

# the Henry George News

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## *The Housing Squeeze*

by ROBERT CLANCY

NEW YORK is experiencing a building boom at present. Shiny structures of steel, glass, concrete and aluminum are springing up all over town. They are for the most part office buildings and luxury apartments.

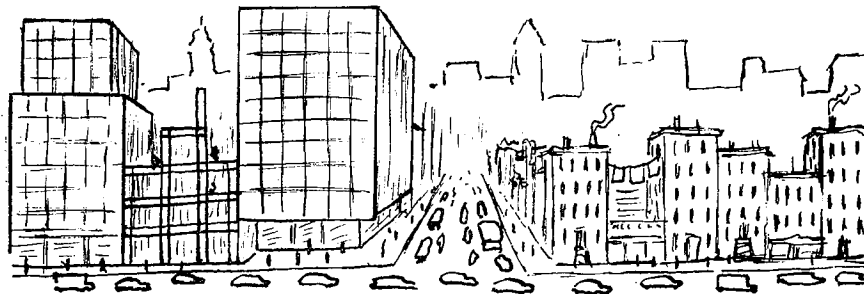
But side by side with these new buildings there exist some of the worst slums to be found anywhere. Families are crowded into old decaying buildings with completely inadequate facilities and unsanitary conditions. The situation has been intensified by the influx of Puerto Ricans who are exploited mercilessly by slum landlords.

Between these two extremes, the middle class is being slowly but surely squeezed out. The sad fact is that almost no new residential buildings are going up that can be afforded by

middle income groups (between \$5,000 and \$15,000 a year). What are they doing? They are either clinging to their pre-war deteriorating rent-controlled apartments, or they are moving out of the city into suburban areas.

Low-rent housing projects were for a number of years considered a solution, and large groups of modern, low-priced apartment houses were built with the aid of city and state funds. But more problems were created than were solved. In the first place, not enough new dwelling units could be built to replace the old ones torn down in the same area. Where were the excess tenants to be relocated? Secondly, the low rentals were adjusted to the former slum dwellers. A ten-

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ant was not allowed to better himself economically, if he did, he had to move. Where should he go? (A more recent law allows the tenant to stay, and adjusts the rent to his income—which raises other problems.) Finally, there were sociological repercussions. As pointed out in a series of articles last year by Harrison Salisbury in *The New York Times*, the condition of the project dweller was actually worsened. He was uprooted from the community he knew, and plunged into a strange environment. The new brick walls only disguised, they did not improve his poverty.

Forcing "slumlords" to comply with minimum standards has proven to be another futile pursuit. The officials can never catch up with the violators. Furthermore, the rigorous law of supply and demand enables the slumlord to ask and get a high rent for the shabbiest corner of an old building, for which there are always eager takers.

As slum dwellings are torn down, they are often replaced by luxury apartments, which builders say is the only thing that pays for itself.

The problem has grown beyond the ability of both the city and the state—and so the federal government has been asked to step in. The outcome of this collaboration is the Title I program, wherein the federal and local governments buy land from the owners and resell it to builders at a lower price. The opportunities for graft which this offers to those on the "inside" have not been neglected. Recently, an entire issue of *The Nation*, entitled "The Shame of New York," was devoted to an exposé of the situation. Those in the know say *The Nation* reporters only scratched the surface—the situation is even worse.

Fortunately, there are some people in the field of housing and urban renewal who have found that something

**Robert Clancy, director of the Henry George School, speaking at the School of Economic Science in Toronto on December 11th, told of hopeful signs on the housing horizon. Mrs. Jean Newman, Deputy Mayor and Senior Controller of Toronto, was also a speaker, and expressed herself as being intrigued by, but not yet sold on, land value taxation. The meeting was reported in the three leading Toronto daily newspapers.**

can be done, and the situation is not hopeless.

The high price of land is a key to the problem. Mason Gaffney (Associate Professor of Agricultural Economics in the University of Missouri), in an article in the U. S. Yearbook of Agriculture for 1958, entitled "Urban Expansion—Will It Ever Stop?" showed how the growth of cities causes the price of land to skyrocket. Land in cities becomes so expensive that people seeking sites for both residential and commercial uses are compelled to migrate outward. This rush to the suburbs expands the metropolitan area far beyond its normal limits, encroaching on the countryside. Land values in these suburban areas start shooting upward. Speculators hold on to promising locations for a future rise, resulting in a leap-frog development—patches of houses alternating with stretches of unused land.

*House & Home*, the leading U. S. magazine in the field of home-building characterized land speculation as "Public Enemy No. 1", and suggested putting more of the tax load on land and less on improvements, to encourage building and discourage speculation [Nov. H.G.N.].

In 1958 a study was published by the International Research Committee on Real Estate Taxation, to consider the effects of such a shift in taxation. The study was based on research done by H. Bronson Cowan, a Canadian, who took a field trip to Australia and New Zealand, two countries where

many municipalities tax land values and not buildings. Mr. Cowan's findings were striking. In towns and cities where the system was adopted, slums were virtually abolished, and much new building was going on. The percentage of home ownership was high and there was no "housing problem." Coming back to his own country, Mr. Cowan found that the system was applied to some extent in some cities of Western Canada—New Westminster, B.C. and Regina, Saskatchewan are two examples—with similar beneficial results.

This year in the U. S., the National Association of Housing and Redevelopment officials studied the use of the taxing power as a device to eliminate slums. Their survey was published in the August issue of the Journal of Housing, and showed that the exemption, or partial exemption of improvements, and the heavier taxation of vacant lands, was effective in improving slum conditions. This study has received widespread attention [See Dec. H.G.N.].

And now in New York, a new group has been formed to study the matter further. It is the Citizens' Housing and Planning Council of New

York, and it will work with the Mayor's Special Committee on Housing and Urban Renewal. Their report will be issued early in 1960. Particular attention will be paid to land values and the effects of tax policies.\*

From what I gather, the large cities of Canada are having problems similar to U. S. cities. Toronto reports land values going higher and higher and urban development stretching out too fast and too far. In Montreal, according to an article in the Montreal Star, "the only people who have given any thought to the future are the land speculators." The Island of Montreal is currently the scene of feverish land speculation.

I hope I will not appear presumptuous if I suggest that it would be a good idea if Toronto and Montreal formed citizens' councils like the one in New York for the purpose of studying land values, and the shifting of the tax load from buildings to land, as a way to tackle the slum problem.

\* The members of a Tax Policies Advisory Committee appointed by Albert Pleydell to cooperate with the Mayor's committee, were listed in the November HGN. To those names a new one has been added: Dr. Arthur P. Becker, chairman of the Economics Department, University of Wisconsin, Milwaukee.

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Dr. Duval B. Jaros, a discussion leader in the San Francisco Henry George School, thoughtfully sent the above advertisement. We congratulate Montreal on its "progress," while dropping a tear for those caught in the pinch. This could have been greatly minimized by a tax on land which would reflect population increase and result in gradual improvement and a more uniformly beautiful city.