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URBAN LIVING AND LAND USE

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Introduction

Nearly two-thirds of all Americans live in standard metropolitan statistical areas (SMSA). Although one-half of this number live in the central core city, the growth of the core city has been much less than that of the suburbs.

The residents of SMSA's are served by 20,745 local governments or 91 governments, on the average, for each SMSA. The overwhelming majority of these local governments cover a small geographical area. Within their areas many of these governments adopt and try to carry out zoning legislation that is highly discriminatory. Also, the services performed are expensive and of low quality.¹

The problem of urban living and land use is divided into two major categories: 1) core city and slum residential areas, 2) suburban living and urban sprawl. The two categories are interrelated in many ways, but separation is frequently helpful in analyzing the problem.

This paper has only partially kept the core-suburb dichotomy. In a number of analyses it has been found to be convenient to emphasize a particular element in the entire complex, e. g., the automobile, or a particular procedure, e. g., marginal pricing.

Part I

Slums

The practical grass roots political leadership of the nation is finally becoming concerned with the tendency of the conventional ad valorem property tax to encourage city slums. As an example, let us briefly consider a speech given in 1967 by Ilus W. Davis, Mayor of Kansas City. The speech was titled "Taxes for Permanent Urban Renewal."

He concludes the current real estate tax as used in Kansas City encourages slum use and other undesirable land use practices. He recommends that only the land be taxed and that the tax be based on square footage. The collections to be used to finance specific government services such as police and fire protection and interest and retirement costs on the city's debt to finance public improvements. He claims this change would make ownership of slum property and empty lots less profitable.

Mayor Davis also claims the federal income tax by its provision for depreciation deduction of buildings encourages investment in slum properties.² He recommends issuance of a depreciation certificate for the undepreciated value of all buildings. The certificate could be used at any time, but when used up completely, further depreciation deductions would not be permitted.³

The recommendations of Mayor Davis arose directly from his effort to relate tax policies to what would be appropriate to discourage ownership of rundown structures. In his proposal the real estate tax shifted toward making it a flat payment unaffected by value. The size of the payment would be determined entirely by area of land owned.

It is difficult to forecast the impact of such a shift on the prevalence of slums. If it is believed that people make slums, meaning by this the type of person living in the structure, one might conclude no effect can be expected from a change in real estate taxation. On the other hand, if the attitude of people is believed to be affected by their living conditions, a change in real estate taxes that would press for improvement would reduce the incidence of slums. It may even be true that the attitude of residents need not change for a reduction of slums to take place from a tax shift of the type discussed.

A tax collected on the basis of square footage, in addition to encouraging new buildings through a reduction of cost of operation, also encourages complete use of land. Vacant lots become expensive, for the local government tax cost is as great as it would be if the land were completely utilized for its highest and best use. This pressure toward the elimination of vacant spaces also increases the efficiency of the city as an operating unit, i. e., the time and power required to accomplish a given task is reduced.

The city, under the pressures of both the real estate and federal income tax changes suggested by Mayor Davis, would become a more compact collection of relatively new structures. Whether the people living in the structures would work harder and commit fewer crimes than is now the case is difficult to forecast, but certainly this is the likely result.⁴

A study of slum housing in Newark, New Jersey, caused George Sternlieb to conclude that taxes were the largest single operating expense of the slum tenement. However, he concludes that a policy of guaranteeing

no tax increase on improvements would not result in substantially better slum maintenance. The bulk of the slum owners responding to the question, "What would be the results of a municipal policy of guarantees of no tax increases as a result of improvements?" said guarantees against a tax boost would not cause an increase in repair expenditures.⁵ The basic question not asked was: How would you use your land if improvements were not a portion of the property tax base?

It is difficult to understand why a study such as this one by Sternlieb, carried out with funds coming from sources interested in land value taxation, would fail to ask questions that were directly concerned with the impact on slums of introducing LVT. Yet this was the situation. Also, this study, and apparently all the similar studies that have been made around the nation, fail to explore the possibility of collecting service charges to meet municipal expenses related to a particular use of a building. This failure could be understood if a different approach, utilizing LVT and service charges, did not exist as a functioning and effective procedure in some of the world's largest cities. In fact, the LVT service charge approach has a good record as a slum remover. It is worthwhile to look at it for a few moments as it functions in Australia and South Africa.

An economist of considerable flair and eminence throughout the world and a resident of Australia for twenty years, named Colin Clarke, is reported to have said Brisbane, Australia, is "the only great city in the world without a slum."⁶ If Colin Clarke is right, and he is likely to be, are there any reasons?

There are two major differences between Brisbane and large American cities. One is that the city does not have a black ghetto. Second is that only the unimproved value of land is used as the base of the property tax.

When the property tax is an important revenue raiser, as it is in Brisbane, where the rate on the unimproved value of land (above a small exemption) is 9 per cent, the effect on land use decisions can be considerable. The impact in Brisbane has been to make the best use possible of land. This, of course, is also the situation in any other city. Land is expensive and you don't want to waste it. The difference in the Brisbane situation is that taxes do not increase when a new building replaces an old building or when an old building is remodeled. The base of the tax is the unimproved value of the land and this value is not directly changed by the type of building standing on it.

This is definitely not the situation when the building is included in the tax base. In Brisbane a landowner is not deterred from constructing a new home or a new building by the thought that it will cause his taxes to increase. The impact of ad valorem taxes on improvements can be dramatized by looking at the annual ad valorem tax as an installment payment of a construction tax. A 1-1/2 per cent-a-year tax on improvements works out to be about the equivalent of a 30 per cent construction tax.

