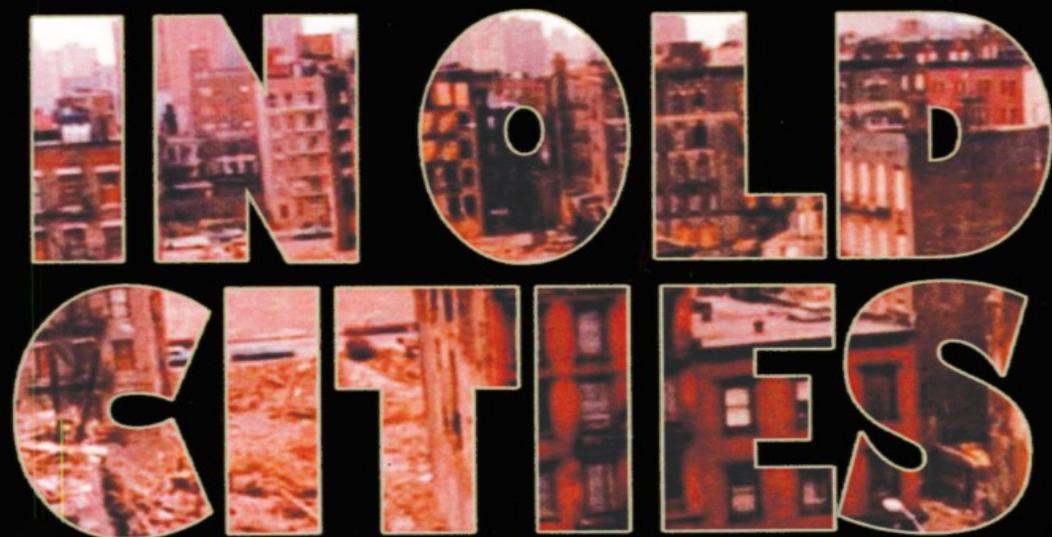
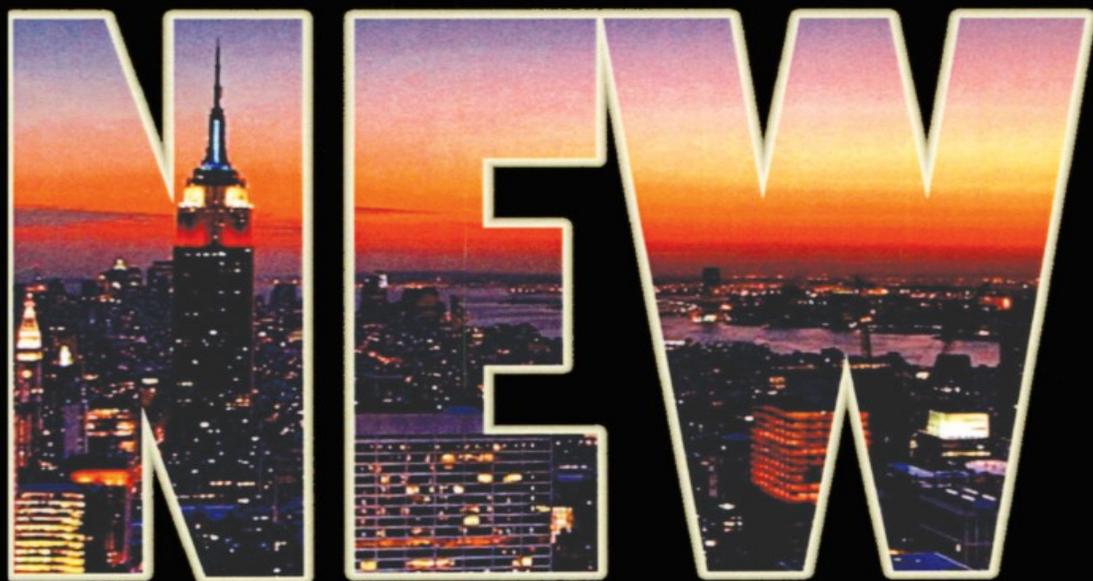


Robert Schalkenbach Foundation



Mason Gaffney

# **New Life in Old Cities**

**by Mason Gaffney**

Robert Schalkenbach Foundation  
New York



## **Acknowledgments**

Yisroel Pensack gave lavishly of his time, 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. My greatest debt is to Mary M. Cleveland, whose holistic mind and conscientious gentle prodding, reaching across a continent, have guided me to integrate the parts into a coherent whole.

I bear sole responsibility for the final product.

Mason Gaffney

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## *About the Author*

**Mason Gaffney** recently retired from active teaching at the University of California, Riverside.

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Prof. Gaffneys writings on the economics of land, forests, the environment, cities, economic history and many other topics are gathered at his website: [www.masongaffney.org](http://www.masongaffney.org).

*“History ...is the biography of great men”*— Carlyle



# Introduction

Some cities have grown in notable spurts. Some of these cities were new; others have revived after decaying. Cities' cells, like ours, metabolize and can refresh themselves constantly. Better than our bodies, cities need not die and can continue this cycle of renewal forever, when people remodel buildings and clear and renew sites. This can happen even after periods of sickness and senility. Given the will, it also takes some skill with public policy. We can observe the skill in the history of growing and reviving cities.

The temper of this study is non-deterministic. True, it deals with economics and numbers and tax policy. It speaks to architects and land and traffic planners, city managers, political leaders, valuers, lenders, welfare workers, epidemiologists, and other urban professionals — practical toilers in the trenches of everyday. It is for self-seeking employees and home-buyers and merchants and manufacturers, with simple motives and narrow outlooks. Yet the evidence keeps bringing us back to the impact of idealistic leaders, and the power of their ideals to move others, prevailing over and working with “destiny” and greed and myopia and technical details.

The study began as a limited look at an episode in New York City, 1920-32. Its leaders executed a Georgist-oriented exemption of new housing from the property tax, while maintaining the tax on land values. There ensued a notable surge in building and population, unmistakably linked to the tax policy. National population data disclosed, however, that New

York was not the only city to have boomed or revived suddenly. What was remarkable about New York, that we should be mindful of it?

Jane Jacobs has pointed out that cities grow “explosively” during periods of special vigor. She brilliantly described the private-sector process of import-substitution. However, she put such an anarchist spin on it she overlooked the positive role of political leaders, and tax and spending policy. When we look, we find that where we observe a high growth rate we also find, more often than not, a Georgist or fellow-traveling movement, Mayor, Council and Governor. We also find ports, parks, public schools, low-fare mass transit, social welfare, public plumbing, bridges and tunnels, public health programs, and so on, making a city attractive for people and profitable for business. We find public works and services provided without

heavy taxes on private commerce, labor, and buildings, which also make a city livable and attractive. This was the promise of Henry George, and it seems to have come true in many places during this, the Golden Age of American and Canadian cities.

