

## PART IV

# THROUGH A LAND LENS

EXPERIENCES DESCRIBED in the previous section eventually helped me to comprehend the problems of land monopoly and the virtues of land taxation as a just way to resolve our society's widening divide between the underprivileged and the overprivileged. As America's economic ills worsened despite immense public expenditures, my search for alternatives to prevailing policies intensified. Throughout my journalism and economics careers, it became increasingly evident to me that effective solutions required attention to almost forgotten land issues enunciated by Henry George and others.

Typical of most Americans, I had been unaware of our inequitable treatment of land rights. Once recognized, however, facets of our current land policies became a kind of lens that explained the nature of many social, economic, and political problems. Those who discover how these unjust land policies reach their tentacles into many realms of economic life have a catchphrase for this recognition: "Seeing the cat." The term harks back to a drawing of a tree in which a large cat is not immediately apparent among the branches but, once it is seen facing the trunk, it dominates the picture. The viewer cannot *not* see it.

Winston Churchill saw the cat. Early in his political career he wrote, "Land is a necessity of human existence and the original source of all wealth... Land monopoly is not the only monopoly, but it is by far the greatest of monopolies ... a perpetual monopoly and the mother of all other forms of monopoly... Every step in material progress is undertaken only after the land monopolist has skimmed the cream off for himself."<sup>1</sup>



*Seeing the Cat*

Many people read *Progress and Poverty* and immediately recognize its validity. Typical economics graduates, however, have been so immersed in contrary theories that its central ideas strike them as outlandish. No pun intended. When Dr Margaret Reuss, chair of the economics department of the University of the District of Columbia, saw the cat and came to realize how the misappropriation of land values was at the heart of the housing problems she was trying to ease, she exclaimed, "How did I ever get a PhD in economics without learning about Henry George?"

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NOTE

1. *Liberalism and the Social Problem*, Hodder & Stoughton, London, 1909, pp.319-26.

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## Columbus – Ode to a Bug

AFTER MY SOUTH AMERICAN ventures, an insect came to my aid. I was waiting for a job interview in the *Columbus Citizen* newsroom when a farmer brought in a jar containing an insect with an unusually long “tail”. After the reporters all looked and shook their heads in puzzlement, I informed them it was an ichneumon fly. I said the so-called tail was an ovipositor used to drill through tree bark to deposit eggs that, when hatched, feed on and kill harmful beetle larvae. Orchard growers count the insect a fine asset, I told them.

Thank you, ichneumon fly, for winning me a job as reporter, feature writer and state editor.

### **The Slum Game**

Blighted housing got national attention in the 1950s. My exposure to landlordism in Latin America led me to wonder who owned the slums in Ohio’s capital city. I learned that among those renting wretched living quarters to the poorest of the poor were members of the school board and city council, bankers, and the pillars of churches and synagogues. They did so because it was profitable.

Due to the upside-down property tax, along with depreciation allowances and highly leveraged mortgage financing, owning slums was often more highly profitable than other investments. The more apartments or rooming houses deteriorated, the lower they were assessed and taxed. Rents from tenants covered the owners’ tax bills.

Meanwhile, their holdings were growing more valuable, not for anything they performed but because of population growth and city improvements. The term “slumlord” has a bad connotation, yet most Columbus slum owners were regarded as upright citizens and astute real estate investors.

This raises questions for those who would like to rid their cities of slums. Is miserable rental housing the fault of the *owners* or of the *tax system*? This system makes slums a lucrative investment while it piles heavy financial burdens on owners who modernize and nicely maintain rental properties. The obvious next question is: whose job is it to change the system?

Walt Whitman, a poet of the Civil War era who was in close touch with the “common man” and the meaning of democracy, sensed the importance of access to land when he wrote: “The greatest country is not that which has the most monopolists, vast fortunes, with its extreme degrading poverty, but that in which there are the most homesteads, freeholds.”

### Accepted Rules

One Columbus man I’ll call Mr G was playing an interesting land game. He studied the parade of people and businesses fleeing to the suburbs and methodically bought land all around the city. Whichever way expansion occurred, developers of tract homes, fast food outlets or malls first had to buy or rent from him. He positioned himself to become a kind of toll collector from the firms who were seeking places to locate their operations. As residents and businesses leapfrogged Mr G’s holdings, his speculation also generated sprawl, blocking orderly development. For this he attracted no criticism but rather was recognized as a shrewd power player, respected for his considerable wealth.

At the time I was observing this, I learned that Sidney Evans, a land reformer I had known through Georgist organizations, had become a millionaire by following the same formula as Mr G. A native of Nebraska, Evans settled in San Diego and acquired land in the path of growth all around that city. How, I asked him, did he square this with his professed opposition to land speculation?

“We live in an unjust society,” he replied. “If I didn’t reap these rising land values created by the community, others would. I play by today’s accepted rules, and then use my financial gains to

persuade people to overthrow these unfair rules." True to his word, Evans indeed was a major benefactor of economic reform organizations that were devoted to promoting a more just land system.

In contrast, Mr G and scores of others who had become expert at working the "accepted rules" appeared more than satisfied with those rules and the enrichment garnered therefrom.

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## Dayton – Ode to a Book

EDITOR WALTER LOCKE of the *Dayton Daily News* was walking me to lunch to discuss an opening for an editorial writer. He asked what I was reading and I told him I was intrigued by an old book, *Progress and Poverty*. On the crowded sidewalk, Locke, a lanky Lincolnesque man, threw his arms in the air and roared, “Oh no, not Henry George!”

After a bad moment, I realized he was toying with me. He confessed that Henry George had inspired him during his university days in Lincoln, Nebraska. Did he by any chance know my Nebraskan friend, Sid Evans? “Yes, we were in the same Single Tax club.” (Some early supporters of George were known as Single Taxers.) I sensed that the job was in the bag when Locke added, “Nobody should be allowed to write about city problems until they’ve digested *Progress and Poverty*.”

### **One No-No**

I worked hard as a reporter to suppress my own opinions. Editorial writers, on the other hand, are in the opinion business and are expected to push their views boldly and persuasively. I asked Locke if there were limitations on what we could editorialize about. Locke said, “I’ll introduce you to the Governor and you can ask him that.”

The Governor was publisher James M. Cox, a former three-term progressive governor of Ohio. As Democratic candidate for

president in 1920, with Franklin Roosevelt as his running mate, Cox campaigned on a pledge to support American membership in the League of Nations in order to heal the aftermath of World War I. Locke once wrote about this, saying Cox walked “open-eyed into defeat for the sake of peace”. Defeating Cox was another Ohio publisher, Warren G. Harding, whose slogan was “back to normalcy”. Besides his two Dayton newspapers, Cox by 1953 had acquired two in Springfield, Ohio, the *Journal* and *Constitution* in Atlanta, the *Miami News* and a number of television and radio stations.

“Just one thing,” Governor Cox, then 83, replied to my query. “If my editors argued for public sponsorship of any form of gambling, I would be most unhappy.” He said he had always opposed that because it infects government with unsavory elements. I recalled my dismay that Colombia and Ecuador used lotteries that bilked poor people while the elite won special privileges. I assured Cox that we were on the same page on that issue.

### **Mentor-in-Chief**

Locke’s daily column, “Trends of the Times”, was admired for its wide-ranging tours of history, natural history, literature, and politics, and for its lyrical, almost biblical, style. He was among the first to nail the evils of McCarthyism. Calling innocent people “reds” gave cover to the small but dangerous clique of real communists, he wrote.

Born in a log cabin in 1875 near Nine Mile Ridge in a backwoods part of West Virginia’s Pleasant County, Locke lived to witness the advent of the atomic age and space travel. About Locke’s autobiography, *This World, My Home*, Adlai Stevenson wrote, “No one has told us what we are, who we are, and why we are as we are, with more grace and grandeur.” Brooks Atkinson, *New York Times* drama critic, called the book “a social and spiritual history of America ... written by the only man who has the experience, the purity of character and the literary skill to render such an account of our national life.”

If a journalist newly awakened to an outmoded land system was looking for a mentor, he could not have dreamed of one more fitting than Walter Locke. Locke’s view of that issue is illustrated by the following excerpts from his account of the Seminole Indians. He was a teacher in Mekuskey, Oklahoma at a time when the

Seminoles, although confined to a reservation, ran their own affairs.

Theirs was the one really free economy I have ever seen. Each man worked as pleased him, needing no other man's control. If some were more prosperous, others less, that merely reflected the difference in their skill and energy. Here all men were really born equal – equal in opportunity... The Seminole owned for himself whatever he made the land produce. The land itself he could not own. That, like the air and sun, was a common heritage. The nation owned the land...

Each Seminole child had at its birth its free and equal access to the soil. It needed pay no man for a foothold on the earth on which, by no consent of its own, it had been cast... Since every man was free to make, on the soil, his own job, there could be no involuntary unemployment, no unwilling poverty. What was this but the Utopia of which, through the ages, men have dreamed?

This Indian democracy was too simply good to survive the white man's greed... So this Indian nation, by act of Congress, was destroyed. There must be "free enterprise". The land was "allotted" as private property to the individual Indians. The white men then, in the old routine of beads and bottles, lured their land away from them...

*[Years later, Locke returned and found out about the boys he had taught.]* Such as survived were hired laborers or living on relief. The Indian Eden of forty years before was becoming a smoking, disheveled, roaring white man's prosperity.

Locke also wrote about "makers of a world", prominent people he particularly admired – Walt Whitman, Jane Addams, Booker T. Washington, John Dewey, James M. Cox, Franklin Roosevelt, and Albert Einstein, among others. About George, Locke commented succinctly:

Henry George was warning that back of all worldly problems lies the question of the land, man's common inheritance. That issue has been from his day to now overturning old world governments. Our day to face it cannot always be deferred.



### **Land as a Utility**

Jean Lightfoot Kappell, a former *St. Louis Post* Washington correspondent, came to Dayton to marry a test pilot at Wright Patterson Air Force Base. After she wrote a brilliant letter to the editor about a foreign crisis, Locke set her to writing editorials instead of letters. Her insights made our editorial meetings exciting forays into environmental matters, cultural developments, and the causes and cures of the world's problems.

Jean had a novel approach to land and public finance. "Land value is a utility," she argued. People willingly pay according to how much electricity, water, or natural gas they are provided. To the extent they are provided with access to parks, schools, fire protection, roads, public transit – all the public amenities that affect the value of particular locations – they should find it just as reasonable to pay for their "land utilities", she maintained.

### **Filth and Wine**

Observing that first impressions tend to be sharp and intense, Locke urged me to write an occasional column about the local scene, which I called "A Stranger Comes to Dayton". An early one caused a minor uproar.

On the "squawk box", the speaker booming live police radio calls into the newsroom, I heard an officer report, "We've got another suspect at Filth and Wine." That was cop jargon for the notorious Fifth and Wayne intersection. I explored and wrote about that dismal area. Among the many who called to complain the following day was the director of a branch bank. He was upset with me for running down his neighborhood, but he agreed when I asked if we could meet in his office.

