

# Land and liberty to build

## On Georgism and YIMBYism

by Stephen Hoskins, Progress and Poverty

‘Only an alliance of Georgism and YIMBYism is capable of addressing rising housing costs and economic inequality.’



Spend any time trying to untangle the Gordian knot of urban housing costs and you'll quickly encounter two groups claiming to hold the scissors: the YIMBYs and the Georgists. YIMBYs ('Yes-In-My-Back-Yard') argue that cutting land use regulations ('upzoning') will boost housing construction and improve affordability; while Georgists believe we should shift the tax base onto land, to punish the speculative under-use of urban lots and stimulate the supply of homes. While many folks agree with both positions and there is much overlap between the two groups, they sometimes lob criticisms at one another and often vie for primacy in the housing discourse.

“Through a witch’s brew of tight density restrictions, sweeping prohibitions on apartments, and high minimum lot sizes, among other zoning regulations, these neighborhoods and suburbs effectively preserve their economic exclusivity and high-quality services to the detriment of everyone else.”

–Nolan Gray in *Arbitrary Lines*

In this article, I will argue that both upzoning and land value tax are absolutely necessary if we want to fix our cities. I’ll explain why they are natural allies in the fight against landed interests, and demonstrate that they are so much better together. All urbanists should adopt both as a core tenet of their advocacy.

### Why Georgists should also be YIMBYs

Ardent readers of this substack probably want to tax land already, so let’s start by talking about why you should also support upzoning.

Henry George was precocious in his understanding of the power of human proximity. In a love-song to the city, he writes “Here, if you have anything to sell, is the market; here, if you have anything to buy, is the largest and the choicest stock. Here intellectual activity is gathered into a focus, and here springs that stimulus which is born of the collision of mind with mind.” Dense cities are unrelenting engines of progress. They ensure all our desires are nearby, allow us to learn from each other, and provide a buffet of jobs so we can pick the perfect one. Cities boost innovation and entrepreneurship. Productivity grows by 15% with every doubling of city population.

While George’s lifetime predated our Euclidean system of zoning, it is clear that he would have found it an abhorrent barrier to human freedom. His single tax advocacy ultimately sought to liberate individuals from the extractive burden of land rents, thus providing freedom to all. “Freedom is the panacea for social wrongs and the ills they breed, and the single tax principle is the tap-root of freedom.” Freedom to George meant an ardent opposition to all regulations “save those required for public health, safety, morals and convenience”, which clearly

excludes our burdensome zoning. George wields this principle most directly in *Protection or Free Trade*, arguing that trade tariffs protect companies from competition, and grant them monopolistic power to raise prices, hurting consumers. In an identical manner, zoning is a regulatory tax on production which grants landowners the right to exclude others from their community and ultimately curtails our freedom to live and work on land in the manner that best serves human need.

Zoning which limits the densification of urban areas, like height limits, setbacks and maximum floor area ratios, acts as a stifling handbrake on the dynamism of our cities and banishes us to suburban isolation. Easing zoning in NYC and the SF Bay Area alone could boost US production by between 14% and 25%. Zoning prevents workers from moving to places where their labor will be more productive and more highly paid. Americans used to migrate in this exact direction, but that trend has reversed as zoning prevents housing from being built in the most valuable places. Low-income folks are hurt most by this exclusion, exacerbating inequality. YIMBY upzoning would not just improve social mobility and equality, but will also weaken both racial and economic segregation within cities.

Georgists should be appalled by zoning which forces households to over-consume land, such as minimum lot sizes, minimum parking requirements, and use restrictions that separate where we live from where we work and play. These force cities to sprawl outwards, undermining the viability of public transit and increasing carbon emissions through car-centric commutes and less energy-efficient dwellings. Enabling densification was one of the key climate abatement policies identified in the latest IPCC report.

‘[YIMBY policies] will disrupt systems of people who treat their home as an investment ... and will create renters and condo owners who own less of the land, so they are going to be more likely in the end to support radical measures to discipline land markets.’

–Mark Mollineaux on the Henry George Program

Upzoning enables developers to shift away from sprawling suburban single-family homes and towards more sustainable typologies. A decade ago, only 12% of houses built in Auckland were townhouses and apartments, but after sweeping upzoning they’ve grown to fully 70% of new supply. Aside from all the benefits discussed above, this density has the added benefit of creating a voter base for whom land is a smaller share of their household balance sheets, making them more amenable to Georgist arguments in the future.