Pittsburgh is the only major American city to move its ad valorem property tax toward taxation of only land. The Pittsburgh graded tax system plan passed in 1913 and still in effect provided that for city purposes the

tax rate on buildings would be only 50 per cent of what it was on land. The legislation did not provide for this difference in treatment of land and buildings in the application of the ad valorem property tax to finance school district and county needs.⁷

Although the Pittsburgh experience has not eliminated slums, the record again is considered good. Undoubtedly the failure of the legislation to eliminate much more completely the ad valorem tax on real estate other than land has reduced its impact.

The property tax seems to be an institution that could be reformed to reduce the incidence of slums. Research underway by Mason Gaffney and others seems to show this could be done without reducing its revenue-raising contribution. The reform required is to raise a larger portion of the property tax total from the portion of its base consisting of land and a smaller portion from its base that is made up of buildings and personal property.

The experience of Brisbane and Pittsburgh demonstrate that emphasizing land as the base works to make profit maximization decisions the type that also make a better city. A much higher tax on the land "would induce owners of low-use land to convert to higher-value uses. Meanwhile, the lower tax rates on buildings would encourage replacement of old structures by new ones; as well as net additions."⁸

The movement toward LVT cannot be expected to solve the problem of urban slums. It is true that in Australia and New Zealand where LVT is common, slums are uncommon. However, some of their cities do not use LVT and this has not resulted in those cities having slums of the American

type.⁹ What this experience seems to demonstrate is that relatively low property taxes that are uniformly applied to structures and land values are not sufficient to create slums. Other conditions are also required.¹⁰

It is very difficult to avoid concluding the introduction of LVT would remove one source of the development of slums and an important cause of the inefficient use of urban land generally. Therefore a shift to LVT is one step that should be taken in developing a general program for better American cities and a reduction of slums. Also, because the program does not require a basic change in the way in which people or cities function or the investment of large quantities of additional capital and revenues, it is a relatively feasible action area.

In relation to the point-of-view developed above which does not rest on carefully developed data but rather on observation and basic economic relationships, the National Commission on Urban Problems should be quoted:

"Numerous advocates of 'land value' taxation argue that it can be expected to have a generally desirable effect upon private land use in and around urban centers. They contend it will do this: (a) by reducing or stabilizing land costs, and thereby making economically feasible some new construction that would otherwise be uneconomic; and (b) by making it more costly for owners of vacant or underutilized property to retain such holdings in their existing condition in the speculative hope of a further rise in land value. Such arguments are sometimes overstated, and like much economic analysis they rest mainly upon

deductive reasoning rather than extensive 'hard' evidence. Nonetheless, in view of our direct concern for patterns of land use and urban development, such views have merited careful attention by this Commission."

The analyses throughout this paper are always undertaken with the awareness that urban living and land use are a complicated and many faceted aspect of our culture. Just as one cannot conclude that LVT will alone eliminate slums or even urban sprawl, one also cannot exclude the introduction of LVT as a very important and useful step toward the improvement of urban living and land use. ¹¹

Part II

Systems Analysis

A cooperative program underway at the Massachusetts Institute of Technology, under the leadership of Jay W. Forrester of the Sloan School of Management, and John F. Collins, former Mayor of Boston, has established a model to study the dynamics of the life of an urban area.

The model is built on the assumption that only changes in the urban sector relative to changes outside the urban sector affect "the flow of people to and from the urban unit."¹²

The model includes nine elements that are assumed to be crucial in setting the conditions of a city. These nine are combined into three groups of three. One group is business oriented. The three elements are (1) amount of new enterprise, (2) amount of mature business, (3) the amount of declining industry. A second group considers (1) type and quantity of managerial and professional type housing, (2) labor and sub-professional housing, (3) housing occupied by underemployed citizens. The third group includes the numbers of residents in each of the three groups classified in relation to housing. The analysis is organized by observing what happens to the feedback loops operating between the nine elements of the system.

One of the givens of the system is the quantity of land. The quantity of land available can affect the quantity of new industry coming into the system. When the quantity of land is sufficient, new industry flows in; when the "the amount of available land area approaches zero, so, too, does the rate of flow of new enterprise into that area approach zero."¹³ The old

structures that originally housed new industries and fully employed laboring and technical people become the structures housing declining industries and underemployed people.

The dynamics of the urban situation described in this model is land space for new industries and a shortage of housing. The urban area can become a social-economic converter by turning space occupied by slum housing into areas on which new business enterprises are located. The effect is to increase the cost of housing and therefore decrease its availability to the underemployed and to increase the numbers of good labor and technical jobs and therefore the ability of residents of the area to pay for good housing. It is the creation of this housing shortage that prevents more and more people from moving in to take advantage of the earnings and forcing a deterioration of the average income and the re-appearance of depressed conditions.