I asked why he thought police dubbed a site two blocks away "Filth and Wine". He began telling me about conditions even worse than those I had described. He pointed out his window to apartments. "They've got outhouses in the back, no indoor toilets." He posed a thoughtful question: "What should be done? If inspectors close them down, where will poor renters live?"

Shortly afterwards I posed this question to Carl Feiss, a federal housing official who was attending a planning conference in town.

Instead of answering, he astonished me by saying Fifth and Wayne looks good compared to Hog Bottom, a Dayton neighborhood he had just toured. He called it "the worst slum on the American continent".

Could I quote him? Yes, he said, and we did, with photos of Hog Bottom's mud streets, shanties half falling down, and the poor blacks who lived there.

Dayton's congressman read the "worst slum" quote and went ballistic. Like many who were in denial about how the other half lived, he tried to get Feiss fired for "smearing" Dayton. Thankfully, he was unsuccessful.

Notwithstanding its slums, Dayton had many attractive neighborhoods, a lively downtown, vibrant industries and a clean city government. Equipment and paving salesmen would ask traffic engineer Tony Caruthers who they had to pay off to win contracts. When Caruthers said Dayton did not operate that way, they would plead in disbelief, "Come on Tony, how much?" Their insistence on trying to find someone to pay off was a sad commentary, revealing that bribery was the norm in many cities.

### **Land Speculation Trumps Enterprise**

Locke, nearing 80, continued writing his column but gave up his editorial responsibilities. James E. Fain came from the Cox Atlanta papers as our new editor. He focused the paper's attention on the decay of central cities and the mushrooming of bedroom communities in former cornfields, a post-war phenomenon plaguing the nation.

To research some zoning practices and distorted growth patterns relating to this theme, I sought the perspectives of one of the area's major homebuilders.

"You're asking the wrong person," he said. "I shut down my housing operations." He said he had shifted into the "business", as he called it, of buying acreage around intersections of the newly launched Interstate Highway System.

The lure of land speculation had extinguished one of Dayton's useful enterprises and made its large cadre of managers and skilled workers search for other work. The former builder had found what appeared to be an easy way to siphon off location values created by America's new transportation network. He was avoiding the

headaches and risks of building and selling homes. He anticipated it would be more profitable to buy key sites at low prices that he could sell later at much higher prices.

### **Eatin' Off It**

Something discouraging was happening to Dayton's impressive business district. Buildings were being torn down for surface parking lots. Others looked shabby or were boarded up. The formerly compact skyline started to resemble a Hallowe'en pumpkin's grin with missing teeth.

I asked Henry Bader, the leading broker in downtown real estate, to share his views about this decline. Using his huge map of the central business district, he gave a memorable parcel-by-parcel narration of Dayton's development. He named the original owners of every lot on the major commercial streets and described the buildings they put up. He told which sons or grandsons rebuilt or modernized these structures up to a point several generations ago. Bader summed up his recitation of each parcel's history with a disheartening line: "That family's been eatin' off it ever since."

Out of scores of central city businesses, Rike's, the largest department store, a dress shop and a furniture store were the only three whose owners actually ran the businesses. The rest, Bader said, were being milked by absentee landlords, "eatin' off" their properties.

To verify his sorry tale, he sent me to talk to the head of Elders & Johnson, the second largest department store. Its president told me his fading company sent out rental checks to some ninety heirs of the original owners. These current owners, he said, ranged "from minor children to senile oldsters" who had addresses from California to the French Riviera. For decades these titleholders denied management requests to invest in modernization. Echoing Bader, the president said his multiple landlords were concerned only with their monthly checks, not the health of the enterprise. The fate of Dayton's economy, he said, was the farthest thing from their thinking.

A six-story building one block from the city's most valuable real estate was entirely vacant except for a top floor apartment occupied by the owners, two elderly sisters. Years earlier, after their property assessment was increased substantially, the sisters evicted

their commercial and residential tenants and successfully challenged their assessment, winning lower taxes on the basis that their property was yielding no income. If the assessment had been based primarily on the site value, instead of largely on the building as is typical throughout America, this waste of a good structure and a prime location would not have occurred.

### **Like New York, Like Dayton**

Albert Pleydell, a former assistant to New York's famed Mayor Fiorello LaGuardia, conducted research revealing that New York's property tax promoted blight. His critics said the nation's largest city was so unique and complex that no generalizations could be drawn from the study's findings. The Lincoln Foundation (which later formed the Lincoln Institute of Land Policy) asked Pleydell to study a more typical city. Dayton officials and civic leaders succeeded in inviting him there. "Taxation and Urban Blight: A Case Study of Greater Dayton"<sup>2</sup> revealed that Dayton's injurious property tax practices closely mirrored those in New York.

One would expect the value of buildings in nice residential and commercial sectors to be high relative to the value of their sites, and low in sectors with dilapidated housing or shops. Pleydell researched over 18,000 parcels, paired between Dayton's blighted sectors and control areas and matched for age of structures. In Dayton, as in New York, he found that the ratio of building to land values was almost identical throughout the city. This would seem to indicate either that the entire city was blighted, or that it was completely free of blight, neither of which was true. How to explain this incongruity?

The study revealed that assessors were systematically writing down the value of land in slum areas. They erroneously assumed that, because the *structures* were nearly worthless, the *land* under them also must be worth little. Had assessors paid attention to actual sales of these sites, or the income streams they produced, they would have discovered that many slum sites were far from cheap. Actually, the low assessments kept taxes low, making the slums profitable and highly prized, boosting their location values.

Property tax laws in Ohio, as in most states, require both land and improvements to be assessed according to market value. However, the study found that this law was disregarded. According

to extensive actual sales data of both types of property, vacant sites were assessed far below market value, while new buildings were assessed far higher.

This explains why public agencies charged with carrying out slum clearance were often shocked at the high prices they had to pay to acquire these under-assessed sites. To fulfill their promises to provide low-priced housing for evicted slum dwellers, they needed to provide big unanticipated subsidies to buy out the slumlords.

Slumlords meanwhile could pack in renters and provide minimal repairs, then watch the value of their holdings rise as population growth increased the demand for housing. Moreover, the owners won lower taxes as the condition of their buildings worsened. Conscientious owners who upgraded their rental units, on the other hand, got higher assessments and higher taxes for their good behavior.

Is it any wonder, with such misuse of incentives, that blight was spreading in Dayton and in cities all across the country?

### **Redlining and Block-Busting**

I met Erika Schulhof, an elementary teacher, shortly before she was due to leave for a job in California. She was born in Austria and sent by her parents at age 10 to Scotland on a Kindertransport before they were murdered by Nazis. She spent ten years in Scottish boarding schools before joining an aunt and uncle who had escaped to Ohio. To keep Erika in Dayton - and with me - I married her, and this talented and good human being became a wonderful wife, wonderful mother, and wonderful friend.

We got an education when we went house hunting. A realtor looked over our list of ads that looked interesting and affordable to us. He immediately crossed off several because "those will go black in a couple years". How did he know? The practice was called redlining. Realtors drew boundaries around areas where they decided blacks could live or move to. Whites like us were ushered not very subtly to other sectors. Within these redlined areas, mortgages and loans for home improvements, if available at all, could be obtained only on extremely unfavorable terms.

Block-busting was a nasty companion of redlining. Realtors would bring a black family into a neighborhood, and then use scare tactics to get whites to flee. This created the mistaken but wide-

spread belief that property values would inevitably fall if minority residents moved into formerly all-white areas. Realtors and other investors then bought the properties on the cheap and sold them at inflated prices to blacks who had limited choices about where they could buy.

Federal policies at the time intensified both racial and economic segregation. To qualify for urban loans and grants, developers of new neighborhoods had to observe federal rules requiring uniform housing types that catered to households within a narrow economic stratum and that served a uniform racial population. In new subdivisions this killed the diversity that once typified American neighborhoods. Cities are challenged to find their way back to a healthy mix of people and housing types.

My wife and I became active in a group that was promoting integrated neighborhoods. On a radio talk show I joined Charles Washington, head of the local Urban League, to discuss open housing, a policy to end housing discrimination and segregation. Charles was speaking eloquently about democratic ideals and equal housing opportunities when a caller interrupted:

“Mr Washington, that sounds fine, but how would you like to have Negroes move next to you?” Without mentioning that he was black, Charles Washington told her, “As a matter of fact, ma’am, Negro families live right next door to me and, honestly, I couldn’t ask for nicer neighbors.” We exchanged winks.

### **Citizens vs the Power Structure**

My column broke the news that Dayton’s small nature museum was about to be torn down for a parking lot. City Council in its wisdom decided this was a better use of the space. Contrary to the cliché that “you can’t fight city hall”, what ensued is a useful reminder to those who are engaged in social change that, indeed, citizens can prevail over a community’s big decision makers.

The museum was run by part-time curator E.J. “Joe” Koestner, a high school biology teacher. It had stuffed birds, an Egyptian mummy, live native mammals and snakes, and an extensive fossil collection. People who were outraged by the city’s decision to close it down asked Joe and me to try to save the museum. We met with the head of Dayton’s industrial-commercial-political power structure that ran a kind of shadow government. He was cordial but

said a museum project could not be put on the agenda because it would conflict with higher priorities that had already been set.

Some pro-museum folks with a company-town mentality said a “no” from a spokesman for the National Cash Register, Frigidaire, Delco, and other top local firms meant the cause was lost. Others, however, approved Koestner’s unusual plan to stimulate support by holding backyard fairs. Koestner would bring along live raccoons, snakes, and hawks, teach about the animals in a hands-on way, and then collect nickels and dimes from the fascinated children and their parents. Interest mounted, civic groups contributed, and supporters formed the Dayton Natural History Society.

The city did tear down the museum but fended off criticism by offering a lovely city-owned wooded site — provided our society could finance a new museum. The power structure moved to squelch our fund-raising campaign but refrained when the heads of Dayton Power & Light and of Rike’s department store broke ranks. Both of them declared that their life-long enjoyment of nature had been sparked by boyhood visits to the museum and they were eager to bring it back to life.

Never discount the role of luck. We envisioned a museum that portrayed how early life forms evolved into Ohio’s present plants and creatures. We wanted visitors to see junior naturalists caring for animals and preparing exhibits. We wanted a museum that would increase conservation awareness among people in our region. The young architect we could afford realized he was falling short of these ambitious goals and generously put us in touch with his teacher, the famed Vienna-born Richard Neutra. It turned out that Neutra had always wanted to design a nature museum. We let him.

Hard-working museum supporters, armed with Neutra’s splendid design, began to see funds pouring in. Patrons of the Dayton Art Institute, symphony, Junior League, city ballet, and others generously supported the project, putting to rest the power structure’s fears that Dayton’s cultural cup, so to speak, was filled to capacity. Ordinary citizens prevailed and the new museum, with Joe Koestner as full-time director, quickly began enriching the community as it taught environmental science to thousands, created popular summer courses, and led nearby archaeological digs.