### Why YIMBYs should also be Georgists

YIMBY readers may be clapping along in agreement that upzoning can solve many of our social woes. But without incorporating the lessons of Georgism, many of the benefits of upzoning will be slow to materialize and will flow straight into the pockets of landlords.

For the owners of upzoned land in desirable locations, YIMBYism can be incredibly lucrative. Relaxing a height limit multiplies the rental income that can be earned from building upward on a piece of land. Landowners know this and respond by demanding much higher prices from developers trying to acquire their land for construction. Thus, upzoning can instantly raise the value of upzoned land. A huge portion of what we call ‘developers’ are really just speculative land bankers who buy sites, lobby for upzoning, and then make-off with their ill-gotten windfall gains, without actually adding to the supply of housing. This mechanism is why YIMBYs often find ourselves confronted by Jonah Freemark’s finding that transit-oriented upzoning in Chicago immediately capitalized into higher property values. Likewise, my recent thesis found that

even widespread upzoning across Auckland still generated windfall profits in the order of USD\$100,000 for the owners of a typical single family dwelling where townhouses and apartments were newly allowed.

Crucially, this is not an argument against upzoning! Instead, we must find ways to capture the value that is created by upzoning so it can benefit everyone in society, not just lucky landowners. Upzoning paired with a windfall gains tax can help share the land rents created by upzoning. Land value tax (LVT) ensures that whoever benefits most from zoning will also contribute the most taxes. Even better, by placing a price on land banking, it will nudge developers back into the business of building.

The windfall profits from upzoning contribute to the (mistaken) belief among many left-urbanists that YIMBYs are just feckless shills for the real estate lobby. One benefit of being both a YIMBY and Georgist is that you can respond to these allegations with “I want to tax the entire value of land away from the landed class and redistribute it to the public”.

For YIMBYism to truly deliver on its promises, upzoning must actually result in more houses being built. But Cameron Murray argues that because land bankers delay construction to time their sales with the peak of the boom-bust cycle, the overall rate of new housing supply may be unrelated to zoned capacity. Worse, if upzoning is expected to temporarily flatten house prices, developers will find it more desirable to delay development until prices are higher, which can counterintuitively reduce housing supply. Imposing an annual LVT ensures that landowners bear the full opportunity cost of holding land, increasing the cost of delayed development, ultimately increasing the rate



“All these advantages attach to the land; it is on this land and no other that they can be utilized, for here is the center of population—the focus of exchanges, the market place and workshop of the highest forms of industry... And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly.”

– Henry George in *Progress & Poverty*, Book IV, Ch 2 Increase of Population

of supply. Again, we see that the benefits of YIMBYism are supercharged by LVT.

Imagine that a municipality could be persuaded to provide the perfect mix of land use regulations and public investment: allowing just the right housing in the most desirable locations, perfectly balancing externalities, and providing the optimal mix of public parks & transit. By making their city as attractive as possible, these policymakers would actually maximize the sum of their urban land values. Thus, the ultimate outcome of YIMBY advocacy could actually be a world where the largest volume of land rents flow from tenants to landlords. Georgist land policy redirects these rents back into the hands of the public, and prevents YIMBYism from accidentally exacerbating land’s central role in inequality.

Finally, George’s lessons on the monopoly power of location helps us see that even if all the economic and social benefits of YIMBYism do materialize, nearly all of them will flow directly into the pockets of urban landowners. Ahlfeldt & Pietrostefani prove this empirically, showing that although urban density raises wages and amenities, rent often rises even faster, redistributing the benefits of densification from tenants to incumbent landowners. Some prominent YIMBYs have started to voice similar concerns, such as Devon Zuegel noting that “increasing supply could actually increase the cost of housing”. This phenomena explains why the primary beneficiaries of the Silicon Valley tech boom have been the property owners.

The Georgist solution here is essential: use LVT to capture the benefits of thriving urban areas, and redistribute the revenues, so that

every single member of society gets to share in the benefits created by upzoning and urban intensification.