To the extent that historians have noted this phenomenon it has been one city at a time. Robert Bremner's title, *George and Ohio's Civic Revival*, might give the impression that the action focused on Ohio; publicity about Pittsburgh, and more recently Harrisburg and Allentown, would make Pennsylvania the focus; a study of Henry George's origins leads us to San Francisco; and so on. But studies of one place at a time mistakenly localize what was a pandemic movement, 1890-1930. George and Georgists influenced tax policy in many other cities than New York, and rural areas too. The signature of their influence is the rate of population growth, reported in the *U.S. Census of Population*.

Geography and "Historical Laws of Motion" play their roles, and brute economic "forces," too; but political leaders tip the balance. These may be inspirational, analytical, or political. Italy's *Risorgimento*, recall, had its poet, Mazzini, its sword, Garibaldi, its composer, Verdi, and its brain, Cavour. We will find their counterparts who led growth spurts, and how they did it, in New York City, Chicago, Cleveland, Detroit, Toledo, Milwaukee,

San Francisco, Vancouver, Portland, Seattle, San Diego, Houston, Los Angeles, and some smaller cities. These are human factors that "cookbook" econometric modeling omits. Modern economics, with its mechanistic tools and canned standard procedures, is the poorer for it. Carlyle's history as the "biography of great men" (and women) has something to teach us.

To compare one city's performance with others' requires a standard measure, preferably simple and unitary. 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. Cord, Tideman and Plassmann, and Oates and Schwab, have searched building permit records for various Pennsylvania cities, but the records are non-uniform, hard to interpret, and often inconsistent with population data.

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 most cities' growth spurts accompanied provision of vast parks, superior schooling, mass transit, and other such public goods.

Some cities' growth spurts are complicated by annexations. Chicago in 1889 tripled its land area (Hoyt, p. 153). Detroit quadrupled its area in the 1920s. Columbus's steady growth is complicated by mergers and annexations that I have not tried to unravel. Milwaukee doubled its area around 1960, but lost population anyway. I have adjusted for these changes where I could, or dropped the city from the study.

This research began with New York City, under its Georgist-inspired plan, led by Governor Alfred Smith, to exempt new residential buildings (but not land) from its property tax, 1920-32. The ensuing boom in buildings and population was overwhelming. To get a perspective I tabulated growth rates of comparison cities. New York raced ahead of the nearest comparables, but the data also disclose several other cities with impressive growth spurts. What about them? Aren't there many other causes of growth?

Inspection revealed the remarkable and telling fact that these spurts occurred under Georgist leadership, too. Some of these cities and periods are Cleveland, 1900-20, under mayors Tom L. Johnson and Newton D. Baker; Detroit, 1890-1930, initially under Mayor, later Governor Hazen S. Pingree; Toledo, 1890-1920, under Mayors Samuel "Golden Rule" Jones and Brand Whitlock; Milwaukee, under "socialist" Mayors Emil Seidel, 1910-12, and Daniel Hoan, 1916-40; San Francisco under Georgist Mayor Edward Robeson Taylor, 1907-09, and consensual "Sunny Jim" Rolph, 1911 -30, spurred by activist James Hartness Jeffes (aka "Luke North"); Los Angeles under siege from socialist Job Harriman; Houston under single tax Assessor J.J. Pastoriza; San Diego under Assessor Harris Moody; and Chicago, 1890-1930. Chicago leadership is more complex, with its host of nationally prominent Georgists and fellow-travelers (John Peter Altgeld, Louis Sullivan, Frank Lloyd Wright, Walter Burley Griffin, Clarence Darrow, Jane Addams, Louis F. Post, Brand Whitlock, Henry D. Lloyd, Margaret Haley, Edward Dunne, and others). 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.

Jersey City had a Georgist Mayor, Democrat Mark Fagan, with a redoubtable Georgist Republican mentor, George Record, off and on from 1900-18. They never grew strong enough to beat the railroads or dominate tax policy (Tobin, 1974). Yet it was after Fagan that Jersey City stopped growing, under “Boss” Frank Hague. In the 1920’s, New Jersey specifically rejected a copycat Smith plan (Pleydell, *passim*).

Vancouver under 8-time Mayor Louis Denison “Single-tax” Taylor went further than any U.S. city in exempting buildings, and grew much faster. It actually *quintupled* in population, 1895-1909, after exempting first *Vi*, and then %, and then, for a few years, all of building values from the property tax (Marsh, 1911, pp.33-37; George, Jr., 1911; Rawson, 2000). That is the fastest growth rate on record. Far from blighting Vancouver, it left it probably the most beautiful and livable city in North America, perhaps in the world. Emulation of Vancouver was a common theme in Seattle, Portland, and San Francisco.

There were strong statewide single-tax campaigns in Oregon, led by W. S. U’Ren of Portland, father of the “Oregon System” of Initiative and Referendum, which he pioneered in the hope it would pave the way to the single tax. Losing at the polls did not dispose of the issue or dismiss the protagonists, especially in Portland, where the pro-single-tax vote was always strongest — up to 49% at one point. The campaigns raised consciousness of the issue and gave future politicians a well-defined constituency to “fish” for by bending assessment practices in the Georgist direction. This kind of shading is hard to document, but Professor William McKinley of Reed College told this writer in 1947 that Multnomah County (Portland) overassessed land relative to buildings up to 1941. Politicians troll for the votes of any strong constituency; shading assessments is one way.

In 1912 “the City Council of Seattle, several of whom were singletaxers,” submitted a single-tax amendment to the voters. The Chamber of Commerce weighed in with a proposed 10-year exemption for industry. The voters said no, but at the same time elected a single-tax Mayor, George F. Cotterill (Young, p. 189). We may reasonably surmise that Seattle, with this kind of political and business support, also shaded assessments as Portland did, undervaluing new buildings relative to land.