The lesson relating to the larger theme of this book — overhauling our tax system and land policy — is that one *can* fight city

hall and that social reform also needs to engender the kind of grass roots support and passion that gave birth to Dayton's nature museum.

### Green Revolutionary

We got to know Mildred Loomis who ran the School of Living on Lane's End Farm near Dayton. A scholar and activist, she was a disciple of sociologist Ralph Borsodi whose 1929 book, *This Ugly Civilization*,<sup>3</sup> revealed his prescience about the boom conditions leading to the Great Depression.

Mildred and her followers promoted reforms in so many aspects of modern life, economic justice among them, that it boggled the mind. She and her husband John grew much of what they ate and made much of what they used. School members in New England created a currency that, unlike the dollar, retained a constant value. One of her associates, Robert Swann, founded the modern land trust movement. Her workshops, "Green Revolution" newsletter, and conferences influenced a wide circle of creative thinkers, Hazel Henderson, E.F. Schumacher of *Small Is Beautiful* fame, Scott Nearing, and J.I. Rodale, *Prevention* publisher and organic farming guru, to name a few.

Mildred opposed the rush toward bigness – corporate mergers, centralized political power, schools as educational factories, media cannibalizing, concentrated ownership of resources – as inimical to a free and humane society.

Already known as the "grandmother of the Green Revolution", Mildred naturally was thrilled in the spring of 1969 to see a headline in the *Baltimore Sun*: "Green Revolution to Feed Starving Millions". The article told of a biologist, Norman Borlaug, who developed strains of high-yielding wheat and rice that could mean "new life to the starving" in India and the Far East. As the article went on to explain that the plan required thousand-acre fields and tons of chemical fertilizers, Mildred was downhearted. She protested to the U.S. Department of Agriculture for supporting this "travesty" and misuse of her thirty-year-old slogan. USDA did not reply. She felt vindicated five years later when the department reported to the press that its so-called green revolution was a mistake. Large-scale mono-crop agriculture spread disease that was wiping out a whole season's crop and threatening worldwide



starvation. Mildred remained convinced that small-scale organic farming was the wave of the future. She concluded her tale of this episode in her book, *Decentralism*,<sup>4</sup> by writing in bold type, "Long live the Green Revolution!"

The School of Living promoted wholesome natural foods. Some of their claims went off the deep end. Medical professionals, who should have been probing for facts and offering guidance, instead ridiculed Loomis and others in the budding nutrition movement as "food faddists". Similarly, when amateur land tax reformers in her camp made bizarre claims, economists largely derided their concerns instead of offering correctives to the genuine and serious problems these nonprofessionals detected.

### Whose Moon?

Fellow editorial writer Jean Kappell was a gourmet cook as well as a keen political analyst, so a dinner invitation from her was always a delight. One time Jean, her husband Lon and their three-year-old daughter Taffy came out of their home to greet us. At the moment we arrived, a spectacular moon was just rising above the horizon, one of those gigantic moons that seem close enough to touch.

Taffy cried out, "Mommy, I want that moon"

"You know why you can't have it, dear?" Jean asked tenderly.

With a big smile the toddler replied, "'Cause it's everybody's moon."

Out of the mouths of babes. Or, more accurately, out of the mouths of a babe whose mother taught her early and well. Everybody's moon. Everybody's earth.

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### NOTES

1. Antioch Press, Yellow Springs, Ohio, 1957.
2. Tax Study Advisory Committee, Dayton, Ohio, 1982.
3. Reprinted by Porcupine Press, 1972.
4. School of Living Press, York, Pa., 1980.

# 16

## Washington Assignment

LEAVING DAYTON friends and activities was wrenching for my family. It underscored our awareness that smaller communities are national treasures endowed with special and often underappreciated virtues and qualities.

The separation ache eased, however, when it became clear that serving as Washington Bureau Chief for Cox Newspapers was a journalist's dream job.

Was it work or play to cover the nation's capital? It involved catching history-making Senate and House debates, questioning legislators, chatting with White House staff, participating in presidential press conferences, roaming the State Department and endless Pentagon halls to track movements toward war or peace, hearing intricate Supreme Court cases, finding the human touch or comic situation amid streams of serious stuff, and stopping at the National Gallery of Art between the Capitol and my office to meditate in a chamber full of Rembrandts.

Gourmet snacks at embassy affairs also came with the job. Simeon Booker, chief of Johnson Publications in the office next to mine, was constantly invited to embassy military events because foreign diplomats thought that *Jet*, Johnson's news magazine for and about Afro-Americans, was all about airplanes.

Washington reporters can too easily acquire a sense of self-importance as national and world leaders treat them with great deference. This is heady stuff, making it easy to forget why people of high rank are uncommonly nice to journalists. Simply put,

getting good press is essential to the careers and reputations of top officials and other prominent men and women.

### **Civil Rights – a Broken Congress?**

My arrival in Washington coincided with the most intensive effort to erase laws and practices that consigned people of color to second class citizenship. President Kennedy's comprehensive proposals addressed critical issues: guaranteeing and enforcing the right to vote; halting discrimination in restaurants and other public places; overcoming barriers to school desegregation; and assuring equal job opportunities.

Knowing now how this all turned out, it is difficult to recapture the nation's mood of uncertainty over the outcome of that struggle to enact civil rights laws. Walter Lippmann, the era's most prestigious columnist, felt during those legislative battles that Congress was moving so painfully slowly that he proposed switching to the British parliamentary system. Many observers concurred and my editors occasionally questioned why I had a contrary view.

Fresh on the scene, it struck me that part of the genius of the congressional machinery was that it *did* allow time. Time for Southern senators to let off steam during a filibuster. Time for Southern voters to hear the majority's eagerness for reform. Time for the clergy, belatedly, to declare civil rights a moral issue. Time for Southern voices, Ralph McGill of our Atlanta paper prominently among them, to come out of the woodwork and call for an end to Jim Crow. And time to let opponents win minor skirmishes en route to defeat. Thus, when civil rights victories finally came, passions had subsided, no secession or civil war was threatened, and progress gained a momentum that would prove impossible to roll back.

My respect for the process was reinforced by contact with an unsung civil rights hero, Congressman William M. McCulloch, a conservative Republican from Piqua, Ohio, a little town north of Dayton.<sup>1</sup> Unlike flamboyant colleagues, Bill was self-effacing in his rise to become ranking minority member of the House Judiciary Committee. Before the full House, when he said so quietly and earnestly that it was downright un-American to deny equal rights, the chamber hushed. This won him no popular acclaim in his all-white district, where he suffered many unkind attacks for championing minority rights.

McCulloch's stature among Republicans enabled him to bring his party into harmony with a bill proposed by a Democratic president and a Democratic-controlled Congress. No small matter, that. To counter their Southern bloc, the Democratic White House and Justice Department could not win without Republican votes. McCulloch persuaded Senate Minority Leader Everett Dirksen, long tepid on civil rights, to support compromises that brought the bulk of the GOP into the proponents' camp.<sup>2</sup> Whenever the bill's chances looked grim, McCulloch reassured me that behind-the-scenes bipartisan maneuvers were forging a winning strategy.

### UNLIKELY FEMINIST

A delicious sidelight of the legislative civil rights tug-of-war was that Virginia Democratic Congressman Howard "Judge" Smith, powerful chair of the House Rules Committee, became an inadvertent women's champion. Cynically aiming to attract enough opposition to kill the civil rights bill, he inserted an amendment prohibiting discrimination on the basis of sex. To Smith's consternation, and the delight of women's rights groups, his amendment passed along with the rest of the bill.

### Land Issue Not Cooking

How long would it be, I wondered, before our slow legislative machinery set aright America's unjust land tenure system, as it had done in the civil rights field. A clue that land was not even on the back burner came during a press conference. Walter Heller, chief White House economist, was describing the dangers of inflation as he pointed to rising prices of TVs, radios, food, and other goods. I asked if he was looking at how land price escalation was fueling the inflation of housing, food, and manufactured items.

"I don't follow you," Heller said with a puzzled look.

Dick Stroud of the *Christian Science Monitor* spoke up for me. "You know, land prices are really soaring and foreigners are buying lots of farmland, bidding up acreage prices. Is there something that should be done about this?"

Reporters rolled their eyes when Heller responded, "If it's such a good investment, I guess the federal government should buy land."

Despite his blind spot in land policy, so common among economists, Heller was an eminent authority on federal taxation. In the 1940s, policies he designed for West Germany spurred its post-war recovery. When President Johnson refused Heller's advice to raise taxes to finance the Vietnam War and avoid putting the nation on a path toward steep inflation, Heller admirably followed his conscience and resigned his prestigious White House job.

### Right and Left

The land issue was not completely hidden. A leading conservative, Republican Congressman Thomas B. Curtis of Missouri, and a leading liberal, Democrat Senator Edmund Muskie of Maine, both spoke about features of the property tax that were tearing apart the fabric of our cities.

Representative Curtis called the hoarding of strategically located lands "the greatest of all economic sins". His corrective: "A well-designed real estate tax system places an incentive on utilizing real estate to its greatest economic potential"<sup>3</sup> He lamented that scholars for twenty-five years had neglected the property tax, which he dubbed the Cinderella of revenue devices.

Senator Muskie, a member of the Advisory Commission on Intergovernmental Relations (ACIR), called on state legislators to update assessments that lagged by years or decades, to obey laws requiring assessment uniformity, and to eliminate favored treatment of wealthy neighborhoods.<sup>4</sup> Research reports by the highly competent ACIR staff – Laszlo Ecker-Ratz, John Shannon, William Colman, and other fiscal experts – provided a rich lode of information for easing state and local problems.

Few journalists joined in mining this ACIR source. Beside myself, to my knowledge only Harlan Trott of the *Christian Science Monitor*, Richard Noyes, editor of the *Salem (NH) Observer*, Will Lissner of the *New York Times*, who was also the founder-editor

of the *American Journal of Economics and Sociology*, and Perry Prentice, *Time* vice president and *House and Home* editor, were reporting ACIR's evidence of the detrimental effects of local tax systems.

The Reagan administration, despite its rhetoric about excessive federal power, incongruously disbanded ACIR which, more than any other agency, was devising specific guidelines for restoring state and local powers.

### Looting in Broad Daylight

When President Lyndon Johnson's War on Poverty was being launched, Martin Luther King, Jr, testified about the immorality of dire poverty amidst great wealth. He cited *Progress and Poverty* but legislators did not pursue Henry George's program for overcoming this disparity.<sup>5</sup> After King was assassinated, riots broke out in over one hundred cities. People looted merchandise from shops in broad daylight. People were shocked.

I could not help thinking that day in and day out, year in and year out, owners of prime real estate were engaging in the wholesale looting of the earnings of residents and businesses. This takes place with the full support of the law and with the tacit approval of most officials and citizens. Few appear shocked that a very small minority skims off wealth that belongs to everyone. Both types of looting bear examination.

