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Policies of Pillage

One hundred years after Henry George published *Progress and Poverty*, interest in his proposals for the taxation of land values was revived by President Jimmy Carter's 'troubleshooter' on inflation, Alfred E. Kahn (Chairman of the Council on Wage and Price Stability). He declared:

> I have long held the conviction that it makes absolutely no sense to tax unimproved land in the same way as improved land — that the rental value of the former is, as Henry George observed a long time ago, a genuinely unearned increment, and that taxing it heavily, while reducing correspondingly the taxes on real capital formation, makes excellent sense on grounds both of equity and economics.[1]

A tax which removed the gains of speculation, however, is strongly opposed in the US as an attack on one of the principles of the Founding Fathers.

For the United States of America was founded on a programme of handing over the lands of the continent to private interests. Thomas Le Duc, an historian, has summarised the history to leave us in no doubt that Congress was determined to transfer virgin land not so much to farmers who would develop it, as to speculative intermediaries who would hold it vacant until it could be sold for profit.[2] The relevant Congressional Acts — of 1800, 1820, 1841 and 1862 — fit neatly into the beginning of 18-year cycles in land values, and so gave the stamp of legislative approval to the private pursuit of speculative gains.

The Act of 1800 set a minimum price of $2 an acre. There was no immediate fever of speculation until after 1812, when many buyers decided that they would make a fortune by re-selling to migrants. So much money flowed from the sale of public land that, in 1818, the government repealed all federal taxes. 'Not much of the available capital flowed into farm making... Little of the raw land purchased with these funds, however, went into production; most of it was held idle for speculation.'[3] The financial panic and commercial depression struck in 1819.

The Act of 1820 continued the process of alienating public land; in fact, governmental authorities sought to sell more than the market could absorb. Squatters moved in on virgin land, many of them failing to see why they should pay uneconomically high prices to speculators when they could get in on the act themselves. The boom came in the mid-'30s, the transactions in land peaked in 1836, and the collapse in the economy followed in 1837.

The Pre-Emption Act of 1841 made a token effort at trying to tidy-up the process of disbursing land, by authorising the purchase at the minimum price of up to 160 acres. The speculators, however, worked out a way to overcome this minor difficulty: they formed 'claims clubs' which, by the use of bully-boy tactics and manipulation, ensured that members could obtain holdings of up to 640 acres. This was land obtained at $1.25 an acre, at interest rates ranging from 25% to 50% on borrowed money! Le Duc concludes that 'the only rational explanation of this behaviour is that the borrowers believed that even after paying interest sufficient to double their investment they were making a wise buy'.[4]

After 1847 the federal government increased its donations of land in the states, which Le Duc interprets as 'deficit spending in which the government spent off its capital to support current policies, instead of levying taxes and appropriating the revenue'.[5] This was followed by the Graduation Act (1854) which put almost 40m. acres into private hands. Between 1847 and 1855 the federal government embarked on a programme of land bonuses to veterans: 61m. acres worth of warrants were issued, most of which were sold on the open market to speculators. Le Duc interpreted these land grants as revealing that 'Congress was far less interested in either soldiers or settlers than in speculators'.[6] Land deals peaked in 1854-6, and the economy collapsed in 1857. This was followed predictably by a new act (the Homestead Act[7]), yet 'another stage in the evolution of a set of policies better suited to desocialising capital gains that to harnessing the nation's resources. The interesting thing is that while the real thrust of the land laws was never affirmed as public policy, the declared national objectives were steadily undermined by politicians trading the public property for votes'.[8]

Le Duc summarised the economic effects of this profligacy with public land in an important article.[9] He concluded that the systematic alienation of land, at low prices or in the form of massive grants to states, corporations and settlers, retarded economic development by encouraging the belief that it was more profitable to buy land and hold it vacant than to develop it. In many cases capital improvements were negligible or non-existent.