These were not isolated local events; the leaders networked. In Dunne's Chicago, the principals "were very conscious of being part of a national movement, and they were in close contact" with Georgist powers in other cities, especially Tom Johnson of Cleveland and Jones of Toledo (Morton, pp. ix, 8). Johnson had been George's "field commander" (Barker). Mayor,

E.R. Taylor of San Francisco had been close to being co-author of *Progress and Poverty*. Pioneer land assessor William A. Somers traveled busily on loan from Tom Johnson from city to city, instructing local assessors in his Georgist techniques. Altgeld of Chicago knew and supported George; Purdy of New York had campaigned for George. It is not likely a coincidence that all four of these George disciples or allies presided over cities that grew much faster than most others.

An evidence of early networking was action at the national level. In 1892 there were six single-tax Congressmen: Tom Johnson and Michael Harter of Ohio; Jerry Simpson, Kansas; John de Witt Warner and Charles Tracy, New York; and James Maguire, California. They managed to help keep land rents in the base of the 1894 Income Tax Act. In 1896, John Peter Altgeld was the brains behind the fused Democratic-Populist platforms. Charles Evans Hughes nearly became U.S. President in 1916. Single-tax Congressmen Henry George, Jr., and Warren Worth Bailey dominated the drafting of the income-tax act of 1916 which exempted most labor income and taxed a lot of land rent. Woodrow Wilson appointed several Georgists to his cabinet, elevating Newton Baker to national stature as his Secretary of War; and Baker later came within a hair of being the Democratic Presidential nominee in 1932. Al Smith, of course, was the nominee in 1928, even as his New York City housing law was still working its magic there.

Networking extended to the fellow-traveling conservation and national parks movements. Chicago, New York and San Francisco had led in providing their people with generous lands for public parks, the palettes for outstanding park designers like Daniel Burnham and Frederic Faw Olmstead. It was a logical extension when Chicago and San Francisco supplied leaders for the National Park Service, founded in 1916 when Interior Secretary Franklin Fane of San Francisco, supported by Congressman William Kent of San Francisco, made Stephen T. Mather of Chicago first head of the Service. Earlier, President Roosevelt of New York had set aside land for Yellowstone National Park. Eater, Chicago progressive political junkie Harold

F. Ickes served FDR and HST as Secretary of the Interior, 1933-46 — the longest tenure of a cabinet officer in U.S. history. Ickes' whole career was faithful to the model of John Peter Altgeld, who had inspired him as a youth. Ickes in power battled long and fiercely to protect the public domain from predators, to strengthen the national parks, to open public access to seashores, to save the "tidelands" from control of states dominated by oil firms, to enforce the public trust doctrine as Chicago had in 1892... all causes with a strong Georgist component.

I originally 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 or only briefly told here, of Houston, Vancouver, Victoria, New Westminster, Edmonton, Saskatoon, Portland, Seattle, Los Angeles, San Diego, California farm towns like Modesto, Turlock, Fallbrook, Merced, Manteca, Fresno, Lindsay, et al., and irrigated farming around them under California's Irrigation District Acts (Henley; Gaffney, 1969; Rhodes). One "farm town," San Jose, stimulated by its tailor-made modified irrigation district", morphed into a major city and the capital of Silicon Valley. Populist farmers in the upper Midwest, with their "Non-Partisan League" and strong cooperatives, leaned toward single-tax. Farmers and farm towns in Canada's Prairie Provinces with their CCF Party leaned the same. George-like single-tax fervor bent, if it did not dominate, most of the Pacific Coast and western Canada, rural and urban, during their fastest growth periods.

We begin with New York City, move on through the cities cited above, and end with two anomalies. One is that Pittsburgh, long the poster-child of Georgist publicity, has lagged in population. The other is that "radical" and labor-oriented cities seem to grow faster than cities like Cincinnati with "pro-business" administrations.

\* Its name is quite a mouthful: The Santa Clara Valley Water Conservation District. It is modeled on a Wright Act Irrigation District, under State Law, taxing land values and exempting buildings. Attorneys Herbert Jones and Albert Henley modified it to fit political conditions, as they saw them, around and including San Jose. They exempted improvements outside the city, and taxed them inside, to mollify the farmers. There followed what seemed at first to be an awful example of urban sprawl, as the subdivision of farm landholdings enabled developers to pick up farm lands here and there; but the result today is Silicon Valley.

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.’ In 1921 the New York City Council took the option. There ensued an extraordinary boom in both building and population, beginning immediately and with an “echo effect” to 1940, even during the Great Depression when most other cities’ populations froze.

# New York City Reborn, 1920-31

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 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 percentage-wise, than that of comparison cities, from 1920 to 1940, and for a while thereafter. See Appendix 3 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.

## New York City’s Success, and Its Meaning

New York City’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:

1. to refute the “convergence” thesis, which would have all cities becoming more alike, regardless of public policies;
2. 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;
3. 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;
4. to suggest that cities and states, through their public policies, control their own destinies.

## 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 (son of Louis F. Post)<sup>1</sup> 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 they are momentous, while his proofs are casual and his mood preachy.

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, normally a careful scholar, concludes without 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. Perhaps he regarded the New York boom as common knowledge. If it was so in 1933, it is not now, and wants documentation.

Fortunately, we have Pleydell and Wood (1960), 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, other than tenements, produced in NYC rose from 11,000 in 1920 to 36,000 in 1923; while the number of new family dwelling units 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 A1 Smith Act.

The F.W. Dodge Co. reported monthly on floor space contracted for. This rose from half a million square feet in December, 1920, to 13 million square feet in December, 1923, a 26-fold increase (Pleydell and Wood, 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 which 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.

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 through December 31, 1931. 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 class residents mainly. Pleydell and Wood goes into great detail, more than is needed here, but definitively confirming the major points of Post, Polak and Geiger.<sup>2</sup>

Political History: the Geogist Factor

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 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 singletax 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, 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 singletax 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 cochair, 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 more so 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 Roman Catholic hierarchy, with its anti-Georgist history and mindset (as revealed in its shabby treatment of Fr. Edward McGlynn).

Assessment Reform, Silent Senior Partner of Tax Reform

In addition to the A1 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, alawyer, was an early single-tax campaigner, a young associate of Henry Georges later years, who soon became President of the Board of Taxes and Assessments

of the City of New York. As such he published *The Assessment of Real Estate*. 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’s 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. (It is also clearly laid out in Alfred Marshall’s *Principles of Economics*.) 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 A1 Smith Act covered.

#### 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 and Wood. 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 and Wood 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 A1 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 Hen-nessy wrote that the Ai 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 and Wood. 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.

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.

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, 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 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.<sup>3</sup> 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 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 (DickNetzer, 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.<sup>1</sup> (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.

1. 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 yields 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.