The destruction of deteriorated structures is seen to be fundamental to the rejuvenation of an urban area. Also, the prevention of the development of deteriorated structures is seen to be a fundamental longrange program for the preservation of a city's prosperity. Mayor Collins and Professor Forrester see rejuvenation as also setting conditions that can avoid urban degeneration, but as being only attainable under a longrange program. "...problems with a gestation period of a quarter century cannot be solved in a period of four years."¹⁴

To my knowledge MIT has not developed a definite program for the removal of old structures and the reservation of space for new industries, the sine quo non, for developing the favorable loops required for an economically

and socially sound city within the model established. However, those working with the model have said that the results can be enjoyed without "direct action or intervention by the city, but rather could probably be accomplished through new tax structures and zoning laws."¹⁵

The investigation of the city as an organism and as the functioning of a complex of systems is rapidly becoming the order of business of universities and urban research institutes. The research that has already been done and the experience generated, largely by federal government initiative, have demonstrated that more fundamental actions than low-cost housing, job training or generous financial assistance are needed to preserve our good urban centers and to rebuild our bad ones. Undoubtedly LVT would be very helpful in developing the conditions envisaged in the MIT model.

"A city can be seen as a total network of internal systems - systems for assuring people health, mobility, and cleanliness, fighting fires, enforcing laws, providing shelter, educating children, and so forth. One enthusiast for this approach, architect John Eberhard, suggests dividing a city's sub-systems between "hardware" and "software", analogous to the usual distinctives between the nuts and bolts of a computer and its programs. He compares a city's hardware systems to those of the human body:

--the metabolic system - the network which provides for the ingestion each day of huge quantities of water, supplies, food, and fuel and the consequent production of waste in the form of sewage, garbage, trash and air pollutants;

--the cardio-vascular system - the horizontal and vertical paths of movement and the objects which move along them, like subways and trains, highways and automobiles, sidewalks, stairways, and people;

--the nervous system - the information-communication network of the city which makes it possible for its many parts to keep in touch, for it to be managed as an entity, or for signals to be emitted at the proper time in order for the other systems to remain under control;

--the enclosure system - the combination of skeletal... subsystems... which surround the hollow places of the city in which the life of the city goes on.

The software of the city could be similarly grouped, he suggests, around the economic, the political, the educational, and the life support systems. "16

The city is an organism that must have a procedure to replace worn parts if it is to survive. It must also meet man's dreams of beauty as well as his need to carry out efficiently his daily tasks. None of these or the systems of our analysis can function without a strong and adequately financed representative central government.

Part III

Local Government and Urban Land Use

It is easy to identify the basic technical change of the past thirty years that has made our cities such different places to work and live. Without doubt it is the automobile. It is so important that a later section is entirely devoted to its physical impact. Here our concern is tangential and related to social impacts.

The automobile wrought its basic social and political change by destroying the Aristotelian shield from the perils of political and economic separation. The shield consisted of having a large middle class interacting directly with the very rich and very poor.¹⁷

Political and economic geographic separation did not really exist in the American cities of the 1920's. The result was political and economic balance under a property tax with one rate that covered the rich, the middle and the poor areas. The fiscal deficit areas, mainly low-middle and poor residential areas, were subsidized by the fiscal surplus areas, largely the central business area and the industrial section. The automobile changed all this. The automobile has given each family a transportation unit which can go rapidly in all directions - if the necessary roads and parking places are built and maintained.

The new shopping centers and industrial sites and much of the new residential areas are within the boundaries of separate municipalities and school districts that are scattered widely over the entire landscape. The balanced decisions of varied political economic forces working within a single local government decision-making machine are gone. For example, in a

central city decisions are made in a political environment determined to a large extent by voters coming from minority groups that are under-educated and under-utilized human beings. In a suburb with minimum sized lots of 5 acres, decisions are affected by quite a different voter environment and aspiration.

The separation of the different parts of an urban community by greater distances in space and also in economic, political and social outlook, is often called urban sprawl. The name is perhaps unfortunate, for it denotes only spreading out in space and does not include the feel of separation of communities. The urban situation as we see it in America today was made possible by the subsidization of the automobile in a number of ways.¹⁸ In addition to these modern developments, what we call the urban sprawl was stimulated by a tax philosophy that goes back to the Domesday Book of William the Conqueror.¹⁹

The governmental philosophy under consideration here preaches that every autonomous principality has the right to prevent any taxation of its economic base and to fully exploit that base itself. The name of the game becomes "take all and pay little." A new community does everything possible to reduce its education or welfare burden and to increase the investment in real and personal property within its borders.²⁰

These goals cause low density zoning to put a lid on the number of families and therefore the number of children and the costs of education. They also encourage setting aside large areas for light industry and the offering of special deals to attract a large utility installation or a shopping center.

The result of the technical and fiscal impacts , arising out of the new mobility of the automobile functioning under an outdated philosophy of government, is a splintering of the urban economic community into hostile camps. The aid programs of the federal government, from housing mortgage insurance, to category education assistance, to highway grants, have worsened rather than helped the situation. The approach of states in most instances has been little better. The increased use of local sharing, on the basis of returning collections to source of payments, of state collected taxes has acted to widen the gap between the 'have' and 'have not' local government units.

Because of these pressures, plus the desire of American families to have a yard of their own, large quantities of rural land, some 460 to 500 thousand acres are converted to urban use each year.²¹ These acres are frequently flat lands suitable for highly productive agriculture rather than hilly and swamp areas that are suitable only for users willing to convert the area to occupation by buildings. The scatteration practiced frequently prevents use of water and sewer service systems. This practice results in wells that bring down the water table and septic tanks that contaminate surface water runoffs. Under conditions of scatteration, the provision of all utility services is expensive and transportation of people must be largely if not entirely by automobile and school bus. A largely similar, but more unsightly situation develops if growth is radial out along main highways. The term 'leapfrog' is applied to the situation developed where relatively concentrated housing and/or industrial development is separate by undeveloped areas from the urban center or other built-up nodes.