Heavy smoke, along with the sadness of King's murder, hung over the nation's capital. Cars heading out of the city jammed the streets. Sirens screamed. Fire engines threaded their way to trouble spots. Yet the riot scene took on a carnival aspect. Looters laughed, shouted, and ambled with armloads and shopping carts full of toys, lamps, clothes, linoleum rolls, and boxes of who knows what. Some commentators, acknowledging the understandable frustration of blacks, whose great leader and peacemaker had been cut down, came close to condoning the stealing and destruction. Only material things were involved, they said.

People come first, before things, in my view too, but drawing a moral boundary between human and material values struck a wrong chord. *People* built and worked in those shattered shops. *People* lived in the torched apartments. *People* labored to provide the pillaged inventories. *People* lost the livelihoods that went up in

flames. *People* were condemned to live long after amidst scars of this destruction of *things*.

Another kind of looting lets landlords procure trillions of dollars worth of the people's wealth annually. The land rents they collect are created by the entire community, not by the landowners. This looting of the common wealth goes on in broad daylight and in the dark of night, in rain and in shine. Hallowed by tradition, it wears a cloak of respectability.

This morally indefensible activity lying at the very heart of our economy causes no end of damage. It infects business leaders, bankers, religious leaders, physicians, and officials in high office whose ethical lapses have become commonplace. The mass of citizens, without necessarily understanding that their common heritage is being looted, nevertheless sense that a climate of unfairness prevails. If they can be scandalized when Wall Street moguls deal themselves outsize bonuses, how much angrier will they be when they awaken to the more monumental robbery of their wages, their savings, and their fair portion of nature's bounty?

### **Treadmill Effects**

In the 1950s and 1960s, politicians faced an array of socio-economic problems that could no longer be swept under the rug. They pledged to halt joblessness, crime, failing schools, miserable housing, clogged highways, decaying cities, and urban sprawl. They declared wars on drugs and poverty. They created new organizations including departments of Housing and Urban Development, Transportation, and Health, Education and Welfare; the Appalachian Regional Commission, and the Environmental Protection Agency. New programs included Revenue Sharing, Head Start, Block Grants, and Model Cities. These all stemmed from attempts during the Kennedy, Johnson, Nixon, and Carter years to find federal remedies.

Other nonprofit, state, and local programs that came on the scene to attack these problems included public-private partnerships, Habitat for Humanity, privatization (even of garbage disposal, school operations, and prisons), Enterprise Zones, tax base sharing, metropolitan governance, tax abatements, farmland tax exemptions, new towns, conservation easements, and transferable development rights, to make only a partial list.

Most of these efforts earned an A-plus for effort but a D-minus for results. To justify the billions expended, administrators pointed to affordable homes built, delinquents rehabilitated, skyscrapers replacing slums, fragile habitats saved, and so forth.

Looking at national and local trends, however, these remedies encountered what I call a *treadmill effect*. Programs had to run faster and faster as the problems multiplied. Blight outpaced urban renewal. Crime and drug-dealing outpaced imprisonment and mentoring. Dumb growth trumped smart growth. For lack of accurate diagnoses, most efforts treated symptoms. Untouched root causes continued to do their damage.<sup>6</sup>

I part company with those who blame these failures on bureaucrats. Our anonymous army of public servants impressed me as conscientious, far outperforming their reputation. It seemed patently unfair to fault them for carrying out laws designed by academic experts, private consultants, lobbyists for special interests, and legislators. Even laws and programs that appear on target often have built-in loopholes that almost preordain that they will fail.

### **Offering Alternatives**

When I queried people in government about land-related solutions to problems they were trying to address, it was not uncommon to get blank looks as if I were talking in some Martian lingo. Ironically, public leaders who, in their official capacities, pleaded ignorance about the existence of land speculation would, at social gatherings, be heard bragging about their latest killings from land deals.

So I took another tack. My burgeoning collection of articles, speeches, and research findings about the need to modernize land policies had grown into a four-inch-thick volume. An assistant secretary of the Department of Housing and Urban Development (HUD), formed to save cities, agreed to review it.<sup>7</sup>

After several months of no response, I told Richard Goodwin, the White House domestic affairs specialist, about my collection. He asked why land tax reform was not on the front burner if it was half as important as I was claiming. I suggested that economists who were aware of the perverse incentives eroding the economy were keeping quiet, but should be shouting from the rooftops that a land tax would reduce land prices, create jobs, and save cities.



Goodwin did not give me a blank look. Within a short time, he alerted me that White House aide Bill Moyers and Robert C. Weaver, Secretary of HUD, would hold a press conference about the formation of a presidential urban commission. Clever politician, Goodwin let me assume this was "my baby", a notion reinforced in my mind when Moyers said the commission would be charged to "discover ways of making the real estate tax structure more viable", and when Weaver said the commission would confront "really sticky problems" affecting housing such as "the taxation thing". Asked to elaborate, Weaver said, "If we simply tax the land and not the improvement on the land, as they do in Australia, many think this should be helpful."

As I learned later, my input was only one of many. Several prominent urbanologists had spread alarm that the nation's cities were in a tailspin and urged the White House to halt it. Though the commission may have had only a little of my DNA in its origins, it changed the course of my career.

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#### NOTES

1. McCulloch later was recognized for his pivotal role when Dayton Congressman Charles Whalen and his wife Barbara authored *The Longest Debate*, Seven Locks Press, Washington, D.C., 1985.
2. As the debate wound down, the Senate chamber and press gallery were almost empty when Illinois Democrat Paul H. Douglas, an early civil rights champion, urged passage. When Dirksen, a recent convert to the cause, gave concluding arguments, crowds of reporters and cheering senators were on hand. I wrote about this ironic twist and Robert Gruenberg of the *Chicago Daily News* sent my article to Douglas. Douglas wrote me a thank-you note saying that, having been a football lineman in college, he was used to seeing the quarterbacks get all the glory.
3. Congressional Record, 8/10/65, p.A4227.
4. Address to the American Assembly, Arden House, Harriman, NY, 1966.
5. After Rev. King met with the President, our Cox bureau staff met King with a taxi to take him to lunch. As we drove out the White House grounds, we noticed skinheads carrying mean-spirited posters denouncing King. The driver turned to King and said, "I'd like to sock them in the jaw." The famous pacifist smiled and said, "That's not exactly my style."
6. The War on Poverty's emphasis on schooling to reduce unemployment was a case in point. My critical elaboration on that theme, "Education Alone Could Fail", is summarized in Appendix A.
7. Appendix B, with samples of my collection, reveals that a significant amount of work on the topic was available. This body of knowledge was a kind of elephant in the room that most officials and academics managed to ignore.

# 17

## The Douglas Commission

“WOULD YOU LIKE TO BE MY ASSISTANT?”

That was the last thing I expected to hear when I was interviewing Paul H. Douglas about his plans after President Johnson named him head of the newly created National Commission on Urban Problems. Switching from journalism to economics was no small matter, yet such was my admiration for Douglas that I did not hesitate to give him an enthusiastic “Yes!”

Douglas was known as “the conscience of the Senate” and also as “a winner of lost causes”. A former University of Chicago economics professor, Douglas added new dimensions to economic theory. Though exempt from military service at age 50, he volunteered for the Marines in World War II and sustained battle wounds that left him permanently disabled. After eighteen years as an Illinois senator, he was defeated by Charles Percy in 1966. Early in that campaign Percy’s daughter was assassinated. As the crime went unsolved, Douglas ordered his team to say nothing against his opponent. Also, Douglas’s campaign leaders urged him not to discuss race issues because of a white backlash against civil rights protests in Illinois at that time. Disregarding their advice, Douglas began every campaign speech by calling on people of all colors to learn to live together in harmony.

The commission was charged to recommend ways to improve housing and building codes, federal and local taxes, development standards, technical innovations, and industry practices “to prevent slums, blight and sprawl, preserve natural beauty, and provide for

a decent home and suitable living environment for every American family”.

During our first month Douglas led commission members and staff through high-level bull sessions.<sup>1</sup> He challenged us, asking: “What can we do to justify the million-dollars we’ve been given?” We identified some forty research projects to be undertaken by staff and outside specialists. Experts, Douglas cautioned, “should be on tap, not on top”. To avoid an ivory tower approach, he insisted that members and staff visit cities around the country to rub our noses in the problems we would be investigating and trying to find solutions for.

We moved into modest offices three blocks from the White House. Mr D, as staff called Douglas, began hanging pictures of people he most admired – lawyer Clarence Darrow, Illinois Governor John Altgeld, and Hull House founder Jane Addams, all champions of the underdog. Marching with another picture into my office he said, “Here’s one that should be looking over your shoulder.” Henry George! Neither of us had mentioned that name to each other, so I said it must take a Georgist to recognize one. He laughed, saying he had long been convinced that land problems were at the heart of city problems.

### **Vox Populi**

It fell to me to set up study tours and hearings. Our first outing to Baltimore illustrates why this task was a breeze. No sooner had I mentioned Douglas to Republican Mayor Theodore McKeldin than he said, “I love that man, one of our greatest senators ever.” He offered to do whatever we requested to make the Commission visit a success. Two days before our due date, a McKeldin aide phoned to assure me that our several meeting places were ready. He added what the mayor surely did not want him to say: “Our street cleaning and trash people are out in force, cleaning up the places around there.” A former Chicago alderman, Douglas knew these tricks. After official tours, we made it a point to visit the seedier parts of cities on our own.

Some 350 local officials, urban specialists, academics, builders, developers and citizens in thirty cities shared their ideas and complaints with us. We heard two common but contradictory themes: one, tell the feds to get out of our hair so we can run our own show;

two, tell the feds we desperately need more money and more help to solve our problems. Poor whites, blacks and Hispanics who testified were remarkably articulate. They pinpointed community problems with a directness and even eloquence that many professors, elected officials, and other professionals did not match.<sup>2</sup>

In pursuit of affordable housing, the commission pressed builders to share, publicly or in private, detailed data about their costs and earnings. We learned that many successful developers barely broke even from sales of the actual houses they constructed, but profited mainly from the land appreciation that occurred between the time they bought and sold. "Land banking" was a typical builder practice. They had to become temporary land speculators to avoid having other long-term speculators take all the profits out of their projects. James Rouse, creator of Columbia, would not share his land cost data for the 14,000 acres – one-tenth of Maryland's rural Howard County – needed for his model new town between Baltimore and Washington. We knew that to keep his land costs down he employed a mini-army of brokers to secretly acquire the sites without revealing the buyer or his plans.

New Orleans officials complained to the Commission that federal guidelines for housing grants and loans were set too low for their city's unusually high land costs. How much, Douglas asked, are you taxing land? New Orleans was taking in less revenue from property taxes than from sales taxes. Property taxes were so low, we learned, because the position of assessor in every parish of the city was handed down from fathers to sons or nephews whose implicit duty was to disregard market values and keep assessments low. Any competent land economist could have told New Orleans what Douglas's question implied: that their abnormally high real estate costs were inevitable under this regimen of low land taxes.

### **A Lesson in Taking Criticism**

"You call it urban renewal. We call it Negro removal." Angry black citizens at New Haven hearings attacked a program that Douglas, as senator, had helped steer through Congress. Legislators whose fingerprints are all over a major federal program typically defend that program to the death. Not Douglas. He was man enough to say urban renewal was not working out as he had anticipated, and he joined in the criticism.