2. 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.

3. 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. The unearned increment of the land value under and around a house, which is taxed much lighter than “ordinary” income from labor, comes entirely from the land element. I would be delighted to learn of a single writer on income tax matters who has gotten those points—I know of none.

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 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 or shrank.

Summary: Effectiveness of the Smith Act

The Smith Act almost certainly helped 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.

#### Aftermath

After 1932 the forces of tax limitation rallied, financed by the likes of the Rockefeller Brothers, the Seth Low family, A. A. Berle, and of course several others. According to Robert Fitch they chose Fiorello La Guardia as their front man, trusting him to put on a populist charade while capping their taxes and promoting a 6th Avenue subway line to serve Rockefeller Center (Fitch, 1985, p. 192). And so New York City's remarkable growth spurt tapered off, leaving it larger, but otherwise much like many other older cities.

Data in Appendix 3, pp. 54-55, gathered originally for comparison with NYC, also point us to some other cities that grew rapidly during parts of 1890-1940. Some grew faster, percentage-wise, than NYC. What, then, is special about NYC's spurt? In several of the other cities, rapid growth was associated with Georgist-oriented policies and attitudes similar to those of NYC under its A1 Smith Act, and its Lawson Purdy assessment practices. This supports C. J. Post's and Geiger's and Polak's assertions of cause and effect.

# Growth spurts in some Other Cities

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. Charles Barker, biographer of Henry George, describes Johnson as George's "field commander." In 1906, Mayor Johnson inaugurated a low 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. Somers supervised the first quadrennial assessment (Post, 1915, p.91). 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 out for all to see, and on it engraven so clear: *Progress and Poverty*.

Johnson's City Solicitor and ally, Newton D. Baker, was another remarkable leader, who later nearly edged out FDR for the Democratic

Presidential nomination in 1932 (Cramer; Neal; Moley). Baker won the mayoralty in 1911, after an interregnum of just two years. 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. Baker left behind an improved infrastructure, and the city debt that financed it, so the City needed heavy land-value taxes for some time to come. Peter Witt, often described as “a fiery single-taxer,” ran to succeed Baker and lost only narrowly, indicating that Johnsonian policies retained a large constituency. After 1916, though, Cleveland slowly fell into old-line Tory hands (Cramer, p.7). It also began its long slide into its present torpor and mediocrity. From 1900 to 1920,

Cleveland’s population had more than doubled. 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. Its masses of voters would dominate Ohio politics, which helps explain the efforts of the Taft and Hanna machines in the 1912 Ohio constitutional convention, to be described below, to block its pro-growth policies.

Detroit, 1890-1930

Detroit’s soaring growth, 1890-1930, obviously involved the auto industry, but why did that industry focus on Detroit? There was no St. Lawrence Seaway — that opened in 1959, when it failed to arrest the decline of most Great Lakes cities, whose leaders were failing to stop their internal decay. 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 one of the great ironies: The Motor City, whose auto firms did so much to destroy mass transit, originally attracted them by providing cheap mass transit for their workers. Pingree was growth-oriented, but not annexationist, and was in tune with Johnson.

Growth after Pingree, however, entailed vast annexations, nearly quadrupling the City area by 1930. During this period Detroit subsidized sprawl massively, resulting in one of the worst cases of excess subdivision in the U.S.A. at that time (Fisher and Smith, 1932; Fisher, 1933), although

there was keen competition for that superlative. Historians have neglected Pingree as compared with Johnson and Baker of Cleveland, and Jones and Whitlock of Toledo, but Joseph Dana Miller rates Pingree with Johnson and Whitlock as a “true single-taxer” (Miller, pp. 411-12).

Appendix 3 shows a sensational collapse of Detroit after 1950 or *so*. A weak market for autos? Hardly, Detroit’s fall coincided with the Interstate Highway System and the greatest auto sales boom in history. The St. Lawrence Seaway opened in 1959, opening more export markets. Foreign competition came later. Detroit’s leaders, auto-oriented, forgot the Pingree policies that had launched Detroit earlier. During Detroit’s fall, the brand new suburb of Southfield elected a latter-day single-tax Mayor, James Clarkson, who appointed a 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.<sup>4</sup>

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.

Toledo peaked out after 1920. The shackles of the 1912 Constitution blocked Toledo just as they did Cleveland. In addition, according to Milwaukee Mayor Daniel Hoan, the railroads with their key landholdings choked Toledo by tying up its waterfront (Kerstein, pp.42-43). Hoan had taken drastic action to take control of Milwaukee’s waterfront, with its city-owned port and parks. Chicago had earlier done the same. It was Hoan who led the fight for the St. Lawrence Seaway Project, fighting railroad corporations all the way.

Milwaukee, 1916-40

Milwaukee grew fast for 30 years under its “socialist” Mayors

Emil Seidel (1910-12) and Daniel Hoan (1916-40). Hoan’s tenure was the longest of any Mayor of a large American city; he was nationally recognized as the best mayor in the country, and Milwaukee under Hoan was the best-governed city (Kerstein, 1966). This was a period of slowing growth in most other cities in Appendix 3.

Hoan's brand of what others labeled "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. This is the system spread by W.A. Somers, and at that time known by his name. 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*).

Hoan also took control of Milwaukee's waterfront from the rails for the City, creating the Port of Milwaukee and a string of lakefront parks. Hoan was inspired by civic reform in Chicago, where he had lived from 1905-08 under Mayor Edward Dunne (q.v.), and taken his law degree. He modeled himself on Clarence Darrow.

Later Mayor Frank Zeidler (1950-60) was also a "socialist" of sorts, and well-intended, but without Hoan's keen mind. He believed annexation was the way to provide cheap housing for workers so he annexed all of north-western Milwaukee County, doubling the City's area. Then he stepped down in 1961 for Henry Maier, whom he mistakenly thought would carry on the Hoan tradition. Maier turned out to be retrograde, consumed by national ambitions and a do-nothing strategy of blaming all the City's problems on its suburbs and an imaginary conspiracy of enemies. 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.

Chicago

Chicago grew by 34%, 1890-1900. This figure is inflated by annexation (Hoyt, p. 133), but is still a notable spurt, even in that decade of urban growth elsewhere. Chicago did not just spread, it pioneered the skyscraper, and centralized its transit system as few other cities ever did. From 1900-30 it continued to grow at higher percentage rates than most other cities, and much higher absolute rates, confirming its status as America's second largest city.