> By supporting... high rates of interest, the squatter absorbed loan capital that theoretically might otherwise have flowed at lower rates into real development.[10]

In the 1840s, contemporary testimony agreed that an 8-acre farm was as much as a family could operate without hired help. By over-enlarging their holdings, migrants beggared themselves. Although seriously under-capitalised *qua* farmers, they hoped to capitalise on their good fortune — did they not have a stake in New World real estate?

> The migrants came, they squatted, they tried to control as much choice land as they could and they lived in squalor and penury while they slowly built a farm or waited for a buyer.[11]

Compact settlement was impossible. Consequently the costs of transportation, marketing, education and other social services were raised, and the economy was restrained from growing at its maximum potential.

> ... public policy had not merely stimulated the absorption of capital in land speculation, but had seriously retarded a genuine development built on a rational application of labour and capital to the magnificent but undeveloped resources of the interior.[12]

Land speculation as an explanation for the early slumps is the only hypothesis consistent with American history. In the early period — the first three 18-year cycles — there was nothing present to support the Marxist thesis of miserly capitalists exploiting workers in satanic factories; no 'anarchistic' market so saturated with unplanned surplus goods through over-production as to cause a cut-back in employment. *Yet the country was systematically reduced to recessions in a cyclical pattern which maintained a uniform character and duration from the earliest period of the colony's history to the late stages of the age of so-called mature capitalist 'exploitation'.* Whatever the particular characteristics of the specific time and place over a history spanning 180 years, only the traumatic dislocations of world wars could make this sequence of events falter, and then only temporarily.

Land speculation was the common denominator. If, therefore, the capitalist system was unstable, this was because the market was prevented from developing to its full potential. The monopolistic encumbrance of the land tenure system blocked the free flow of an essential ingredient in the productive process at prices fairly proportionate to its contribution, and distorted the flow of investment funds at fair rates of interest to lubricate the whole system.

Thomas Cochran, in his review of the formative era of the American economy, took a more benign view of the influence of the property market.

> The most money was to be made from townsite planning or from buying the land adjacent to expanding trade centers. Since it was generally thought that there was more money to be made in this way than from the profits of trade or industry, land speculation undoubtedly drew money

> from the latter. But in compensation, this activity contributed to the development of banking, credit agencies, mortgage markets, and inland transportation, which in turn increasingly expanded the trader's or manufacturer's national market.[13]

To sustain this view it would have to be shown that the economy could not have developed as extensively (through space) or as intensively (in time) without the lure of speculative profits from land. In New York in 1850, as Cochran notes, 15 out of the 23 citizens worth over $500,000 were involved wholly or mainly in real estate.[14] How much faster could the metropolis have grown without the distractions of land speculation? How much richer the people as a whole if funds were diverted into capital formation rather than circulating within a narrow circle of property dealers battening onto the creative labours of others?

The frontier lands had to be colonised for the land to yield its riches. There was no sound economic reason why the publicly-created share of that wealth should not have been retained to build up the infrastructure of the new commonwealth. All that the legislators needed was a modicum of rationality and a strong sense of justice. However, they were persuaded by the great vested interests that monopoly control of land was a necessary pre-condition of economic development. This view even shapes modern American politics. Some evidence of this must be presented if we are to avoid the mistake of thinking that the problem is not a contemporary political issue. For public policies *are* still designed to promote the financial prospects of monopolists.

The belief that landowners have to be given special encouragement to make profits (always justified on the basis of general social benefits, of course) is well exemplified by a procedure adopted in Chicago in the years after World War II. The cost to the taxpayers of Cook County has to be counted in tens of millions of dollars.

The model adopted in Chicago for leaving this money in the pockets of landowners was simple: for the purpose of the *ad valorem* property tax, the office run by the County assessor grossly under-assessed the value of land and buildings. The assessor was P. J. Cullerton, who was elected to this post in 1958 just as investment in the city's office buildings was accelerating. The beneficiaries — the real estate tycoons who publicly identified themselves as Cullerton's political backers, working actively to re-elect him in November 1970 — were obliged to pay as little as one-third of what they would normally have had to pay in taxes. As a result, the additional tax burden fell on the homeowners.