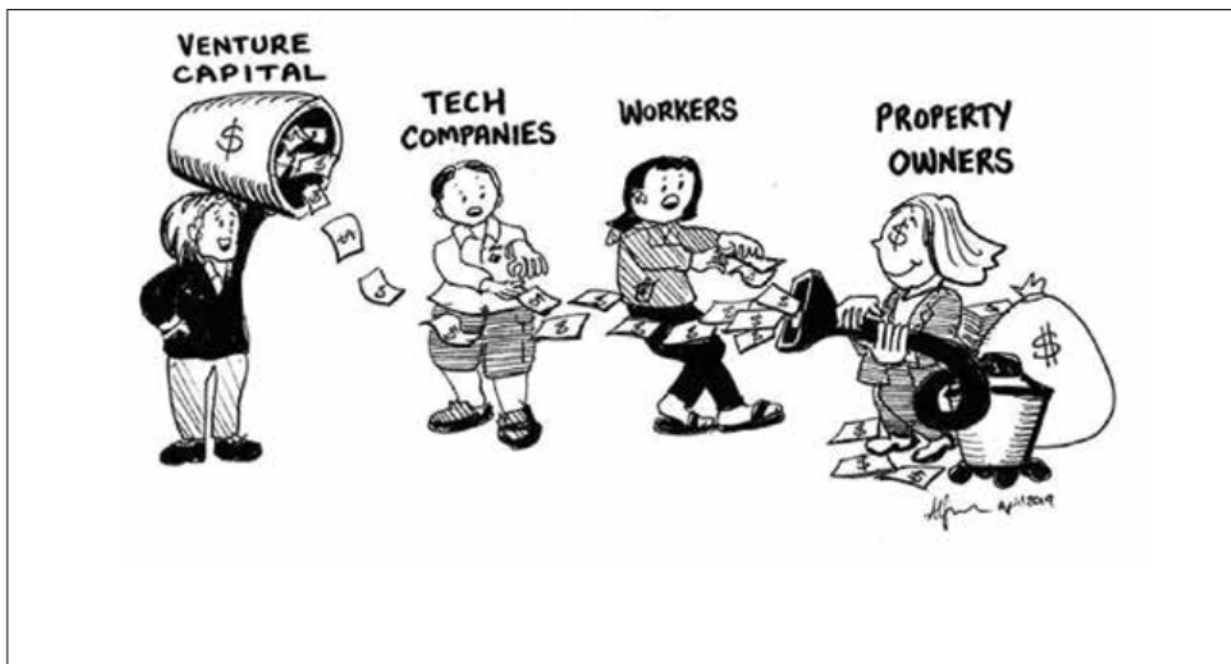
### Land value capture is necessary

Before highlighting just how powerful YIMBY and LVT are together, I’d like to engage with a couple of the main arguments from YIMBYs who believe that sufficient upzoning makes Georgism unnecessary.

For example, some YIMBYs argue that if we really got serious about upzoning, we could create such tall buildings that each individual household could consume a miniscule amount of land, ultimately kneecapping landowners’ extractive power.

To test this idea, let’s draw on a little bit of spatial economics. We all have an intuitive understanding that housing costs are highest in the city center because of greater access to jobs & amenities, and less time & money spent commuting. Urban economists refer to this mechanism as ‘spatial equilibrium’: the price of housing in different locations adjusts to leave consumers neutral between locations. Therefore the price of housing in different parts of the city will always reflect the benefits of that location relative to other parts of the city or countryside.

Because developers can earn high house prices in the city center, they’re willing to spend the extra money to build tall buildings. High prices multiply with higher feasible densities to make land in the city center much more valuable than on the urban fringe. Thus, while I agree that upzoning can enable apartment-dwellers to consume much less land area, I’m skeptical that this has a large effect on the value of the land they each consume. Upzoning which allows



Comic by Alfred Twu

land to be shared across more units will also boost the amount of land value being shared.

This helps to explain why Hong Kong, which is famously dense, can see thousands of tiny apartments in one building, while still maintaining the highest housing costs in the world, and therefore also the highest land prices. Even Japan, which is a YIMBY favorite for its simple system of land use regulation and high rate of construction, has seen apartments in the center of Tokyo double in price over the last ten years. Where upzoning multiplies the value of center-urban land, LVT helps capture it.

