

THE FORGOTTEN IDEA THAT SHAPED GREAT U.S. CITIES

How the Single Tax movement boosted equity & prosperity during the Progressive Era

By Mason Gaffney and Rich Nymoer

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An historical undercurrent in the campaign for economic justice in the U.S. has been the ideas of economist Henry George and the Single-Tax movement, which wielded considerable influence during the Progressive Era of the early 20th Century. Georgist thinking shares common ground with the commons movement in its core belief that wealth created from land and natural resources should be shared among the public. Put into practice through local property taxes, this idea helped shape the growth of leading cities like New York, Chicago, Milwaukee, Cleveland, San Francisco, Pittsburgh and Detroit, say contemporary Georgist advocates Mason Gaffney and Rich Nymoer. Gaffney is a professor of Economics at the University of California-Riverside and Nymoer is involved with Common Ground USA.
— Jay Walljasper

Single Taxers took their name from Henry George's proposal that all taxes on productive activity should be replaced with a "single tax" on the value of land and natural resources, and they often simultaneously worked for public ownership of "natural monopolies".

With Connecticut following Pennsylvania's century-long lead by enacting legislation this year that applies the work of the Gilded Age economist and reformer Henry George, it is timely to look back at similar efforts in the U.S. of his Progressive Era followers, known then as Single Taxers. Author of the world-wide 1879 best-seller *Progress and Poverty*, Henry George — following in the line of the classical economists Francois Quesnay, Adam Smith, David Ricardo and John Stuart Mill — argued that land and natural resources should be rented out by the community to those holding title to them and the resulting revenue used in place of taxes on wages and production. Single Taxers took their name from Henry George's proposal that all taxes on productive activity should be replaced with a "single tax" on the value of land and natural resources, and they often simultaneously worked for public ownership of natural monopolies to keep their prices at or below costs.

The basic principles of the Single Tax program were illustrated in "The Landlord's Game", a Progressive Era precursor to the board game "Monopoly," which was developed by a Single Taxer named Elizabeth Phillips (nee Magie). Under this game's alternative Single Tax rules, individual players were paid rent for any buildings they had on their properties but all land rent for the properties was paid into the kitty and divided among all the players instead of concentrating in the hands of a single winner. Also, once cash in the game's Public Treasury from land rents reached a sufficient amount, it was paid to the

holder of the railroads, trolleys and utilities for the purchase (through condemnation) of their operations, which were then publicly owned and operated so they could provide their services free of charge.

New York City

Compared to their peers, cities following the Single Tax program in the Progressive Era grew in notable spurts, most impressively in New York City as the era ended. NYC's growth had been slowing down just before the "Al Smith Act" of 1920 let NY City, County, and Schools exempt new housing construction (but not land values) from the property tax from 1921 until the end of 1931. The law applied to all the five "boroughs," in New York County, and also to its coterminous school district taxes. The Act authorized ALL units of local government to exempt building values below a modest cap. This thoroughgoing "root and branch" attitude in New York reveals the existence of a strong, long-standing political movement. The New York Act sprang from a political history that links it to the movement Henry George left behind in New York, as well as to other Single Tax strongholds like Cleveland, Detroit, Toledo, Jersey City, Milwaukee, Pittsburgh, and Chicago. Gov. Al Smith took the visible lead, but he, like most political leaders, had to be pushed.

Who was it that pushed? A major force was the group of single-tax clubs of NYC, the enduring legacy of Henry George's runs for Mayor of NYC in 1886 and 1897. After George's death, his influence survived him in his adopted home.

Before Smith was governor, Albany had blocked several single-tax bills in the years 1909-16. Earlier, as majority leader of the Assembly and a Tammany wheelhorse, Smith himself had blocked a 1911 Single Tax effort (the Sullivan-Shortt Bill) along similar lines. Smith turned around after 1911, his change triggered by the awful incineration of 150 people trapped in the Triangle Shirtwaist Company workroom—a traumatic, watershed event of the times. When first elected governor in 1918, Smith was a changed man with a new power base. We may surmise, also, that his success in reviving NYC helped boost him to the Democratic nomination for U.S. President in 1928, and that was on his mind.

NYC, in granting this tax holiday for new housing, was not "racing to the bottom" in terms of public spending. NYC financed one of the world's best mass transit systems, and the nation's best city college system (the "poor man's Harvard") with an impressive roster of graduates in the professions. Its parks and libraries were outstanding; its schools and social services above the national norm. NYC was not lowering taxes, but shifting them off buildings and onto land values. Exempting buildings had the effect of raising land values, thus preserving and even augmenting the overall tax base.

