

New Hearts for Old Towns

By HARLAN TROTT

A condensed version of an address given in San Francisco last month before the 25th Annual Conference of the National Association of Housing and Redevelopment Officials under title "A Newsman's Concept of the Future of Urban Redevelopment." Mr. Trott is San Francisco staff correspondent of *The Christian Science Monitor*.

THERE is no worthier work than that to which you are dedicated—the war on the slums. So far, however, our redevelopment programmes seem to have engendered controversy rather than confidence, and suspicion rather than success.

The considerable delay which you have experienced in perfecting programmes has excited some adverse press comment. As I see it, the most formidable difficulty you have encountered has been in regard to land acquisition. Neither the newspapers nor their readers should be dismayed by this. Public policy evolves slowly and is likely to continue to do so. Yet I could cite many inspiring examples out of California history to show how, although slowly, our democratic processes has brought about great public undertakings in the field of regional development. One shining example is the Santa Clara Water Conservation District where numerous public bodies in co-operation achieved noble success. The story is told by Prof. Stephen C. Smith (University of California) in a recently published study which merits careful reading.

Perhaps the most notable examples of area development in California are the vast public works in the Modesto and Turlock Irrigation Districts. These were undertaken by home-rule bodies without state or federal financial aid of any kind, under a legal formula which Albert T. Henley, attorney for the Santa Clara District recently declared was more important to California than the discovery of gold in 1849.

How fast or how favourably the fight for the cities progresses depends on how much attention we devote to the success stories that surround us. Carping at our failures will avail us nothing if we ignore the good that already has been accomplished—and if we fail to think out from those achievements. Newspapers now pre-occupied with the problem of slums need to make a more positive approach to the work of urban redevelopment.

How many American readers today are aware that the property owners of Copenhagen, Sydney and Wellington have agreed upon a formula that has wiped out their slums?

In New Zealand some 56 communities support themselves by land-value taxation exclusively, and do not impose taxes on improvements. Only property owners can initiate and vote for the change from the capital-value system of taxing "real estate" to land-value taxation exclusively. Official records are made of figures showing all property owners how the change in tax methods will affect them. Since about 80 per cent of the home-owners of New Zealand found their taxes reduced under the land-

value taxation system, it is easy to understand why they support it.

How many American newspaper readers know what it is was that sparked the building boom in Pittsburgh which blossomed into the development of that city's famous Golden Triangle? Or that the renaissance of Pittsburgh came about through only a partial application—a mere 50 per cent application—of the New Zealand formula? Here it is important to note how much the support of local newspapers helped to bring about this constructive change in Pittsburgh.

The Pittsburgh story is described in considerable detail in the June issue of *House & Home*, the leading industry journal serving the varied interests of the home construction business. Mayor David Lawrence, the Democratic candidate for Governor in Pennsylvania, is quoted as saying: "The graded tax law"—which taxes buildings only half as much as land values—"has been a good thing for Pittsburgh." Why? "Because it has discouraged the holding of vacant lots for speculation, and provides an incentive for building improvements." The way to turn slums into decent homes and business establishments, asserts *House & Home*, is to "increase the tax on land and lighten the load on improvements."

One reason, perhaps, why the public has raised no concerted clamour for urban redevelopment programmes is rooted in the traditional American distaste for government intrusion in matters relating to private property. Home building has always been thought to be a private undertaking. Yet it is a matter of common knowledge that the high price at which slum land is held—which, in itself, is a primary cause of slums—makes acquisition by private developers impossible.

One of the problems of urban renewal that needs to be faced is that federal aid for land acquisition—or, indeed, the mere anticipation of federal aid—leads to increased competition among speculators to buy it up at a fancy price. Thus the slum problem feeds on the "remedy."

The reduction of taxes on improvements, and the corresponding increase of taxes on land, as practised in Pittsburgh, Scranton, Wellington, Sidney and other places, has been found to reduce land prices—directly and immediately. This favourable effect follows, not by the passing out of public money, but as an incident to its coming in.