HUD and the White House, unwilling to re-examine a program in which they had invested heavily, took umbrage. HUD sent a man we called the department's "spy" to our open sessions. The White House even tried to undermine our work by creating a new competing group.<sup>3</sup>

When Douglas went to the White House to present the Commission's final report to Johnson, the President snubbed him, kept him waiting long after the pre-arranged appointment, and then sent an assistant, Joseph Califano, in his stead.<sup>4</sup>

When urban renewal was new, it was the topic of an editorial writers' conference I attended in Philadelphia. Noted planner Edmund Bacon used a medical analogy to explain the concept. Slums and blight are cancerous, so bulldozing them and replacing them with attractive buildings will encourage healthy growth around previously sick places, Bacon asserted.

As wrecking balls cleared slums across the nation, Jane Jacobs, a keen observer of cities and writer (author of *The Death and Life of Great American Cities*, 1961), raised alarms. The demolished apartments and shops, she noted, often were vibrant neighborhoods with valuable webs of personal relationships and commercial services. She called the modern buildings that replaced them sterile places that people could not wait to flee after their 9-to-5 workdays.

Beyond these sociological impacts, poorly understood economic factors doomed the renewal program. Rejuvenation did not occur around renewed areas in Philadelphia or elsewhere. Adjacent owners saw slumlords bailed out at handsome prices and figured the feds would bail them out too if they let their buildings run down. Blight, instead of being contained, spread. Wasteland surrounded fine showplace buildings in Atlanta, Detroit, and other cities. New Haven kept enlarging its blight removal sectors until, by the time of our hearings, virtually the entire city had been designated an urban renewal area. Understandably, displaced people with nowhere they could afford to go vented their anger to us.

### **Focus on Land**

Alan D. Manvel, associate director of the Commission and the former head of the Census of Governments, completed groundbreaking research reports.<sup>5</sup> One measured the dimensions of the escalation of land values from 1956 to 1966. Among the findings:

- The value of all taxable real estate (land and structures combined) increased 90 percent during the decade, from \$697 billion to \$1.262 trillion.
- The value of land alone increased 95 percent, from \$269 billion to \$523 billion.
- Increases in land value varied by property type – farm acreage, 81 percent; industrial sites, 90 percent; commercial land, 93 percent; single-family sites, 106 percent; vacant lots, 109 percent; and multi-family sites, 141 percent.

This dramatic doubling of land values during one decade was a prelude to even steeper increases in the 1980s and then the massive bubble that burst in 2007. Data showed that central city officials who bemoaned their “declining tax bases” were mistaken. They reacted to the fact that property tax bills on *housing* clearly were about as high as voters would tolerate. Yet if officials had reduced taxes on voters’ houses and business structures and shifted the tax burden onto *land values*, cities could have tapped into this bonanza that was literally under their feet.

Another Manvel study disclosed the surprisingly large numbers of vacant in-city sites. A common complaint of city planners and officials is that cities have little space for development. This view was exploded by a survey of 106 large cities. On average, in cities of 100,000 people and over, 22 percent of privately owned developable sites were vacant. In cities of 250,000 and over, 13 percent were vacant. And these figures counted only completely undeveloped sites, not parcels on which obsolete structures made them ripe for redevelopment. Some cities had far more vacant sites – 49 percent in Phoenix, 54 percent in San Diego, 68 percent in Beaumont, Texas.

Given the steady exodus of people and companies from central cities to suburbs, undeveloped and under-developed sites are even more numerous today. With the proper strategy, this space constitutes a potential new frontier capable of giving new life to cities.

Taxes that are too high on buildings and too low on sites combine to drive growth out of cities. High building taxes discourage development. Low land taxes drive up land costs. Together, overtaxing structures and undertaxing land values effectively hamper the use of cities’ sizeable inventory of sites that are vacant or that contain structures long overdue for replacement.

Mayor Tom L. Johnson, Cleveland's mayor in the early 1900s, understood this. What made him such a formidable foe of land monopolists was that he had been a former monopolist himself and knew the tricks of the trade, so to speak. He said:

So long as it is permitted to take nature's resources that do not belong to them, plenty men of my kind will be ready to jump in and do the stealing. My mission is to take what people are stupid enough to let me take, and to show them how they can end the system that enriches me and impoverishes them.

### Measure of a Man

The final Commission report, *Building the American City*,<sup>6</sup> attacked redlining, block-busting, exclusionary zoning, and other practices and laws that perpetuated housing segregation and discrimination. It offered nearly one hundred recommendations addressed to the various levels of government on housing costs, orderly land use, development standards, urban governance and finance, and on conserving the environment. Many proposals found their way into federal, state, and local laws. Others remain as unfinished business, worthy guides for urban officials looking for answers.

Douglas himself penned a hard-hitting section on taxing land, urging the public to recoup the huge value increases the commission had documented. Rare for a commission chair, Douglas worked tirelessly in writing major portions of the report, which makes the following incident particularly poignant.

The day came to release our recommendations to the public. Howard Shuman, the Commission's capable executive director, joined me early in the morning at Mr D's office to prepare for a noon press conference. But Douglas had something else on his mind: "What's going to happen now to my staff?"

We gave him a rundown of the plans of every professional and secretary. Some were returning to former positions and others were joining professional organizations, teaching, and so forth. At the bottom of the totem pole, however, was Willie, our odd-jobs aide. We said he had lined up a job at the Labor Department but just got "bumped" by someone with a veteran's preference.

Douglas – despite his White House snub, the HUD opposition and "spy", the culmination of two years of work, and the few

hours till our press conference – said more forcefully than usual, “I don’t want you to do another thing until you find a job for Willie.”

Moved by Mr D’s sense of priorities, we did make dozens of calls and successfully landed Willie a job that very morning.

Douglas was noted more for his liberal views on social issues than for his equally conservative views on fiscal matters. Perhaps what most made him stand out from the crowd, however, was the complete integration of his actions with his philosophy of putting people first and underdogs foremost.

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#### NOTES

1. Once when some far-out ideas were being voiced, Commission member David Baker said, “Whoa. They won’t let me back in Orange County [California] with my name on proposals like those. Back home folks are so conservative, if they take LSD, all they see is Lawrence Welk.” (LSD was a mind-changing drug of that era and Welk’s music was a bubbly style favored by oldsters.)
2. Published testimony, including question-and-answer sessions, are a treasure trove of commentary on many facets of urban life and governance. *Hearings Before the National Commission on Urban Problems*, Vols 1-5, Government Printing Office, Library of Congress No. 68-60024, Washington, D.C., 1968. See Appendix C for excerpts from the hearings transcripts.
3. The President’s Committee on Urban Housing, headed by Edgar Kaiser, borrowed heavily from previous studies.
4. This insulting behavior was puzzling. Douglas had labored mightily to present a package of useful guidelines for the administration. Moreover, he was one of the few prominent elected leaders who stood by Johnson on Vietnam after most had come to feel the Administration’s war policy was a disaster.
5. Alan D. Manvel, “Trends in the Value of Real Estate and Land, 1956 to 1966” and “Land Use in 106 Large Cities”, in *Three Land Research Studies*, National Commission on Urban Problems, Government Printing Office, Washington, D.C., 1968.
6. Frederick A. Praeger, New York, 1969.



# 18

## A Capital Idea

TOURISTS IN THE NATION'S CAPITAL get a rush of patriotism from the famous monuments, iconic buildings, cherry blossoms in spring, and debates in the chambers of Congress, where they may see a bit of democracy in action.

Few visitors, however, see the things that make Washington all too similar to other large cities: the homeless and jobless, the boarded-up apartments and abandoned shops, or the drug addicts, criminals, and mentally broken people. Many visitors are unaware that District of Columbia residents suffer from one of the causes of the Revolution, taxation without representation, because they are without voting legislators in the House or Senate where federal taxes are enacted.

### **Potential Model**

What a marvel it would be if Washington, D.C. became a national model, demonstrating how a city can achieve prosperity and equal opportunity for all.

A small step toward this lofty goal presented itself in 1974 when Congress gave the District limited home rule, allowing it to elect its mayor and city council.<sup>1</sup>

Since the District government would soon be imposing local taxes (subject to Congressional review), the Tax and Revenue Committee of the appointive Council held hearings to design the city's revenue system. Invited to testify on property taxes, I urged the District to

adopt state-of-the-art practices to upgrade its tax management system:

- Annual reassessments to keep pace with the ups and downs of real estate values.
- Full market value assessments rather than fractional assessments that hide errors, confuse taxpayers, and make it difficult to compare one's assessments with those of neighbors.
- Simple and transparent appeals procedures as a check on assessing errors.
- Separate and careful assessments of land and improvements.

If the District wanted to be ahead of the curve in modernizing its property tax, I suggested further that it allow Council to shift tax burdens off improvements and on to community-created land values.

"How is that working out in Australia?" asked Tedson Meyers, the committee chair.

Only a knowledgeable follower of land taxation could ask such a question. Happily shocked, I realized I had an unanticipated ally. Meyers tossed softball questions to let me expound on how land value taxation in Australia avoids penalizing people who upgrade their homes, commercial structures, and neighborhoods. Meyers next persuaded a congressman to include language in the home rule measure, specifically permitting city council to establish "... *different tax rates for land and for improvements thereon.*"

This simple, concise wording would let Council increase tax rates on land and reduce them on improvements, or even lower the tax rate on improvements to zero. This provision, enacted as part of Public Law 93-407, was signed by President Nixon. This by no means implies that Nixon intended to open the door to permit land value taxation or was even aware of the above key phrase.

How did Meyers become a friend of tax reform? A prominent communications lawyer and one-time president of the prestigious Cosmos Club, he was stuck with a long layover in the Bogotá airport and picked up a copy of *Progress and Poverty*. As he read it, he recalled saying to himself, "Ah, so that's why the new buildings and economic growth we so desperately wanted in the District [in the 1960s] were popping up across the Potomac River in Virginia."<sup>2</sup>

## Slick

The following year the District finally had elective officials. Tedson and I called on Marion Barry, an ex-science teacher and community activist who had replaced Meyers as Finance and Revenue Committee chair.<sup>3</sup> We told him that he could give homeowners and businesses big tax breaks and spur private renewal by down-taxing buildings and by raising taxes on sites, and that he could do all this without begging for federal aid.

"That's pretty slick," he responded, grasping the concept right away. Barry then revealed his political smarts by asking, "How many votes do you have to support me on this?" We admitted that most District citizens probably never heard of land taxation and thus could not be counted on to advocate it. Clearly a public education program would be needed to bring them up to speed.

## A League of Our Own

Barry's query spurred Tedson and me to start that education effort. We formed the League for Urban Land Conservation with a cast drawn from a variety of backgrounds and expertise. Board members ranged from radical community activist Josephine Butler on the left to conservative businessman Jesse Zeeman on the right. The deep friendships and a sense of common purpose that motivated our diverse group illustrated that the concern for land justice cuts across and unites supposedly opposing ideologies.