The result of all three (scatteration, radial and lap frog develop-
ments) is a destruction of possible attractive recreational land use areas,
spiraling public service charges, escalating highway and school costs, plus
more pollution of streams, land and air, and additional dedication of time
and increasing frustration in the daily work to home experiences.

It is unhappily also true, that these types of urban development make
the introduction of a rapid transit system very nearly impossible. One can-
not be optimistic. The difficulty of economically meeting the existing basic
transportation shortcoming arising from the subsidized automobile is likely
to cause a worsening of the situation.²²

A basic element in this urban pattern of development in America has
been the ease with which groups have created new local government units.
It was pointed out in the introduction that more than a quarter of all munici-
palities in America are found in SMSA's. Most of these are very small, and a
considerable number serve no purpose other than to be property tax havens
and to qualify for receipt of state shared tax collections. In addition to this
uneconomic proliferation of municipal governments and their built-in pres-
sures to reduce the effective functioning of an urban area, there are the
thousands of special districts. They frequently originated in efforts to avoid
shackles on multipurpose local governments. The creation of these districts
have again been encouraged rather than discouraged by federal categorical
aid programs.²³ Whatever the justification of their creation, the result is
a worsening of the urban environment.

There can be little doubt but that the type of governments, including the limitations as well as the level of control, affect the manner in which urban America functions and the efficiency of land use patterns. Reform and improvement is desirable and cries for action are being heard more and more clearly by state and local government political leaders. Action can take two approaches which have acquired the names 'cafeteria' and 'package'.

The 'cafeteria' approach favors special districts of varying size. The size of the district depends upon the size needed to perform a service. The voters of any particular area would have to make a series of decisions relative to the level of activity and therefore the level of financing of each service organized through a special district.

The 'package' approach would have one government, with different departments providing all the services of a metropolitan area. In very populous MSMA's two levels of 'package' government would be required. One level covering the entire MSMA would provide services that must be centralized. The other level would be concerned with problems susceptible to smaller area operation. Education is a service that frequently benefits from decentralized control. The appropriate approach to be taken here is discussed in Part VI of this paper.

The tough nut to crack in rationalizing local government units is the currently existing variation in the level of property taxation. "A recent study of 70 large metropolitan counties showed a within-county range in property tax rates of at least 2 to 1 in one-third of the counties and a range

of at least 1.5 to 1 in three-fourths of them".²⁴ In fact, the characteristics of this nut are of such an order that it must be cracked before urban reform through use of democratic procedures is attempted. The way to do this is to make a major portion of the property tax rate uniform throughout the state, just as the sales tax, gasoline tax, cigarette tax, and income tax rates are uniform. Much more is said of this problem in Part VI of this paper.

Part IV

Costs and Prices

The charging of total cost to the movers of people and goods has in the past meant meeting the costs of land required for highways or rail construction plus maintenance costs and something extra to meet policing and snow removal. When these costs were covered from general collections of gasoline and vehicle license fees it has been concluded an economic highway transport operation existed. A more careful rationalization of automobile transportation pricing to include the many costs excluded in the above listing would dramatically increase direct costs of automobile use. To make this change would also affect the price and utilization of complimentary goods. Also, rationalization of motor transport prices would affect incomes of other and competitive bidders for a share of a society's personal income.

One significant cost of the use of the automobile in the urban area is the land used for local crosstown arterial and thruways. Because roads are not a portion of the tax base land used for this purpose is taken off the tax rolls. Even more important, land used for roads is not available for other uses, i. e., for parks, playgrounds and the like. Land used for roads amounts to about 30 percent of all the land included in urban areas. Much of this land dedicated to roads is grossly underutilized. A road's only economic function is frequently the provision of access to thinly populated exclusively residential areas. Where the access roads serve active commercial and industrial areas they are used much more completely and, of course, their use is also much more complete when they serve residential areas that are much less spreadout than is typical in suburban America.

A typical American city of 100,000 population or over uses up about 1,227 acres for each 10,000 of residents. This total is divided up as follows between five selected categories of use:

Public streets	218 acres
Other public & semi-public use	158 acres
Private residential property	443' acres
Commercial, industrial & railroads	139 acres
Undeveloped private land	269 acres ²⁵

This division is based on the population and boundaries of cities with over a 100,000 population. This of course does not correspond with the concept of SMSA which typically has a less concentrated population and includes much more land relative to population.

Taxes foregone, plus production of agricultural crops, recreational areas and residential and commercial space used up through use of land for roads is a portion of the cost of highway transportation. One of the subsidies given to much of suburbia and its unintensive use of land space is the provision of underutilized access roads. Another subsidy is the land consumed in the long thruways required to connect up work and residential areas. Finally, the land utilized in the provision of parking facilities, at both the residential and commercial ends of the automobile use, reduces the availability of land sites for other purposes.

The need for parking space is an important element in reducing the efficiency of the urban complex, and in the spreading out of houses, and using

space that could be enjoyed as parks and playgrounds. Parking space need is a force pushing sites further apart and therefore increasing service costs of all types, e. g., disposition of sewage and delivery of materials.

