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America's land crisis is roaring back into politics

Henry George shows why rent control and tax cuts won't solve nation's land crisis.

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By Mike Bird

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A progressive firebrand has taken New York's mayoral race by storm with a campaign driven by the smothering cost of housing. Propelled by a coalition of middle-class liberals and heavily burdened renters, the upstart has terrified the city's business elite.

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The year is not 2025, but 1886. The politician is not Zohran Mamdani, the city's new mayor-elect, but Henry George, a superstar author. George believed he had identified the cause of the wealth and want of the Gilded Age: In the late 19th century, technological progress — symbolized by new networks of rail, telephones and electric power — was paired with new forms of urban destitution. The egalitarian spirit that had transformed America was ebbing. Landlords, George said, guzzling the fruits of progress, left little for anyone else.

To fix these ills, George proposed an extraordinary levy on the value of land, taxing its rental value at 100 percent. His books sold millions of copies, and he found support from the benighted tenants of Lower Manhattan, workers in the burgeoning industrial metropolises of the Midwest, and tenant farmers across the country. Land was at the forefront of American politics. The asset was swept away by shifting ideological and technological sands in the decades that followed. The revolutionary left's attack on capital left no special role for land, as the right pursued a campaign for widespread homeownership. Mass transit, car ownership and suburbanization loosened the grip of land.

But a century later, land is roaring back into politics in New York City and beyond. The consequences of a long-term lack of house-building, in particular, are now bubbling to the surface. As American house prices have surged in the last 15 years, the proportion accounted for by the land beneath them — the value of the location itself — has risen from 36 percent in 2012 to 59 percent in 2024.

Almost 6 in 10 New York City tenants are classed as rent-burdened, spending more than 30 percent of their income on shelter. It is no wonder that a candidate focused on the cost of living has done so well. The trend is increasingly recognizable elsewhere, too. At the end of the 20th century, New York was the only American city where more than 30 percent of tenants were rent-burdened. Today, that is true in seven other metros, including Los Angeles, Miami and Boston.

Mamdani plans to freeze rents on the stabilized units that make up almost half of New York's rental accommodation. He is not alone in pushing for greater municipal and local control over rents. In April, rent hikes of more than 10 percent were banned in Washington, following similar laws in California and Oregon in 2019. The Los Angeles City Council is discussing cutting a cap on rent increases from 10 percent to 5 percent. Such controls produce howls of objection from economists. But so long as the ranks of the rent-burdened are growing, demand for it is unlikely to cease. Unlike Mamdani, George lost his first bid for the New York mayoralty and died during a second run in 1897. His lasting legacy in American politics came instead through his supporters and fans, known as Georgists, who held huge influence in municipal politics across American cities in the years that followed his death. As a result, 10 percent of total American government revenue from the federal to local level comes from recurrent taxes on immovable real estate, the highest level among industrialized nations.

But America's property taxes are now under threat from a different kind of land politics. Rather than burdened renters, it is the owners pushing back. Across several states, campaigns to dramatically reduce or eliminate property taxes are growing in support. The climbing cost of urban land, especially where zoning is restrictive, has left many owners with property tax bills outstripping their incomes. Legislators are pushing for generous exemptions and allowances or time limits that would mean owners who have lived in a property for decades no longer pay. Next year in Florida, a measure for the abolition of property taxes may be on the ballot.

So far, fixes for the land-driven squeezes on renters and owners range from the misguided to the disastrous. Limits and controls on American rents lift the fortunate tenants in stabilized units, until the effect of lower investment and maintenance catches up with them later. The efforts to end or severely limit property taxes may prove to be even worse. States deprive themselves of revenue they cannot easily replace. The nonprofit Tax Foundation estimates that to offset Florida's loss in property tax revenue, sales tax rates would have to rise from 7 percent to over 15 percent.

Worse, states and counties would lose the main way they capture the uplift in land value driven by public investment and local activity, precisely what Henry George hoped to achieve. Arpit Gupta of New York University's Stern School of Business estimates that the \$4.5 billion price tag of one New York City subway extension between 2007 and 2017 generated a \$5.5 billion increase in local property values. The city captures a fraction of the value through existing taxes, leaving the windfall in the hands of the lucky private owners of the land. Without property taxes at all, it would have captured none of it.

Neither of the revolts against rising land prices tackles the fundamental challenge: There are not enough homes where Americans want to live. The way in which renters lose out when the supply of housing is low is obvious. But ironically, the owners who have no interest in selling up can lose out too, if the limited supply means that their property tax bills keep on climbing. The fortunes of American families are rising and

falling with the price of land again. Without a dramatic shift, the bitter new era of land politics is just getting started.