

MEDIA FINALLY DISCOVERS THAT INFLATED LAND VALUES HARM THE ECONOMY


Enumerable Keynesian and Marxist economists now claim that the electronic revolution has made land and natural resources unimportant. However, the media now understand that in the real world the inflation of land values caused by this revolution has only lead to the hog-tying of the California economy as well as other areas in which high tech industries are concentrated.

Many of you read the key article in a recent issue of *US News and World Report* setting forth how the electronic revolution has created such inflated land values in California's Silicon Valley that firms are hard pressed to find skilled workers who can afford to live there. Recently a whole series of articles have been printed in the *Los Angeles Times* stating that high land values were making affordable housing impossible, driving even highly paid skilled

workers away, let alone those in lower wage categories. This applied not only in Silicon Valley, but in Los Angeles, Orange County, San Diego and other areas throughout the state. The *LA Times* article on San Francisco noted that a drive was being made in that city to raise the minimum wage for government workers to \$11 an hour so that they could pay the S.F. rentals. The writer did not realize that the artificial inflation of such wages would only further inflate San Francisco's land prices. The article noted that the average home in S.F. sells for \$750,000 and apartment rentals of \$2,000 a month were common.

This somewhat surprised this writer who remembers that in 1930, he admonished a friend for entering into a lease of a delux Nob Hill apartment with a splendid view of the city for the tremendous sum of \$50 a month.

The article also noted that in San Jose, the city government pays a minimum wage of \$9.50 an hour because of the high rentals. An additional 40 cities, among them Philadelphia, Denver, and Santa Monica were considering a minimum wage of over \$10 an hour to attract workers. The article commented further on the miserable housing situation throughout Southern California and the increasing development of city slums due to inflated land values.

The Times article by Peter Dreier, professor of politics and director of the public housing policy program at Occidental College and Jan Braidenbach, the executive director of the Southern California Association of Non-Profit Housing, listed the various consequences of the exorbitant rentals, but failed to give any sensible solution. This article stated that increasing rates of overcrowding were encouraging slums 

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as families scrambled to put a roof over their heads and workers who overpay for housing have less disposable income to spend on other goods and services. Further, traffic congestion and pollution were increasing as people cannot afford to live in downtown areas. However the professors could find no solution other than to have taxpayers pass a huge bond issue for subsidized housing and raising the minimum wage to adjust for the extremely high housing costs.

Again, we have Keynesian type solutions of pouring money into economic sewers, which only exacerbate the situation, rather than going to the root of the problem.

The Section 8 provision of the HUD subsidized housing programs is now synonymous with graft and corruption. Just as our welfare system encouraged fathers to leave their families so that welfare payments would continue, the Section 8 housing subsidy provisions led to income earning residents leaving their families so that the income of remaining family members would be low enough to qualify them to remain in the subsidized apartments.

Section 8, in the army, referred to a discharge for physical, mental or moral defects. The HUD Section 8 is similarly morally defective. But it is difficult to convince any politician to solve a housing problem by taxing the overinflated land values and removing taxation on buildings when billions of dollars can be obtained from Washington D.C. without a struggle.

ST. LOUIS LAND BOOM

A recent article in the Wall Street Journal referred to a similar situation in St. Louis. The title was, *1 BR, No A/C, No Heat: \$460/Mo.* The article referred to HUD Secretary Andrew Cuomo stating that we are having the worst housing shortage in history, and "all candidates for President are pledging to do something about it" although no suggestion is made for solution, other than a general reference to obtaining more money from Washington.

As in many other cities, public housing projects were poorly built and maintained. Already, 1,000 of St. Louis' public housing units have been demolished and another 1,000 have been declared uninhabitable, leaving 3,500 units still occupied.

The \$460 1 bedroom rental unit without heat or air conditioning was given as a typical example of HUD subsidized housing in St. Louis, with the tenant desperately looking for another apartment to occupy.

"It's a terrible situation," says Laura Barrett, director of Housing Comes First, a St. Louis advocacy group. "We're losing affordable housing everywhere we look. The economy is great, the budget is in surplus, and we're fighting just to protect what we've got."

Phillip Cotton, a St. Louis architect, has an answer to the problem. He proposes a free enterprise program for clearing of St. Louis slums in accord with the views of Henry George, rational regional planning and infrastructure development, and the utilization of technologically advanced low cost housing components. He advocates terminating all punitive taxes on construction and real estate improvement along with increasing the tax on land values, thereby channeling land into its highest and best use, increasing the supply of land on the market, and lowering its cost.

We hope that Mr. Cotton will be able to convince St. Louis authorities that there is a free enterprise method of clearing slums given enlightened and supportive government programs including real tax reform.