No assessment of the future of urban redevelopment should overlook the work of ACTION, the American Council to Improve our Neighbourhoods. It is making pro-

gress because, in the words of the *Financial World* magazine, it is "coming to grips with the fundamental involved in urban improvement—namely local taxes."

The Council is interested in a project to convert one of the worst slum areas in Cincinnati into a light industrial region. The area now brings in about \$450,000 a year in taxes. If cities were run the way good business firms are run, this would be considered very poor business. It is a constant drain on the city treasury because of its disproportionate need for police, fire and health services—the usual slum story. When redeveloped the area should produce tax revenues of about \$2,500,000 a year. This five-fold increase, ACTION reports, will be achieved at a net cost to the city of \$13,000,000, and Cincinnati officials expect this outlay to be rapidly underwritten by higher tax revenue.

Financial World poses this editorial question: "Will new occupants be taxed on the basis of site values—that is, the extent to which they will benefit from the community services and location advantages—or will they be levied on the basis of their capital investment?"

"The question is neither idle, nor academic. If the incidence of taxation is preponderantly upon the site and not upon the capital invested there, the job will have been worth doing.

"If the tax bears heavily upon investment, it will ultimately discourage investment and the area will again decline to the slum level.

"But if the site value rather than capital or income is taxed, the incentive to investment will be ever present, and the area will continue to improve and enhance its value to the city as well as to its occupants."

This is affirmative journalism. It echoes the thinking which has long characterised the *American City* magazine and it complements the *House & Home* report on Pittsburgh.

These signs of a rising ferment of constructive thought within the American press are encouraging. The trend may well be to exert a more constructive influence on your efforts and ours in the "fight for the cities" that will make our cities more desirable places in which to live and work.

Not "Just Another Tax"

By OLIVER FRENCH

Liberal prospective parliamentary candidate for West Ham South

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AT the Annual Conference at Manchester in 1889, the Liberal Party passed a resolution calling for the Taxation of Land Values. Between that date and 1914, a number of attempts were made to introduce this reform. These efforts were frustrated first by the Conservative Government, then by the House of Lords, and finally by the outbreak of war. The principle has since been reaffirmed as Liberal policy at frequent intervals.

We all know that our present tax structure is far too complicated and the tax burden too heavy without further additions. Yet there are many people who put the introduction of the Taxation of Land Values before any other reform. Why then, all the enthusiasm over "just another tax"?

In the first place, I should make it clear that *I do not believe that Land Value Taxation is the only aspect of Liberal policy which matters.* I do not believe that its introduction would solve all our political, economic and social problems. I am, however, convinced that *it is the one basic reform that is necessary before any of the other measures advocated by the Liberal Party in the economic and social fields can be of more than temporary benefit.*

It is well to remember that when we had Free Trade, a system under which this country became the wealthiest in the world and a policy that was expected by many to provide a high standard of living for all, many children had to go about without shoes; that side by side with luxurious buildings and fantastic concentrations of wealth we also had appalling slums and the most degrading poverty.

Though Free Trade greatly increased the wealth in this country, it failed to ensure that it was justly distributed, although Free Trade is in itself a strong safeguard against the price rings from which we suffer so much today. We only find the reason for this failure when we examine the effects of our system of land tenure.

As stated by Ricardo, the rent of a piece of land is determined by the excess of its produce over that which the same application of labour and capital can secure from the least productive land in use. This is true as long as there is land below this level of productivity freely available. At the moment the rent charged increases beyond this limit, it becomes profitable for the producer to move on to free land. However, when we reach the position where all land, though not necessarily used, is in private ownership, and none, therefore, is freely available, the only limit on the increase of rents and the consequent depression of the part of the total produce left to pay wages and interest on capital lies in the lowest standard of comfort at which labour and capital will condescend to continue producing.

It follows that any general increase in productive power will be followed by a rise in rents which will tend to absorb the whole of the increase in production and concentrate the increased wealth in the hands of the owners of the land.

Nothing can prevent the increase in land values that accompanies any increase in productive power or population, but these values are created by the community in