Owing to a perpetual drainage problem, Chicago always faced higher property tax rates than other cities (Ginger, p.24). This made the structure of the property tax especially important in Chicago. High tax rates on buildings could have stopped its growth and renewal, but many signs point to a single-tax trend in Chicago during this period.

Who was Chicago's Tom Johnson? It was not one person, but a large and shifting group. Chicago lawyer John Peter Altgeld, humanitarian and reformer, was Governor of Illinois, 1892-96. His administration contained several single-taxers, including young Brand Whitlock, future Mayor of Toledo, whom Altgeld inspired (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." (Dickinson, 1891). It was also a tribute to the efforts of Mayor/Governor Hazen Pingree, who battled to get Michigan rails to pay taxes.

In 1892 Chicago won in *Illinois Central R.R. v. Illinois* (146 U.S. 387), a watershed decision, invoking the "public trust doctrine" to revoke the corporation's claim to lands that now comprise Chicago's lake front park system. One battler for this cause was lawyer Alexander Stuart Bradley (1881), later the (reluctant) father-in-law of Thorstein Veblen. This legal victory was nicely synchronized with its Columbian Exposition, an impressive display of civic spirit, inspirational civic architecture for public places, and a springboard for the career of Daniel Burnham, Chicago planner.

It was under Governor Altgeld that the Illinois Bureau of Labor Statistics, under George Schilling, published its famous *8th Biennial Report*, 1894, including comprehensive Lorenz-Curve data on the

concentration of landownership in what is now The Loop of Chicago. At Gov. Altgeld's request, Schilling engaged Louis F. Post, leading Chicago Georgist, editor/publisher, to research the Report (Barnard, p.382). There is no comparable study, to my knowledge, of another American city. Such support in Springfield had its effect locally in Chicago. Schilling was a Chicago labor leader who helped elect Altgeld. The current cohort of economists at the University of Chicago take it on faith that unions obstruct economic growth, but one could not illustrate it from the City of Chicago, a major center of union activity during its period of fastest growth. These unions supported Altgeld, and Georgist ideas.

Rather, Chicago was a national center of anti-monopoly and single-tax thought and activity in this age of Mayor Edward F. Dunne,

John Peter Altgeld, Ida Tarbell (*History of Standard Oil*), Henry Demarest Lloyd (*Wealth Against Commonwealth*), Clarence Darrow (Georgist City Councilman, noted defense attorney and humanitarian), Edgar Lee Masters (Altgeld's law partner and author of *Spoon River Anthology*), Jane Addams (founder and head of Hull House, a leading settlement house, later a Nobel Laureate), Julia Lathrop (founder of the Children's Bureau, U.S. Department of Labor, where she, a Taft appointee, soon collaborated with Louis F. Post, Ass't. Sec. of Labor under Wilson), Louis Sullivan and Frank Lloyd Wright and Walter Burley Griffin (pioneer creative architects), Daniel Burnham (outstanding city and park planner), Alexander Stuart Bradley, Kenesaw Mountain Landis (future baseball commissioner who cleaned up the sport after the "Black Sox" scandal), Gutzon Borglum (sculptor of J.P. Altgeld in Chicago and Mt. Rushmore in SD), Eugene Field (lawyer and poet), John Dewey (educational philosopher), Margaret Haley (union leader and gadfly of assessments), Thorstein Veblen (pioneer critic of the mores of greed), Edward Bemis (expert on utility and transit rates, representing consumers), Louis F. and Alice Thacher Post and their Georgist journal, *The Public*, Gene Debs (labor leader and Socialist candidate for President), Emil Jorgensen (prolix but effective exposé of R.T. Ely), Warren Worth Bailey (later Georgist editor in Johnstown, PA, and then Congressman who led in framing the pioneering income tax act of 1916), Yachel Lindsay (poet who idolized Altgeld), Carl Sandburg (liberal and poet), Florence Kelley (outstanding social worker), George C. Olcott (publisher of annual land values blue book), Stephen T. Mather (national parks), Harold Ickes (future Interior

Secretary), et al. Upton Sinclair, a Georgist fellow-traveler, stayed in Dunne s Chicago long enough to win fame and fortune with *The Jungle* in 1906. Two or more generations of Midwesterners fleeing from small town Babbitry flocked to Chicago. Where Portland spawned quixotic Marxists John Reed and Big Bill Haywood, Chicago reformers were of more practical bent.

A later Chicago spinoff was the remarkable Daniel Hoan, Mayor of Milwaukee for a record tenure of 24 years, 1916-40. Hoan ran a restaurant in Chicago and got his law degree there, 1905-08. Clarence Darrow was his role model. Then he returned to his native Wisconsin to practice labor law, at the behest of Victor Berger and other leading Socialists. Carl Sandburg came along soon as secretary to Emil Seidel, Milwaukee's first Socialist Mayor, 1910-12. Seidel, with Hoan as City Attorney, pushed for "front-foot" assessments — code for the Somers System. Milwaukee grew by 23%, 1910-20, and another 27%, 1920-30. Under Hoan, Milwaukee became known as the best-governed city in America. During the Great Depression he kept collecting taxes not just for current expenses, but for amortization funds to pay off old debts, and emerged debt-free by 1940 (Kerstein, *passim*; Hoan, *passim*).

Another Chicago spinoff was the architect and planner Walter Burley Griffin, a member of the Chicago Single Tax Club. Griffin won a contest to design a new Capital city, Canberra, for Australia. He set it up financially on Georgist lines and remained in Australia. In 1918 he co-founded the Henry George Club of Melbourne.<sup>5</sup>

Another spinoff was William Kent, with his wife, Elizabeth Thacher Kent,<sup>1</sup> who left their mark on Marin County, California, and the nation. Kent had been a Chicago city councilman, and President of the Municipal Voters' League, before moving west in 1907. There was a public spirit gusting around The Windy City in those years. The Kents rode the updrafts by speculating in land; but turned around and donated magnificent Redwood Canyon, now Muir Woods, to the U.S. as a National Monument, for free public use.

(There was no income tax to deduct it from at that time.) They insisted it be named Muir Woods, rather than for themselves. A grateful public made Kent a Congressman. He was a Progressive Republican, allied with President T.R., Gifford Pinchot, Walter Fisher,<sup>6</sup> and the Conservation Movement, allied spiritually with the idea of common land rights, urban

Georgism, “The City Beautiful” movement, and public ownership and control of public utilities. Stressing the last aspect, Kent and Pinchot were “Utilitarian Conservationists”, causing a split with Muir, a 200% “Wilderness Conservationist”, over developing Hetch Hetchy for public power and water supply (Nash). However, Kent sponsored the bill that created the National Park Service in 1916, with Chicagoan Stephen T. Mather at the head. Kent also founded the “Save the Redwoods League”.