A related argument posits that the real reason urban land values are so high is because zoning limits the supply of development opportunities, which drives-up land values throughout the entire city.

While I agree that this effect exists, I've previously expressed some skepticism about its size, especially where there are a lot of people eager to move into your city when zoning is relaxed. Tight zoning has seen many Californians leaving for Arizona, and many Aucklanders fleeing to Tauranga; upzoning would see many moving back. This may explain the profile of house prices following Auckland's blanket upzoning in 2016: while they did flatten for a few years, it wasn't long before they returned to their inexorable climb upwards,

indicating large volumes of latent demand for access to the city.

Regardless of how successful upzoning is in eroding scarcity rents, centrally-located urban land will always command a massive premium through no effort of the landowner. LVT is essential to capturing this premium for the good of all in society.

### The Great LVT-YIMBY Symbiosis

Upzoning and land value capture are both absolutely essential policies in our combat against the crisis of crushing housing costs. But they are even better together. Both Georgists and YIMBYs should be pursuing a symbiotic marriage of the two movements. We share so many of the same objectives: efficient use of land, affordable housing, thriving cities, urban intensification around walkable mixed-use neighborhoods, and we all want to undermine the exclusionary power of urban landowners.

While LVT will stop speculation in its tracks, a failure to accommodate the endless demand for access to urban locations will leave many of society's most vulnerable locked out of the places where they would have the most opportunity. Upzoning and intensification are critical components of our pressing need to slow climate change.

And while YIMBY may remove the legal barriers to dense housing, LVT will ensure that it actually gets built. Without policies to punish land speculation, urban intensification will fail to materialize, and any benefits of upzoning will flow straight into the hands of urban landowners. LVT with YIMBY gets us the densification we desperately need, and shares the prosperity gains among all.

LVT can help to defang NIMBY homevoters by placing a financial cost on their exclusionary rent-seeking, dulling their NIMBY urges and even helping turn them into YIMBYs. By removing land's role as the central pathway to retirement-saving for households, land taxation will refocus households to invest in productive businesses rather than land speculation and under-use. And it will ensure that no matter what bundle of land use regulation are in place, those landowners who benefit the most will pay in proportion to their privilege.

Similarly, LVT ties government revenues to the value of land within their jurisdiction, giving our public servants the financial incentive to provide the best mix of land use regulations and public investments. Optimal land use regulation can massively boost the amenity generated by the land, while LVT will ensure these benefits can be shared. Value capture can help fund infrastructure and redistributive social policies to help the poorest tenants afford housing: UBI, housing vouchers, third-sector housing.

Georgism and YIMBYism can work together to mold cities into a naturally 'human' urban form. Currently, land use in our cities is heavily distorted by two key forces: speculation and restrictive zoning. Together, these pernicious forces prevent land use from organically meeting human needs, by physically separating our homes from the places where we work and play, forcing us into car-centric sprawl, and cultivating an obsession with land ownership as a tool for personal enrichment. Where LVT can be paired with minimal zoning, cities will no longer be battlefields of monopoly and exclusion, but will instead be empowered to produce a symphony of uses that respond naturally to human desires.

## Where to from here?

Privatized land rents and exclusionary zoning are the most destructive union of political interests of our time, and all urban advocates should embrace any and all opportunities to undermine either. YIMBY groups should place land value capture at the core of their policy objectives. Georgists should support YIMBY efforts to intensify cities and stress that LVT can both boost and broaden the benefits of upzoning.

Wherever possible, we should support housing policy that dulls landowners' financial interest in speculation and exclusion, by zoning for density and producing competing supply via public & third-sector providers. We must use the tax system to discourage land banking, and punish the speculative under-utilization of valuable urban sites, by taxing land value and capturing the windfalls from rezoning or public investment.

We face a generation beset by rising inequality and increasing rents. Millions will, without a significant change in our land use policies, be locked out of the places that provide them with the most opportunity. If we do not take the necessary steps to liberate our cities from the twin scourges of rentierism and NIMBYism, we will condemn ourselves and those who will come after us to a cycle of poverty, exclusion and extraction. Georgists and YIMBYs must urgently forge their alliance. Only by so doing can we create a nation with a place for all.

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