies in reforming the property tax. Higher taxation of location values and lower taxation of improvements would help to push land into more effective use."

Land-value taxation suggests that there is no need for us in the United States to continually throw away our used cities and get us new ones. All we require is a method of securing access to building sites, to the surface of the Earth, within the boundaries of the cities we already have; and that, it will provide. And ought not this be done? For is not the planet Earth the common inheritance of mankind?

How much longer can we survive free, with city tax policies which drive industry away from its natural employees in a constantly widening sprawl, wasting our countryside in one way and our cities in another?

GALLOPING GOVERNMENT

DON Quixote had his problems.

Jousting with windmills must have been a formidable undertaking. Especially if the blades were anything like the 200ft. monsters which ERDA—Energy Research and Development Administration—will test. These are intended to produce energy by wind for electric power. Located in a windy area of Colorado, hopefully the giant blades will not woosh everything off into New Mexico.

Back to Don Quixote. Windmills are fixed in place. He knew where his target was as he planned his strategy to overcome it. Today's counterparts of Don Quixote—intent on battling current evil—have a more elusive task. Observe government in these times. It is made up of men and women who play the role—knowingly or not—of Headless Horsemen, or Horsewomen, or Horsepersons if you will.

A Headless Horseperson is constantly mounting his/her steed to gallop off in all directions at once. An enthusiastic media cheers them on, cameras at full tilt and inkpots flying. The Headless Horseperson may have no idea where he/she is going, or where he/she will arrive, but each de-

parture has the fanfare of a winged Pegasus ascending into the clouds. And governmental process becomes a hodgepodge full of ineptitude, waste and worse.

Little wonder that the public is bewildered, agape. Let us suppose the officials at a football game went berserk. Instead of enforcing the rules, without fear or favour, they usurped the role of quarterback, snatched passes, threw blocks and even sallied into the stands to sell peanuts. It might be energetic, dramatic even,

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but productive—alas, no. How long would the fans stand for it?

Congress, state legislatures, county ruling bodies, city councils all have the depressing tendency to be Headless Horsepersons. Being headless, it is not easy to tell whether the guiding direction comes from the foreparts or the hind. And once a Headless Horseperson, always a Headless Horseperson—through the years—through successive elections—from local to high federal offices.

So sessions become longer, staffs

multiply, paperwork is enormous. Before adjournment there is a frantic burst of energy. The long-suffering electorate hopes for its public servants—a euphemism—to become more stable and efficient.

To concentrate on fewer objectives is the beginning of wisdom—paraphrasing Job and Solomon. 1. Concentrate on land. It is basic to all human endeavour. Land can be beneficent Mother Earth for all her children—or an object of distortion and inequity. It starts with handing out special privileges in land—how land is assessed for taxes. If land is under-assessed for the favoured, it can destroy even the best of communities. Land can be the beginning of monopoly, speculation, tax evasion.

And objective 2. To control zooming budgets and crippling deficits, those in governing bodies should spend our tax dollars with the same prudence they use when spending their personal funds.

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PERCY WILLIAMS

As we go to press, we are sad to report that Percy Williams, Executive Secretary of the Henry George Foundation of America, died on December 27, 1977 at the age of ninety.