New York City's Resurgence after 1920

Mason Gaffney, rev. 4-26-06

Contents

The Regeneration of New York City after 1920

Al Smith's 1920 Tax Reform Act and its Aftermath

Mason Gaffney, rev. 19 April 2006[1]

I. Overview

A. The "Al Smith Act"

In September, 1920, Governor Al Smith of New York declared an emergency in New York City, a "housing crisis," and called a special session of the legislature to deal with it (Polak, 1924). The emergency was one of wholesale eviction notices, zero housing vacancies, and soaring rents. Gov. Smith's message of 9/20/20 called for exempting new dwelling construction from taxation - a proposal that several legislators had previously advanced. The Legislature adopted this proposal, with a local option feature, tailoring the law mainly for New York City[2]. In 1921 the New York City Council took the option. There ensued an extraordinary boom in both building and population, which is our subject.

The "Al Smith Act" (as I will call it) exempted new housing construction (but not land values) from the property tax from 1921 until the end of 1931. The property tax rate was around 2.7% of true value, at times up to 3%, making this a consequential matter, especially for dwellings built in the early

1Yisroel Pensack has given lavishly of his time and talent and editorial experience to upgrade and clarify my prose. I am also indebted to Robert Andelson, Clifford Cobb, Richard Biddle, Dick Netzer, Jeffrey Smith, Heather Remoff, Daniel Sullivan, Herbert Barry, William Batt, Nicolaus Tideman, Robert Piper, Robert Fitch, Michael Hudson, Joshua Vincent and Ed O'Donnell for editorial and substantive corrections and additions, most of which I have used. I bear sole responsibility for the final product.

2Six other cities accepted the option, but I find no record of their experiences with it. I suspect their efforts were blocked by problems of overlapping taxing jurisdictions - problems lacking in NYC, where counties and school districts are contiguous with the city.

1920s which would qualify for up to ten years of exemption. Owing to the time value of money, full exemption for the first ten years of life is worth as much as or more than half-exemption over full life, especially considering that depreciation and obsolescence of buildings lowers their taxable value in later life. Mortgage rates were around 6%, so the tax that was not levied would have added nearly 50% to the financial carrying costs of buildings. With a generous supply of new housing, NYC's population then grew much faster, even percentagewise, than that of comparison cities, from 1920 to 1940, and for a while thereafter. See Tables I and II for city population data, 1890-1998. The data, first gathered for the purpose above, then point us to some other cities with decades of fast growth, which we examine.

B. Methodology

The temper of this paper is for those who sense the value of history to guide the future. Its theme is non-deterministic, giving evidence of the impact of individual leaders, and the power of the ideas that guide and ideals that move them, prevailing over "destiny." Jobseekers and homeseekers and space-seeking merchants and manufacturers will note it is written from their viewpoint. It is also for urban professionals like land planners, city managers, political leaders, traffic planners, valuers, lenders, welfare workers, epidemiologists, and others. Its particular focus is on tax policies and their effects on growth of city populations.

C. Population Growth as a Criterion

To compare one city's performance with others' requires a standard measure. I chose population in part because the measure is readily available. Census data on building, on the other hand, do not go back to the 1920s. Gathering and verifying building records, city by city, would be a major project, not attempted here.

Population growth is not the only goal and measure of civic performance, it is understood. Population, however, is a sign of

city health, even from the particularistic local view: a thriving city attracts people, and people, viewed as human resources, help the city thrive. From a larger view, macro-economists understand that the aggregate effect of having cities vie to attract people is not to raise the overall national or world birthrate, but is to make jobs and homes, raise wages, and lower living costs. The converse is also true, with grim results like homelessness and hunger. It is noteworthy that NYC not only attracted human resources, and put them to productive work, it also financed a superior public educational system to enhance the quality of its human resources after they arrived.

D. NYC's Success, and its Meaning

NYC's growth had been slowing down just before the Act of 1920. After 1931 when the law expired, NYC grew slower than before, but this was the Great Depression, when most comparison cities stopped dead, and began to waste away. NYC not only held its #1 population ranking among U.S. cities, it pulled farther ahead in numbers, 1920-40, even in percentage terms. This finding tends:

a) to refute the "convergence" thesis, which would have all cities becoming more alike, regardless of public policies;

b) to deny the inevitability of "regression towards the mean," which would have the top city of one generation be replaced at the top in the next;

c) to support a thesis that the 1920 law had the intended effect of reanimating NYC at a time when it would otherwise have stagnated and begun to rot like other older eastern cities;

d) to suggest that cities and states, through their public policies, control their own destinies.

Cognate to (d), study of the materials tends to refute deterministic theories. Individual leaders, through their intellects, personalities, attitudes, ideals and dedication, have swayed urban history. So, of course, have the voters who were wise enough, or bedazzled enough, to support them. These are human factors that "cookbook" econometric modeling omits. Modern economics, with its mechanistic tools and canned standard procedures, is the poorer for the omission.

E. Growth Spurts in Comparison Cities

A supportive finding arises *a posteriori* from the population data themselves. A few other comparison cities also had impressive growth spurts. Many of these occurred during periods when those cities applied Georgist-oriented policies similar to (but not identical with) the Al Smith Act in NYC. These cities and periods are Cleveland, 1900-20, under mayors Tom L. Johnson and Newton D. Baker; Detroit, 1890-1940, initially under Mayor, later Governor Hazen S. Pingree; Toledo, 1890-1920, under Mayors Samuel Jones and Brand Whitlock; Jersey City under Democratic Mayor Mark Fagan and his Republican mentor, George Record; and Milwaukee, under "socialist" Mayor Daniel Hoan, 1916-36. Chicago makes a more complex picture, with its host of nationally prominent Georgist champions (John Peter Altgeld, Louis Sullivan, Frank Lloyd Wright, Clarence Darrow, Jane Addams, Louis F. Post, Brand Whitlock, Henry D. Lloyd, et al.), and a militant teachers' union under Georgist Margaret Haley, interplaying with a strong plutocracy, various corrupt political machines, and reform mayors like Edward Dunne (later Governor), and William Dever. Pittsburgh, known for its Georgist-oriented property tax policy, had a building spurt, but no population spurt, making it an anomaly to be examined below.

Chicago, 1890-1900, is also complicated by annexations in 1889 that tripled the City's area (Hoyt, p.153). Columbus' steady growth, too, is complicated by mergers and annexations. I have limited the data to U.S. cities in the "Northeast Quadrangle" north and east of Kansas City, mostly with fixed boundaries, so many stories remain untold here, of Houston, Vancouver, Portland, Seattle, San Francisco, Los Angeles, San Diego, California farm towns like Modesto and Lindsay, et al. George-like single-tax fervor imbued most of the Pacific Coast and western Canada during their fastest growth periods.

II. NYC Under the Al Smith Act

A. Sources on the Smith Act

The original stimulus for this study was a pamphlet by Charles Johnson Post, 1984, How New York Solved its Housing Crisis. C.J. Post (not to be confused with Louis F. Post[3]) gives data on per capita spending on new buildings in NYC and four comparison cities for the years 1910 to 1929. These data show that NYC abruptly recovered from stagnation in 1920, and far outstripped the comparison cities that Post chose: Philadelphia, Boston, Minneapolis, and, to a lesser extent, Chicago. Post credits New York's extraordinary housing tax holiday, 1920-31, for this recovery. Post's findings want substantiation because his assertions are momentous, while his proofs are casual and his style too hortatory to command full confidence.

Post gives no sources for his data, which stop after 1929. Edward Polak (1924), Register of Deeds for Bronx County, published a brief chapter on the years from 1921 through 1923, giving data consistent with Post's, showing a startling seven-fold rise in NYC construction outlays compared with the previous three years, 1918-20. Geiger, a cautious scholar, concludes, without his characteristic reservations, "There is little doubt that the tremendous building boom in the years immediately following 1920 was a direct result of that exemption" (1933, p.438). Geiger, though, provides no data or other support, and does not even cite Polak.

