

## The Muni Fare Affair By ROBERT TIDEMAN

WHEREVER San Francisco's municipally owned railway has been extended, land values have gone up, crystallizing the rise of rent which accompanies material progress. People are naturally willing to pay more for land well served by public transportation.

It is not only residential land that is increased in rental value by the Municipal Railway. (Only 15 per cent of San Francisco's property values are in the residential district.) To a much greater extent the Muni produces land values in the shopping areas, mainly downtown, where it brings thousands of customers an hour to certain business locations.

Supervisors MacPhee and Mancuso opened the present controversy January 28, when the Muni's \$22,232,000 budget request was examined by the Board. They expressed alarm that \$3,300,000 was to come out of property taxes, as compared with \$1 million the year before.

The Muni fare controversy amply demonstrates what competent observers have always recognized—that the landholders, who for reasons of policy call themselves "property" owners, are a potent force in local affairs. Their taxes cannot be shifted. So long as a railway is in private hands this powerful interest views fares only as something to be kept down, so as to keep rents up. But when a railway becomes publicly owned this view may be overshadowed by the idea that the fare can be made to substitute for the property tax. The pressures that have brought sales taxes to more than 150 California cities in the past 20 years are then exerted on behalf of higher fares. Of course higher fares tend to reduce land rents as MacPhee acknowledged (although he seems not to realize that a sales tax does the same thing), but this is never so clear and immediate a problem as "next year's tax rate," and it seems easier to

escape taxes by raising fares than by driving perpetually for economy.

As Utilities Manager Turner indicated, a utility is apt to be more efficient if the benefited landholders contribute to the cost of running it. The landholders press for economy, and the utility managers themselves take an interest in providing efficient management to sustain the rents that support the utility. Only in this way can the profit motive which keeps private railways efficient be brought with any security into government operation.

Probably the main reason city governments are more efficient than state and federal governments is that the constant tendency to bureaucratic waste is offset by the economy block of "property" owners. There is no such check in the federal government, because Uncle Sam has levied no tax on land values since 1861. The states too have been replacing property taxes with sales taxes, etc. The treasury watchdogs are being bought off by tax exemption.

Not only are the potent forces of economy thus lost, but the very same forces then begin to work for expenditure. The same landholding interest which fights to keep down San Francisco's property tax rate vies with the landholders of other counties for "its share" of the State Highway Fund, which is supported by gasoline and license taxes. So great is the pressure of landholders for handouts from this pork barrel that a continuous drive is on to raise taxes for it. Senate Constitutional Amendment No. 5, for instance, which will be on the ballot at the next election, has this aim.

Thus relieving the benefited land not only calls off the treasury watchdogs, it turns them into the treasury to feed. Instead of landholders and tax collectors checking one another, they then join hands to milk the citizenry.