Yet another Chicago-inspired export was Clarence Darrow’s friend James Hartness Jeffes. In politics, he used the nom de guerre “Luke North.”<sup>1</sup> He named his movement “The Great Adventure,” a long series of biennial single-tax Initiatives that peaked (but did not end) in 1916. North’s base was San Francisco, q.v.

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, Walter Burley Griffin, and many in the Chicago School of architects favored downtaxing buildings, if only from self-interest.\* 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. Indeed, low transit fares and utility rates were an integral part of single-tax ideology in those days. A city that taxes real estate without overtaxing buildings must be taxing land values. At the same time Chicago, like San Francisco and New York, pioneered city parks and public spaces on a grand scale, laid out in the Daniel Burnham Plan, developed while the Georgist Edward F. Dunne was Mayor.

Chicago’s consciousness of land values is shown by its being the only city to have anything like George C. Olcott’s annual Olcott’s Blue Book of Land Values, 1910-date. Olcott used Somers’ methods to appraise a whole city, and later a whole county, every year, using only a very small staff (including modest Robert King, long-time supporter of the Henry George School in Chicago). Olcott also supported the Chicago Single Tax Club, and wrote “Chicago’s Amazing Growth” for *Land and Freedom*, an activist Georgist journal based in New York. Chicago inspired and supplied data for Homer Hoyt’s classic *One Hundred Years of Land Values in Chicago* — many of Hoyt’s values being credited to Olcott’s annual Blue Book. Chicagoan Frederick M. Babcock’s classic *Valuation of Real Estate* shows Somers’ influence, separating land from building values.

Dunne brought in Tom Johnson's Cleveland assessor, W. A. Somers, to coach Chicago assessors on using the important "building-residual" method of separating the value of land and buildings. Somers, recall, also worked with Lawson Purdy to apply this method in New York.

Margaret Haley was for Chicago what Lawson Purdy was for New York. Haley was not an assessor, but head of The Chicago Teachers Federation, an independent union. She was a devoted, persistent

It is reasonable to surmise that skyscraper pioneer Daniel Burnham agreed with Sullivan on this, although I have no direct evidence of it.

battler for honest assessments. She correctly saw them as a more politically attainable means of raising revenues for teachers' salaries than raising tax rates. A Georgist, she also saw them as a means of shifting the burden off buildings onto land. She focused her efforts on the Loop, following the precedent of George Schilling in 1894. The baleful influence of Richard T. Ely came to bear when his employee, Herbert D. Simpson, published *Tax Racket and Reform in Chicago*, denying that Loop lands were underassessed. Considering the source, one may suspect that an ulterior motive was to undercut further support for Haley. Either way, Margaret Haley's crusading raised lots of revenues from landowners to pay schoolteachers and other public employees. An associated cause of hers was to raise lease rates on grant lands owned by the Chicago School Board in downtown Chicago. These had been let on sweetheart terms to favored lessees, including *The Chicago Tribune* and other newspapers, which regularly abused Haley for her efforts.

John Peter Altgeld lost as Governor after pardoning three of the Haymarket Riot "anarchists" for having been unfairly tried. Unbowed by the hysteria, he returned to Chicago after 1896 and became active in both national and Chicago city politics. The 1896 Chicago Platform of the national Democratic Party was an Altgeld platform with strong populist and labor elements, repudiating Grover Cleveland, fusing the silver issue with social issues. Ray Ginger believes that had Altgeld been born in the U.S., he might have been nominated for President. The power elite saw Bryan as a harmless child, with Altgeld as the brains of the fused Populist/Democratic Party. Altgeld supported Henry George for Mayor of New York, 1897 (Barnard, pp. 418-20).

Altgeld died in 1902; Lloyd in 1903. Mayor Edward F. Dunne, an old Altgeld ally, took over the leadership in Chicago. He was Mayor, 1905-07,

and later Governor of Illinois. He had strong single-tax leanings and connections, "...as Mayor he functioned as the disciple of Cleveland's Mayor Tom L. Johnson, who had earlier counted Mayor Hazen Pingree of Detroit as his mentor...." (Morton, p. ix). Dunne appointed single-taxer Louis F. Post to the Chicago School Board, an independent taxing body (Schmidt, p. 106), and supported Post above all others. Besides Post, Dunne's allies included Clarence Darrow, Jane Addams, Judge Murray Tuley, Raymond Robins, future U.S. Senator and 1932 "Favorite Son" J. Hamilton Lewis, many union leaders, liberal judges, some middle-class activists, and others. "[T]hey were very conscious of being part of a national movement, and they were in close contact with Cleveland's Mayor Tom L. Johnson, Toledo's Mayor Samuel M. Jones, and others." (Morton, p.8)

It has been alleged that Lloyd clashed with Henry George as being too pushy. Perhaps — there is always some elbowing in politics. But Eugene Staley calls Lloyd "the prominent single-taxer" (Staley, p. 118). Ray Ginger refers to Lloyd as a "single-taxer," and when Lloyd died in 1903, four Georgists shared the memorial service: Clarence Darrow, Edward Dunne, Cleveland Mayor Tom Johnson, and Toledo Mayor Samuel Jones (Morton, p.2).

Other Dunne supporters in 1905 included Wm. Jennings Bryan, Wm. Randolph Hearst, and Joseph Medill Patterson. Each did so for his own reasons: self-aggrandizement for Hearst, political gratitude for Bryan, family rebellion for Patterson. Dunne was, at any rate, a national figure in his times, drawing support from many quarters.

Later Mayor William Dever, 1923-27, was Dunne's protege. His biographer (John Schmidt, 1989) touts him as "the mayor who cleaned up Chicago." Even the corrupt William Thompson, Dever's nemesis, was growth-oriented and "open to suggestion." Dunne, however, reports that assessments became corrupt after 1927. This is about when Ely's man Simpson published his "tax racket" whitewash, and Chicago's growth rate fell behind New York's.

Dunne was active through 40 years. Before being Mayor, 1905-07, he was an elected Circuit Judge of Cook County, from 1892.

After being Mayor he became Governor, 1913-17. As Governor he had the Legislature make a U.S. Senator out of his old ally, J. Hamilton Lewis. In the 1920's he was the power behind Senator Lewis and Mayor William

Dever, allied by that time with Charles Merriam, Clarence Darrow, Harold Ickes, Jane Addams, Donald Richberg, and other national figures.

