



Enterprising Johannesburg and Sleepy Cape Town: A Contrast

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Enterprising Johannesburg and Sleepy Cape Town: A Contrast

Mason Gaffney, Working Paper

The Miracle of Johannesburg

Jo-burg is Bootstrap City. It should have died when its gold mines played out, like a proper mining boomtown; instead it remains as the economic capital of its nation and half a continent.

Johannesburg defies most laws of urban economics, e.g., that mines create no great cities. Explainers still cite the mines, but its mines have played out; it should now be a ghost town. It has no harbor, no water transportation, not even any gravity water supply. It is, in fact, on a ridge top, the Rand or "reef," at an elevation over five thousand feet.

It has no sunburst of rail lines, like Chicago or Boston, "the Hub," except perhaps what it has attracted itself. It is "on the main rail line," explainers say, but so are a thousand miles of other sites. The natural site lacks outstanding amenities, and certainly can't hold a candle to Cape Town. Jo-burg has no governmental economic base. Surrounding farmland is poor. Why Johannesburg? Why is it the largest city, the center of finance, industry, commerce, and international air travel?

As a public finance economist I may overvalue incentive taxation, but Jo-burg has it. The property tax is on site value alone, and at a high rate: they tell me it is 4%. This is what makes Jo-burg distinctive. Challenge and response: Jo-burg had to do something right in order to survive, and that is what it did. It not only survived, it became and remains No. 1. Give me a better explanation and I'll back off. I haven't heard one yet.

John Stuart Mill remarks in his autobiography that he had seen many bad policies replaced by good ones, without in the least relieving the bad habits of mind of which bad policies are the result. He referred to free trade. Thus also with Jo-burg and its site value tax, most people, especially the explainers, may live in the midst of a great applied demonstration of a principle, and never see it.

Jo-burg is not heaven, far from it. Its enlightened municipal policy has not solved the great national problems of race discrimination and black homelessness: blacks could not buy land there, or in any "white" area, until a year or so ago. However, prosperity anywhere helps people everywhere. Alan Paton rather makes Jo-burg sound like the source of the problem, but that is like blaming the Good Samaritan. Homeless blacks who drift to Jo-burg are not its products. Rather, they come there for relief and refuge. Arguably, land taxation, extended to the whole nation, would open up landownership to many more people than now, and accomplish the necessary "land reform," as yet undefined, that is in the offing.

The Somnolence of Cape Town

Cape Town, by contrast, is Sleeping Beauty. It is gifted with one of the world's great sites, ideal climate and scenery. There are only so many continents, with so many southern tips in the

right latitude to replicate the Mediterranean climate (remember your "Koppen Symbols" from Geography 1A?). It also has the national legislative capitol. It enjoys the business potential of New York with the climate of La Jolla, the scenery of Vancouver, and the political base of Washington (or at least Sacramento). Tourists flock there, and would do so even if the place were misgoverned by Mayor Idi Amin with Police Chief Saddam Hussein.

Actually the Honorable Mayor, Frank van der Velde, is a good fellow who favors changing to a site value tax. We never call it "The Jo-burg System" there—lots of jealousy—but some leaders are considering tax reform on its merits. Up to now, however, Cape Town has subsisted without that benefit, and suffers the usual consequences: urban sprawl, a fractured central business district, and acres of blight on prime land that should bear housing for downtown workers. Vast rail yards off downtown are little used, and there is no use of air space over the tracks.