The District was uniquely fortunate in that era to have top-flight economists in charge of its tax office. Revenue Director Kenneth Back and his assessment specialist, John Rackham, recognized the validity of land value taxation and fed the League supportive information. We initiated seminars for economists, planners, and businessmen, encouraging land tax opponents to speak out so we could deal with their viewpoints. We invited D.C. clergy to an excellent talk by Robert Andelson, Auburn University philosophy professor, a talk that was later expanded into his book, *From Wasteland to Promised Land*.<sup>4</sup>

The Metropolitan Board of Trade, the area's leading business group, gave us a respectful hearing and fairly summarized the land tax in its bulletin. Insiders informed us, however, that a spokesman

for the powerful parking lot bloc called us communists at a board meeting and persuaded the Board to vigorously oppose any moves to implement the reform. The cause of their antagonism was not difficult to decipher. Parking lot operators' valuable empty lots used for car parks would no longer benefit from their ultra-low taxes and the jig would be up on their land speculation game.

The League carried out a detailed computer simulation to learn how District property tax burdens would change under a split-rate system, that is, with a lower tax rate on buildings than on land values. One important finding was that average homeowners would enjoy lower taxes. Another was that the greatest percentage reductions in tax bills would occur in the poorest neighborhoods. This revealed that the current property tax system overburdens poor areas and favors affluent neighborhoods.

Before Rackham left the D.C. government to become the top realty tax specialist with the U.S. Postal Service, he simulated the effects of a pure land tax – that is, with District homes and other structures totally exempt and with property tax revenues generated from land values only. His findings (Table 1) revealed that shifting taxes off buildings would greatly benefit most homeowners, apartment owners and owners of large commercial buildings.

**TABLE 1**

**Changes in D.C. Property Tax Bills  
If the Tax Were Based on Land Values Only  
(All Buildings Exempt)**

<b>Property category</b>	<b>Average percentage change for properties in each category*</b>
Vacant sites	134% higher
Single-family homes	18% lower
Row dwellings	14% lower
Semi-detached dwellings	21% lower
Elevator apartments	23% lower
Walk-up apartments	39% lower
Large office buildings	13% lower

\* Assumes the city raises the same revenue from the land tax as from the current property tax.

In contrast, holders of vacant sites with no building tax reductions to counteract their increased land taxes would experience big tax increases. This would give them a jolt to put their idle holdings into use, one of the purposes of the land tax.

The League testified frequently at tax hearings, each time winning more people to its camp. Several Council members supported the reform but would suddenly become silent on the issue. They gave no reasons, but it was common knowledge that parking lot owners and other real estate interests were the biggest financial contributors to local election campaigns.

To offset the paucity of media coverage of League meetings and speakers, we published "Landmarks", an occasional newsletter, to circulate our message. When Metro proposed fare increases to ease the subway system's financial shortfalls, the League issued a pamphlet opposing fare hikes. Rather, it urged Metro to raise revenue from the "free riders", namely, the property owners around Metro stops who were co-opting Metro-created land values.

### **Irony of Homelessness**

The plight of the homeless became a front-burner issue nationally and in D.C. Their advocates in the nation's capital protested, marched, fasted, and pulled publicity stunts to demand shelters, soup kitchens, and patrols to rescue street people in freezing weather. The League did not join or oppose these approaches but focused on policies that could house the homeless. We documented the fact that Washington had roughly 7,000 boarded-up housing units, more than enough to house the hordes of homeless. In addition, we counted some 10,000 privately owned vacant lots that could serve long-term housing needs.

It was unconscionable that men and families were sleeping in cars, on open-air heating grates, in doorways, and in abandoned buildings with no place to bathe or escape the rain, cold, and extreme heat while potential housing and home sites lay dormant.

Church leaders and others with social concerns agreed. Under League leadership they joined to form the Pro-Housing Property Tax Coalition. This action group promoted land taxation as a means of resurrecting dwellings held in cold storage. Pete Farina, an idealistic young man who lived in and managed a group house for poverty-stricken people, headed the coalition.

Unfortunately, Back and Rackham had both departed from the D.C. Tax and Revenue Department. Their replacements prepared misleading reports (to put it charitably) that homeowners would pay more under a land tax. Yet public pressure mounted for this reform. John Wilson, the Council's Taxation and Revenue chair, rejected the land tax remedy and proposed what looked like a facsimile – creation of a new real estate class comprised of unused properties that would be taxed at a higher rate than used properties.<sup>5</sup>

Our Coalition's warnings that this would be an administrative nightmare were ignored.

When this new vacant class went into effect, landlords instantly found ways around it. Owners of boarded-up housing claimed they were "just on the verge" of putting their units back on the market and did not owe the higher tax. To verify such claims would have taken an army of inspectors. Parking lot owners for their part convinced officials that their crumbled paving and two-bit shacks constituted "improvements", so they also escaped being classified as vacant and avoided the higher tax rate.

The city intermittently abandoned and revived its vacant property tax. This had no demonstrable impact on reducing the large inventory of idle properties. Yet Council balked at enacting a land tax that would have worked automatically – without enforcement complications – to put idle sites and structures back into use.

Washington was not unique. Homelessness and boarded-up housing existed side by side across the nation. How can a society that, on the whole, is more affluent and more comfortably housed than the world has ever known, permit this? Why are people not sufficiently scandalized to insist that a tested and ready-made solution be put into operation? Why do we tolerate the perpetuation of misery, joblessness, and homelessness when we have the financial wherewithal and the knowledge to substantially reduce such shameful conditions?

### **Speculators' Rule of Thumb**

Idle lots and buildings puzzled people. How could owners afford to hold onto them when they yielded no income? Owners with low or moderate incomes clearly cannot afford to do so. It is a different story with those who have deep pockets. Only owners with more than enough income from other sources play this game. They

use the speculators' rule of thumb: if your property's yearly increases in value are greater than your annual holding costs, you come out ahead. The holding costs are mainly the annual property taxes.

Parking lot owners in the heart of downtown face higher property taxes than landlords of blighted apartments or empty lots farther out. So they do need some income to pay those taxes while waiting to recoup the growing value of their holdings. Parking fees serve this purpose.

Owners of slums and surface car parks sit and wait, wasting a community's most valuable resource, its space. They profit because improved public services and facilities, population growth, and the constructive efforts of surrounding property owners all boost the value of their properties.

### **Advisors Missed Getting at the Root**

The D.C. mayor or Council periodically called on experts for advice on how to reduce revenue shortfalls and halt the outflow of residents and businesses.<sup>6</sup> A frequent recommendation was to call for more federal subsidies. The city does provide extensive services to the federal establishment and properly raises questions if reimbursement for these expenses is insufficient. But subsidies for its larger problems have not confronted the root causes of what ails the District.

Nevertheless, the League for Urban Land Conservation and the Pro-Housing Property Tax Coalition achieved some limited results. Their most evident impact was a growing awareness among officials and area citizens that an alternative way to raise public revenue was available. At public hearings about the Metro subway system, housing problems, and the future of the D.C. area, people unknown to the League or Coalition began "singing our song", so to speak. The Sierra Club, for example, urged the Maryland legislature to include the land tax in its Smart Growth measures to reduce sprawl in the D.C. area.

Property tax reform contains principles that should bring the left and right together. When the public has the wisdom and courage to confront the land issue and demand the reform to make Washington the world class capital it could be, politicians will be likely to listen. In the *Federalist Papers* (No. LI), "Publius" – a pen

name attributed to Hamilton or Madison – wrote pointedly: “Justice is the end [point] of government. It is the end [point] of civil society. It ever has been and ever will be pursued until it be obtained, or until liberty be lost in the pursuit.”

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## NOTES

1. Up to that time, officials were appointed by the White House. Members of the House and Senate District committees ruled the city, with more regard for how their oratory and enactments played back home, in Mississippi for example, than how their actions affected D.C. residents.
2. See Chapter 28 about the dramatic revitalization of Rosslyn in Arlington County to which Meyers referred.
3. Barry was intellectually keen and did much to elevate opportunities for his fellow blacks, but he later disgraced himself with drug use and other improprieties.
4. Orbis/Shepherd-Walwyn (Publishers), 1982.
5. Decades earlier, the District had adopted a “classified” system with separate and increasingly higher tax rates for the following categories of property: Class 1, owner-occupied homes; Class 2, multi-family residences; Class 3, hotel and commercial properties; and Class 4, all other uses. When vacant properties were singled out for a special rate, they constituted Class 5.
6. Among them were Andrew Brimmer, Alice Rivlin, and Philip Dearborn, all highly reputed economists with expertise in banking, budgets, and income taxation. Few who were on loan to the District during my half century in the area had credentials in land economics. Two exceptions were Dr Robert M. Schwab of Maryland University, who presented his research finding that a land tax did not have the negative effects of wage or sales taxes, and Dr Margaret Reuss of the University of the District of Columbia, who unsuccessfully urged a D.C. tax revision commission to endorse land value taxation.



# 19

## In a Think Tank

THE URBAN INSTITUTE was hammered together under President Johnson shortly before his Administration was out and President Nixon's was in. Nixon's team started out, as is typical under most new presidents, confident that they knew what to do and how to do it. Then, again typically, reality set in. To help address welfare reform, health issues, and other items on their agenda, all "easier said than done", they looked for expertise and found much of it at the Institute.

Among Washington's think tanks trying to fashion policy solutions are the liberal-leaning Brookings Institution, the conservative-leaning American Enterprise Institute, and the libertarian Cato Institute. William Gorham formed the less ideological Urban Institute to provide technical guidance for new public programs and to evaluate existing ones. As editorial director, my challenge was to make the Institute's staff findings accessible to federal, state, and local officials.

### **Tax or Super-User Charge**

Selma Mushkin, a highly regarded municipal finance specialist, directed an Institute project to examine user charges for services like urban transit, recreation, water, and waste handling. Not merely to raise revenue, user charges can be tailored to ration and conserve resources, reduce congestion, and enforce equity between users and nonusers.

In her book on this topic, *Public Prices for Public Products*,<sup>1</sup> Mushkin and public finance specialist Richard M. Bird discussed

how to measure the benefits of a public improvement. They pointed out that "in some instances the most appropriate single measure of that benefit is property value". The taxation of increases in property value as a "reasonable proxy" for benefits from public services has "a long and venerable history", they noted.

Pondering this led me to conclude that a land tax is not a tax at all in the usual sense, but is more properly a super-user charge. "Super" seems to be the appropriate term because land values reflect the impact of *every* public service and facility that affects *every* site. "Super", because the land value of each parcel incorporates, in addition to these publicly-provided benefits, the impact of inherent natural features, the pressure of population density, and the totality of the surrounding built environment and enterprises. Land value sums up the worth of *all* the qualities the owner of a particular location has available to use and enjoy. Super, indeed.<sup>2</sup>

### Simulations

The computer was just then coming into its own as a social science research tool. Urban Institute professionals pioneered in simulating America's welfare population and their model became much in demand to test the costs and effects of various welfare reform proposals coming down the pike. Computer programs were also developed to test transportation alternatives, inflation and employment relationships, and other economic puzzles that were previously beyond reach.