Fortunately, we have Pleydell, a detailed, extensive chronicle of the legislative history, news reports, and some studies of the results. The authors make no attempt to organize the materials, except chronologically, or to interpret or explain them. Pleydell does not make good reading, therefore, and one doubts if anyone but this researcher ever read it through; but it is valuable for confirming and supporting, however tediously, the interpretations given by Geiger, Post, Polak, Purdy, and others cited. We learn, for example, that in 1923 the borough of Brooklyn, alone, led every city in the country in construction (p.3-51). We learn that the number of new family dwelling units,

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3L.F. Post, a prominent Chicago Georgist, author of several Georgist books, edited The Public for many years, before becoming Asst. Secy. of Labor under President Wilson, where he played an heroic role in blunting the fury of the Palmer Raids.

other than tenements, produced in NYC rose from 11,000 in 1920 to 56,000 in 1923; while the number of new family d.u.s in tenements rose from 3,000 to 53,000 (Appendix pp. 20-23. citing 1924 Report of Stein Commission). The most complete source cited is Leg. Doc 40, Report of the Commission on Housing & Regional Planning, chaired by Clarence Stein, a prominent New York architect and citizen. This last Stein Report includes statistics on new construction in NYC from Oct. 1920 thru Sept. 1925. A series of earlier reports by this commission, under Stein, documented the building boom, and attributed it to the Al Smith Act.

The F.W. Dodge Co. reported monthly on floor space contracted for. This rose from .5m s.f. in December, 1920, to 13m s.f. in December, 1923, a 26-fold increase (Pleydell, Appendix p.22).

Another source is the archive of papers of Lawson Purdy, at the Robert Schalkenbach Foundation, New York. Purdy directs us to the Report of Commissioners of Taxes and Assessments of the City of NY for 1931, p.12, for data confirming Post's statements. So I will accept Post's data, in spite of his shortcomings as a writer. His data seem confirmed by city records, from wich he apparently took them. The population changes documented herein track Post's construction data quite well, adding to his credibility.

Published literature on this episode, either popular or scholarly, is sparse. Here was a major event, in the nation's biggest city, an event filled with policy implications. The event involved major public and political figures, filled with human interest. The world has not lacked for striving young professionals seeking new research topics. They have selected, all too often, minutiae, or passing fads, or pedantic parlor games, as though they had to fabricate to find worthy subjects. It is a sorrow and a puzzle, but it leaves us with a neglected job to do, beginning with this paper.

Post sketches the enabling law (NY State Laws of 1920, ch. 949, section 4-B, and later amendments). New construction, to qualify, had to be ready for occupancy by April 1, 1926; and the

tax-exemption, whatever the beginning date, lasted until January 1, 1932. The exemption had a cap of $1,000 per room, and $5,000 per house or apartment building, later raised to $15,000 (Geiger, 1933, p.438, n.137). These caps might seem to make this law resemble the "homestead exemptions" common in southeastern states, but the NYC exemptions applied only to buildings, not to land, and were much tighter, targeted to aid middle and lower-middle class residents mainly. Pleydell goes into great detail, more than is needed here, but definitively confirming the major points of Post, Polak and Geiger.[4]

B. Political History

None of the sources adequately emphasize that the law applied not just to the municipality of New York City, but also the five counties that comprise its five "boroughs," and also to its school taxes. The Act authorizes ALL units of local government to exempt buildings (Pleydell, Appendices, p.32, has the relevant text of the Act). The entire property tax was affected, in contrast to say, Pittsburgh, where its "graded tax plan" affects only that one-third or less of the property tax that is levied by the municipality. It is not surprising, then, that the NYC law had more visible effects.

This more 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 Georgist episodes, to be related later, in Cleveland, Detroit, Toledo, Jersey City, Milwaukee, Pittsburgh, and possibly 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,

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4In 1927 there came a new 20-year exemption for dwellings built by "limited dividend companies under the State housing law," but this seems to have been closely hedged in, tailored for a big insurance company, and of little overall weight.

his influence survived him in his adopted home. "New York has been, more than any other city, a center of sustained single-tax activity and influence" (Young, p.215). Several NYC organizations and their hardball politics are documented in Miller (pp.19, 440-43), Young (pp.215-29, 244), Marsh (1953, pp. 17-36), Barker (pp. 521, 622-23), L.F. Post (1930, pp. 50-53), and Geiger (pp. 436-37). They left literary tracks in long reports and proceedings of city commissions (Marling, 1916; Haig, 1915). Polak (1915) was in the fray in the academic journals. "In NYC ... later Georgism (i.e. after 1897) ... was aggressive, and it had power" (Barker, pp.622-23).

Those involved in or supporting or patronizing the movement included Gov. Charles Evans Hughes, Wall Street guru John Moody, Senator Tim Sullivan, lender Charles O'Connor Hennessy, and visible reformers like Jacob Riis, Lillian Wald, Frederic Leubuscher, Florence Kelley, Judge Samuel Seabury, and Lawson Purdy - quite a roster, across the spectrum from social reformers to lawyers and conservative lenders, and including one near-miss U.S. President (Hughes), and one visible aspirant (Seabury). Ben Marsh was ever the dedicated sparkplug and organizer; Joseph Dana Miller the recorder and journalist. In 1912, Marsh got even Theodore Roosevelt to speak for a George-oriented tax change and TR "made a rattling good speech ... which got splendid publicity" (Marsh, 1953, p.30). Lillian Wald raised contributions from Jacob Schiff, and the Warburg brothers of Kuhn Loeb.

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 Georgist effort (the Sullivan-Shortt Bill) along similar lines. Busy Ben Marsh, who combined activism with chronicling, claimed Smith admitted that the Roman Catholic hierarchy and the New York Real Estate Board swayed him against Georgists (Marsh, 1953, pp. 21-22). Perhaps so, but times and people change. 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. He gave yeoman service on the resulting

state Factory Investigation Commission, 1911-15, working with the likes of Frances Perkins and Samuel Gompers.

Perkins and other social workers saw to it that Smith and his co-chair, Robert Wagner, got well exposed to sweatshop working conditions and housing (Colburn, p.29). Smith and the social workers warmed to each other (Colburn, p.31). Smith's base, Tammany Hall, also turned, under the leadership of Charles Murphy, seeking to keep up with Progressive Republican Charles Evans Hughes who won the governorship, 1905-09, by his efforts to improve working conditions. The old "bosses" and the social reformers had something in common: they protected and enhanced the poor, much moreso than did elitist "managerial reformers" like Mayors Seth Low and John Purroy Mitchel (Brownell, p.10; Holli, p.169). 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. Among other things, Smith, a Catholic, had to establish his independence from the RCC hierarchy, with its anti-Georgist history and mindset (as revealed to the world in its notorious persecution of Fr. Edward McGlynn).

C. Assessment Reform, Silent Senior Partner of Tax Reform

In addition to the Al Smith Act, Georgist thought and activism had made NYC assessors up-value land in the tax base, and down-value improvements, by recognizing the silent appreciation of land, and depreciation and obsolescence of buildings over time. The leader in this work was Lawson Purdy (Young, p.216; Geiger, p.436; Barker, pp. 582, 590, 623; Marsh, 1911, p.107). Purdy, a lawyer, was an early single-tax campaigner, a young associate of Henry George's later years, who soon became President of the Board of Taxes and Assessments of the City of New York. As such he published <u>The Assessment of Real Estate</u>. Robert Murray Haig, noted Professor of Economics at Columbia University, in the Foreword, calls Purdy "the acknowledged authority in this field." The single-tax warrior had become accepted in polite New York society, while remaining a leader of the Manhattan Single Tax Club (Barker, p.521). Purdy

was also a power in the early history of the National Tax Association.

In form, Purdy's short treatise is procedural and administrative, gray and even a bit dull, but it wastes no words. It is mostly about how to value land, and draw up and publicize maps of land values used in assessing real estate for taxation. It draws on and enriches W.A. Somers' earlier work in Cleveland, which Mayor Tom L. Johnson sponsored and publicized. Indeed, Purdy had gone to Cleveland in 1909 to consult with Somers, to teach and to learn (Barker, p.625). Purdy's little monograph, along with longer works by Somers, Zangerle, Pollock and Scholz, and the Australian John Murray, constitute the "5-foot shelf of books" on how to value land for taxation where the intent is to make the typical American tax on "real estate" (land plus buildings) most resemble a tax on land alone. These books were assessment bibles in the 1920s, before the "dark days" of property-tax debasement set in.