This practice was exposed by two journalists on the *Chicago Daily News*, William Clements and Charles Nicodemus. By carefully scrutinising the assessor's files on individual skyscrapers, the two reporters discovered that the value of the properties were being written down in a way which was difficult to explain. No explanation was forthcoming, until the newspaper sustained its campaign in the weeks before the 1970 elections and forced Cullerton to give his first Press conference in 12 years.

Cullerton and his aides explained that the tax 'breaks' were justified on the grounds that the rental income received from the tenants, one of the factors taken into account by the assessor, was below anticipated levels. And they argued that without the appropriate downward revision of assessments, new buildings would not have been erected. This, then, was the carrot with which to encourage the developers to erect buildings in the centre of Chicago in areas that might otherwise turn to seedy crime-infested districts.

The difficulty with the explanation, however, was that assessments were often agreed between the assessor's office and the developers *before* the buildings were erected:[15] so there was no way of knowing that the level of rents established by the market would render the buildings uneconomic.

The intricacies of this lucrative model for extracting additional economic surplus out of the public were sardonically summarised by a Chicago architect, Henry Tideman:

> A new building goes onto the tax rolls, normally, at an appraisal distantly related to its cost, higher if the building cost was more, lower if it was less, multiplied by a depreciation factor which is 90% the first year and decreases each year thereafter for fifty years, and then further multiplied by a 'condition factor' which is determined by how well the building is maintained and how well it continues to relate to its neighbourhood. This last is obviously a matter of judgment, and the Assessor's office decided, some time ago, to exercise that judgment in an extensive way. If the taxpayer met certain standards, some of which may be undemonstrable in any single case; if he secured appropriate advance commitments from the Assessor's office; had a project or even an existing building of major size; was appropriately politically connected, which did not preclude his belonging to that other political party; was regarded as appropriately tight-lipped; could demonstrate or claim to have demonstrated — for no files on the matter are kept, as the Assessor says — that his project had not been as profitable at the level informally established by the Assessor, and made an appropriate contribution to the Assessor's campaign fund, then the Assessor's office arbitrarily lowered the 'condition factor' of the building to bring the taxes down to an amount owner and assessor found mutually satisfactory, even if this required a condition factor of only 18% on a major new building.[16]

The Brunswick building on the corner of Dearborn and Washington Streets illustrates the system. Constructed between 1963-5, it is described as 'the largest and most impressive work of concrete framing in the Loop... obviously a distinguished work, superior to anything else of its kind'.[17]

Financially, however, it was allegedly less praiseworthy, claimed the assessor's office and the millionaire real estate dealer who managed the 36-floor skyscraper, Arthur Rubloff.

According to the chief deputy assessor (Russell Johnson) the Brunswick building had its normal assessment reduced by two-thirds. Reason: it had a 'reduced net income'—arising because Rubloff had given 'artificially low rents' to two major tenants.[18] The other tenants in the building paid rents at the market rate.

Not content with this concession, however, Rubloff, with Cullerton's blessings, appealed to the Circuit Court for another reduction under a little-known device called Objection I.[19] The appeal against the *under*-assessment was successful—the tax liability was further cut in half on the grounds that the building was losing money.