The costs of the provision of services for automobile transportation not included in pricing do not stop with the costs of land in roadways that are underutilized. The costs of the provision of all government services are increased by the geographic sprawl and by the economic and political isolation stimulated by the subsidization of urban automobile travel. These higher costs and how they should be dealt with in a system of rationalized pricing of government services is the area considered next.

The theory of marginal cost pricing under conditions of a degree of monopoly provides the basic framework for setting prices of government services, other than education, enjoyed by participants in the urban community. The literature dealing with this situation is concerned with the pricing of electric services and other public utility type activities.²⁶ It is also concerned with the type of managerial decisions one can expect when competition is limited.²⁷ One major aspect of pricing is the variation to be used during peak load and off-peak pricing. Off-peak pricing should cover short run marginal costs and peak pricing should be high enough to ration use somewhat below capacity.²⁸

The goals of the discussions of the following several pages can be summarized in the question: How can the price system be used to make our urban areas lower cost and more satisfying arrangements for providing a place to develop and enjoy life as a human being? In the efforts to answer this

question, consideration is given to one aspect after another of our existing urban situation.

The original question is put in terms of the good city life. No attempt is made to define what this is. In my thinking, however, it includes an opportunity for highly productive employment under congenial conditions as well as a stimulating environment for mind and spirit, plus a safe haven for family life.

Marginal Pricing - Optimum Resource Use

The economic welfare basics of setting prices is found in marginal analysis theory. The theory teaches that prices as much as possible should equal the additional, or marginal cost, of producing the unit offered for use.²⁹ When this concept is applied to units of service offered by the city it requires a very thorough reconsideration of existing practices.

It is also true that in many instances marginal cost as a basis for setting price requires modification. The most acceptable modification is to use average cost as the basis for setting price. For example, the toll to be charged a person crossing a bridge would be zero if set on the basis of the marginal cost of producing the unit of service. It is setting the toll on the basis of average cost that makes sense in this circumstance.

In setting charges to maximize welfare, the marginal or incremental cost pricing principle can be violated only under exceptional conditions. The use of average cost pricing, for example in the provision of utility services, may be satisfactory if costs of production are constant and if differences in providing services at a distance or in sparsely populated areas are fully

reflected in total price charged. Actually, although the term 'average cost' is used, average cost and incremental costs may turn out to be equal. This is the situation when production costs per unit are constant and price is set by adding to this base the additional cost of delivery when the service is used away from the core area. The result of this procedure is incremental costing.

Marginal cost pricing provides for optimal use of economic resources under conditions of perfect competition. Obviously perfect competition does not exist in the real world. There are many market imperfections. One popular method of making an adjustment to this situation without violating the principle of optimum allocation of resources is called the general theory of second best.³⁰ This theory establishes that when the conditions of the Paretian optimum are violated in one respect nothing can be said a priori about the welfare and efficiency effects of further changes. A typical "second best" situation is when any policy will make some things worse and some better. The effective manager under these conditions is the one that makes the changes which cause greater improvement than deterioration. This must be the goal in providing state and local government services. Teaching for marginal cost pricing is very useful in setting the direction for decisions that will improve general welfare, i. e., improve urban living and land use.

Part V

The Automobile's Impact

The causes of the "great wasteland or ugly 'urban sprawl' around our cities"³¹ are being explored with some diligence by a number of people. Undoubtedly, as was mentioned, the growth of the private automobile as a very popular and very common means of transportation was an important causal factor of our troubles. It is seldom mentioned that the role of the automobile, as we know it today, became possible through the provision at public expense of highways and parking places which permit millions of one-occupant cars moving bumper to bumper down one side of multilane highways (one side largely unused) and gathering together in huge parking lots. One is not exaggerating when he considers this situation to symbolize much of what is wrong with urban planning and American urban living and land use. A reasonable man looking at the situation must ask himself, How did we get into this awful mess?

The fact of the modern automobile as a technical development did not make its current dominance inevitable. It was also necessary to have expanded family incomes that could afford the machine and an aggressive automobile industry to convince them to use this income to purchase automobiles. Higher family incomes also permitted more and better housing, but this need not have been in suburbs. A considerable portion of the reason why suburban single unit houses developed to meet housing needs was caused by governmental policy. The federal government encouraged single family dwelling units, i.e., low density housing, through mortgage insurance, and low maximum interest rates on savings and loan deposits. Local and state government policy in such

divergent areas as highway finance, school finance, and property tax
administration have also encouraged a spreading out of the urban area.

A family to benefit from all of these government programs and subsidies
had to have one or more automobiles and live in a single unit home in the
suburbs. A family renting, and living in an apartment close to work and
schools and not engaged in land speculation, was paying the piper!

Even when these statements are given a generous interpretation, they do not cover all of the economic supports of the unsatisfactory American urban development of the past thirty-five years. More specific consideration of how each element built on the other and how the whole situation as it now exists became "a part of God's plan" is required.

Let us start with the use of public resources to build highways for use by owners of cars.

The gasoline tax introduced in Oregon in 1919 became an excise tax collected by all the states and later by the federal government, too. Nearly all revenues are dedicated to financing highway development. For many years dedicating a special revenue source to this purpose provided minimum funds. However, after the federal government also initiated the tax, and state plus county and municipal gallonage taxes were increased on the expanded truck and automobile fuel consumption, the revenues became a very major portion of all funds available for domestic government capital expansion programs.