Dunne was still active in Democratic politics at the Convention of 1932. At that point, however, the old single-tax linkage failed to join him in common cause with A1 Smith and Newton D. Baker, rival candidates, or with Clarence Darrow or Jane Addams, both also powers in the convention. Dunne and Ickes both went over to FDR. Judge Samuel Seabury of New York, quondam land-tax supporter and scourge of Tammany corruption, was also there as a dark-horse (Moley, 1966, pp. 12-13; Neil, pp. 158-63). Hearst, who once supported Dunne, threw his weight against Baker, even to the extent of endorsing FDR. He disliked FDR, but he despised Baker and Smith, with whom he had personal scores (Neal, Chapter 22, pp.273 ff.; Tugwell, p.253). Raymond Moley, a native of Tom Johnson's Cleveland, figured prominently in the proceedings. He told his fellow "Brains Trusters" to read his old Progressive models like Tom Johnson, Newton Baker, Lincoln Steffens, and Frederic Howe (Tugwell, pp. 37, 367); but he worked for FDR against Baker. Had FDR failed, the Democratic nominee in 1932 would have been Baker, Tom Johnson's and Woodrow Wilson's protege (Cramer; Moley, 1939, p. 46; 1966, p.37; Neal, pp. 273-75 et passim).

When Raymond Moley rose to extraordinary power with President FDR, he slammed the door on Georgists in Washington, despising them as "goo-goods" (Moley, 1939, p. 128), while he followed the model of Charles Van Hise, prophet of the corporate state, and Herbert Hoover, arranger of business cartels, or "associationism". Moley presently left FDR, too: FDR said he had "joined the fat cats" (Tugwell, p. xxvii). Unlike Altgeld in 1896 and 1900, these civic single-taxers did not cross the bridge from local to national unity. Some of them sacrificed Georgist unity for personal ambition, wealth and power. Georgism has been the poorer for it since.

There is no one individual or organization that symbolizes singletax in Chicago. There was rather a large group of like-minded people, obstreperously individualistic, loosely linked, many of them famous in other ways and places, pushing for cheaper mass transit and better schools and social work and higher taxes on land over a long period. The evidence of population growth tells us they got results, 1890-1930. After that the Kelly-Nash machine took power, and Chicago stopped growing. Yes, it was the depression and most cities stopped growing—except New York City

and California cities, where Geor-gists remained active for another 20 years.

#### 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. Its calamity of 1906 wiped out most of the city. It had no State or Federal aids to speak of. The state of California had oil, but didn't even tax it, as all other states do. It did have private insurance, but so did and do other cities. 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, moreso than any other major American city; much of its flatter space was landfill, in jeopardy both to liquefaction of soil in another quake, and precarious titles subject to the public trust doctrine (Wilmar, 1999). 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.

Yet, after the quake and fire of 1906, 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, remaining 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. Far from spreading out, it had to pull back from the treacherous filled-in level lands that had given way in the quake and over which the State was assuming greater control — a 1909 Statute prohibits the privatization of any tidelands or submerged lands anywhere in the State (Wilmar). 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.

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 *Progress and Poverty* in 1879. 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 quality and ideas to the work. Barker and George's earlier academic biographer (Geiger) consider Taylor to have been the major single influence on George. Taylor's poetic call for action introduces Book VTII: "The Application of the Remedy." If you had helped and swayed the man writing *Progress and Poverty*, and composed its call for action, and then 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, Detroit, Toledo, Milwaukee, Chicago, Houston, San Diego, Edmonton, many smaller cities, and doubtless other big cities yet to be researched, that chose to tax buildings less and land more. Vancouver, above all, was a model and inspiration. Civic leaders seriously considered

going further. “The Commonwealth Club (San Francisco) Reports for 1914 reflect that more time was devoted by the club to consideration of it (the single tax initiative) than any other... Again, as in 1912, much of the debate centered around the success of the tax policies of the British Columbia cities...” (Echols, 1967, p.59).

It was the Golden Age of American cities when they grew like fury, and also with grace: “The City Beautiful” was the motif, ex-

pressed in parks and expositions like San Francisco’s 1915 Panama-Pacific International Exposition. The idea of city parks, recreational land for all the people, melded with the idea of national parks: San Francisco housed major leaders of the movement like Franklin Lane, John Muir, William Kent, and others.<sup>7</sup>

Mayor Nagin of New Orleans today pleads 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. San Francisco was the epicenter of Luke North’s 1916 “Great Adventure” initiative campaign for a statewide single tax — a campaign that won 31% of the State’s voters. (*Large Landholdings*, 1919; Miller, 1917, p.51; Geiger, 1933, p.433; Young, p.232). From 1912-22, North and others qualified a single-tax initiative at every biennial election (Echols, 1979, *passim*). Even while “losing,” such campaigns raised consciousness of the issue so that assessors were focusing more attention on land. Thus, in California, 1917, tax valuers focused on land value so much that it constituted 72% of the assessment roll for property taxation, statewide (Troy, 1917b, p.398) — a much higher fraction than today

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 thrived.

#### 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, bywords for backwardness, in the White House<sup>1</sup> (Steffens; Russell, pp.131, 136, 149, 155, 174, 203, *etpassim*; 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 331,000 in 2000 (see Appendix 3). 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 outlived the body. Singletaxers 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; “fiery” Peter Witt was active. Like U’Ren in Oregon they believed that the Initiative and Referendum would open the gate for the single-tax. Journalist Yisroel Pensack examined the Proceedings of this convention. They show landowning anti-Georgists concentrating their forces 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 (letter to the writer). Professor William Peirce of Case Western University confirms Pensack (2003). Oliver Lockhart wrote that the Convention was dominated by “fear of the single tax, which element (sic) was in control of most of the convention machinery” (1912, p.730). Francis Coker quoted the then-new Ohio Constitution to the point (1913, p. 196). Thus the Cincinnati power group, based on a failing city, branded its mark on a whole state — while also giving the nation three mediocre Presidents: McKinley, Taft, and Harding. Since then, Toledo and Cleveland have joined Cincinnati on the sick list.

In upstate New York and downstate Illinois, it is the same. People there gaze with distrust on the “anti-business” radicals and sinners in the big city, and their high property taxes, while people and capital and businesses keep moving from the farms and small cities to the big one (and its suburbs). Something is askew with popular perceptions of cause and effect. Data presented herein tell a different story.