The Brunswick building was given a partial assessment 'condition factor' of 30% in 1963, when it was first opened. By 1965 it was fully occupied, and the 'condition factor' ought to have gone up to the top rate. Instead, it remained at the 30% level, until the Objection I appeal reduced it to 18%.[20] The owners saved $2m. during the following five years.[21] In 1969, for example, the tax bill was $479,295, broken down into a $268,539 charge on the building and the remainder on the value of the land. If, however, an 88% 'condition factor' had been used in computing the building portion of the tax bill, as ordinarily would have been the case, the total tax bill would have been $1,020,144. For reasons which at that time were kept confidential, the landlords received a tax break of $540,849 in that one year.[22]

The Brunswick building site of 44,150 sq feet was bought in 1945 at a reported price of $60 a square foot. For the same price it was resold in 1953 and again in 1957. Thus, the site cost the developers $2.6m. Its value in 1978 was estimated to be $225 a square foot, according to one of Chicago's leading real estate appraisers,[23] or a total of $9.9m. If we deduct the cost of knocking down the old buildings in 1957 ($309,050), this leaves a net appreciation in value of $7m., or a rise of over 260% in 20 years.

The economic effects of under-assessment are two-fold. In the short term, it boosts the residual value of the land, and therefore increases the net income stream enjoyed by the landlord. As a consequence, other landowners adjust their expectations upwards. Because of the higher price levels and because it takes longer to secure buyers at the inflated levels, developments which would otherwise have been undertaken are deferred or lost altogether. This achieves, in the medium term, the opposite effect claimed by Cullerton's supporters.

The Chicago model for reinforcing the monopolistic advantages created by the fiscal system had stamped upon it the eccentricities of a particular political machine, the boss of which was Mayor Richard Daley. But the simple fact is that US tax laws and practices institutionalise the disposition to favour land dealers, and this provides encouragement to speculate.

At the local level, property taxes favour the hoarding of vacant land. 'Numerous studies have shown that unimproved suburban land is typically treated with great tenderness by the assessors,' report Clawson and Perloff.[24] This conclusion was endorsed by a Washington task force on housing in 1978, which noted that 'property tax practices, either by design or inadvertance, sometimes work to keep raw land off the market,'[25] a practice for which the government was to blame but for which citizens had to pay in the form of 'land costs . . . being driven up'.[26] Hoyt's tax liability on his Treasure Beach property illustrates the point. In 1979 he was seeking a buyer for the land at a selling price of $7m. But the land was assessed at a value of $2m., and Hoyt paid taxes amounting to 1.2% — $24,000, which is hardly an onerous burden on a property which was up for sale with a multi-million price tag.

Furthermore, however, Federal taxes came to the aid of the speculator to relieve him of even such a minimal financial obligation. Interest payments on mortgages and real estate taxes are deductible when calculating federal income tax. *So it paid to borrow to speculate in land.*

This configuration of tax incentives conspire to encourage urban sprawl and the sub-optimum use of land. It could not have been more wilfully designed if the legislators had deliberately wanted to so arrange affairs as to compel people into removing from the market the scarcest of all factors of production. But we have not yet exhausted the possibilities for land speculation sanctioned by the tax system.

Given the relative rates of taxes on income and capital gains, it pays someone in the super-tax bracket to tie up his assets in vacant land, rather than in resources yielding an annual income from productive enterprise. Hoyt has demonstrated how someone paying a marginal income tax of 80% would make $32,136 more if he invested $100,000 in vacant land which doubled in value in ten years, compared with the same sum invested in a building yielding an annual income.[27] Liability for capital gains can be spread over a number of years, through the use of instalments sales techniques, thereby further minimising the tax burden on shrewd land dealers.

Despite the fact that the tax laws were perpetuating the sordid decay of social relationships and physical structures in the urban ghettos of the union, the politicians on Capitol Hill continued to go out of their way to line the pockets of those who chose to enter the land speculation business.

