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The Resurgence of New York City After 1920
Al Smith's 1920 Tax Reform Law and Its Aftermath

By

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This paper is for those who sense the value of history to guide the future. It is for tax reformers, urbanists, and other conscientious citizens concerned with the growth and health of cities and their peoples. Believers in free will will note its evidence of the impact of individual leaders, and the power of their intellects, personalities, and character, prevailing over exogenous "destiny." Jobseekers and homeseekers and space-seeking merchants and manufacturers will note it is written for them. 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.

The leading specific topic is to illuminate the aftermath of NYC's 1920 law exempting new housing construction (but not the land values) from the property tax from 1920 until the end of 1931. I will identify it as "The Al Smith Law," after the New York Gov. who sponsored and signed it. The finding is that NYC population grew much faster, percentage wise, 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.

Population growth is not the only goal of civic policy, it is understood. Population, however, is a sign of city health, even from the particularistic local view: a thriving city attracts people. 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.

NYC had been slowing down just before the law 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, 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

[1]Yisroel 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.

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 supports the "great man" theory. Individual leaders, through their intellects, personalities, attitudes 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 econometric modeling omits. Modern economics, with its mechanistic analytical "tools," is the poorer for the omission.

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 Law 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; and Milwaukee, under Mayor Daniel Hoan, 1916-36. Pittsburgh, known for its Georgist-oriented property tax policy, had no such growth spurt, for reasons to be examined below.

I omit Chicago, 1890-1900, because this period is 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 rectangle 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.

The original stimulus for this study was a pamphlet by Charles Johnson Post, titled <u>How New York Solved its Housing Crisis</u>. Post 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 outstripped the other cities: Philadelphia, Boston, Minneapolis, and, to a lesser extent, Chicago. Post credits the housing tax holiday, enacted in 1920, for this recovery. Post's findings cry out for substantiation because his assertions are momentous, while his proofs are casual, tantalizing the researcher. His style is evangelistic, putting a reader on guard.

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 (1933, p.438) deals with this case only cursorily, yet he 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." Geiger, though, provides no data or other support, and does not even cite Polak.

Literature on this episode is disappointingly sparse. So I will tentatively accept Post's data, subject to confirmation. I assume his data came from city records (U.S. Census data on construction and housing do not go back that far.) The population changes documented herein track Post's construction data quite well, adding to his credibility.

Post only 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, 1927; and the tax-exemption lasted through Dec. 31, 1931. Post writes loosely,[2] and there were later changes, with possible extensions, and who-knows-what administrative latitude. Polak, in 1924, described the law a little differently - and like as not some details did differ, then. Geiger (1933, p.438, n.137) says the exemption had a cap of $1,000 per room, and $5,000 per house or apartment building, later raised to $15,000. In 1927 there came a new 20-year exemption for dwellings built by "limited dividend companies under the State housing law."

The New York law had a political history that links it firmly to the Georgist episodes in Cleveland, Detroit, Toledo, and Milwaukee. In 1920 Gov. Al Smith called a special session of the legislature to address a "housing crisis" in NYC (Polak, 1924). This law was the outcome. Al Smith, like most political leaders, had to be pushed, but 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. "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. 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, all of Kuhn Loeb.

Before Smith was governor, Albany had blocked several single-tax bills, in the years

[2] I would not criticize Post, however: at least he made an effort. Tax economists and urbanists have neglected this striking policy experiment, and its apparently important, affirmative results in having saved the nation's largest city from decay. This neglect is itself noteworthy - negatively. It is not as though academicians were too busy with more important matters. Graduate students search desperately for thesis topics that have not already been overworked; academic and political literature teems with long disquisitions on factitious problems, and trivial, soporific, and transient topics. Everyone bemoans inner city decay. The U.S. Congress has created a new Cabinet Department, and appropriated hundreds of billions of dollars, to combat it - without success. This neglect raises questions about the professions that deal with such matters, but that is a topic for another day.

1909-16. Earlier, as majority leader of the Assembly, Smith himself had blocked a 1911 Georgist effort (the Sullivan-Shortt Bill) along similar lines. Ben Marsh claimed Smith admitted that the Roman Catholic hierarchy and the New York Real Estate Board swayed him (Marsh, 1953, pp. 21-22). Times and people change: for whatever reason, Smith changed by 1920. We may surmise that his success in reviving NYC helped boost him to the Democratic nomination for U.S. President in 1928; it may be this ambition that turned him.

In addition to the Al Smith law, Georgist thought and activism had made NYC assessors up-value land in the tax base, and down-value improvements, by recognizing depreciation and obsolescence. 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). Barker describes Johnson as Henry George's "field commander." Johnson also became a major power in Ohio state politics (Russell, passim). 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 Law covered.

Note that 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.

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).

A. Four other major cities in NY State: Albany, Syracuse[3], Rochester and Buffalo. Statewide policies would affect all these the same. [The Al Smith enabling law, although "local option" in form, was tailored for NYC only (Post, 1984, p.1).[4]] 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.