Institute staffers became intrigued with this new computer toy and the ability to search for causal relationships that would have been impossible or impractical with hand calculators. So much so, in fact, that when I asked some of them what useful guidance a city manager, for example, could glean from their work, they admitted they had gotten side-tracked. All was not lost. Learning how to devise social science simulations and regression analyses was useful in itself, so computer designers were encouraged to share their techniques with each other. That freed up the rest of the staff to devote full attention to practical solutions for public officials, from improved community policing to more equitable school funding to knowing when a public program should be extinguished.

A couple blocks from our offices, I stumbled into a very different world. I was getting a haircut from a Swedish barber and noticed that her walls were covered with the works of Jack Perlmutter, one of Washington's leading printmakers and a teacher at the Corcoran Gallery of Art. I asked about this array of treasures and the barber said her collection started years ago when Perlmutter was a struggling artist. He brought in a picture to pay for haircuts. After he used up his account, he brought another and another. In the heart of the nation's capital, where new technologies ran high finance and sophisticated research, I was fascinated that primitive economics, barter, was alive and well.

### **Spark of Interest**

George Romney, President Nixon's Secretary of Housing and Urban Development, told Congress in 1970: "It is imperative to find ways to remove the present discouragement – and indeed to provide positive encouragement – for maintenance, repair, and rehabilitation of existing buildings and neighborhoods." That jolted me to do a think piece on how the upside-down tax system promotes blight.

Gorham, urbane, brilliant and well-connected, shared my piece with HUD's assistant secretary for research, who suggested we hold a symposium on the subject. Stars in the tax arena gathered for an all-day session exploring the economics of the property tax, assessment problems, political issues, research needs, and federal and state roles for improving the tax.<sup>3</sup>

The symposium let specialists share provocative ideas with each other. All favored correcting inequities in property tax administration, especially the under-assessment of land values. A large majority supported taxing land more and buildings less, yet the published report ignited no policy changes. Perhaps the rationale for the reform was not presented forcefully enough, or the time was not ripe.

Social change does not come easily. Of the hundreds of policy ideas floating around at a given period, what determines which ones move forward, which ones languish? The proposals that rise to the top are not necessarily the best ones but rather those that have champions who command the attention of citizens, politicians, and the media.

## NOTES

1. Urban Institute, Washington, 1972.
2. See W. Rybeck, "The Property Tax as a Super User Charge", *The Property Tax and Local Finance*, C. Lowell Harriss, ed., Academy of Political Science, New York, 1983.
3. W. Rybeck, *Property Taxation, Housing and Urban Growth, a Symposium*, moderator, Urban Institute, Washington, 1970.

# 20

## In the House

A REVOLTING DEVELOPMENT in California brought me to the inside world of Congress, not as a journalist any more but as a congressional staffer. Instead of confronting the daily puzzle – deciding which of Washington’s circus rings were of most interest to readers – I had the privilege of working with others to see what could be done to improve the lot of the general public.

### **Good Tax Baby Thrown Out with Bad Tax Bathwater**

California voters in 1978 approved Proposition 13, touching off an explosion of favorable national publicity. Howard Jarvis and his real estate clique promoted this “taxpayer revolt”. Prop 13 capped property tax rates and froze assessments so they would revert to market value only when properties were re-sold.

Speaking about this to the International Association of Assessment Officials in Montreal, I predicted what any close observer of land policy could readily foresee, that California’s land prices would go through the stratosphere. The revolt, I explained, was fueled by justified opposition to the injurious part of the property tax, the tax on improvements, but it dangerously whittled down the good part of the tax, the tax on land values.

My critique resonated with Representative Henry S. Reuss.<sup>1</sup> He had colorfully termed Prop 13 a “loose cannon careening around the deck of the ship of state”. He asked me to be his assistant on urban issues. In that capacity my first project involved hearings and research leading to the report, “Proposition 13: Prelude to Fiscal

Distress or New Opportunities?”<sup>2</sup> Massachusetts and a dozen other states and localities adopted copycat measures in the wake of Prop 13. Our report was credited with contributing to subsequent voter turn-downs of similar proposals.

On grounds that voters overwhelmingly approved Prop 13, California’s high court upheld the measure. Justices were not moved by the fact that businesses used tricky maneuvers to transfer properties without a “sale” to avoid triggering market-value reassessments. Worse, the justices were not disturbed that, under Prop 13, properties of identical values within the same jurisdictions were taxed differently, contrary to equal protection clauses in state and federal constitutions.

Bad things followed. Soaring land prices put housing out of reach for all but the affluent or for families daring to take on massive debt. With reduced property tax revenue, local governments cut back services and imposed stiff charges on services that formerly had been free. Prop 13 played no small part in the especially severe financial crisis that California experienced as the Great Recession struck the rest of the nation.<sup>3</sup>

### **Land Policy and Energy**

The energy crisis of the 1970s motivated our next set of hearings, although the nation was not ready to deal seriously with this issue until another energy crisis flared up four decades later. Our report, “Compact Cities: Energy Saving Strategies for the Eighties”,<sup>4</sup> presented incontrovertible evidence that urban sprawl is a gigantic waster of energy. Proponents of Smart Growth laws quoted this report. In enacting laws, however, states failed to incorporate key land tax policies for focusing growth within existing urban areas. Thus, despite Smart Growth’s good sense and popular appeal, it has had minimal success in halting sprawl.

### **Billions of Metrodollars**

Congressman Reuss wondered how Metro, the Washington area’s not yet completed subway system, was affecting land values. Staffers Jerry Wade, Robert Josephs, Holly Stable, and Frank Getlein helped me design and carry out a research project that produced startling results. Metro, we found, had created new land value increases

almost equal to the \$2 billion-plus federal dollars expended on the project so far.<sup>5</sup>

From local realtors, assessors, developers, and appraisers we got data on sales and rents of sites near Metro stops and on comparable sites not served by Metro. Our ultra-conservative methodology only counted increased land prices around stations in operation, not increases already occurring around future stations. We calculated price impacts only two blocks from downtown Metro stops despite appraisers' evidence that locations twice that distance were experiencing price jumps.

A front-page *Washington Post* article quoted our conclusion that the biggest share of these billions of new land values were being pocketed by "people who were lucky enough to own land within easy access of Metro stations".<sup>6</sup>

Value capture, to let government recoup land values created by taxpayer funding of facilities like Metro, is now a topic discussed in transportation circles, but it has rarely been translated into action. The Washington, Virginia, and Maryland jurisdictions that fund Metro have shown little interest in recycling the values the facility generates. Instead, to meet the recurring budget shortfalls from federal, state, and local subsidies, Metro raises its fares. This reduces transit ridership, increasing the auto traffic and the resultant congestion and air pollution that Metro was designed to counteract.

### **If Land Data Were on the Sports Page**

Inflation lowers real wages, destabilizes trade, and erodes confidence in the economy. Many signs point to land price escalation as a major factor in causing episodes of inflation. But where is the statistical evidence?

I posed this question to "Mr Federal Lands", as Marion Clawson was known. He was author of *Uncle Sam's Acres*, an authority on the Interior Department's Bureau of Land Management, and a leading expert on forestry, other natural resources, and urban fringe land markets. Clawson shook his head and answered, "Nobody's minding the store." He repeated it twice to make sure I heard his frustration. He called America's lack of full and reliable data about landownership and land prices appalling.

If only land were like football. Every detail about every team and every player is recorded. Readily available are data on wins, losses,

scores, positions played, passes completed, yards run, touchdowns, injuries, receptions, interceptions, tackles, salaries, and sacks, with data per game, per season, and per career. Daily sports pages, sports magazines, and sports almanacs overflow with statistics. Baseball, basketball, tennis, golf, and other college and professional sports get this full court press by statistic keepers.

This is no tirade against games that bring joy or sorrow to fans, stir civic pride, and give us heroes to admire. Yet it says something about our national priorities that we provide voluminous information about spectator sports – everything one ever wanted to know and more – and that we gather a paucity of details about our economy's basic resource, our land. The limited statistics our governments collect tell us even less about our other national sport, land speculation.

Trying to “mind the store” and track the behavior and trends of local and national land markets became my last project with Reuss.<sup>7</sup> We determined that fully understanding and disclosing the ongoing land story necessitated formation of a national Land Price Index or LPI, comparable to the widely used CPI or Consumer Price Index.

Reuss in January 1979 released news of our plans to create an LPI. Secretaries of HUD, Labor, Treasury, Interior, and Commerce, as well as heads of the Federal Reserve Board and the Budget Bureau, applauded. So did Alfred E. Kahn, the White House inflation fighter, who was quoted in the *Wall Street Journal* as saying he saw “some value in old Henry's thesis”.<sup>8</sup>

Top economists from federal agencies and the private sector eagerly joined our LPI task force. Grace Milgram, a respected housing and real estate analyst with the Congressional Research Service, chaired the effort. We had many work sessions and public forums. We studied whatever U.S. land data was available and collected and analyzed land data systems from other countries, some of which were quite good.

The Census of Governments every five years produced the most comprehensive report of U.S. real estate information: “Taxable Property Values and Assessment/Sales Price Ratios”. John O. Behrens of that agency explained that data obtained from the states often lumped land and building values together or provided land values of dubious accuracy.

Economist Gene Wunderlich of the Agriculture Department noted a limitation of the farmland price data his agency collected.



Annual changes in the price of acreage used for growing wheat, for example, did not compare the same land from year to year. If a shopping mall replaced a wheat field, that land was omitted from the survey. Acres included in the wheat category one year might be in the corn category the next year. The National Association of Homebuilders' chief economist, Michael Sumichrast, indicated that similar problems of tracing the same properties plagued residential land data.

In short, statistics we looked at were incomplete, ambiguous, and incompatible with each other. To provide the big picture we came to see that the LPI needed to show the ups and downs of land prices nationally, by states, by metropolitan areas, by cities, and by major land use categories. It would need to show the value of raw natural resources, including those in federal lands leased to the private sector. And it should chart the degree of reliance on land taxes in all jurisdictions.

This project progressed to the point that the Bureau of Labor Statistics, with its long expertise in producing the CPI, took the tentative LPI design from our task force and began to estimate the start-up costs and also the annual costs of updating the index. Economists who kept track of our progress could barely wait to get their hands on the final product. They believed it would let them explore important issues that, in the absence of reliable statistics, they had been unable to properly address. Such issues included how much land values change due to population gains or losses; whether a city gets more "bang from the buck" by building a transit line or widening a highway; and whether land market data give advance warning signals of general economic distress.

Answers to such questions would be a long time coming.<sup>9</sup> When Ronald Reagan became President, his administration ordered the Bureau of Labor Statistics to halt its work on the LPI, effectively killing it. No reasons were given for this order, which would inhibit the federal government from understanding or dealing with land price inflation. This was no isolated instance. The Reagan administration terminated the Census of Governments' quintennial reports on property assessments. It closed down the Advisory Commission on Intergovernmental Relations which was engaged in strengthening state and local governments – something conservatives claim to be a high priority. It was a too-common example of the wide chasm between politicians' words and deeds.