Tax shelter provisions were tightened up in the 1976 and 1978 laws, because Washington decided that it was wrong for businessmen to be reducing their financial obligations to the community through these devices. The 1976 tax reform act specifically limited the amount of loss from oil and gas tax shelters, cattle feeding, equipment leasing and film-making and from partnerships *other than those in real estate*. The 1978 tax revision went further and limited losses in any trade or business *other than real estate*. Thus, real estate shot to the top of attractive investment opportunities for businessmen wanting to offset 'losses' against other income. But the Revenue Act of 1978, signed by President Carter on Nov. 6, went even further. It reduced the tax rate on long-term capital gains. According to one of the country's leading accountants specialising in tax matters, the effective capital gains rate had been reduced from slightly over 49% to 28%.[28] The effect of this permutation of tax changes was to channel even more money into speculation, tie up land in its vacant state for long periods and therefore drive up prices even further.

The irrationality of these institutional barriers to free market economics in a society ostensibly dedicated to *laissez faire* leads one to the unavoidable conclusion that a powerful group, the landowning class, is able to manipulate the system to safeguard its interests. How else can we account for the paradox whereby politicians and urban planners espouse contradictory policies? They advocate equality of opportunity with respect to employment and housing; renewal of rotting city centres; efficient systems of transportation and social services at minimum costs, and so on — and then proceed to obstruct these goals by giving simultaneous encouragement to those who wish to exploit the land tenure system to their anti-social advantage.

Ignorance may offer a partial explanation, but this does not absolve the scholars who have the responsibility to shed light where there is darkness. The patent failure to understand the implications of policies pursued by the state and federal authorities has led one author, Mary Rawson, to discern a conspiracy.

> American economists who have chosen 'land economics' as their special province in recent decades have almost to a man turned their faces away from a consideration of the property tax as a factor in the problems and policies of urban land use. Furthermore, in their treatments of the property tax they have almost consistently failed to analyse the divergent effects of taxes on land and on buildings, apparently taking the view that to the individual property owner it doesn't matter.[29]

Opposing the lethargy of economists in recent years has been the work of political activists who have penetrated the social and economic implications concealed by the political power of landowners. It became apparent to people representing deprived minority groups that property owners were exercising their control over the political processes to protect and raise the value of their properties by methods such as zoning regulations.[30] As a result, during the 1960s, litigation was instituted to over-ride these.[31] Far from enlightening the public and thereby weakening the vested interest, however, landowners continued to advance their cause by manipulating the electorate. Their strength was their ability to appeal to the average wage earner in his role as land-owning home occupier. The most spectacular recent success is known as Proposition 13.

On June 6, 1978, the voters of California gave their over-whelming support for an amendment to the State's constitution which limited the tax on property to 1%. This cut the state government's revenue from this source from $12bn. to $5bn. Increases in the assessed market value for existing owners were restricted to a maximum of 2% p.a. from the 1975 base. This sharp reduction in public revenue was the outcome of a vigorous campaign instituted and led by two men with interests in property, Howard Jarvis, an executive director of a Los Angeles landlords' association, and Paul Gann, a property dealer.

The state's property tax was moderate by national standards. According to official statistics it stood at around 2%, although one Californian professor of economics, Mason Gaffney, judged the actual rate to be nearer 1% of market values.[32] About 43% of the value of taxable real estate was land value.

The Jarvis-Gann campaign exploited the public's resentment against taxes generally, and it persuaded a majority of the voters that they ought to support the demand for a reduction in taxes falling specifically on land and buildings. The main thrust of their attack was against profligate spending on public services.

Far from reducing overall taxation, Proposition 13 successfully shifted the tax structure from one emphasising property to one which emphasised wages and consumption — a regressive transformation. For if the people of California wanted to maintain the level of social services (police and fire protection, for example) they had to pay out of their other sources of income. Thus, American landowners, like the English barons who saw the virtues of creating an income tax to tap other people's incomes rather than theirs, had succeeded in engineering California's system to their pecuniary advantage.

Proposition 13 came on top of the state's Williamson Land Conservation Act (1965), which theoretically aimed to halt urban sprawl on prime agricultural land. In practice, the Act was turned into a tax shelter by landowners who were marking time until it suited them to capitalise on the value of their assets. Owners were given tax relief that could amount to more than 90% in exchange for their agreement to freeze their land from development for 10 years. They were, however, free to seek the cancellation of the freeze at any time they chose. By the time Proposition 13 had passed into law, California had lost an estimated $120m. in local revenue.