B. 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.

C. 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.

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[5]. 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 about 1897, while the growth revival we are studying didn't begin until 23 years later, after NYC appeared to be choking from lack of housing.

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

[4]Geiger, p.438, alludes in passing to six other cities, nameless, which may have used the law, but this statement is so vague, so brief, and so contrary to Post and Polak, that I cite it only as a precaution. Yonkers grew even faster than NYC, and bears examination.

[5]I have omitted Richmond, as too small to matter.

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 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.[6] (For details on New York's transit development, see Hammack, Fitch, Chernow, Jackson, and Hood.)

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 Law, 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.

1) 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

[6] The 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.

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 statue of Johnson stands in downtown Cleveland, holding a book with the visible title, <u>Progress and Poverty</u>.

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 whose memory later historians and economists have hidden. 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. Peter Witt, a fiery single-taxer, ran to succeed Baker, and lost only narrowly, indicating that Johnsonian policies would not suddenly vanish. After 1916, though, Cleveland fell into old-line Tory hands (Cramer, p.7), and began its long slide into 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.

2) 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 suburb of Southfield elected a latter-day single-tax Mayor, James Clarkson, who appointed a young single-tax assessor, Ted Gwartney. During the Clarkson regime, Southfield boomed vigorously, until anti-Georgist forces got Clarkson appointed a lifetime judge, getting rid of him as Mayor.

3) Toledo

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.

4) Milwaukee

Milwaukee grew fast for 20 years, without stopping or staying, under its left-wing 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.

5) Cincinnati and Ohio politics

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).

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; to Hanna, Johnson was 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," quoth Hanna.

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 <u>The Beast</u>. 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 1916, pushing for direct democracy to overcome plutocratic and boss rule. 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.

The population growth records herein, though, 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. 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). 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.

6) The Problem 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.

Population growth is not always a goal of civic policy, as noted earlier. 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 permissible 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 landowners. As to the last, however, the rise of land prices in NYC (which C.J. Post also documents), 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 confirm the slogan, "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	2507[7]	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**	**.67**	**6.6**
Philadelph.	1047	1294	1549	1824	1951	1931	2072
Rate/dec.		**23.6**	**19.7**	**17.7**	**7.0**	**-1.0**	**7.3**
St Louis	452	575	687	773	822	816	857
Rate/dec.		**27.2**	**19.5**	**12.5**	**6.3**	**-.7**	**5.0**
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**	**.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.		**37.0**	**20.2**	**19.9**	**13.0**	**.52**	**.69**
S Francisco	299	343	417	507	634	635	775
Rate/dec.		**14.7**	**21.6**	**21.6**	**25.0**	**.16**	**22.0**
Cincinnati	297	326	363	401	451	456	504

[7]The 1890 datum for NYC is for the City as presently constituted, i.e. including the four boroughs added after 1890.

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**	**14.0**
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**	**6.0**	**-4.7**	**-.7**
Minneapolis	165	203	301	381	464	492	522
Rate/dec.		**23.0**	**48.3**	**26.6**	**21.8**	**6.0**	**6.1**
Providence	132	176	224	238	253	254	249
Rate/dec.		**33.3**	**27.3**	**6.3**	**6.3**	**.4**	**-2.0**
Kansas City	133	164	248	324	400	399	457
Rate/dec.		**23.3**	**51.2**	**30.6**	**23.5**	**-.25**	**14.5**
Rochester	133	163	218	296	328	325	332
Rate/dec.		**22.6**	**33.7**	**35.8**	**10.8**	**-.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.		**63.0**	**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**	**0.0**	**-1.2**	**1.9**
Paterson	78	105	126	135	139	140	139
Rate/dec.		**34.6**	**20.0**	**7.1**	**3.0**	**.7**	**-.7**
Los Angeles	50	102	319	577	1238	1504	1970
Rate/dec.		**104**	**213**	**80.9**	**114.6**	**21.5**	**31.0**
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[8]	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**	**7.0**
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**	**-2.0**	**-18.3**	**1.2**	**3.**7
Brooklyn	806	1167	1634	2018	2580	2698	2738
Rate/dec.		**44.8**	**40.0**	**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**
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[9]	572	717	878	1088	1237	1238	1242
Rate/dec.		**25.4**	**22.5**	**23.9**	**13.7**	**.1**	**.3**
Major Mid-Atlantic[10]	2147	2648	3135	3706	3953	3976	4236

[8]Grew by annexation

[9]Buffalo, Rochester, Syracuse, Albany

[10]Boston, Providence, New Haven, Philadelphia, Baltimore

Atlantic[10]							
Rate/dec.		**23.3**	**18.4**	**18.2**	**6.7**	**.6**	**6.5**
N. Jersey neighbors of NYC[11]	424	557	741	847	897	871	877
Rate/dec.		**31.4**	**33.0**	**14.3**	**5.9**	**-2.9**	**.7**