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, and then enduring under Mayor James Rolph, 1911-30. George's major biographers consider Taylor to have been the greatest single influence on George.

Mark Lause has named NYC as the focus of radical politics back to 1820 or so, when 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 state, in fact, financed the Erie Canal, which opened in 1825, with land taxes.

Even Los Angeles, with its "open-shop" reputation, came close to electing a socialist mayor, Job Harriman, in 1913. Like Chicago and San Francisco, L.A. had natural handicaps to overcome, and used city government for public works to raise private land values — just don't call it "socialism," was the ethic of the dominant *L.A. Times* and its allied ruling class. L.A. raised property taxes to spend lavishly on public water supply, public power, harbor facilities, sewers, city-owned rails, and other public works. In 1934, L.A. voters even supported Upton Sinclair of Pasadena for Governor. Sinclair's "EPIC" program included a large element of Georgist land taxation and redistribution.

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, 1920-26, until stopped abruptly by court order (Mahoney). At this point the city skyline froze for the next 75 years (Andelson). Vancouver, B.C., quintupled in population, 1895-1909, after exempting first  $V_2$ , and then % of building values from the property tax, as described by 8-term Mayor Louis Denison "Single-tax" Taylor (Marsh, 1911, pp.33-37; Rawson, 2000).

As documented above, Detroit's explosive growth was triggered by Mayor and Governor Hazen Pingree, battler against railroad corporations, other land speculators, and transit monopolists. Chicago's long growth record came under a series of leaders who supported labor unions, education, parks, and welfare, and made a virtue of battling monopolies, from Bradley's "Anti-monopoly League" of 1881 and socialization of the lake front through muckrakers Tarbell and Lloyd to the exile of transit magnate Samuel Yerkes. Milwaukee's rapid growth came under two

avowed Socialist Mayors, Emil Seidel and Daniel Hoan, who seized the lake front from the rail corporations and created vast public parks. Cleveland's growth came under the radical anti-monopolists Tom Johnson and Newton Baker. Toledo's burst of growth came with single-tax Mayors Samuel "Golden Rule" Jones and Brand Whitlock. Pioneer land assessor William A. Somers traveled busily on loan from city to city, instructing local assessors in his Georgist techniques. Out west, San Francisco's swift recovery from its quake and fire began under Mayor Edward Robeson Taylor, who had helped Henry George write *Progress and Poverty* in 1877-79. Vancouver's leader was 8-time Mayor Louis Denison "Single-tax" Taylor. In Seattle it was Mayor George F. Cotterill, who looked to Vancouver for inspiration. In rural California it was the virtually unknown "C.C. Wright" and "L.L. Dennett" of Modesto. I do not pursue those threads here, but they surely call for review of stereotyped ideas about "pro-business" governments and "leftwing" governments. They also refute the idea that Georgism never weighed in politics. These were not isolated local events. The principals "were very conscious of being part of a national movement, and they were in close contact..." (Morton, pp. ix, 8).

#### 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 I.

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 (Cord, Oates and Schwab, Tideman and Plassmann). None of these looked at population. 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 abated 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 taxes imposed by the City of Pittsburgh, not to the overlapping property taxes of the School District or of the County, Allegheny. 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 that lacks all credibility (Pittsburgh Councilman Daniel Cohen, cited in Snowbeck).

Sabre Systems revalued Allegheny County land at triple the amount, but the powers in Pittsburgh responded by ditching the graded tax plan. 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, 1920-26, to subvert the taxation of buildings and move toward a *de facto* single-tax regime.<sup>8</sup>

Pittsburgh City officials who support taxing wages are obviously 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 practices.

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.

# L'Envoi

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 *Progress and Poverty*, 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 and Wood 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, in-terurban 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 Chicago School slogan that “There is no free lunch.” Land rents are the free lunch, the substance of Nature's bounty and the evidence of things unseen. The question for us is who will get them, and how use them.

I. Hauser on Methods of Social Ostracism

# Appendices

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 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).

## 2. 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?”

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. Further explanation is not attempted here.

3. Populations, NYC and Comparison Cities, 1890-2000, Ranked by 1900 populations

Source: U.S. Census of Population, Decennial Volumes, Population in (000). Growth rates are decennial, in percentages

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1

Six 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 coterminous with the city.

2

Seabury's Georgist tendencies are cited in Fitch, 1985, p.192; his run at the 1932 Democratic Presidential nomination is in Neil.

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

Gwartney, after Southfield, led the British Columbia Assessment Authority for many years. He is now (2006) Director of Assessments in Greenwich, CT. Under Gwartney, land value constitutes <sup>3</sup>A of the assessed value of real estate there.

5

This Club, now named Prosper Australia, still thrives in its original home at 27 Hardware Lane.

t Mrs. Kent shared a middle name of distinctive spelling with Mrs. Louis F. (Alice Thacher) Post, as well as with the Thacher School of Ojai, California, to which Kent contributed. These threads are worth pursuing.

6

When President Wm. Howard Taft dismissed Pinchot, he replaced him with Chicagoan Walter Fisher. Fisher backed Pinchot's policies: Taft simply needed someone who was more tactful (Hays). One of Fisher's sons, Arthur, had the honor of being dismissed from the University of Montana

Law School for supporting the Farmer-Labor Party (Levine). One of his grandsons, statistician Walter Fisher, had the honor of being dismissed from Berkeley for refusing on principle to sign the loyalty oath. Grandson Roger Fisher was a Professor of Law at Harvard, specializing in “Getting to Yes” by tactful negotiations. It is a strong, remarkable family.

t This was probably to avoid implicating his employer, for he was a working man, a journalist.

[7](#)

Congressman Raker earned infamy from the Raker Act that flooded out Hetch Hetchy Canyon, but later became a strong supporter of the National Park Service under Stephen T. Mather.

t In fairness, Taft was a cut above the other two. However, he so alienated progressive Republicans as to split the party, and lose the election of 1912.

[8](#)

In those cities, as in many other cases, untaxing buildings while uptaxing land resulted in higher land prices. Professor Robert Murray Haig of Columbia University documented it in his 1915 *Report on The Exemption of Improvements From Taxation In Canada and the United States*. Haig actually faulted the system for failing to hold down land prices, as some of its champions had erroneously hoped and promised it would, but the relevant point here is that it raised land prices, the new tax base.

[9](#)

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. Susan Carter and Richard Sutch’s 2006 compendium of historical data also has this information, updated to 1990.