If these very substantial funds had not been available to build highways the usefulness and impact of the automobile would have been much less. The

political willingness to destroy mass ground transportation by making the large public capital investments required by individual unit automobile transport facilities is very much an American phenomenon, that has developed worldwide impacts. Both the automobile, the gasoline and the highway construction industry found what they saw to be good and so did the people. What, after all, was fairer than a tax on fuel used to propel vehicles on the highway, with the collections spent to build more roads and bridges and places to park. In writing of the gasoline tax, Stockfish says,³² "The social costs of increasing traffic into already congested urban areas or of spoiling the national beauty of remote areas, are ignored with a flair that can only be explained by arrogance or a fanatic dedication to pour concrete."

In the critical good highway take-off period of the 1930's, strong political support came because highway construction was a procedure to add to reduce unemployment. that was as high as 25 per cent of the workforce. Employment expansion was an important element again in the Eisenhower administration when the federal gasoline tax and the giant freeway program was launched. However, military arguments were also important in the late 1950's. The railroads were considered too vulnerable and generally inadequate to meet wartime transportation requirements.

A natural question arises from this brief chronology. Why weren't the railroads and other mass transportation facilities improved and modernized instead of the highways? The basic answer must be that the railroads were privately owned and not government operated as in Japan, for example. On the other hand, highways were built and maintained by governments. Also,

American railroads were not aggressive seekers of government assistance, i. e., their management had lost touch with a major portion of American social and economic development. The old public image of railroad wealth and monopoly also hurt.

Annual highway expenditures of state and local government are now about \$15 billion a year. Much of these public resources might have been partially available year-after-year to improve the liveability of urban areas if the idea of private automobile transportation hadn't so completely won the day. When we look back it is easy to conclude the subsidization of the automobile, from oil depletion allowances to lack of a legal requirement that the exhaust fumes be sharply reduced, was a mistake. However, it was an error in the good American tradition. To a degree each man with his own means of transportation, which he could use anytime he pleased, is an extension of the Jeffersonian ideal of self-reliance and the frontier goal of independence.³³

The federal government's encouragement of home ownership is of course also a relative of the ideal yeoman society Jefferson wrote of. The FHA and later the GI insured loans made individual homeownership possible even though savings were very meager or maybe close to zero. The mortgages were paid off along with interest and taxes like monthly rent payments. The housing conditions envisaged and encouraged was some kind of idyllic half urban - half rural residential area. If renting rather than purchasing had been necessary, a pattern suitable for this approach to housing would have developed and it would have been quite different.

The American dream has actually frequently resulted in families living in high cost maintenance homes with inadequate sewage disposal facilities and in a neighborhood that meets few of the expectations encouraged in the brochure of the developer. Also, local finance and control of public services becomes next to impossible as the rich or the middle-class or the industrial suburbs harden into political units. The property and also the income tax base is separated from the service provision base.

The slowness and lateness of the condominium idea in America is partially traceable to early federal government stimulation of the single unit set in the middle of a suburban lot. Also, the expanding American incomes created a strong demand for land for housing and other purposes. The relatively large piece of land that went with each house managed to combine land speculation with housing. The relatively rapid upward movement of land prices plus the ability of costs of construction to rise more rapidly than general prices and wages have generally combined to prevent a mortgaged single home from declining in value as it aged.³⁵ Also, the economic inefficiency of family living in this manner was hidden by subsidies only now becoming apparent. The social and cultural sterility of suburban sprawl is being exposed by the children it reared.

These subsidies were given by industry, the consumer, and the commuter. Industry reduced work hours, the consumer paid higher prices, and the commuter toiled behind the wheel of his automobile for an hour or two a day. His payment was the building up of a capital asset out of housing payments.

The suburban family living in a detached house gave up much of the cultural and other benefits a large city can offer and substituted the neighborhood drive-in movie, TV, and the community college. They also avoided high taxes, at least for a time.

Part VI

Education

The most important service of government in general, and particularly local government, is frequently considered to be education.

"Citizens are probably more sensitive about education than any other service they "buy" from the public sector with their tax dollars."³⁶ The quality of the provision of this service is considered to vary widely from one section of an urban area to another. For example, kindergartens may not be available in some school districts, and opportunities for vocational education varies widely. This situation is obviously undesirable when it exists within a single SMSA; it is less obvious but just as undesirable, because of the mobility of the American population, when an inferior education is received by the children of any section of a state or, for that matter, the nation.³⁷

The weak delivery of education is related to its financing by property tax collections of the individual school district. Although nearly all states have adopted legislation that makes state funds available to equalize education opportunity, the job of equalization has not been done and the absolute quality of education, and particularly the quality of education relative to the need, varies widely.

The improvement of the education situation is closely related to the improvement of the quality of urban life. One widely accepted approach is to have funds provided by the state and the federal government with each school principal given considerable discretion in the manner in which the funds are used "to elicit satisfactory improvement from the children he teaches."³⁸

The procedure recommended is not unlike that used generally by large American business firms. It provides for decentralized control of operational units, but centralized control of financing, and centralized determination of success of local operations. In other words centralized financing can improve the degree to which local education meets local needs. This situation develops because the local professional educator is able to adapt his operation to the needs of his community for education services. His hands are not tied with centrally determined detailed regulations. The quality of the job done is tested and the financing need is set through performance budgeting.