Mayor Tom L. Johnson of Cleveland, Somers' boss, had been Henry George's "field commander" (Barker, passim). Johnson also became a major power in Ohio state politics (Russell, passim). Purdy when young was a leading campaigner for Henry George in 1897, George's last campaign for Mayor of New York. Purdy continued to be an officer in the Manhattan Single Tax Club, and a Director of the Robert Schalkenbach Foundation: there is no doubt where Purdy was coming from.

Purdy's treatise tells NYC assessors to value the land first, as though it were bare, and then assign any residual value to the building. "The full value of any building is [only] the sum which the presence of the building adds to the value of the land." Even a new building, if in the wrong place, has no more than "junk value" (Purdy, p.13). Today we call that the "building-residual method" of separating land from building value. This vital concept is straight from the single-tax movement, and central to its implementation. Thanks to the concept's application, the value of land in the NYC tax base considerably exceeded the value of buildings during the Purdy era, coinciding with the period that the Al Smith Act covered.

D. The Plenty in Land as a Tax Base

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 prices, thus preserving and even augmenting the overall tax base. The taxable assessed value of land in NYC rose steeply under this stimulus. In the 3-14-24 report of the (Clarence) Stein Committee we read,

> **"There has been a tremendous increase in land assessments since 1920 in all the boroughs. ... The resumption of building has greatly increased the taxable value of the land, which is not included in the exemption. ... Tax exemption is creating aggregate taxable values *to an extent heretofore unknown in the history of any municipality*." (Pleydell, Appendix p.23, emphasis mine).**

The above supports the "Physiocratic Theory of Tax Incidence" (all taxes come out of rents, or "ATCOR"). There are several more such statements scattered through Pleydell. Purdy cites the New York City Tax Department Report, 1931, pp.18-19, showing the assessed value of land by boroughs, 1904-31 (Purdy Papers, 9-24-34). Fragmentary evidence in Pleydell indicates that city revenues rose, while the tax rate fell (Section 3, pp. 31, 38-48, 51, 58, 74).

Some might see a kind of parallel here with the "Laffer-Curve Effect" of recent federal finance, where lowering the tax rate is alleged to raise the tax base. Some champions of the Al Smith Act did advance such a point, arguing that the new tax exempt houses would not even be there if they were not exempted, and they would come on the tax rolls in 1932. The parallel is

not very good, and we leave the issue moot here, because it distracts from the larger point that the land tax base rose immediately and hugely. Banker Charles Hennessy wrote that the Al Smith Act resulted in "wild speculation in building sites, immediately reflected in rising prices" (Purdy Papers, 7-7-34). Reinforcing statements are scattered throughout Pleydell. Federal tax cuts under Reagan also caused steep rises in land values, but Reagan's policies differed in that they favored land income as much as or more than income from using and improving land, and resulted in deficits. NYC tax cuts under the Al Smith Act applied only to new buildings, and were more than compensated, it seems, by a rise of the land tax base, which NYC immediately tapped for public revenue.

E. Features of the law as applied, summarized

There was more to the Smith Act in practice than meets the eye. Herewith is a summary of its relevant features.

1. Newly built dwelling units were totally exempt from the property tax through 1931.
2. Land was not exempt, either before or after building.
3. Land assessments were kept up to date, using the building-residual method of separating land and building values.
4. All levels of local taxation - city, county, and school district - were under the law.
5. The tax rate was moderately high, around 3%. Public services were maintained at fairly high levels. These included a city college system, and mass transit with low fares.
6. There were dollar caps on exemptions: per room, per family, and per building.
7. Rental units as well as owner units were exempted.
8. The law had to be renewed annually, both at the State and local levels. It began in 1921, and was extended in 1922, 1923, and 1924. Each extension covered buildings completed in the next two years, so buildings completed as late as April 1, 1926, could qualify for exemption.

9. The law was challenged in court and at one point overturned, but later upheld on appeal. This litigation for a while added to the uncertainty of it.

10. There was a strong base of local understanding and support.

F. NYC Outstripping Comparison Cities, 1920-40

For comparison with NYC, I have limited the data to cities north and east of Kansas City, mainly with fixed boundaries. I have grouped them as follows, presenting aggregate data for each group (as well as for the individual cities).

1. Four other major cities in NY State: Albany, Syracuse[5], Rochester and Buffalo. Statewide policies would affect all these the same. [The Al Smith enabling act, although "local option" in form, was tailored for NYC (Post, 1984, p.1).] Rochester and Buffalo and, to a degree, Albany, also pick up influences from the Great Lakes economy,; these influences also reach NYC.

From 1920-40, these cities grew by 13.8%, while NYC grew by 32.7%, or 2.4 times as much.

2. Five other major cities along the mid-Atlantic coast: Boston, Providence, New Haven, Philadelphia, and Baltimore.

From 1920-40, these cities grew by 7.3%, while NYC grew by 4.8 times as much.

3. Nearby New Jersey neighbors of NYC: Jersey City, Newark, and Paterson. (Jersey City and Newark might also be lumped with the cities in "B", but are such close locational substitutes for NYC that separate treatment seems warranted.)

From 1920-40, these New Jersey neighbors of NYC grew by 2.8%, while NYC grew by 11.7 times as much.

5Syracuse added a large area, 1920-30, inflating its growth rate and therefore, of course, that of the four cities taken together (Cornick, p.57).

Do these facts speak for themselves? Not entirely: a sequence is not always a consequence, and in the multivariate world of economics, "proofs" are always subject to doubt and open to challenge. Certainly, though, the NYC tax holiday was a relevant cause, with an effect expected *a priori*. The expected events started happening immediately, somewhat as the Dow-Jones jumps when Fed Chairman Greenspan announces an interest-rate cut, but with more lasting results. Anyone questioning cause and effect here should shoulder some burden of proof.

I have also disaggregated NYC into its boroughs. Manhattan actually lost some resident population, 1920-40, while the explosive population growth was in the outer boroughs of Bronx, Brooklyn, and especially Queens[6]. One reason for the difference is the exemption cap of $5,000, which would carry less relative weight in the pricier housing of Manhattan. Still, this raises the qualifying possibility that NYC had simply merged with its inner suburbs, unlike some comparison cities, which provided it with land to expand; lacking in, say, Boston or Pittsburgh. There are two reasons to doubt the weight of this qualification, however. One is that the population density of NYC was double that of any comparison city, vast although NYC's area is. The other is that the merger occurred in 1898, while the growth revival we are studying didn't begin until 22 years later, after NYC appeared to be choking from lack of housing.

The futility of annexation alone was shown by Milwaukee after 1960. Milwaukee grew faster than most other cities up until then, when it annexed all of northwest Milwaukee County and doubled its area. Yet, the City started losing population at that very time, by hollowing out. It takes more than annexing land to grow a city. Most cities already have lots of derelict land; what they need are incentives.

NYC tax policy worked in tandem with related growth policies. NYC in the 1920s coordinated its tax policy with developing its mass transit system, and holding fares down, much as Cleveland had done in the Johnson-Baker era, 1900-20. If Cleveland was known for Johnson's low 3-cent fare, New York was

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6I have omitted Richmond, as too small to matter.

famous for its low 5-cent fare under many administrations, clear up to 1947. New tunnels under the East and Harlem Rivers linked up with pre-existing elevated and subway lines in the outer boroughs, giving mass transit a sudden boost (Dick Netzer, letter, 30 Dec 2000). By 1930, 91% of the population lived on 40% of the city's land area - the land within half-mile strips on either side of elevateds and subways (Cornick, p.86). NYC held down fares by covering capital costs, and perhaps some operating deficits, from property taxes. With many new buildings being tax-exempt, and Purdy in charge of assessments, that meant raising taxes on land values.[7] (For details on New York's transit development, see Hammack, Fitch, Chernow, Jackson, and Hood.)

All U.S. cities in the 1920s poured a disproportionately high fraction of capital into public works, owing to the new Federal personal income tax, levied at high rates. The 1920s was the first peacetime decade of experience with high rates of personal income taxation. Lenders shied away from mortgages on private real estate, whose interest was fully taxable, in favor of tax-exempt municipals.

It is true, of course, that the "imputed income" of owner-occupied residences is also tax-exempt. There are reasons, however, why this exemption is weaker than that on municipal bonds.

a. The supply of loanable funds is highly elastic, so the income tax on interest income is mostly shifted forward to borrowers in higher interest rates. It is thus only the equity fraction of a home's value that yield's tax-exempt imputed income. New building is heavily financed, especially when the buyers are middle or lower-middle class wage-earners - they have little equity.