After 1932, the forces of tax limitation rallied, financed by the likes of the Rockefeller Brothers, the Seth Low family, A.A. Berle, and others. And so New York City's remarkable growth spurt tapered off, leaving it larger, but otherwise much like many other older cities. (cont'd on p. 10)

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Cleveland

In Cleveland, the city's population grew by 109% from 1900 to 1920. For most of this time it was under the administrations of single-taxers Tom L. Johnson, 1901-09, and Newton D. Baker, 1911-16. In 1906, Mayor Johnson inaugurated a low 3-cent trolley fare which entailed possible deficits he intended to meet by taxing real estate. To this day a bronze statue of Johnson stands in downtown Cleveland, holding a book out for all to see, and on it engraved so clear, Progress and Poverty.

Johnson's City Solicitor and ally, Newton D. Baker, was another remarkable leader, who later nearly edged out FDR for the Democratic Presidential nomination in 1932. Baker won the mayoralty in 1911, after an interregnum of just two years. Baker implemented single tax policies until President Wilson appointed him Secretary of War in 1916. This high-level appointment recognized the political power of the single-tax movement in that era, a power that later historians and economists have wrongly trivialized. After 1916, though, Cleveland slowly fell into old-line Tory hands.

Detroit

The soaring growth experienced by Detroit from 1890 to 1930 obviously involved the auto industry, but why did that industry focus on Detroit? There was no St. Lawrence Seaway—that opened in 1959. Growth began under Mayor, then Governor Hazen S. Pingree. Pingree had called Tom Johnson to Detroit in 1899 to help beef up its street car system and lower fares, under public ownership. It is one of the great ironies: The Motor City, whose auto firms did so much to destroy mass transit, originally attracted them by providing cheap mass transit for their workers. The sensational collapse of Detroit came after 1950 when Detroit's leaders, auto-oriented, forgot the Pingree policies that had launched Detroit earlier.

Milwaukee

Milwaukee grew fast for 30 years under its Socialist Party Mayors Emil Seidel (1910-12) and Daniel Hoan (1916-40). Hoan's tenure was the longest of any Mayor of a large American city; he was nationally recognized as the best mayor in the country, and Milwaukee under Hoan was the best-governed city. Hoan's brand of what others labeled "sewer socialism" consisted in keeping transit and utility user-rates low, and meeting deficits by raising property taxes.

The formula for growing and revitalizing cities seems to be the same, whether under a "socialist" like Hoan or a colorful populist like Johnson: supply infrastructure, keep user-rates low, raise land taxes, attend to the details of assessment, and go easy on taxing buildings.

Chicago

From 1890-1900, Chicago grew by 54%, but it did not just spread, it pioneered the skyscraper, and centralized its transit system as few other cities ever did. From 1900-30 it continued to grow at higher percentage rates than most other cities, and much higher absolute rates, confirming its status as America's second largest city. Who was Chicago's Tom Johnson? It was not one person, but a large and shifting group. Chicago lawyer John Peter Altgeld, humanitarian and reformer, was Governor of Illinois, 1892-96. His administration contained several single-taxers, including young Brand Whitlock, future Mayor of Toledo, whom Altgeld inspired. Altgeld directly corresponded and worked with Henry George, and, according to Whitlock, "understood" George's ideas like few others.

Today's influential "Chicago School" of economists at the University of Chicago take it on faith that unions obstruct economic growth, but one could not illustrate it from the City of Chicago, a major center of union activity during its period of fastest growth. These unions supported Altgeld, and Single Tax ideas.

Chicago's low transit fares and utility rates were an integral part of single-tax ideology in those days. At the same time Chicago, like San Francisco and New York, pioneered city parks and public spaces on a grand scale, laid out in the Daniel Burnham Plan, developed while the Single Taxer Edward F. Dunne was Mayor.

San Francisco

Born-again San Francisco, 1907-30, makes an edifying case study in regenerative tax policy. Historians have focused on the earthquake and fire of 1906, but blanked out the recovery. We do know, though, that in 1907 San Francisco elected a reform Mayor, Edward Robeson Taylor, with a uniquely relevant background: he had helped Henry George write *Progress and Poverty* in 1879. It was a jolt to replace the lost part of the tax base by taxing land value more, but small enough to be doable. This firm tax base also sustained S.F.'s credit to finance the great burst of civic works that was to follow. Taylor retired in 1909, but soon laid his hands on James Rolph, who remained Mayor for 19 years, 1911-30, a period of civic unity and public works. "Sunny Jim" Rolph expanded city enterprise into water supply, planning, municipally-owned mass transit, the Panama-Pacific International Exposition, and the matchless Civic Center.

Population growth is not always a goal of civic policy. But it is vital to the interests of labor to have cities vie to attract people by fostering good use of their land. That is, indeed, the main point of Henry George's thesis in *Progress and Poverty*. A healthy economy generates surpluses that belie the Chicago School slogan that "There is no free lunch." Land rents are the free lunch, and perhaps Connecticut's move this year indicates that this time-proven wisdom is beginning to spread once again.

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