If education services were improved, it goes without saying that the MSMA's would benefit from this procedure. In addition, land use policies and MSMA government organization would benefit from education developments along these lines. Currently many local government units existing within SMSA's exist because it was a procedure to save property taxes. If a local government unit is established, and as we have seen, this has been easy to do in the past, with a large property tax base but not many people, the tax savings to those owning property within this taxing district would be considerable.³⁹ A very undesirable result of this possibility has been the proliferation of the number of local property taxing government units. This in turn resulted in bad SMSA delivery of government services and an undesirable use of land resources.

The introduction of a uniform state-wide LVT, or perhaps a state-wide traditional property tax, can remove the one important element favoring actions that lead to bulkanization of urban areas. The uniform tax rate would pull the various elements of the SMSA together. In doing this it would also be improving the quality of education available.

Part VII

Suburban Planning Efforts

Sandy Springs, a suburb of Atlanta, Georgia developed in 1967 what was called "a comprehensive plan."⁴⁰ The aim was the prevention of a business district "strung along miles of major artery" and instead have a business district clustered around a core and the prevention of the "proliferation of scattered competing shopping centers," and to provide for office buildings instead of gasoline stations at highway interchanges.⁴¹ Two years later the plan is being substantially modified. In addition, the County Commissioners have never adopted the plan that was developed as their official land use legislation. Nevertheless, the effort expended, as has been the situation in many communities, resulted in a more orderly development of Sandy Springs. It is also true that the County Commissioners refer to the plan in making zoning change decisions which follow and also those which violate the plan, although, as is so frequently the case, it is not likely the plan will ever be officially adopted.

Speculation in land and rising land prices were seen by the community to be major causes of their difficulties.⁴² Both of these in turn were seen to be based on rezoning expectations. The name of the game was "zoning speculation."⁴³ The plan was to eliminate this problem by making land use certain and unchangeable.

During the one-year of operation of the plan, difficulties have arisen and a few challenges have been met, several, however, through additional compromises. As yet nothing has happened to the "huge presently undeveloped tracts." However, crowding on available land continues, with two-story

apartments devouring available land space.⁴⁴ "The one proposal that is expected to really work is the loop road to be used to make the downtown strip thicker." However land shortage has made the downtown area unattractive to large department stores while the loop prospect has encouraged new small stores of all kinds. This development makes an urban renewal project of downtown more difficult to justify.⁴⁵

Undoubtedly the Sandy Springs situation of huge undeveloped tracts and crowding, existing side by side, is duplicated in many urban areas of America.⁴⁶ In looking at the situation one cannot help from being impressed by handicaps the community has set for itself, or has had forced upon it, in its efforts to develop a decent place to live.⁴⁷

First, the non-existence of a public transportation system, or in the case of Sandy Springs, of even decent pedestrian walks, has forced all movement into private automobiles. This causes roads to be jammed at rush hours, wastes valuable space to provide parking and feeder roads, presses for high density at interchanges and along the main road, and the establishment of shopping centers to compete with the city center established in the plan and stimulated by the loop road.⁴⁸ The Sandy Springs Community Planning Council did not develop an estimate of the true cost of exclusive use of private automobiles to move people about. This fundamental economic analysis, an absolute necessity if an effort is to be made to judge the efficiency of the urban area, is never done. A common justification for not doing it is: What could be done with the findings? My answer is that it might

result in some serious consideration of plans to reduce the blight caused by the automobile.

Second, the failure to emphasize LVT makes maintenance of any reasonable zoning arrangements and the avoidance of slums much more difficult. Land is being speculatively held in large tracts in the Sandy Springs urban area. Also, land is being inefficiently used because economic pressures for full use that LVT could provide are not in effect. The Sandy Springs Community Planning Council, and as far as I know this is always the case, failed to tackle the basics of their situation. Therefore, they are forced to rely on land use rules that can be effective only if the very highest caliber of community support and leadership continues.

Service changes for water and electric and telephone utilities, sewage disposal, and other government services, including education and busing of students, were not evaluated for their impact on the way Sandy Springs developed in the past and will develop in the future. Each of these elements of the cost of occupying a residence and operating a place of business can be utilized to cause freely made decisions to be of the sort that help to bring forth sound land use policies.⁴⁹ In Sandy Springs and in all other communities, practically without exception, the economic pressures created by property taxes and utility charges have favored the development of an economically unsound community.⁵⁰

Part VIII A State and Local Government Tax Reform

State legislation is finally being framed that provides for uniform and substantial state property taxes. The legislation of Michigan has been most completely developed.⁵¹ Legislation of a similar nature is being drafted in Illinois and Ohio and perhaps actually in most state capitals. The movement is closely tied to providing a uniform quality education throughout the state. It will also, of course, improve urban land use and the quality of urban life.

The formal Michigan recommendation is as follows:⁵²

"Therefore, we recommend: (1) that the constitution be amended to enable the Legislature to collect a uniform statewide property tax for school operating purposes in place of the existing local property taxes; (2) that measures be taken to assure that property assessment practices are improved before the statewide school property tax becomes effective; (3) that such a uniform state tax should be set at a rate somewhere below the statewide average for school operating purposes and provide property tax relief where it is most needed...."

The situation in Franklin County, Ohio, illustrates the lack of tax rate uniformity existing throughout the nation, as was mentioned previously.

The highest (property tax) rate in Franklin County was 1.9 times the lowest.⁵³ Dr. Cameron explains that this situation exists because desirable industrial sites are usually found close to sites that have attracted other firms. "This fact often results in a concentration of taxable property in the industrially attractive areas, and a consequent low millage rate."⁵⁴

The situation also exists because municipalities and school districts are formed which maximize the level of assessed property values and

minimize the expenditure requirements for education, police and the like. One result of the situation is economic pressures to fragmentize the urban area and bad land use decisions.⁵⁵ A uniform rate property tax to replace all local funds used to finance primary and secondary education would sharply reduce the undesirable impact of the property tax.