### **Another Land Taxer**

William J. Coyne's arrival in Washington coincided with the conclusion of my work with Reuss. I knew and admired Coyne as a Pittsburgh Councilman who led his city's expansion of the two-rate property tax. Coyne asked me to help him with press and urban policies in his new role as congressman.

For half a century Pittsburgh had taxed land at a rate twice as high as the rate on improvements. In 1978 the City Council was determined to avoid the fate of New York City, Cleveland, and other cities that were sliding into the red. Most Council members, therefore, were pushing for a hike in the wage tax.

Coyne asked Nobel economist Herb Simon of Carnegie-Mellon University to compare the impacts of wage and land taxes. Simon found that raising the same revenue from a higher land tax would cost average homeowners only \$85 a year, while the wage tax would cost average workers \$225 a year. The land tax won hands down. Pittsburgh kept its low tax rate on homes and other buildings and set the land tax rate four times higher than the rate on improvements.

Opponents predicted this would disrupt development and destabilize neighborhoods. The opposite happened. Building permits increased 32 percent over the previous year; vacant lot sales rose 17 percent, and new housing construction rose 15 percent. In the rest of Pittsburgh's metropolitan area, which used the conventional property tax, new housing declined 18 percent during the same period.

These results enabled Coyne to persuade Council to raise the tax rate on land again, to six times the rate on improvements. The further stimulus this gave Pittsburgh made him popular with voters, who elected him to Congress with big margins.

Because of Coyne's first-hand knowledge of local tax reform, I greatly enjoyed collaborating with him on speeches and op-ed pieces. Working with this kind, low-key, and conscientious public servant was a springboard for directing my attention to land issues in new ways and in a new venture.

## NOTES

1. A Milwaukee Democrat, Reuss served in Congress from 1955 to 1982; chaired the House Banking, Finance and Urban Affairs Committee; inspired creation of Wisconsin's Ice Age Trail; earned a Bronze Star in World War II; and was deputy counselor of the Marshall Plan in Paris.
2. House Banking, Finance and Urban Affairs Committee, Subcommittee on the City, 1978.
3. Despite mounting evidence of Prop 13's negative impacts, it achieved sacred cow status. Voters, whose taxes are kept artificially low by the measure, have opposed its abolition to date. Prop 13 generated anti-tax and anti-government sentiments nationwide. Politicians, Ronald Reagan among them, and groups like the Tea Party movement have subsequently appealed to and magnified these sentiments.
4. Subcommittee on the City, House of Representatives, 1979.
5. "Metrorail Impacts on Washington Area Land Values", House Banking, Finance and Urban Affairs Committee, 1980.
6. "Land Around Metro Stations Increases \$2 Billion in Value," *Washington Post*, January 24, 1981, p.1.
7. Some were surprised when Reuss retired. Early in his House career, Reuss observed aged members of Congress who lacked the stamina to perform. He proposed mandatory retirement at age 70. His measure failed but when Reuss reached that age he called it quits, even though the Washington press corps had just voted him one of the brightest members of Congress.
8. "Old Henry" referred not to Henry Reuss but to Henry George. Kahn and the *Journal* writer apparently surmised that land data would lead to wiser land tax policies, a la "Old Henry".
9. The Lincoln Institute of Land Policy in Cambridge, MA has been making strides in filling some of the statistical gaps relating to land policy.

# 21

## Dialogue

IF AWARENESS OF the importance of land and resources to our nation's character is rare today, it was not always thus. In the early days of our Republic, John Jay, president of the Constitutional Convention and the first Chief Justice, expressed it this way:

It has often given me pleasure to observe that independent America was not composed of detached and distant territories, but that one connected, fertile, wide-spreading country was the portion of our western sons of liberty. Providence has in a particular manner blessed it with a variety of soils and productions, and watered it with innumerable streams, for the delight and accommodation of its inhabitants.

I founded the Center for Public Dialogue to help cities and states struggling with fiscal difficulties, unemployment, housing problems, and declining downtowns become aware that attention to land policy would greatly ease these problems.

My approach was contrary to current mainstream thinking, but in sync with many great thinkers of the past. For example, William Blackstone, Britain's pre-eminent legal authority of the 1700s, whose commentaries on the law strongly influenced America's Founding Fathers, wrote: "The earth and all things therein are the general property of all mankind, from the immediate gift of the Creator."<sup>1</sup>

Previous work convinced me that systemic changes were needed. Pursuing such changes revealed the many hurdles that have to be overcome to chart a new course. Confronting those hurdles gave me unbounded respect for past reformers who persevered against great odds to advance social goals.

One curious hurdle is that many people want changed results without having to change their actions. "We've never done it that way" strikes them as a rational reason for rejecting proposed solutions.

Obviously, a major hurdle to changing existing arrangements – no matter how unfair or injurious those arrangements may be – is that certain people profit from those arrangements. They are prepared to fight furiously to maintain the status quo. Officials and citizens who lack the will or ability to buck these vested interests constitute a related hurdle.

Another hurdle is that cities, like people, can become addicted to relying on others to come to their aid. Federal and state subsidies enable localities to patch over their troubles. As long as it is possible for localities to continue wringing more grants and loans from higher levels of government, the pressure on them to search for ways to help themselves is relieved or postponed.

The greatest hurdle is the lack of understanding of the moral implications and practical consequences of current land policies. As Alexis de Tocqueville wrote in his perceptive analysis of the American experiment in democracy, "The nations of our time cannot prevent the conditions of men from becoming equal; but it depends upon themselves whether the principle of equality is to lead them to servitude or freedom, to knowledge or barbarism, to prosperity or to wretchedness."<sup>2</sup>

As its name implies, the Center's aim was to start overcoming these hurdles by injecting land issues into the public dialogue. Conferences and conventions of assessors, school superintendents, city managers, state legislators, economists, and county officials gave us platforms for our messages. We did research on pressing issues and disseminated our findings. We testified at public hearings. We provided analyses and recommendations for specific cities and states.

### **Housing vs. What It Sits On**

The Center's report on affordable housing emphasized a fact that still has not penetrated the thinking of most officials dealing with this issue.<sup>3</sup> It is not the cost of *housing*, but the escalation of the costs of the *land under the housing*, that prices poor and moderate income families out of decent places to live. Calling a land crisis a

“housing” crisis is not merely an inconsequential identification error; it draws attention away from the heart of the issue, leading policymakers to prescribe wrong and ineffective medicines.

Center reports for West Virginia and Washington State tried to focus attention on anticipated benefits from modernizing those states’ land policies.<sup>4</sup> Our testimony before legislators of the District of Columbia, Maryland, Virginia, Missouri, California, New York, Minnesota, and other states was more pointedly targeted to critiques of pending laws and ordinances. We shared the good news that their governmental actions – providing public amenities of all kinds – were creating a treasure chest of land values, and that they could tap these values to ease many of their problems.

By giving away these publicly-created land values to well situated landlords, legislators leave themselves no alternative except to impose heavy taxes on labor and enterprise, hurting their economies and making themselves unpopular in the bargain.

### **A Tale of Five Cities**

The documentary we produced to publicize progress being made with land taxes came about by chance more than design. The story begins with Agnes de Mille who, at age 78, had just made a heroic recovery from a stroke. Had she not become known as one of the foremost ballet and musical theater choreographers of her era, she surely would have gained fame for her passionate and eloquent writings and speeches attacking social injustice. Mrs Prude (Agnes’s married name) asked Philip Finkelstein, director of the Henry George School in New York City, to explore the possibility of a TV series on themes relating to Henry George, her grandfather.

Finkelstein related this to me so I could ask the National Endowment for the Humanities in Washington if it were interested in supporting such a project. An Endowment historian told me she was fascinated by the rise of the Progressive movement of the late 1800s and that exploring George’s role in it could be instructive. I agreed but stressed that Ms de Mille especially wanted to emphasize how George’s ideas offered insights for resolving current problems. Betraying her youth, the historian replied, “Could anything that old really be pertinent today?”

As a matter of fact, I told her, Pennsylvania officials within a month were to meet at Valley Forge to hear how cities are

benefitting by applying George's reform formulas. She responded with the wise advice to record that conference on film, which I arranged to do. The conference went well. Guerney Breckenfeld, a *Fortune* editor I invited, did his own research to verify what he heard at Valley Forge. His article about his findings, "Higher Taxes That Promote Development", appeared in his magazine's August 1983 edition.

Shortly after the conference, Finkelstein, in his fifties, died of a heart attack. Nobody replaced him to follow through on the TV series idea and I was left with reels of film. Unable to find anyone to take this gold mine of useful information, I decided in what must have been a lapse of sanity to make a documentary with it myself, although I had no inkling of what that entailed.

The film's asset was its useful testimony about the transformative powers of tax reform. But its format – a parade of talking heads – made it visually boring. So Erika and I visited the Pennsylvania cities discussed in the film, Pittsburgh, Harrisburg, Scranton, New Castle, and McKeesport. There we identified the most knowledgeable citizens and officials and returned with a film crew to record their experiences with the two-rate tax. A lot of cutting and splicing later, we came up with a draft.

We asked Father William Byron, then head of Catholic University, if one of his drama students might be our narrator. It turned out that Father Byron, during his earlier presidency of Scranton University, had been a friend and supporter of John Kelly, a Scranton land tax reformer who was in the film. Byron suggested that we ask William Graham, the head of his drama department, to be our narrator. Graham agreed and did a splendid job.

The premiere of *A Tale of Five Cities: Tax Revolt Pennsylvania-Style*, in a congressional hearing room, was crowded with press, "actors" in the documentary, and urban specialists. One speaker kindly predicted that the film would do for land policy reform what Rachel Carson's *Silent Spring* had done for the environment. Not by a long shot. Yet it received favorable news coverage and, over the years, was widely used by libraries, universities, housing activists, chambers of commerce, real estate boards, and tax reform groups.

Gradually the documentary became outdated for two reasons. First, Pittsburgh, the pioneer of the American land tax movement and the poster city of our documentary, abandoned the two-rate tax

in 2000 after a badly botched reappraisal. The city's famous upward growth trend subsequently started to decline. The second reason, a good one, was that the story became a tale of ten, fifteen and more cities as other Pennsylvania jurisdictions got on the two-rate tax bandwagon.

The Center was gratified to be a part of that process as the telling of success stories helped engender further advances in Pennsylvania and elsewhere.

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#### NOTES

1. *Commentaries on the Laws of England*, 1769, Vol. 1, Ch. 1, "Of Property in General".
2. *Democracy in America*, 1835, Book 1, Ch. 8.
3. "Affordable Housing – A Missing Link", W. Rybeck, Center for Public Dialogue, Kensington, MD, 1988.
4. "From Poverty to Prosperity by 2000: Prospects for Reviving West Virginia's Economy", Rybeck, CPD, 1992; "Look to the Land", Rybeck, Common Ground U.S.A., Seattle, WA, 1992.