7The academic world recognized this after a lag, with Hotelling's famous article in 1938. Even this article did not lack for theoretical detractors like Ragnar Frisch and I.M.D. Little.

b. It is also true that interest paid by homeowners is deductible, seeming to offset the tax-induced interest premium they pay. However, that applies only to owners who itemize; most middle-class wage-earners do not, even today, and certainly did not in the 1920s when most did not even have to file.

c. The homes affordable by the working poor are mostly on cheap land. New homes on cheap land have a high ratio of building value to land value. Yet it is mainly the land or location element in homes that yields imputed true income. The "service flow" from buildings per se is largely offset by depreciation and maintenance and upkeep expenses, and is not net income at all. Most writers on income tax matters have failed, alas, to signalize that point.

The upshot of those three points is that income taxation, with exemption of municipal bonds, induces unbalanced urban expansion: too many streets and lots, not enough building to match.

In many cities, like Chicago and Detroit, this imbalance of public works and private building led to excess subdivision and catastrophe, well documented in works by Homer Hoyt, Ernest Fisher, Lewis Maverick and others. The "orphan subdivision" exemplified the problem: a few scattered houses in a wilderness of vacant lots, streets full of weeds, curbs, gutters, sidewalks, fire hydrants and street lights. New York was not exempt from this curse of the times, but its experience was much less extreme: its private sector was keeping better pace and balance with its public sector.

New York's greater population surge is the more impressive because of its greater dependence on immigration. Immigrants flow to all cities, including those deep in the heartland, but the fraction in New York has always been higher, owing to its unique gateway position. The Immigration Act of 1924, cutting immigration sharply, therefore impacted New York more than comparison cities - yet New York grew faster than the others. In the depression of the 1930s net immigration to the U.S.A. stopped completely, yet NYC continued to grow while most other cities stopped altogether.

G. Summary: Effectiveness of the Smith Act

The Smith Act was almost certainly instrumental in helping cause a number of ensuing events, 1921-40.

1. Building of new dwelling units rose by high factors that can fairly be called extreme and unprecedented.

2. NYC maintained and extended its national lead in population, even in percentage terms. There was no tendency to "converge," or "regress towards the mean."

3. NYC continued to grow, even during the Great Depression, when almost every other city of the Northeast Quadrant stopped.

4. NYC supplied housing for the mass middle and lower-middle class markets.

5. NYC land values rose sharply, even though taxation was more focused on land than before.

6. The location of new housing was compact, concentric, and compatible with continued use of mass transit.

7. The flow of capital into public works was matched and balanced by capital going into improving private lands.

8. NYC overcame the relative handicap to growth imposed by the Immigration Act of 1924, and the national stoppage of net immigration in the depression years.

9. NYC grew, 1920-40, in spite of its beginning the period with a higher density than other cities, and not expanding its boundaries.

III. Growth Spurts in some Other Cities of the Northeast Quad

Data in Table I, gathered originally for comparison with NYC, also point us to some other cities that grew rapidly during parts of 1890-1940. In several cases, their rapid growth was associated with Georgist-oriented policies and attitudes similar to those of NYC under its Al Smith Act, and its Lawson Purdy assessment practices. This, of course, tends to substantiate C.J. Post's and Geiger's and Polak's confident assertions of cause and effect.

A) Cleveland, 1900-20

Cleveland grew by 109%, 1900-20. 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. In 1909, Johnson formally put in place reformed machinery for land assessment. W.A. Somers, who had supplied his "standard unit" system of mapping land values to Johnson in 1901, was made Chief Clerk. Johnson and Somers raised assessments from $180m to $500m, with a new emphasis on land values. For the first time there was a fair assessment in Cleveland (Russell, p.291; Bremner, Chap. 14, pp.153-64).

Johnson and Somers analyzed property assessments, and found that assessors had been undervaluing holdings in rich neighborhoods, and overvaluing those in poor. Johnson, a master showman, put up large maps illustrating this, inviting discussion and suggestions from the public. To aid understanding, he pushed "the Somers unit system" - a system later used by Purdy in NYC. A Standard Unit was one front foot, 100' deep, with formulas to adjust for corner influence, depth influence, etc.

To win support for up-valuing land and down-valuing buildings, Johnson set up a city-sponsored Tax School in 1901. The biggest landowner in Cleveland sued to stop it, and won, but by the time the Tax School closed it had operated for 20 months, and prepared the public mind for a large rise of land assessments

(Johnson, pp.127, 129; Bremner, pp. 129, 136, 157-58). Johnson's parting view upon leaving office in 1909 was of his candidates taking control of the City Board of Equalization, which had the last word on assessed valuations (Bremner, pp.162-64). To this day a bronze statue of Johnson stands in downtown Cleveland, holding a book with the visible title, Progress and Poverty.

Johnson's City Solicitor and ally, Newton D. Baker, won back the mayoralty in 1911, so the anti-Johnson interlude was brief. Baker implemented Johnsonian 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 or ignored or dismissed ("the voters will never accept it," etc.). Baker left behind a large city debt, and the infrastructure it had financed, assuring that the City would still need heavy land-value taxes for some time to come. Peter Witt, a fiery single-taxer, ran to succeed Baker, and lost only narrowly, indicating that Johnsonian policies retained a large constituency, and would not suddenly vanish. After 1916, though, Cleveland slowly fell into old-line Tory hands (Cramer, p.7), and began its long slide into its present torpor and mediocrity. From 1900 to 1920, Cleveland's population had more than doubled, indicating the city's dynamism under Johnson and Baker, and the benefits that lingered a while after them. If Cleveland had continued growing at the Johnson-Baker rate, its population today would be 15 millions or so, double that of NYC, and 30 times the half million it actually has now.

B) Detroit, 1890-1930

Detroit's soaring growth, 1890-1930, obviously involved the auto industry, but why did that industry focus on Detroit? Growth began under Mayor, then Governor Hazen S. Pingree (Lorenz, pp.17-18; Johnson, p.91). Pingree had called Tom Johnson to Detroit in 1899 to help beef up its street car system and lower fares, under public ownership (Lorenz, pp.17-18; Johnson, pp.91-97; Bremner, p.42; Bemis). (It is ironic that the Motor City, whose auto firms later did so much to destroy mass transit, originally attracted them by providing cheap mass transit for

their workers.) Pingree was growth-oriented, and in tune with Johnson. Historians have neglected Pingree, as compared with Johnson and Baker of Cleveland, and Jones and Whitlock of Toledo, but Joseph Dana Miller, in the 1917 Single Tax Year Book, rates Pingree with Johnson and Whitlock as a true single-taxer (Miller, pp. 411-12).

Table II, 1950-98, shows an equally sensational collapse of Detroit after 1950 or so. We can't impute this to a weak market for autos: it coincided with the greatest auto sales boom in history. During Detroit's fall, the brand new suburb of Southfield elected a latter-day single-tax Mayor, James Clarkson, who appointed a young single-tax assessor, Ted Gwartney. During the Clarkson-Gwartney era Southfield boomed vigorously, until opposing forces got Clarkson kicked upstairs as a lifetime judge. Thereupon, Southfield immediately stagnated.

C) Toledo, 1890-1920

Toledo tripled its population, 1890-1920. Much of this occurred under single-tax Mayors Samuel M. "Golden Rule" Jones, 1897-1904, and his disciple, Brand Whitlock, 1905-1913, a graduate of Gov. Altgeld's populist administration in Illinois. Many cities grew fast in this period, but Toledo grew by 200%, outpacing most other cities. Books by Jones and Whitlock tell much of the story.

D) Milwaukee, 1916-36

Milwaukee grew fast for 20 years under its "socialist" Mayor Daniel Hoan, 1916-36. This was a period of slowing growth in most other cities in Table I. Hoan's brand of what others labelled "sewer socialism" consisted in applying the principles of marginal-cost pricing to Milwaukee's infrastructure, meaning keeping transit and utility user-rates low, and meeting deficits by raising property taxes. Hoan also expanded social services, and pressed city assessors (in Milwaukee these serve at the mayor's pleasure) to up-value land and down-value buildings (Hoan, 1936, pp.26-27). Hoan had his assessor distribute maps of city land values, block by block, to enlist citizen aid and

support for assessing land first, and buildings "residually" - the quick and easy way, as well as the theoretically correct way, to raise assessed values of land and lower those of buildings. Like all progressive mayors of the era, and like Tax Commissioner Purdy in NYC, Hoan studied and learned from the achievements of Tom Johnson (Hoan, passim).