The state could be of considerably greater assistance to urban area land use decisions if it raised all the funds required to replace local property taxes used to finance education through the application of a statewide uniform LVT. The result would be a tax rate on land that would be about 50 per cent higher than the rate on improvements,⁵⁶ and personal property. Currently the possibility of this development does not appear to be high, rather the development is toward a uniform statewide property tax to bring in somewhat less revenues than local school district property taxes. Basically this situation seems to exist because changes in fiscal legislation, except under very unusual conditions, do not abandon the familiar and the known. To provide local governments with needed revenues under a situation where the only property tax was a uniform state LVT, a value added or maybe a gross receipts type tax, at a very low rate, could be enacted to meet revenue needs during the period LVT rates were being increased and local government service charges were being developed. The result would be an immediate elimination of property taxes from man-made property without making the original LVT rates seem unreasonable. This development could lead to future greater use of the property tax, for much of the harmful effects of the tax would be eliminated and the desirable traits strengthened.⁵⁷

In a typical state under this sort of evolutionary development, the state LVT develops into a revenue raiser that meets primary and secondary education expenditure needs. LVT does not arise full grown but emerges gradually from the existing situation. The step taken, after the introduction of a value added type tax to replace the personal property tax revenues and the portion of conventional property taxes on business structures is the introduction of service charges to cover the costs of municipal and county services.⁵⁸ When service charges are completely developed LVT plus service charges are relied upon to replace all the property tax revenues lost. Now that the revenue potentials of LVT and service charges have been demonstrated, the value added type tax can be used to replace the retail sales tax. This would be another very desirable state and local government tax reform for the retail sales tax is very costly in terms of merchant evasion and customer and seller's time.

The state and local government tax and service charge system envisaged becomes a powerful prop to the development of truly viable urban areas. The service charges are expected to be levied on the basis of incremental or marginal cost rather than average cost.⁵⁹ The area covered by service charges is envisaged to include all of the services and land utilized by the automobile as well as other local government services. In addition, it is quite possible the urban areas will wish to take over the local distribution of electricity, gas and communication facilities.⁶⁰ These services would also be priced on the basis of incremental cost, perhaps

established on the basis of zones, so that those living close to the central distribution will not be subsidizing those in outlying areas.

The immediate introduction of LVT as the only property tax, with a gross receipts or value added tax plus service charges replacing revenues until the base and rates of LVT make it sufficiently productive to replace current property taxes used to finance education and general local government costs avoids the problem of gradualism. The elimination of all property taxes on structures and personal property will stimulate destruction of buildings not fully utilizing the land occupied, the introduction of modern equipment, and the building up of inventories. It will encourage new construction because new investment will not increase taxes and will in fact reduce payments to government because one could expect service charges, particularly for police and fire protection, to be reduced by this action. Also, LVT works for a consolidated community, as holding land idle becomes very expensive. This in turn increases the potential for other types of transportation and starts forces in motion, e. g., introduction of sidewalks and bicycle paths, rapid transit services, bus lanes on highways, mini buses, etc., that reduce the necessity of using the automobile. Finally, LVT, by reducing the pressure for changing zoning ordinances, makes urban planning really feasible.

The piecemeal approach to the problems of urban living and land use will no longer work. "What is now required is the development of a comprehensive plan that takes into account the extricability of all components of this problem."⁶¹ The term 'comprehensive plan' will mean different things to different people. It is inappropriate to criticize the comprehensive plan presented by Mr. Kenneth B. Clark, in "The Negro and the Urban Crisis" which, by the way, starts at the very base, for its first recommendation is clean streets in the ghetto. Nevertheless, his plea for rehabilitation of ghetto housing, "massive reorganization of education, social welfare and health services and significant expansion of job and economic opportunities" plus desegregation of all education is really a program of parts and pieces dependent on continuous vigorous government action.⁶²

A truly comprehensive plan is one that would affect every decision made by residents of an urban area and that would be largely self-perpetuating. A good truly comprehensive plan would affect all decisions in a manner that would immediately improve the city and the urban area generally, and would continue to be effective tomorrow and the day after.⁶³

An urban fiscal program of LVT meets the true test of being comprehensive, i. e. , all decisions are affected and the impact is not temporary. Everything that takes place in an urban area is affected by the economic pressures arising out of the economics of land use, i.e. , all land use decisions are affected by cost and profitability calculations. Decisions determined on a basis of profitability are free decisions that have within them the basis for

change as warranted by conditions and continuation can be expected without close and aggressive government and citizen monitoring.

Although the program for urban rejuvenation and a more efficient, and therefore an improved urban economy that is developed, affects, and I believe in a desirable fashion, all facets of the urban community, it, of course, does not create a New Jerusalem. Because a program reduces the profitability of slums, for example, does not mean its adoption assures the elimination of slums. The accomplishment of the innovations considered is to inject an influence pressing for an improved situation and to reduce the economic attractiveness of policies leading to urban deterioration.⁶⁴ Also, the program developed would increase the efficiency of all plans to improve the liveability of our cities, from those concerned with uniform building codes to those aimed at greater political stability.

Footnotes

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