

Could Business Be Run Like Government?

By JOHN C. WEAVER

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THE MANAGER of a large Pittsburgh business building called a meeting of the stockholding owners to discuss a problem: the building was beginning to lose money. He asked the stockholders, who came from various other cities, to help him determine whether the poor business was due to circumstances beyond their control, or whether modernization and improved service might not result in more occupancy and increased rentals. The stockholders were generous with their suggestions.

One from Harrisburg urged scaling the rentals similarly to the sliding fees payable as corporation taxes. Thus, he claimed, tenants who could afford it because they earned higher profits would pay bigger rentals, proportionate to their incomes. "Let's base our rentals on ability to pay!" Some of his colleagues agreed, but one from another town suggested being diplomatic about "soaking" rich tenants, urging a ceiling, so that tenants would not move in bad times"; adding "we should appraise their property and fixtures, charging them according to their value, the way a real estate tax works."

A chorus disagreed, especially those from Ohio. They moved that rentals be held down "sympathetically," but that tenants be advised that their customers, who use all the building facilities to transact business there, should pay for the privilege. "Let our tenants collect from their customers, and then pay it to us!" The stockholder from Philadelphia was not in accord; he thought customers were too easy to lose. "But those who have jobs here; all the workers who get their pay in our building; their jobs depend on tenancy here. Something should be taken from their wages every pay-day for the privilege of working here—that's what we do in my city." (A man from Toledo seconded Philly's motion; his town had copied the wage-tax too.)

The manager was unimpressed. "You want to run a building the way a city collects taxes. Fine—but 30 years ago we in Pittsburgh made a little change.

We graded down the tax on the person who uses and improves his space, so as to encourage him. But we collect full rate from the owner of the bare land, whether it's used or not. And many of us are still saying "Why not make it easier yet for enterprisers who want to improve their property?" The Philadelphia lawyer objected to the comparison. "We built this structure; the city didn't make the land; the land belongs to private investors."

"Did the investors make the land?" innocently asked the manager. "No—and I'll quickly agree neither did the city. But the people of the city make whatever value the land has. And a parcel not worth five dollars for growing potatoes is worth five thousand because of people who buy or sell or work there. Your arguments convince me that we cannot operate in the manner that most cities are financed. Let's not discourage progressive improvements, or scare away customers, or soak labor for the right to work; let's not blind our eyes to the simple way and instead take on a lot of fancy book-keeping. All we have to do is advertise the fact that we will not penalize those who improve and develop business; and instead, we can raise our charges on the better locations in the building. Those who will profit by the more advantageous locations will gladly pay the increase, for the charge will not be on what they do, but on what the building will do for them. Others, whose business requires less desirable space, will willingly give up higher-priced locations in exchange for space more appropriate to their needs. All will pay the same rent for the same advantages. And those tenants whom we have carried at no rent or low rent will have to move out and make way for tenants who need space, want to go to work, and will produce and make money."

The stockholders were convinced; perhaps they took home a new idea to their own communities. The building adopted a slogan that had won an election: "Back to free competition, and let the market be your guide!"

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