



Notes on Johannesburg and Cape Town

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Notes on Johannesburg and Cape Town, 1992

Mason Gaffney

I am struck by 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 are just tailings now, so it should 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 5,000'.

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 Number One. 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 might 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.

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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 "Köppen 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. He and the Council are thinking of 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 CBD, 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.

22 March, we tour Cape Town in a mini-bus ("combie") with Professor Lieb Loots, one of the conferees and a friendly tax economist whose writings I had found very helpful. Our tour headed straight for the black "townships," or squatter camps: incredibly squalid, dense, and vast. An estimated 1.5 million squatters are there, a scant three miles or so inland from the Cape Town Riviera, which must be one of the great beauty and amenity spots of the world. "Progress and poverty": rarely is it so sharply illustrated, on such a wide canvas.

In the evening, Ahene and I are called on to address a citizens' group. One attendee was Cape Town Mayor Frank van der Velde, along with Chief Planner Neville Riley, Treasurer Edward Landsberg, and a few Council members. They are considering altering their local property tax to exempt structures and focus on site values (as Johannesburg does), and peppered us with fretful questions on how this might work.

Most remarkable to me was how similar their attitudes are to those I observe at home, and how petty and provincial the issues they give priority. Mayor van der Velde declared his only reason for favoring LVT was to spare the cost of valuing buildings, full stop. Welcoming support from any quarter I fanned the flame and we basked in it together. I was struck, however, by how with them it seems to be "business as usual," excluding from their minds the drastic implications of de Klerk's extending the franchise to those 1.5 million squatters.

I do not mean they were hostile to the subject reform -- they initiated the idea, and came willingly to hear us. Rather, I mean the level of their concern seemed to be at the zoning and

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sewer-permit and "preserving-ancient-lights" level, not the grand social level that their nation is facing. They are not psychologically or spiritually prepared for the major changes that seem impending.

The Referendum. My trip was spiced up by uncertainty about F.W. de Klerk's Referendum on continuing negotiations to extend voting rights. I was headed for a conference on "... the new South Africa"; when I took off I wondered if there was to be a new one at all. In London I learned there was. The people I associated with were almost all greatly relieved by the outcome, even though it could ultimately disarrange their own upper middle class lives considerably.

Some are simply ready to accept that; others have confidence that good old F.W. will negotiate reasonable protections for their interests. He seems a wily old fox, all right, but I fear they may be heading toward a new era of ethnic machine politics where rent is redistributed via graft, rather than the clean, efficient method of taxation, and social dividends for all. My pitch is that the present leadership should show its ability and will to implement populist ideals under professional guidance, before they lose the power to do that, or anything else.

Light traffic. R.S.A. has built itself a magnificent modern infrastructure: highways, a power grid, electric rail, water projects, etc. The uncluttered highways are lots of fun, but one wonders if they aren't out of balance with the private economy. There's no question the Cape Town City Hall is out of balance. Every little desk is surrounded by 2,000 square feet or so of floor space, under high ceilings. Mutter, if you will, moralisms about waste in government, but it reminds me first of the head office of a big private bank. Waste and unbalance have many sources.

Back to the empty highways, they are certainly of little use to the majority of blacks, who lack cars. There is a high tax on petrol, and a protected local firm, SASOL, making gasoline from coal by a process developed, I believe, in blockaded Germany during W.W. I or II. Maybe we'll need that some day. Ecologists say we should save endangered species to conserve genetic diversity. Likewise blockades, sanctions and tariffs, with all their faults, conserve technological diversity.

Black Visibility. If this is "white country" you would never guess it from the streets and byways. Now the pass laws are dead, blacks can wander everywhere, and do. The operative principle is fairly simple, although constantly forgotten. Drive people off the private land and you drive them onto public highways. As Henry George kept saying, man cannot live without land. They have to stand, sit, sleep and earn a living somewhere. Where else can they go?

Reminds me of an old ditty.

"A college economist planned
to live without access to land.
He nearly succeeded,
but found that he needed
food, clothing, and somewhere to stand."

Sidewalks in downtown Jo-burg are covered with "hawkers," reminiscent of Taipeh. Many roadside fences, too, are draped with textiles for sale. Cape Town somehow prevents this -- another difference between the two cities, although it may just be a matter of time. It is not for lack of human material near Cape Town: there are about 1.5 million squatters in the "Crossroads" area. Cape Town must have busy police and tough judges. They do allow selected street people. We heard some delightful indigenous music, calypso-like, on a sort of pan-pipe, with guitar accompaniment: nothing like the blaring, wailing, amateurish saxes you can't avoid in the dark caverns of New York or Philadelphia, or cafes of N. Orleans or San Francisco.

Hawkers constitute a considerable "gray market," free of some taxes. V.A.T., newly introduced, is defended as catching them. This strikes me as bad policy anywhere, and moreso where unemployment is pushing 50%. Marginal activity, by definition, yields no taxable surplus. Taxation can only abort it, as my host Godfrey Dunkley keeps reminding everyone. Now land rents, on the other hand ...

In "peri-urban" Jo-burg black strollers are constantly in view, wandering across fields and along roads. Where and why they are going is not clear, but one suspects they would wander less if they had places to stand still, sit, lie, and improve.

To be sure they have their "homelands." The name is not just ironic, but deceptive. They've been driven from their actual homelands, and overcrowded onto desperate leavings of land newly called "homelands" to conceal the truth. 80% of the people are squeezed onto 13% of the land area, and until very recently forbidden to buy land on the other 87%, or even sojourn there without a pass. Now they are grandly told, let bygones be bygones, respect and firm up existing property rights, and start the game of "free market." It's now a "level playing field," where fair is fair and the best man wins -- if he starts the game owning the playing field. Little wonder they don't buy the free market concept, as usually proffered them. Did you think they're as stupid as Americans?

Wealth and Poverty. Upon arriving in Jo-burg it was my privilege to lunch with three bankers. These are good, idealistic bankers, striving to funnel credit to the needy and, in one case, to reform land tenure. (They also treated me to lunch.) I mean them no ill when I note two phenomena.

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a. Security. Entering bank offices is like entering a secured zone: I.D. required, x-rays, tags, etc. Jo-burg is a city under siege.

b. Land and conflict. Opulent Persian rugs are much in evidence. These reminded me how near we are the Indian Ocean and the source, but also how wide is the gap between rich and poor. One of those rugs is worth the price of many squatter shacks.

Don't misunderstand, I know blacks can't prosper just by taking from whites. Basically, they must increase output. "Growth, not redistribution, is the answer," goes the chant, and somehow that always means tax breaks for property, a la George Bush. Still, that by itself is empty conservative moralizing that papers over a great fundamental truth: land doesn't grow. Blacks can get more and better only by leaving less and worse to others. "They aren't making any more of it."

Whites prospered by taking land from blacks. Granted they are advanced, productive people, with a technological and institutional edge, still they would do poorly in the kind of Bantustans they have relegated for blacks. Land is the basis of white prosperity. Like all land it is stolen, only here the memory is fresher, and sharpened by racism.

Of land it is unfortunately true, blacks can get more only by taking from whites. That is the inescapable truth of nature, and the source of all conflict. Everything else is diversionary and namby-pamby. Land is where it's at. There must be massive redistribution, and it won't all be "win-win," goody-goody Pareto optimizing. Someone must end up with less, like it or not. The sooner we face the truth, the sooner we'll find solutions.