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Art Hobson, Sprawl, and the Free Market

Kevin Carson

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One of my favorite local columnists is Art Hobson, whose think pieces appear regularly in the *Northwest Arkansas Times*. Like me, Hobson is a strident critic of suburban sprawl.

But he reminds me a little of George Monbiot: while he hates the right things, his understanding of the causes behind them is ass-backward. Like Monbiot, he fails to discern the role of existing government intervention in the market in creating these problems; like Monbiot, he instead proposes *further* government intervention in the economy to solve the problems created by existing government intervention, rather than first hacking at the root of the problem.

As a solution, he writes favorably of the approach of cities like Portland and Boulder, which

have established growth boundaries, limitations on the subdivision of property, and other anti-growth policies.

Locally, he's a great proponent of land-use planning.

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The problem, though, is that America's cities have *had* land-use planning for the past fifty years—it's main effect has been to promote suburban sprawl and the car culture. For example, in the early post-WWII period, America's urban planners decreed that the old mixed-use neighborhoods—with shopping and work easily accessible from homes, by foot, bicycle, and public transportation—were an unsightly atavism. The result was zoning laws that outlawed neighborhood grocers, druggists, and other small businesses, and likewise outlawed walkup apartments over stores and other forms of affordable housing downtown.

Another way government promotes sprawl is through the practice of extending subsidized infrastructure to new outlying subdivisions and big box stores, at the expense of taxpayers and utility ratepayers in the older parts of town. Hobson himself touched on an especially vicious example of such subsidies in a couple of recent columns: the closing of old, inlying neighborhood schools in order to build new ones near Jim Lindsey's new housing developments. In November, for example, he wrote:

First Fayetteville closed Bates school, then Jefferson, and now we're talking about Leverett. Washington school could be next. We'd best proceed cautiously. One of America's most significant trends since 1950 has been the decay of our cities, due largely to the flight from central cities to the suburbs. A prime cause and symptom of suburban flight is the replacement of small inner city schools with mall-sized schools in the suburbs, exactly what is happening in Fayetteville. Central Fayetteville remains vibrant today, but fragile. Fayetteville's heart will not survive without a strong base of middle- and working-class families living in the center, and they require schools in the center. I can think of no faster way to doom midtown Fayetteville than moving its schools to the suburbs.

Some of the problems are structural. One is our subsidization of suburban sprawl. This happens at the national, state, and local levels, most notoriously in the enormous national and state subsidization of the automobile. At the local level, every city resident picks up the tab for suburban sprawl while the benefits go only to suburbanites. Those costs include tax burdens for sprawling infrastructure, traffic congestion, air pollution that causes illness, and watershed damage.

Each subsequent school closing resulted in louder expressions of public outrage than the one before. The Fayetteville school board, in the face of the growing uproar, first announced a delay of its decision on Leverett Elementary until January. Since then, faced with a likely taxpayer rebellion (i.e., the widely rumored public sentiment against any proposed millage increases in the future if Leverett were closed), the school board took Leverett off the chopping block.

Yet another form of government subsidy for sprawl is unequal lending practices by the FHA, which gives preference to loans for buying new homes in the suburbs over buying existing homes in old middle and working-class neighborhoods.

Still another: the subsidized urban freeway systems, built with federal highway pork. Of course, this is now brought home by Congressman Boozman, heir apparent to John Paul Hammershit (of the infamous Hammershit Expressway) as Grand Porkmeister of the Third District.

The cumulative effect of all these policies, as somebody (Kirk Sale?) said, is to create two separate cities for each of us: one city where we work and shop, and one city where we store our stuff and sleep at night—each with its own separate utilities, and requiring expensive transportation to shuttle us back and forth between them.

The central rule for government planning should be “Primum, non nocere.” If we eliminate the government policies that are causing the problem, we may find that no further government action is needed.

If new housing additions were assessed the full cost of extending utilities and other infrastructure, urban freeway systems were funded with toll booths instead of general revenues, and mixed use development were legalized, things would look a lot different.

By the way, the single best form of “land-use planning” would be to shift taxes from human labor and its products to the site value of land. More land cannot be produced by human labor, in response to demand. So unlike labor and capital, for which higher short-term price results in higher long-term output, land is more like a “collectibles” market in antiques or rare works of art. Anything that makes society more productive and prosperous, like increased efficiency of labor, just increases the demand for the limited quantity of land; so the more productive society is, the larger share of the production disappears down the rathole of rent to absentee landlords. In fact, increases in site value result from the contributions of society at large: taxpayer-funded roads, schools, etc. Real estate value is determined by “location, location, location,” and the advantages of a location are created mainly by local taxpayers. As somebody commented on a Georgist yahoo group, we should go around putting stickers on realty signs saying “Your taxes make my property more valuable—thanks!” And we all know who owns most of those realty signs around here, don’t we?

Even when buildings and improvements are taxed at a lower property tax rate than land, as is the case in several mid-sized cities in Pennsylvania where Georgist ideas were once influential, the effects on land use are dramatic. Even a differential property tax rate on buildings vs. land, not to mention removing the tax on buildings altogether, increases the cost of holding land idle for speculative purposes. The result is a strong market incentive for “infill” development of vacant lots in already developed areas, rather than

leapfrogging into the suburbs. Land that is held idle, under the present system, is quickly sold when taxes to site value alone. As a result, land becomes more abundant compared to human labor, and the marginal price of labor rises in relation to land. Construction booms, and jobs are competing for workers instead of the other way around. In a nutshell, everybody is more prosperous except the real estate developers and the big land barons. As for them: TS.

More generally, the most beneficial measure local government can take is what geolibertarians and greens call “green tax shift”: or “tax bads, not goods.” Roy Morrison, in his *Eco Civilization 2140*, imagines a future utopia where all taxes on income have been replaced with an ecological tax on resource consumption and pollution. The tax is a way of internalizing externalities—that is, making sure that all the social costs of a product are included in its price.

The overall approach, then, should be to tax unearned wealth (i.e., land value created by the labor of others), resource consumption, and pollution, and to take taxes off of human labor and industry.