Later Mayor Frank Zeidler was also a "sewer socialist" of the Hoan school, but he believed annexation was the way to provide cheap housing for workers. Having doubled the city's area, he stepped down in 1961 for Henry Maier, whom he mistakenly thought would carry on the Hoan tradition. Maier turned out to be retrograde. Under his leadership, Milwaukee started rapidly to hollow out and lose population.

The formula for growing and revitalizing cities seems to be the same, whether under a "socialist" like Hoan, a colorful populist like Johnson, a reluctant dilettante like Whitlock, a leading citizen like Purdy, or a lawyer like Clarkson: supply infrastructure, keep user-rates low, raise land taxes, attend to the details of assessment, and go easy on buildings. It is simply the economists' theory of "marginal-cost pricing" as articulated by Hotelling (1938), and later developed at length by William Vickrey in many books, lectures and articles.

E) Chicago

> **Chicago grew by 54%, 1890-1900. This is complicated by annexation (Hoyt, p.153), but is still a notable spurt, even in that decade of urban growth elsewhere. Chicago did not just spread out, it pioneered the skyscraper, and centralized its transit system as few other cities ever did.**

Many signs point to a single-tax trend in Chicago during this period. 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 (Bremner, pp.57-58). Altgeld directly corresponded and worked with Henry George, and, according to Whitlock, "understood" George's ideas like few

others (Barker, pp. 594, 607, 609).

In Chicago, unlike Detroit, rails paid property taxes. A tribute came from the rival State of Michigan. "... -- if there could be an illustration stronger than any other of prosperity built upon proper rules -- that example is Chicago." Statement by Don M. Dickinson, a lawyer serving pro bono, representing Detroit Council at Mich Legislature, 1891, cited in Pingree, 1895.

In 1892 Chicago won its leading case, I.C.R.R. v. Illinois (146 U.S. 387), invoking the "public trust doctrine" to revoke the railroad corporation's claim to lands that now comprise Chicago's lake front park system. It not only won Chicago land for its parks, it became a leading case, a precedent for the public trust doctrine nationwide. This was nicely synchronized with its Columbian Exposition, an impressive display of civic spirit and a launching pad for Daniel Burnham with his plans for parks and mass transit, major needs of the day, leading to Burnham's famous plans for city transit focused on The Loop, Chicago's park system, and the "City Beautiful" movement.

It was under Governor Altgeld that the Illinois Bureau of Labor Statistics, under George Schilling, published its famous 8th Annual Report, 1894, including comprehensive Lorenz-Curve data on the concentration of landownership in what is now The Loop of Chicago. There is no comparable study, to my knowledge, of any other American city. It is most likely that such radicalism in Springfield had its effect locally in Chicago. Schilling was a Chicago labor leader, a Single-tax leader, closely allied politically with Altgeld.

Chicago was a national center of radical thought and activity in this age of Clarence Darrow, Henry D. Lloyd, Jane Addams, Mayor Edward F. Dunne (1905-07), Julia Lathrop, Daniel Burnham, Frank Lloyd Wright, Ida Tarbell, Edgar Lee Masters, Alexander Stuart Bradley and the anti-Monopoly League, John Dewey, Margaret Haley, Thorstein Veblen, Edward Bemis, Louis F. Post and his Georgist journal (The Public), Gene Debs, Hamlin Garland, Warren Worth Bailey (later Congressman from Johnstown, PA), Vachel Lindsay, the young Carl Sandburg, Florence Kelley, George Schilling, Louis Sullivan, Charles Merriam, Brand Whitlock, Gutzon Borglum, John P. Altgeld, et al.

Chicago in the 1890s pioneered the skyscraper. Such substitution of capital for land suggests a de facto policy of targeting property tax assessments more on land, less on buildings. Louis Sullivan, Frank Lloyd Wright, and many in the Chicago School of architects favored downtaxing buildings, if only from self-interest. At the same time, Chicago did not develop its highly centralized mass transit system without taxing real estate to permit of low fares, as did Tom Johnson in Cleveland. A city that taxes real estate without overtaxing buildings must be taxing land values. Daniel Burnham, planning the system, must have been aware and supportive.

Chicago's consciousness of land values is shown by its being the only city to have anything like George C. Olcott's annual <u>Blue Book of Land Values</u> - Olcott also being a supporter of the Chicago Single Tax Club, and the author of "Chicago's Amazing Growth." Chicago inspired Homer Hoyt's classic <u>One Hundred Years of Land Values in Chicago</u>. Chicagoan Richard Babcock's classic <u>Valuation of Real Estate</u> shows a strong Purdy influence. Leading urban geographers and sociologists did their work here.

John Peter Altgeld, returning to Chicago after 1896, became active in city politics. The Illinois Federation of Labor, and the Chicago Teachers' Union, were dominated by single-taxers, active in politics. Mayor Edward F. Dunne (1905-07), an Altgeld ally, later Governor of Illinois, had strong single-tax leanings He brought in Mayor Tom Johnson from Cleveland as an adviser, and Johnson's Assessor of Property Taxes, W.A. Somers, to advise on land valuations. Dunne appointed Louis F.Post to the School Board, and supported Post above others. Later Mayor William Dever was Dunne's protégé. Even the corrupt William Thompson, Dever's later nemesis, was growth-oriented and "open to suggestion." That does not fully add up to a definitive showing that a city administration consciously shifted taxes to land values, as in Toledo, Cleveland, New York, Detroit and Milwaukee. Chicago history is less focused on one outstanding leader; but that may show a wider, more sustained base of support.

F) San Francisco

Many cities outside the northeast quadrant were implementing growth-oriented, George-like policies in this era. Here is a case study of one, San Francisco, to represent the genre.

Born-again San Francisco, 1907-30, makes an edifying case study in regenerative tax policy. It had no State or Federal aids to speak of. The state of California had oil, but didn't even tax it, as Louisiana does. It did have private insurance, but so does New Orleans today. It had no power to tax sales or incomes. It had no lock on Sierra water to sell its neighbors, as now; no finished Panama Canal, as now; no regional monopoly comparable to New Orleans' hold on the vast Mississippi Valley. Unlike rival Los Angeles (whose smog lay in the future) it had cold fog, cold-water beaches, no local fuel, nor semitropical farm products, nor easy mountain passes to the east. Its rail and shipping connections were inferior to the major rail and port and shipbuilding complex in rival Oakland, and even to inland Stockton's. It was hilly; much of its flatter space was landfill, in jeopardy both to liquefaction of soil in another quake, and precarious titles (due to the public trust doctrine). Its great bridges were unbuilt - it was more island than peninsula. It was known for eccentricity, drunken sailors, tong wars, labor strife, racism, vice, vigilantism, and civic scandals. In its hinterland, mining was fading; irrigation barely beginning. Lumbering was far north around Eureka; wine around Napa; deciduous fruit around San Jose. Berkeley had the State University, Sacramento the Capitol, Palo Alto Stanford, Oakland and Alameda the major U.S. Naval supply center. How did a City with so few assets raise funds to repair its broken infrastructure and rise from its ashes? It had only the local property tax, and much of this tax base was burned to the ground.

The answer is that it taxed the ground itself, raising money while also kindling a new kind of fire under landowners to get on with it, or get out of the way.

Historians have obsessed over the quake and fire, 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 <u>Progress and Poverty</u> in 1879. George, of course, is the one who wrote and campaigned for the cause of raising most revenues from a tax on the value of land, exempting labor and buildings. George, Jr.'s bio of his dad calls Taylor the only one who vetted the entire MS. George's academic biographer, Charles Barker, credits Taylor with adding style and class to the work, and some ideas along with it. Taylor's call for action appears on p.396, introducing "The Application of the Remedy". If you had been a partner in writing <u>Progress and Poverty</u>, and composed its call

for action, and became reform Mayor of a razed city with nothing to tax but land value, what would you do?

Reams are in print about how Henry George was not elected Mayor of New York, but nothing about how his colleague E.R. Taylor WAS elected Mayor of San Francisco. While George was barnstorming New York City and the world as an outsider, Taylor stayed home and rose quietly to the top as an insider.