[11]Newark, Jersey City, Paterson

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

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	**-2.0**	**-5.2**	**-10.8**	**-7.4**	**.6**		
Philadelph	2002	1949	1688	1586	1436		
Rate/dec	**-3.4**	**-2.7**	**-13.4**	**-6.0**	**-9.5**		
St Louis	750	622	453	394	339		
Rate/dec	**-12.5**	**-17.1**	**-27.2**	**-12.4**	**-14.0**		
Boston	697	641	563	574	555		
Rate/dec	**-13.0**	**-8.0**	**-12.2**	**2.0**	**-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**	**-2.0**		
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**	**3.0**		

Cincinnati	503	453	385	364	336		
Rate/dec	**-.2**	**-9.9**	**-15.0**	**-5.5**	**-7.7**		
Detroit	1670	1511	1203	1028	970		
Rate/dec	**-9.7**	**-9.5**	**-20.4**	**-14.6**	**-5.6**		
Milwaukee	741[1]	717	636	628	578		
Rate/dec	**16.3**	**-3.2**	**-11.3**	**-1.3**	**-8.0**		
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		
Rate/dec	**-7.7**	**-10.0**	**-14.5**	**-.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**	**.7**					

[1]Milwaukee annexed much land in this decade, under Mayor Frank Zeidler.

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	**0.0**	**-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							

GROUPS OF CITIES							
NY State -[2]					764		
Rate/dec							
Major Mid-Atlantic[3]					2911		
Rate/dec							
Near neighbors of NYC[4]					648		
Rate/dec							

APPENDIX I: Hauser on anti-Georgism

Elizabeth J. Hauser, editing and prefacing Johnson's autobiography, contributed this insight:

"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. It included the banks and trust companies with their directors. Banks that did not sympathize with this conspiracy were coerced by fear into compliance with the will of the stronger institutions. Through the banks, manufacturers, wholesale and retail merchants were reached. Business men who openly sympathized with the low-fare movement were called to the directors' rooms in the banks and advised, sometimes in guarded language, that their loans might be called or their credit contracted. ... cowed at meetings of the Chamber of Commerce ... threatened with boycott. The lawyers were almost a unit. At one time fourteen of the leading law firms of the city were employed against the movement. Many physicians and in a large measure the clergy were affiliated with this class. ... all who were seeking favor socially, professionally or commercially, lined up with Privilege.

"The newspaper persecution of Mr. Johnson was not confined to Cleveland. A publicity bureau supplied the country papers of the State with material ...

"To all of this was added the power of social ostracism. It was carried into the clubs and

[2]Buffalo, Rochester, Syracuse, Albany

[3]Boston, Providence, New Haven, Philadelphia, Baltimore

[4]Newark, Jersey City, Paterson

employed against all who distantly believed in or liked Mr. Johnson.

"'For the greater part of nine years,' writes Frederic C. Howe, 'Cleveland was an armed camp. There was but one line of division. It was between those who would crucify Mr. Johnson and all of his friends, and those who believed in him. ... If any kind of cruelty, any kind of coercion, any kind of social, political or financial power was left untried in those years to break the heart of Mr. Johnson, I do not know what or when it was'" (Johnson, p. xxii).

APPENDIX II: Inspection of the data in Tables I and II suggests some other 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?[5]

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. Was this a lingering after-effect of policies of Al Smith and Lawson Purdy, or from some exogenous force?

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. Further explanation is not attempted here.

6. 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 like few other cities ever did.

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[5]To 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.

Many signs point to a single-tax trend in Chicago during this period. 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).

It was during this regime that Altgeld's Bureau of Labor Statistics, under George Schilling, published its famous <u>8th Annual Report</u>, 1894, including comprehensive Lorenz-Curve data on the concentration of landownership in 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. The relationship of Governor Altgeld with Chicago needs confirmation, but Chicago was certainly a vibrant center of radical thought and activity in this age of Clarence Darrow, Henry D. Lloyd, Jane Addams, Julia Lathrop, Thorstein Veblen, Frank Lloyd Wright, Edward Bemis, Louis F. Post and his Georgist journal (<u>The Public</u>), Gene Debs, Warren Worth Bailey, Vachel Lindsay, the young Carl Sandburg, Florence Kelley, et al.

Chicago in the 1890s pioneered the skyscraper - surely not by overtaxing buildings. Louis Sullivan and much of the Chicago School of architects, including Frank Lloyd Wright, 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.

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. Chicago inspired Homer Hoyt's classic <u>One Hundred Years of Land Values in Chicago</u>. Richard Babcock's classic <u>Valuation of Real Estate</u> shows a strong Purdy influence.

None of that yet adds up, however, to a definitive showing that a city administration consciously shifted taxes to land values, as in Toledo, Cleveland, New York, Detroit and Milwaukee. More research into Chicago's political history is needed.

7. Minneapolis and Kansas City grew impressively up to 1930, and warrant further research. Somers (1901) published in St. Paul. Missouri was the site of vigorous single-tax campaigns which the opposition took seriously enough to resort to violence.

8. Bridgeport, CT, under its one-time "socialist" regime, bears investigating.