

Method for Eliminating Slums

by H. BRONSON COWAN

SLUM reclamation, housing, municipal and other town planning authorities all over America are showing increasing concern over their inability to deal effectively with the slum problem. Billions of dollars have been spent, and while much has been accomplished, old buildings continue to become decadent faster than old slum sections are being reclaimed—thus new areas are constantly developing.

Slums are due to a number of causes, and efforts directed merely to the effects of these causes leave the causes untouched. The most important cause results from the pressure of a rapidly growing population which, in the United States, is increasing at the rate of 3,500,000 a year. By 1969 there will be 35,000,000 or more people living on this restricted area of land. The uncontrolled speculation in land values now recognized as a nationwide problem is an inevitable effect of this population pressure which is forcing land values up.

The immense sums being provided by governments for the acquisition of slum and blighted sections further increases speculation in land values, and in order to provide these funds, governments have to impose higher taxes which produce inflation and increase the cost of living.

Municipalities, ever in search of bigger budgets, continue to impose millions of dollars in taxes on improvements. These reduce the taxes on land values with the result that speculation in land values is encouraged, while investment funds are driven out of the housing field. Slum clearance authorities, with so many

H. Bronson Cowan, author of *Municipal Improvement and Finance*, is a Canadian tax expert with an answer for all America. No longer can it be said that the principle urged by Henry George has not been tried. It has been in use in New Zealand, for instance, long enough to have attracted the attention of the central government. Its benefits speak for themselves in immediate improvement wherever the site-value system of taxation has been tried.

A recent dispatch from A. R. Hutchinson, in Australia, states that Ararat City, Victoria, has "struck its first local tax on the site-value basis with exemption of buildings and cultivation. This was done by council resolution without the need for a local referendum of ratepayers."

economic forces against them, are literally trying to swim upstream against a current that is too strong for them.

The experience of municipalities in Australia and New Zealand, on the other hand, has shown that under site value taxation these effects are reversed. Many examples could be given to support this statement, but the city of Dunedin in New Zealand provides a typical case.

With a population of around 75,000 it was imposing municipal taxes of \$3,242,285 in 1953-54 when it adopted site-value taxation (this is the term commonly used in Australia and New Zealand for what American Georgists refer to as land value or location value taxation). The portion resting on land values was \$964,740 and on improvements \$2,283,545. Under site-value taxation the \$2,283,545 on improvements was removed. This acted as a gigantic annual bonus to the construc-

tion industries, increasing employment and reducing taxes on the great majority of houses. It benefited every type of property in the city including government housing projects.

The taxes on land values were increased 236 per cent, from \$964,740 to \$3,242,285 — a large increase for a city of that size. Speculators had their anticipated profits reduced accordingly, but the acquisition of land in blighted areas was facilitated without any increase in the tax load and without government assistance.

The improvement was immediately noticeable. Old buildings began to be extensively repaired. Others were torn down and replaced by new ones. During the six years prior to the adoption of site-value taxation the average value of the building permits issued was \$7,410,418. In the year following they jumped to \$12,543,142, or 69 per cent.

Good news travels fast and Dune-din's civic face-lifting was soon noticed in Auckland, the only large city

in New Zealand which was still taxing improvements. The Auckland City Council appointed a committee of its members to investigate site-value taxation in operation, and its report, presented in 1956, favored adoption of this method. The main reason given was that it "would be desirable in the interests of the city, particularly in respect of the redevelopment of central decadent areas and a reduction in the rate of urban sprawl."

After observing the benefits of this type of taxation for several years in a number of its cities, and following a report brought in by a local commission recommending it for all municipal purposes, the New Zealand government appointed a Royal Commission to investigate the advisability of enacting legislation that would make the use of site-value taxation obligatory on all municipalities.

Site-value taxation has eliminated slums wherever it has been tried, because it acts upon the cause instead of merely treating symptoms or effects.



PROGRESS IN AUSTRIA

by PHILIP KNAB of Vienna

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A new real estate valuation law (in Austria) requires that a distinction be made between the value of land and the value of buildings. Even though it does not give local communities the authorization to adopt different rates for the tax on the value of land and that of buildings, the law does call for the recording of the full land value; while only a *fraction* of the costs of construction is entered as building value. This already constitutes a fiscal deduction in favor of buildings.

These first steps in the right direction will certainly draw the attention of communities to the advantages offered to them by the reduction of taxes on improvements, and perhaps also other taxes on consumption or production. Progress will thus come from the bottom.

We have been calling attention to these principles in making contact with various urban and communal groups, as well as the Ministry of Finance and experts on housing. We have had the satisfaction of seeing our old adversaries make an about-face in favor of our ideas.

(Translated by Robert Clancy)