This is how it worked in Alameda County. Nearly 30 landowners applied for preservation status for their land. Had they not done so, the market value of the land would have been at least $116m. Under the Act, however, the land was appraised on the basis of the income which was being received, not what the land was worth on the open market. As a result, vast ranchland acreage in remote areas that had a value ranging from $200 to $1,000 an acre, but was earning only $3 an acre, was devalued in the assessments. The value was written down to about $16m., with a property tax liability reduced from $3.5m. to $480,000. The Jarvis-Gann effect was to further reduce the liability down to $160,000, yielding a net saving for the landowners of $3.3m. Yet only 9,500 acres were considered to be prime agricultural land worthy of conservation. This did not stop practically everyone getting in on the act, however, from owners of cattle and timber holdings, oil fields, mountains, gun clubs, riding academies, golf courses and half-acre homesites. 'It was a haven for speculators who bought up property not ready for development, but whose prices steadily rose while property taxes were negligible. Landbanking it's called,' wrote Don DeMain, an *Oakland Tribute* reporter.[33]

One of the selling points used by Jarvis in his progaganda campaign was that reduced property taxes would mean lower rents for tenants. This forecast was based on unsound economic premises. If, as is generally agreed, a tax on economic surplus (rent) cannot be passed on by the landowner, it also follows with equal certainty that a reduction of taxes on land values results in that saving being incorporated into rents (or capitalised into selling prices). If a tenant was willing to pay $x p.a. before Proposition 13, he would have little option but to continue paying that sum even if the landlord's tax bill was reduced.

As could have been predicted on the basis of economic theory, the reductions — amounting to an estimated saving of $1.2bn. for California's landlords — were not swiftly passed on to tenants. On the contrary, tenants who had been paying the tax on the properties they occupied found themselves confronted with rent increases! The increases were equivalent to the tax saving. The demand for rent control was rejected by the state's governor, Jerry Brown,[34] but he urged that 'The landlords better respond to the call' — which, if they did, would have been the result of philanthropic rather than economic imperatives.

Not even the home-owning voters were destined to be the primary beneficiaries of Proposition 13. The constitutional change resulted in two-thirds of the benefits going to big corporations, a proportion which increased over time. This is because one of the clauses of the new law ensured that when a property was sold, its taxes would be assessed on the new (higher) sale price and not on the 1975 base value. Since commercial properties changed hands less frequently than houses, the relative tax burden shifted further on to homeowners.[35] A further inequity arose between neighbours with identical homes of similar value: they found that they had tax liabilities which differed, because some of them bought their houses after 1975.

Proposition 13 had the direct effect of turning home-owners into speculators, but the thrill of turning their homes into investment assets was short-lived. The market weakened in 1980. The elation, however, disguised the reality. Owners were reluctant to cut their prices, which had moved up markedly since 1978. To encourage a turnover of properties, therefore, sellers started to offer low interest loans to potential buyers. This trapped thousands of families in a vicious network of debt that was passed off under the guise of 'creative financing'. Mortgage defaults climbed to \$2bn. in 1982, and according to mortgage banker William Heath:

> Creative financing is a razor at our throat. California today is at the same point Wall Street was in 1929 when the big crash came. Homes have been purchased on margin, as stocks were 53 years ago. Eventually the whole thing has to come tumbling down around our ears. And when that happens, it will be like the 1930s again — only this time it will be Californians heading for Oklahoma.[36]

The anomalous outcome of Proposition 13, only a few elements of which have been itemised here, raises the perplexing question: how could it happen? One explanation is that obfuscation pays. Ernest Engelbert used restrained terminology to describe this: 'More often than not property owners are wary of highly efficient and scientific tax procedures at the local level since this fosters impersonality and reduces bargaining power with assessors and boards of appeal'.[37] Prof. Gaffney, however, was more blunt:

> We hear a lot these days about cutting fat out of the public sector, but there is lots of fat in the private sector too. 'Fat' I interpret to mean paying someone for doing nothing, or nothing useful. Most economists agree that paying people for holding title to land is a non-functional income, since the land was created by nature, secured by the nation's armed forces, and improved by public spending and the progress of society. 'Economic rent' is the economist's term, but in Jarvis-talk we may call it the fat of the land or 'land-fat'... Howard Jarvis has said that the policeman or fireman who risks his life protecting the property of others has his 'nose in the public trough', but it has seemed to generations of economists that the owner whose land rises in value because public spending builds an eight-lane freeway from let us say, Anaheim to Riverside, and carries water from the Feather River to San Diego, is the first in the trough...[38]

We have now established a continuity of practices from the beginning of the 19th century until the 1970s: of official encouragement to private speculation in rent, which in turn induced recessions which undermined growth and created personal hardship. The Americans who worked for their living have had to struggle against malevolent economic forces which are generated by the private pillage of the public domain by a privileged class of people who continue to live off the 'fat' of the land.

The rational reform would have been to lift taxation from wages and the income from capital, and place it on land. Had the politicians adopted this strategy in the late 19th century, at the outset of industrialisation, the New World would have been a happier and more prosperous haven for the immigrants who fled the corrupt European economies.

This is a sweeping claim to make. Would land-value taxation have neutralized the macro-economic impact of speculation and improved the prospects for the new industrial economy? In the final half of this study, we test this hypothesis by investigating the history of Japan, and subjecting the land tax — and the socialist alternatives — to close scrutiny.

Notes

1 Letter to Henry S. Reuss, the Democrat Representative for Milwaukee, cited in latter's Press Release dated 11.1.79.

2 T. Le Duc, 'History and Appraisal of US Land Policy to 1862', in *Land Use Policy and Problems in the US*, editor: H. W. Ottoson, Lincoln: University of Nebraska Press, 1963.

3 *Ibid.*, p. 9.

4 *Ibid.*, p. 15.

5 *Ibid.*, p. 17.

6 *Ibid.*, p. 18. Many soldiers, however, succeeded in beating the speculators at their own game. For example, after the war of 1812, the grants of Illinois land to soldiers made by Congress were sold to speculators for an average of about 62.5 cents to 72 cents an acre. The true market value of the land at the time was appraised by Walter Kuehnle for the purposes of an Indian land claim. He valued the land as worth, at most, 35 cents an acre. Thousands of speculators sold out for what little they could get, disappointed at not making the anticipated profit. W. R. Kuehnle, 'Appraisal of Royce Areas 147 and 148 in Illinois and Wisconsin — 1829', Chicago, 1958, pp. 114-15.

7 P. W. Gates, 'The Homestead Act: Free Land Policy in Operation, 1862-1935', in Ottoson, *op. cit.* Prof. Gates has laconically noted how 'land attorneys, who were sometimes ex-congressmen or former officials in the General Land Office, seemed to be more successful in breaching the laws than they had formerly been in drafting them'. 'Homesteading in the High Plains', *Agricultural History*, Vol. 51, 1977, pp. 109-110.

8 Le Duc, *op. cit.*, p. 27.

9 T. Le Duc, 'Public Policy, Private Investment, and Land Use in American Agriculture, 1825-1875', *Agricultural History*, Vol. 37, 1963.

10 *Ibid.*, p. 5.

11 *Ibid.*, p. 6.

12 *Ibid.*, p. 9.

13 T. C. Cochran, *200 Years of American Business*, New York: Basic Books, 1977, p. 30.

14 *Ibid.*, p. 92.

