

"cheap to buy—dear to hold"

PROFESSOR M. Mason Gaffney of the Economics Department of the University of Wisconsin in Milwaukee, has contributed a chapter to an urban study by the Missouri Basin Seminar to be published by Kansas University at Lawrence, which reads like a sparkling back-to-the-city idyl.

He moves with logic and wit through the complicated history of negative urban containment—its threat to cropland (which he minimizes)—its inflexibility and service inefficiency—and its multifarious discriminatory features and exploitation born of monopolies and subsidies shamelessly encouraged by landholders serving as the "permanent party" running the city for "the transients."

He also introduces neutral containment (graduating utility and transportation rates by distance from load centers) and explains that utilities are forced to carry services to sparsely settled fringe subdivisions while the burden of cost is levied on consumers at the center, and speculators wait agreeably for the rewards. "Our cities," he says, "are becoming poorly coordinated spasms," and cheap land "means slow renewal frequency of sites." He suggests correcting this by making land "cheap to buy but dear to hold."

Professor Gaffney discusses the historic basis for greenbelts ("weed belts") and the newer restrictive devices such as large-lot zoning, also "city planning" which makes "millionaires of some and social reformers of others." Such attempts he regards as forms of collusion between the city fathers and the speculators.

He suggests replacement of all negative containment policies with simple positive ones. The first he calls "neutral or passive containment, and it amounts to nothing more startling than desisting from subsidizing expansion,"

which, if tried, might surprise everyone by working very well. Second, he calls for "use of the high latent capacity of central lands as the base of ad valorem property taxation." A new idea goes through three stages. First it is too ridiculous to consider, then it threatens the republic, finally it is a worthy cause. Urban sprawl, he feels, has arrived at stage three, with "gratifying suddenness."

But by taxing buildings we are taxing vertical transportation. "Think how many miles of wires, ducts, pipes and conduits there are in a skyscraper, not to mention the stairs and elevators, all social overhead capital supplied at private expense, and taxed besides. If the same floor space were sprawled out laterally over a section of suburban prairie, the connecting wires would not only be much longer, but would be supplied at public expense and/or heavily subsidized. We tax vertical transportation and subsidize horizontal."

The city, says this professor, who has been doing agricultural research in California, "in spite of the atrophy of central land values brought on by years of underdevelopment, by obsolescence and degeneration of old buildings there, in spite of race and school problems . . . is the best place for most activities of most people," and this is "implicit in its high unit values" (80 per cent of the country's land values are found there).

The heart of his proposal for positive containment then "is a heavy ad valorem tax on the base of site-capacity," which he states "has the remarkable quality of extracting more tax money from the center and simultaneously helping bring it to full flower."

"We have always heard that heavy taxes stifle enterprise, but that is a careless generalization. Taxes do not stifle enterprise just because they are

heavy: what matters is how the tax varies when the taxpayer acts enterprising." The author proposes a heavy tax which does not rise when buildings rise or fall but is fixed according to the capabilities of a site. "A site-capacity tax will move up or down as environment improves or worsens, but remains frozen as individual landowners respond to the environmental challenge. It does not tax a landowner as he improves, but as his neighbors and his government improve his opportunities."

Such a tax will "hit the center of town much harder than the outlands, because that is where the land values

are, and where the ratio of land value to building value is highest." It is not only permissive of site-improvement, but is downright mandatory. This effect is seen in outlying areas where farmers complain that rising property taxes force them to intensify and convert land to urban use. "Apply this potent positive leverage of taxation where it belongs," urges Professor Gaffney, "in the core of the central city, to the end of accelerating its renewal and overall revival. Let central buildings match the mountain majesty of central land values, and leave the agricultural zones in their Arcadian tranquility."

Land Broker Talks Back

Gaston Haxo, a serious Georgist living quietly in St. Petersburg, Florida, sent a letter to the local newspaper editor, as Georgists are wont to do. It was published, and later he personally received a long detailed letter from a land broker, consultant and appraiser who took issue with his views. It seems well at times to face squarely the objections of the opposition, so Mr. Haxo sent the letter to us.

This expert opponent states first that the total of all land taxes paid for county, school and city government, would barely support the schools alone, and that every political unit in Pinellas County would be bankrupt in 6 months if the sole support was land taxes. In 1962 the tax from land was 25.2 per cent of the total income of the people in that county, and taking the state as a whole it was only 17.1 per cent.

When an improved property pays out more than 20 per cent of its gross income for local taxes, we are told, it is in danger, and some shopping centers pay as much as 28 per cent of their gross. He maintains that single family areas and downtown

business properties grossly underpay for services — shopping centers' overpay, as do high rise apartments, vacant land, and parents of children. Furthermore he estimates that not over 5 per cent of the county land is in the hands of speculators, and that 95 per cent of it has been in the same families for 10 to 100 years.

He characterizes the ad valorem tax — as in fact two taxes. On the improvement it is a use or income tax — on wild and vacant land a capital levy. On idle land the owner must pay the tax from other income or lose his land, and this he believes unsound, since "government renders less service and benefit to wild land than to any other type of property." He holds it as a truism that taxation should be in proportion to ability to pay and to benefits received.

Comments from readers would be welcome.

Mr. Haxo has recently participated, along with Mr. and Mrs. William Newcomb of Melbourne, Florida, in the forming of a Florida Homeowners Association, patterned after the one in California.