In 1907, single-tax was in the air. It was natural and easy to go along with Cleveland (Mayors Tom Johnson and Newton Baker), Detroit (Mayor Hazen Pingree), Toledo (Mayors Samuel Jones and Brand Whitlock), Milwaukee (Victor Berger and Mayor Daniel Hoan), Chicago (Mayor Edward F. Dunne, J.P. Altgeld, Ida Tarbell, Henry D. Lloyd, Louis F. Post, Clarence Darrow, Edgar Lee Masters, Jane Addams, et al.), Vancouver (6-time Mayor Louis Denison "Single-tax" Taylor), Houston (Assessor J.J. Pastoriza), San Diego (Assessor Harris Moody), Edmonton, many smaller cities, and doubtless other big cities yet to be researched, that chose to tax buildings less and land more. It was the Golden Age of American cities when they grew like fury, and also with grace: "The City Beautiful" was the motif, expressed in parks and expositions like San Francisco's 1915 Panama-Pacific International Exposition.

San Francisco bounced back so fast its population grew by 22%, 1900-10, in the very wake of its destruction; it grew another 22%, 1910-20; and another 25%, 1920-30, becoming the 10th largest American city. It did this without expanding its land base, as rival Los Angeles did; and while providing wide parks and public spaces. Indeed it had to pull back from the treacherous filled-in level lands that had given way in the quake. On its hills and dales it housed, and linked with mass transit, a denser population than any city except the Manhattan Borough of New York. For a sense of its gradients, see the chase scenes from the films Bullitt or Trench Coat. It is these people and their good works that made San Francisco so famously livable, the cynosure of so many eyes, and gave it the massed economic power later to bridge the Bay and the Golden Gate, grab water from the High Sierra, finance the fabulous growth of intensive irrigated farming in the Central Valley, and become the financial, cultural, and tourism center of the Pacific coast.

Mayor Nagin of New Orleans tells the world that Katrina wiped out most of his tax base, so he is impotent. By contrast,

in 1907 Mayor Taylor's Committee on Assessment, Revenue, and Taxation reported sanguinely that revenues were still adequate. How could that be? Because before the quake and fire razed the city, 75% of its real estate tax base was already land value (S.F. Municipal Reports, FY 1906 and 1907, p. 777). S.F. also taxed "personal" (movable) property, but it was much less than real estate, and "secured" by land. The coterminous County and School District used the same tax base. If we saw such a situation today we would say the local people had adopted most of Henry George's single tax program *de facto*, whether or not they said so publicly.

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. S.F. supplemented the property tax by levying special assessments on land values enhanced by public works like the Stockton Street and Twin Peaks Tunnels. Good fiscal policy did not turn all the knaves into saints, as Gray Brechin has documented in Imperial San Francisco. Rolph burned out after 1918 or so, and fell into bad company with venal bankers and imperialist engineers. But San Francisco still rose and throve.

G) Cincinnati, Ohio politics, and Decadence

Set against those cities with spurts of rapid growth there were others frozen in time. Lincoln Steffens, in his "Tale of Two Cities," contrasted Cleveland, the best-governed American city, with Cincinnati, one of the worst, and we will do the same.

After 1890, Cincinnati poked along only slowly under its various "business-friendly" administrations. All during the years of Tom Johnson and Newton Baker in Cleveland, and Samuel Jones and Brand Whitlock in Toledo, Cincinnati was the power base of the old Tory guard who opposed them and all they stood for, and put Ohioans McKinley, Taft and Harding in the White House (Steffens; Russell, pp.131, 136, 149, 155, 174, 203, et passim;

Bremner). Under their guidance, Cincinnati grew so little and shrunk so much that it now has fewer people than it had in 1910, shriveling from 363,000 in 1910 to 336,000 in 1998 (see Tables I and II). In April, 2001, Cincinnati erupted in destructive emeutes.

Mark Hanna of Cleveland made McKinley President, and himself Senator. Hanna enjoyed support from the richest American, Clevelander John D. Rockefeller, and from Cincinnati bosses Cox and Foraker, but could not control his own front yard because Johnson did (Russell, p.120). Hanna routinely maligned Johnson, defining him as a "socialist-anarchist-nihilist." Socialism was the equivalent of anarchism, said Hanna, and it was an anarchist who had shot McKinley, so there. Johnson, a native southerner, was a "carpetbagger followed by a train of all the howling vagrants of Ohio."

It went beyond name-calling, and beyond Hanna. "In Cleveland, as in these other (Ohio) cities, there was organized as if by instinct a sympathetic, political-financial-social group whose power and influence made itself known the moment it was touched. ... " (Hauser in Preface to Johnson, 1911, p. xxii. See Appendix I for the complete quote).

Ohio was not alone in having such a power structure. Judge Ben Lindsey of Denver memorably described another such case in The Beast. Ohio was unusual, though, in having Tom Johnson. Johnson, inspired by Henry George, had the courage, skill, dedication, and personal wealth to face The Beast and tame it.

Johnson died in 1911, but the spirit, like that of Henry George, outlived the body. Single-taxers were hard at work in the Ohio constitutional convention of 1912, pushing for direct democracy to overcome plutocratic and boss rule. Herbert S. Bigelow was the leader. They believed that the Initiative and Referendum would open the gate for the single-tax. Yisroel Pensack reports (in a letter to the writer) that he examined the Proceedings of this convention. They show landowning anti-Georgist forces going to extreme lengths to guard against such an outcome, to the extent that Ohio's Constitution now provides that

I&R may be used for almost any purpose EXCEPT to enact the single tax (Professor William Peirce of Case Western University is currently researching the 1912 Convention, and confirms the above). Thus the Cincinnati power group, based on a failing city, branded its mark on a whole state - while also giving the nation Presidents McKinley, Taft, and Harding.

H. Are Pro-labor Mayors Bad for Business?

The population growth records herein suggest an arresting hypothesis, that left-wing administrations are good for business - productive business, that is - and "pro-business" administrations are bad. San Francisco and New York, with their leftwing democratic traditions, seem to hold up well compared with other old cities. San Francisco's recovery from the quake and fire of 1906 was fast and impressive, under its Mayor Edward Robeson Taylor, 1907-09. Taylor had, among his many other achievements, advised Henry George on the writing of Progress and Poverty. George's biographers (Barker, Geiger) consider Taylor to have been the major single influence on George; so we may assume his sentiments were like George's.

Mark Lause has named NYC as the focus of radical politics back to 1820 or so, during the time it was emerging as our largest city. During this long growth period after 1820, NYC government was collecting a large bite from land rents to support public services (Geiger, p.427). The whole state, in fact, used land taxes to finance the Erie Canal, opened in 1825.

Even Los Angeles, with its "open-shop" reputation, came close to electing a socialist mayor, Job Harriman, in 1913, and supported Upton Sinclair of Pasadena, a land-taxer, for governor in 1934. It raised property taxes to spend lavishly on public water supply, public power, harbor facilities, sewers, city-owned rails, and other public works. Houston, under single-tax assessor J.J. Pastoriza, grew by some 25%, 1911-15, until a court ordered him to go back to the old ways (Geiger, pp.434-35). Harris Moody, assessor in San Diego, single-handedly used his administrative latitude to convert the property tax to a land-value tax over several years, 19xx-yy, until stopped abruptly by

court order - at which point the city skyline froze for the next xx years. Vancouver, B.C., quintupled in population, 1895-1909, after exempting first 1/2, and then 3/4 of building values from the property tax, as described by Mayor L.D. Taylor (Marsh, 1911, pp.33-37; Rawson). L.D. Taylor was known during his decades in politics, and many terms as Mayor of Vancouver, as "Single-tax Taylor." I do not pursue those threads here, but they surely call for vigorous research, and review of stereotyped ideas about "pro-business" governments and "leftwing" governments.

I) The Puzzle of Pittsburgh

Pittsburgh is a Georgist anomaly. Urban and tax scholars routinely cite Pittsburgh, with its "two-rate property tax plan" (lower on buildings, higher on land) to exemplify a tax-induced growth effect roughly like what New York's law induced. Whatever happened in Pittsburgh, however, has not made its population rise. Its fall after 1980, especially, is steeper than most cities in Table II.