15 *Chicago Daily News*, 21.10.70.
16 H. Tideman, 'A System of Land and Building Taxation for Urban Housing', in *Urban Housing*, editor: V.Kouskoulas, Detroit: Wayne State University, 1973, p. 106.
17 Condit, *op. cit.*, pp. 97-8.
18 *Chicago Daily News*, 10.12.70.
19 Cullerton's chief consultant, Thomas McCracken, stated at a Press conference that he could not cite any case in which an Objection I suit supported by Cullerton had not been granted by the Circuit Court.
20 *Ibid.*, 21.10.70.
21 *Ibid.*, 7.10.70.
22 Rubloff was one of the key men in the 'Real Estate Men for Cullerton' campaign organisation, which donated substantial sums of money to secure the assessor's re-election in 1970. As Mike Royko, a *Daily News* columnist, observed: 'There is something about Cullerton that brings out great warmth and affection in big real estate men'. The chairman of the boards of two major Illinois banks issued a statement declaring that 'one of the most important factors contributing toward the dynamic growth of our city has been the manner in which Cook County real estate and personal property taxes have been administered by P.J. Cullerton'. *Chicago Daily News*, 26.10.70. Other cities enjoyed a dynamic growth in construction without the benefit of sympathetic treatment from the local assessors' offices!
23 Walter R. Kuehnle, of Walter R. Kuehnle & Co., in communication to the present author, 21.2.79.
24 M. Clawson and H.S. Perloff, 'Alternatives for Future Urban Land Policy', in *Modernising Urban Land Policy*, editor: M. Clawson, Baltimore: John Hopkins University Press, 1973, p. 237. See also Dick Netzer, *Impact of the Property Tax – Effect on Housing, Urban Land Use, Local Government Finance*, National Commission on Urban Problems, Research Report No. 1, Washington, DC: US Government Printing Office, 1968, p. 46.
25 *Final Report of the Task Force on Housing Costs*, Washington, DC: US Dept. of Housing and Urban Development, May 1978, p. 17.
26 *Ibid.*, p. 19. This is yet another example of double taxation, because underassessment in a period of escalating prices results in a reduction in taxes on land. During the 10 years up to 1975, the share of property taxes in GDP fell in most OECD countries. This increased the attractions of land as a medium for investment, and so pushed up its price. Thus, as well as paying higher land prices, people had to make up the short-fall in government revenue out of extra taxes on their income from labour and capital.
27 'Market Value Versus Speculative Value', *op. cit.*, p. 795.
28 J. McMullen, 'Real estate still good tax shelter', *Chicago Sun-Times*, 9.2.79.
29 M. Rawson, *Property Taxation and Urban Development*, Washington, DC: ULI Research Monograph 4, 1961, p. 7.
30 M.N. Danielson, *The Politics of Exclusion*, New York: Columbia University Press, 1976.
31 The history of this litigation is summarised in *Fair Housing & Exclusionary Land Use*, Washington, DC: ULI Research Report 23, 1974.
32 M. Gaffney, 'Tax Limitation: Proposition 13 and its Alternatives', paper read at The Center for the Study of Democratic Institutions, 25.8.79 (unpublished) p. 4.
33 *The Analyst*, Vol. XI, No. 9, 1978.

34 D. F. Salisbury, 'California landlords a target', *Christian Science Monitor*, 20.7.78.
35 A further ironical consequence was that the public expenditure on administering assessments had to rise, because existing computerised mass appraisal methods lost their utility. Re-assessments had to be conducted on the basis of facts peculiar to each property. Labour intense appraisal methods therefore had to be adopted.
36 R. Yates, 'California Bust: Boom to Time Bomb in the Golden State', *The Washington Post*, 21.8.82.
37 E. E. Engelbert, 'The Political Aspects of Real Estate Taxation in Relation to Metropolitan Growth and Planning', in *Land and Building Taxes*, editor: A. P. Becker, Milwaukee: University of Wisconsin Press, 1969, p. 100.
38 *Op. cit.*, pp. 6-7.