THE FORGOTTEN IDEA THAT SHAPED GREAT U.S. CITIES

How the Single Tax movement boosted equity & prosperity during the Progressive Era

By Mason Gaffney and Rich Nymoen

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An historical undercurrent in the campaign for economic justice in the U.S. has been the ideas of economist Henry George and the Single-Tax movement, which wielded considerable influence during the Progressive Era of the early 20th Century. Georgist thinking shares common ground with the commons movement in its core belief that wealth created from land and natural resources should be shared among the public. Put into practice through local property taxes, this idea helped shape the growth of leading cities like New York, Chicago, Milwaukee, Cleveland, San Francisco, Pittsburgh and Detroit, say contemporary Georgist advocates Mason Gaffney and Rich Nymoen. Gaffney is a professor of Economics at the University of California-Riverside and Nymoen is involved with Common Ground USA. — Jay Walljasper

Single Taxers took their name from Henry George's proposal that all taxes on productive activity should be replaced with a "single tax" on the value of land and natural resources, and they often simultaneously worked for public ownership of "natural monopolies".

With Connecticut following Pennsylvania's century-long lead by enacting legislation this year that applies the work of the Gilded Age economist and reformer Henry George, it is timely to look back at similar efforts in the U.S. of his Progressive Era followers, known then as Single Taxers. Author of the world-wide 1879 best-seller *Progress and Poverty,* Henry George — following in the line of the classical economists Francois Quesnay, Adam Smith, David Ricardo and John Stuart Mill — argued that land and natural resources should be rented out by the community to those holding title to them and the resulting revenue used in place of taxes on wages and production. Single Taxers took their name from Henry George's proposal that all taxes on productive activity should be replaced with a "single tax" on the value of land and natural resources, and they often simultaneously worked for public ownership of natural monopolies to keep their prices at or below costs.

The basic principles of the Single Tax program were illustrated in "The Landlord's Game", a Progressive Era precursor to the board game "Monopoly," which was developed by a Single Taxer named Elizabeth Phillips (nee Magie). Under this game's alternative Single Tax rules, individual players were paid rent for any buildings they had on their properties but all land rent for the properties was paid into the kitty and divided among all the players instead of concentrating in the hands of a single winner. Also, once cash in the game's Public Treasury from land rents reached a sufficient amount, it was paid to the holder of the railroads, trollies and utilities for the purchase (through condemnation)
of their operations, which were then publicly owned and operated so they could provide their services free of charge.

New York City

Compared to their peers, cities following the Single Tax program in the Progressive Era grew in notable spurts, most impressively in New York City as the era ended. NYC's growth had been slowing down just before the "Al Smith Act" of 1920 let NY City, County, and Schools exempt new housing construction (but not land values) from the property tax from 1921 until the end of 1931. The law applied to all the five "boroughs," in New York County, and also to its coterminous school district taxes. The Act authorized ALL units of local government to exempt building values below a modest cap. This 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 Single Tax strongholds like 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 single-tax clubs of NYC, the enduring legacy of Henry George's runs for Mayor of NYC in 1886 and 1897. After George's death, his influence survived him in his adopted home.

Before Smith was governor, Albany had blocked several single-tax bills in the years 1909-16. Earlier, as majority leader of the Assembly and a Tammany wheelhorse, Smith himself had blocked a 1911 Single Tax effort (the Sullivan-Shortt Bill) along similar lines. 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. 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.

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 values, thus preserving and even augmenting the overall tax base.

After 1932, the forces of tax limitation rallied, financed by the likes of the Rockefeller Brothers, the Seth Low family, A.A. Berle, and others. And so New York City's remarkable growth spurt tapered off, leaving it larger, but otherwise much like many other older cities. (cont'd on p. 10)