

of the Greek ideology. The conservative thinking in Islam looked upon interest on money lent as a usury in the light of money being lent for consumption uses rather than for a productive objective. "Money cannot beget money." A charge of interest on lending money will be considered an exploitation of the needy poor.

In the second half of the feudalistic land holding system of Europe, when

commercial capitalism emerged, there was a second school of thought recognizing the existence of interest on lending money. The same with Islam: the conservative group holds its view on the ground that interest on lending money is usury; while the opposite liberal group claimed that interest on lending money is not usury, if and only if it does not exceed the rate of interest which is fixed by law.

The Option For Financing Subways

THE Westinghouse Engineer for January, 1970 presents in wide scope a discussion of city transit service, having researched all phases in an effort to promote Westinghouse "Transit Expressway" service. Subway construction is contrasted with development of motor routes requiring more high-cost land area and accommodating fewer people. Rooftops of subway stations, for instance, are suggested as multilevel parking lots. A plea is made for fine modern subways, replacing such old and dirty equipment as has served New York for many years but is now breaking down. The authors, G. W. Jernstedt, J. S. Robinson and R. E. Skorpil, all have bachelor of science degrees in some phase of engineering.

In discussing optional strategies for increasing the return on transit investment, Mr. Skorpil speaks of land value increases as a source of benefit, especially where there is a public desire to raise revenues without additional support from general municipal funds.

It was noted that new developments around a rapid transit right-of-way are difficult to imagine if they haven't been seen. Toronto's central business district was shown to have sprung to life as land values along the transit line tripled in two to five years, and at sta-

tions land values increased 300 to 400 percent. Since quick-acting speculators and developers have capitalized on this appreciation and realized enormous profits, it appeared to the author that the community should find a way to receive greater benefits from such gains.

The important role of land acquisition in the transit picture is suggested by the following:

"There are two potential sources of 'extra' land for resale: the first is obtained by necessity when larger-than-required parcels must be purchased for rights-of-way and stations; the second is land originally intended for future transit facilities but later found to be unnecessary or uneconomical for its intended use. An example of this might be found in parking grounds for park-and-ride facilities. At an early stage, when land is relatively inexpensive, large areas surrounding stations may be purchased for parking needs. When property values increase, parking can be concentrated in multiple-level structures and the balance of the land sold profitably on the open market, or leased on long-term contracts."

The original purchase price would be based on the value of land without transit and the ultimate sale price would reflect the value added by transit. A soundly conceived program

of land purchase and resale, say the authors, could provide substantial future cash flow and add appeal to transit bonds both to the investing community and the taxpaying public. Such strategy involves taxing the land near the transit right-of-way or stations at a special higher rate—these special taxes to be applied only when land is sold and/or converted from one use to another higher-density use.

While caution is urged in applying special taxes, it is noted that the windfall gains on land value increases remain primarily in the private sector, but the public is able to recapture some part of the increased land value that would otherwise go exclusively to land speculators.

A discussion of considerable length dealt with new cities, particularly in Stockholm where rapid transit is directing the orderly growth of the city rather than merely attempting to relieve traffic congestion. Stockholm, because it dates back to the 13th century and had no central city land available, had to open new land for urban expansion. As a result 18 satellite cities of from 10,000 to 50,000 inhabitants have been established around transit stops. Although they are some 12 miles from the center they are not remote, but are completely self-contained and fully integrated communities

with shopping, residential, commercial, industrial and educational, facilities. Ninety percent of the residents travel to Stockholm by a 15 minute subway ride and leave their cars at home, despite the fact that Sweden boasts a per capita ownership of private automobiles second only to the U. S.

In Stockholm it was reported that the metropolitan government is deriving substantial revenue from land leases on or about its transit properties, particularly in satellite cities where local governments have assumed the role of land developer for new areas.

Ultimately any reduced tax burden of lower-cost, more efficient transportation facilities must benefit all taxpayers, whether they use the subways or not. Those who depend on the highways will be relieved to find them less crowded.

A primary benefit to the public is the "unincurred property tax loss." Without rapid transit, say the Westinghouse authors, the additional freeways, surface feeder streets and parking lots required will eliminate a substantial amount of real estate value from the tax rolls. With rapid transit, valuable land that would have been required for parking can be used more effectively, which will ultimately increase its assessed evaluation.



QUITE A LOOPHOLE

A proposal introduced in the Illinois legislature pertains to real estate being used for commercial and industrial purposes but not previously taxed because it was owned by a university or college. While the sponsors made it clear that no one was questioning the tax-exempt status of property when used by the universities for educational purposes, they thought it unfair to allow institutions to rent land to industrial firms without payment of a use tax. Two large corporations and a major utility in Chicago would pay in excess of \$125,000 a year to local government if they were taxed as users of property owned by a tax-exempt institution. This item in the Chicago Daily News was captioned "Closing a loophole."