Beware of One Party Towns

In the Wall Street Journal Steve H. Hanke and Stephen J.K. Walters write **How Property Taxes and the 'Curley Effect' Are Killing Baltimore**— *As affluent residents leave town, the political playing field tips further and further in favor of pro-tax Democrats.*

Excerpt:

> *But tax revolts are hard to win at the local level. The problem is what Harvard economists Edward Glaeser and Andrei Shleifer have called the "Curley effect." In Boston during the first half of the 20th century, Mayor James Michael Curley built a political machine by strategically shaping the electorate—taxing well-heeled "Brahmins" heavily and redistributing the proceeds to poor Irish immigrants. This not only bought Irish votes but chased the old Yankees out to the suburbs, further tilting the political playing field in Curley's favor.*
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> *In modern Baltimore, the machine has exploited class divisions, not ethnic ones. Officials raised property taxes 21 times between 1950 and 1985, channeling the proceeds to favored voting blocs and causing many homeowners and entrepreneurs—disproportionately Republicans—to flee. It was brilliant politics, as Democrats now enjoy an eight-to-one voter registration advantage and no Republican has been elected mayor in 48 years.*
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> *But Baltimore's high property taxes have repelled investment in physical capital for decades. As that capital decayed and became scarce, labor became less productive and less prosperous. In 1950, the city's median family income was 7% above the national average. Today it is 22% below it. And it won't be easy to undo this damage as long as City Hall remains in the hands of politicos who are committed to a*

fatally flawed business plan.

HKO comments:

States, cities and often nations with high taxes consistently lose jobs and voters to competitive entities with less friction costs. The Curley Effect is a spiral. Progressives raise taxes on the wealth generators who would normally vote against such confiscation. The wealth generators leave, giving the progressives greater political power. Too ignorant or blind to see what causes the trend, they raise taxes again to make up the lost revenue, creating another wave of departures. Taxpayers vote with their feet and their capital as well as their ballot.

The departure of wealth creates more corrupt, not less corrupt government. Bribery and favoritism replaces choice. The departure of wealth is followed by higher crime and infrastructure decay.

Once the expulsion of the wealth generators tips past a point that the city becomes a one party town, the decay accelerates to a point that is difficult to turn around. When there is no ability to mount an opposition to confiscatory tax policies the outcome is too often hard to reverse. Kudos to Boston for their success in the change.

Once a business or factory relocates somewhere else they do not easily just return when the town leaders see the light. They must have faith that a new appreciation of their capital will be long lasting and consistent.

Hopefully, a new breed on younger political leaders will understand that urban development and an appreciation for the capital needed is not inconsistent. When you rob Peter to pay Paul there are two certainties: Paul’s approval and Peter’s departure.