No one publishing on Pittsburgh's Plan, pro or con, has addressed this exodus, to my knowledge. Various studies have shown rapid building in Pittsburgh under its two-rate regime - that by Oates and Schwab is the latest and most ambitious, methodologically. Whatever the answer, champions of the Pittsburgh graded tax plan need to explain this outmigration.

One reason for it is that Pittsburgh's plan, compared with New York's, is not focused on housing. It has the effect of encouraging commercial and industrial building which might actually take land from residential use within the city limits, while stimulating residential demand in the suburbs. Pittsburgh is also tightly constricted in area, unlike NYC, and perhaps should be compared with Manhattan, rather than all of NYC.

Another reason for an exodus is that Pittsburgh under Mayor Richard Caliguiri imposed a wage tax of 4% during the 1980s. He also raised gross receipts taxes. In 1989 a new mayor, Sophie Masloff, commissioned research by Ralph Bangs of the University of Pittsburgh to explain the exodus from Pittsburgh, and Bangs' respondents identified the wage tax as a major cause (letter from

Pittsburgh researcher Daniel Sullivan, 29 Dec 2000). Neither Masloff, 1989-93, nor her successor Tom Murphy has abated the wage tax. Murphy abates taxes on certain large businesses that agree to locate in Pittsburgh - but not on their workers.

A third reason is that the graded tax rate - lower on buildings than on land - applies only to tax rates imposed by the City of Pittsburgh, not to the overlapping property taxes of the School District or of the County. The effect on taxpayers is thus heavily diluted, so that many of them are scarcely aware of any two-rate tax plan.

A fourth, and perhaps the weightiest reason is the least visible, in normal times: the City of Pittsburgh does not control its own assessments the way Johnson did in Cleveland, Hoan in Milwaukee, Purdy in NYC, and Clarkson in Southfield. The Allegheny County Assessor controls tax valuations, and this officer has another agenda, which includes undervaluing land. Pittsburgh's assessed land values were so low in 1999, "they weren't anywhere near reality," said George Donatello, operations director for Sabre Systems, a contract assessment firm retained to reassess Allegheny County in 2000 (Belko). In 2000, land was only 10% of the property tax base in Pittsburgh: an absurdly low figure (Pittsburgh Councilman Daniel Cohen, cited in Snowbeck). Sabre Systems has revalued it at triple the amount - it remains to see if the powers in Pittsburgh will accept the changes. Modern crusaders for "two-rate" tax reform resist addressing and dealing with malassessment, because they fear reassessment as a political liability. Perhaps it is, but without Purdy-style assessments, the "Pittsburgh Plan," for all its publicity, is form without substance, more nominal than real. It is tempting to "Let sleeping dogs lie," but the reason reassessments awaken the dogs is because valuation of the tax base is where the real bite is, and without real bite there is no real reform.

Scholarly researchers, too, have neglected malassessment, because it is messy, and the modern academic style is to build complex econometric models that are topheavy and fragile, even with good firm numbers, and often impossible when the input numbers are fuzzy. Models are mechanistic and mathematical, with

no room for the attitudes and personalities of civic leaders which, as we have seen, make a world of difference. There is wide latitude in the assessment process, latitude that can be used either to subvert a Pittsburgh Plan, or, as in Pastoriza's Houston, 1909-15, or Harris Moody's San Diego, to subvert the taxation of buildings and implement a de facto single-tax regime.

We may surmise that Pittsburgh City officials who support taxing wages are generally not oriented toward encouraging immigration, so the wage tax may be just one of several anti-personnel devices. The lessons seem to be 1) that one must look at the whole of city policies, not just the apparent structure of the property tax, to determine the overall impetus of public policy on population; 2) Pittsburgh's officials have been more interested in favoring capital than labor; 3) where there are two or more overlapping jurisdictions levying on property, a change in just one of them may not amount to much; and 4) property tax reforms may be subverted by contrary assessment practises.

IV. *L'Envoi*

Population growth is not always a goal of civic policy. Many cities discourage immigration, while seeking to import and retain taxable capital. Federal tax policies of recent times, shifting more and more of the tax burden off property income and onto labor income, have diluted or offset normal local incentives to attract people. Population, however, is surely one measure of city health, even from the particularistic local view: a thriving city attracts people.

From a distributive and full-employment view - the one taken here - 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 <u>Progress and Poverty</u>, George's major work. Competition for people is also vital to the interests of all people as consumers, especially of housing. In this neo-Malthusian era, it is useful to point out the obvious, that luring people from city A to city B is a zero-sum game, from a

national population view. Indeed, luring people from farms to cities generally lowers overall birthrates.

"Labor" as used here includes most people: everyone except passive-aggressive landowners. As to the last, however, the rise of land prices in NYC (which C.J. Post and Pleydell document), and their fall in torpid cities and neighborhoods, says that landowners, too, gain from urban health and vigor. As to savers, and active investors in new buildings, and other productive entrepreneurs, interurban competition tends to raise the marginal rate of return on capital, too. How is all this good news possible? A healthy economy generates surpluses that belie the gloomy Chicago mantra that "There is no free lunch," and confirm the upbeat slogan that, if we steer with skill, "A rising tide lifts all boats."

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Populations, NYC and Comparison Cities, 1890-1998
Ranked by 1900 populations
Source: U.S. Census of Population, Decennial Volumes
Population in (000)
Growth rates are decennial, in percentages
In two tables: I, 1890-1950; II, 1960-1998

TABLE I: 1890-1950

City	1890	1900	1910	1920	1930	1940	1950
NYC	2705[8]	3437	4767	5620	6930	7455	7892
Rate/dec.		37.1	39	17.9	23.3	7.6	5.9
Chicago	1100	1698	2185	2702	3376	3397	3621
Rate/dec.		54.4	28.7	23.7	24.9	0.67	6.6
Philadelph.	1047	1294	1549	1824	1951	1931	2072
Rate/dec.		23.6	19.7	17.7	7	-1	7.3
St Louis	452	575	687	773	822	816	857
Rate/dec.		27.2	19.5	12.5	6.3	-0.7	5
Boston	448	561	670	748	781	771	801
Rate/dec.		25.2	19.4	11.6	4.4	-1.3	3.9
Baltimore	434	509	558	733	805	859	950
Rate/dec.		17.3	9.6	31.4	9.8	6.7	10.6
Pittsburgh	239	452	533	588	670	672	677
Rate/dec.		89.1	17.9	10.3	14	0.3	0.7
Cleveland	261	382	562	797	900	878	915
Rate/dec.		46.4	47.1	41.8	12.9	-2.4	4.2
Buffalo	256	352	423	507	573	576	580
Rate/dec.		37	20.2	19.9	13	0.52	0.69
S Francisco	299	343	417	507	634	635	775
Rate/dec.		14.7	21.6	21.6	25	0.16	22
Cincinnati	297	326	363	401	451	456	504
Rate/dec.		9.8	11.3	10.5	12.5	1.1	10.5
Detroit	205	286	466	994	1569	1623	1850
Rate/dec.		39.5	63	113	58	3.4	14
Milwaukee	204	285	373	457	578	587	637
Rate/dec.		39.7	30.9	22.5	26.5	1.6	8.5
Newark	182	246	347	414	442	430	439
Rate/dec.		35.2	41.1	19.3	6.8	-2.7	2.1
Jersey City	164	206	268	298	316	301	299
Rate/dec.		25.6	30.1	11.2	6	-4.7	-0.7

