

INSIGHTS

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"A great wrong always dies hard, and the great wrong which in every civilized country condemns the masses of men to poverty and want, will not die without bitter struggle." Henry George, *Progress and Poverty*

DOWN AND OUT IN SILICON VALLEY

Critics of Henry George claim that due to the great advances in electronics and computer technology, George's ideas are antiquated. Don't bet on it.

The July 19, 1999, issue of *U.S. News & World Report* featured an article by Marci McDonald titled, "Down and Out in Silicon Valley-A severe housing crisis threatens the high-tech center's amazing boom." The article referred to the great difficulty that employers in the famed Silicon Valley area in Central California now have in attracting recruits due to the extraordinary boom in housing prices (and underlying land prices). In fact they are having greatly increased difficulties in holding on to the technicians who are now employed due to this boom in land prices. Wages rank as the highest in the nation, but the increased housing costs are siphoning off the advantage.

Ms. McDonald refers to the median price of a house in Santa Clara, the Valley's hub as being \$410,000. The average price of a home in the Cupertino School District as \$621,795. Other sources indicate that the median price of a home in Valley suburb Woodside, as being over \$1,510,000. Ms. McDonald quotes Barry Del Buono, who runs the Emergency Housing Consortium, the County's largest shelter provider as stating, "We're serving firemen, cops, and teachers. We even have the human-resource departments of some of our biggest companies calling us, asking, 'Can you get this employee into your shelter?'"

The hottest young talents on college campuses are increasingly turning down offers from Silicon Valley based companies in favor of more affordable high-tech regions like Austin, Denver, or Boston. Employees are increasingly being forced to spend as much as two hours on clogged expressways between Santa Clara county and the San Francisco bay area. Santa Clara County supervisor Don Gage is quoted as saying, "Young people who are in apple pie professions, policemen and firemen, are being priced out of the market."

In Silicon Valley, 40% of teachers leave their posts within the first five years, mostly for economic reasons. Del Buono concluded, "I think other parts of the country are watching us now because they want our white-hot economy, but they don't want our problems. They're waiting for us to provide a new role model."

There are thousands on thousands of vacant acres in Silicon Valley, all waiting to be developed when the market reaches its crest. But don't expect a new role model of a political economy that will encourage affordable housing to be built coming from Bill Gates and his colleagues. Microsoft, Intel and Hewlett-Packard have in the past come out strongly against imposition of reasonable taxes on land values which would encourage the speculators to build, rather than to hold.

A series of articles have recently been printed in the Los Angeles Times bewailing the fact that soaring housing costs are making it difficult for Southern California to compete for key executives and technicians.

In the town where we live, Laguna Niguel, in Orange County, the median price of a home is \$382,000 and most of those homes are schlock built row houses of almost identical design, limited size, and with minuscule lots.

Southern California should have realized the dangers in inflated land prices. When the Pittsburgh coroner was recruited by Los Angeles County for a \$180,000 a year position, he turned down the job because he could not find housing anywhere close to being equivalent to that which he had in Pittsburgh which could be purchased at a comparable price.

As we know, Pittsburgh is not as favorable to land speculation as the Golden State. But it is very doubtful that Bill Gates would be happy with a tax reform measure that would encourage construction and discourage speculation.

Our economists should learn that the emergence of the information age in no way decreases the domination of land as the basis of economic and financial control. It only reshuffles the cards a little. •