8 This is for NYC as presently constituted, including the four boroughs added after 1890.

City	1890	1900	1910	1920	1930	1940	1950
Minneapolis	165	203	301	381	464	492	522
Rate/dec.		23	48.3	26.6	21.8	6	6.1
Providence	132	176	224	238	253	254	249
Rate/dec.		33.3	27.3	6.3	6.3	0.4	-2
Kansas City	133	164	248	324	400	399	457
Rate/dec.		23.3	51.2	30.6	23.5	-0.25	14.5
Rochester	133	163	218	296	328	325	332
Rate/dec.		22.6	33.7	35.8	10.8	-0.9	2.1
Columbus	88	126	181	237	291	306	376
Rate/dec.		43.2	43.7	30.9	22.8	5.2	22.9
Toledo	81	132	168	243	291	282	304
Rate/dec.		63	27.3	44.6	19.8	-3.1	7.8
Syracuse	88	108	137	172	209	206	221
Rate/dec.		22.7	26.9	25.6	21.5	-1.5	7.3
New Haven	86	108	134	163	163	161	164
Rate/dec.		25.6	24.1	21.6	0	-1.2	1.9
Paterson	78	105	126	135	139	140	139
Rate/dec.		34.6	20	7.1	3	0.7	-0.7
Los Angeles	50	102	319	577	1238	1504	1970
Rate/dec.		104	213	80.9	114.6	21.5	31
Albany	95	94	100	113	127	131	135
Rate/dec.		-1.1	6.4	13	12.4	3.2	3.1
Dayton	61	85	117	152	200	211	262?
Rate/dec.		39.5	37.6	29.9	31.6	5.5	24.2?
Hartford	53	80	99	138	164	166[9]	177
Rate/dec.		50.9	23.8	39.4	18.8	1.2	6.6
Yonkers	32	48	80	100	135	143	153
Rate/dec.		50	67	25	35	5.9	7
Akron	28	43	69	208	255	245	275
Rate/dec.		53.6	60.5	201.4	22.6	-3.9	12.2
MAJOR BOROUGHS OF NYC							
Manhattan	1513	1856	2331	2284	1867	1890	1960
Rate/dec.		22.7	25.6	-2	-18.3	1.2	3.7
Brooklyn	806	1167	1634	2018	2580	2698	2738
Rate/dec.		44.8	40	23.5	27.8	4.6	1.5
Bronx		201	431	732	1265	1394	1451
Rate/dec.			114.4	69.8	72.8	10.2	4.1

9 Grew by annexation

City	1890	1900	1910	1920	1930	1940	1950
Queens		152	284	469	1079	1297	1550
Rate/dec.			86.8	65.1	130.1	20.2	19.5
GROUPS OF CITIES							
NY State-4[10]	572	717	878	1088	1237	1238	1242
Rate/dec.		25.4	22.5	23.9	13.7	0.1	0.3
Major Mid-Atlantic[11]	2147	2648	3135	3706	3953	3976	4236
Rate/dec.		23.3	18.4	18.2	6.7	0.6	6.5
N Jersey Neighbors of NYC[12]	424	557	741	847	897	871	877
Rate/dec.		31.4	33	14.3	5.9	-2.9	0.7

10 Buffalo, Syracuse, Rochester, Albany

11 Boston, Providence, New Haven, Philadelphia, Baltimore

12 Newark, Jersey City, Patterson

Populations, NYC and Comparison Cities, 1890-1998
Ranked by 1900 populations
Source: U.S. Census of Population, Decennial Volumes
Population in (000)
Growth rates are decennial, in %

TABLE II: 1960-98

City	1960	1970	1980	1990	1998
NYC	7782	7895	7072	7323	7420
Rate/dec	-1.4	1.5	-10.4	3.6	1.3
Chicago	3550	3367	3005	2784	2802
Rate/dec	-2	-5.2	-10.8	-7.4	0.6
Philadelph	2002	1949	1688	1586	1436
Rate/dec	-3.4	-2.7	-13.4	-6	-9.5
St Louis	750	622	453	394	339
Rate/dec	-12.5	-17.1	-27.2	-12.4	-14
Boston	697	641	563	574	555
Rate/dec	-13	-8	-12.2	2	-3.3
Baltimore	939	906	787	736	646
Rate/dec	-1.2	-3.5	-13.1	-6.5	-12.2
Pittsburgh	604	520	423	370	341
Rate/dec	-10.8	-13.9	-18.7	-12.5	-7.8
Cleveland	876	751	574	506	496
Rate/dec	-4.3	-14.3	-23.6	-11.9	-2
Buffalo	533	463	357	328	301
Rate/dec	-8.1	-13.1	-22.9	-8.1	-8.2
S Francisco	740	716	679	724	746
Rate/dec	-4.5	-3.2	-5.2	6.6	3
Cincinnati	503	453	385	364	336
Rate/dec	-0.2	-9.9	-15	-5.5	-7.7
Detroit	1670	1511	1203	1028	970
Rate/dec	-9.7	-9.5	-20.4	-14.6	-5.6
Milwaukee	741[13]	717	636	628	578
Rate/dec	16.3	-3.2	-11.3	-1.3	-8
Newark	405	382	329	278	268
Rate/dec	-5.8	-5.7	-13.9	-15.5	-3.6
Jersey City	276	261	224	228	232
Rate/dec	-7.7	-5.4	-14.2	1.8	1.8
Minneapolis	482	434	371	368	352

13 Milwaukee annexed much land in this decade, under Mayor Frank Zeidler.

City	1960	1970	1980	1990	1998
Rate/dec	-7.7	-10	-14.5	-0.8	4.3
Providence	207	179	157		151
Rate/dec	-16.9	-13.5	-12.3		
Kansas City	475	507	448	435	442
Rate/dec	3.9	6.7	-11.6	-2.9	1.6
Rochester	318	296	242	231	217
Rate/dec	-4.2	-6.9	-18.2	-4.5	-6.1
Columbus	471	540	564	633	670
Rate/dec	25.3	14.6	4.4	12.2	5.8
Toledo	318	384	355	333	312
Rate/dec	4.6	20.8	-7.6	-6.2	-6.3
Syracuse	216	197	170		152
Rate/dec	-2.3	-8.8	-13.7		
New Haven	152				123
Rate/dec	-7.3				
Paterson	144	145			148
Rate/dec	3.6	0.7			
Los Angeles	2479	2816	2966	3485	3598
Rate/dec	25.8	13.6	5.3	17.5	3.2
Albany	130				94.3
Rate/dec	-3.7				
Dayton	262	244	203	182	167
Rate/dec	0	-6.9	-16.8	-10.3	-8.2
Hartford	162	158			131
Rate/dec	-8.5	-2.5			
Yonkers	191	204	195	188	190
Rate/dec	24.8	6.8	-4.4	-3.6	1.1
Akron	290	275	237	223	216
Rate/dec	5.5	-5.2	-13.8	-5.9	-3.1
MAJOR BOROUGHS OF NYC					
Manhattan					
Rate/dec					
Brooklyn					
Rate/dec					
Bronx					
Rate/dec					
Queens					
Rate/dec					

City	1960	1970	1980	1990	1998
GROUPS OF CITIES					
NY State[14] – Rate/dec					764
Major Mid-Atlantic[15] Rate/dec					2911
Near neighbors of NYC[16] Rate/dec					648

14 Buffalo, Rochester, Syracuse, Albany

15 Boston, Providence, New Haven, Philadelphia, Baltimore

16 Newark, Jersey City, Paterson

APPENDIX: Questions wanting further research.

1. Urbanization in the northeastern U.S. was very rapid during the 1890-1900 depression. In sharp contrast, urbanization stopped cold in the 1930-40 depression (except in NYC, where it just slowed down). This dead stop was hardly due to suburbanization in that era of no-growth. The difference between the two depressions calls for some explanation. In the "dirty 'thirties," apparently people returned to marginal farms, for survival. What was different in the 1890s?[17]
2. Urbanization revived weakly, 1940-50, but de-urbanization began after 1950 or so, and after 1960 turned into a rout, led by the Interstate Highway System. NYC resisted this 20 years longer than most other cities.
3. Meantime, a new kind of quasi-urbanization at low densities and high auto-dependency was taking over the south and southwest, as exemplified by our one data set from there, for Los Angeles. (Many newer cities are of much lower density than L.A. and its suburbs, in spite of their reputation.) This also led to rapid growth in a few eastern cities specializing in autos and components: Detroit, Akron, and Dayton, which, however, began shrinking even while the auto boom was rising.
4. New cities have grown so fast that the minimum population required to be among the "top 100 cities" keeps rising, decade by decade. Thus U.S. cities, on the whole, have not "disappeared" so much as they have migrated, lowered their densities, disintegrated, and changed their settlement patterns.
5. Columbus has been a "sleeper," growing quietly from 88,000 in 1890 to 633,000 in 1990, becoming the largest city in Ohio. One reason is extensive annexation of and/or mergers with areas already populated. A possible reason, in the early decades, is that Columbus politicians were allies of Tom Johnson of Cleveland. Further explanation is not attempted here.

17To trace this back through the several depressions of the 19th Century, see the 1940 Census of Population, Vol. I, by state. This source gives city populations from 1790-1940.

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