

HENRY GEORGE NEWS

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FULL VALUE LAND ASSESSMENT

by Philip Finkelstein

Perhaps the first and easiest job is to open up for public scrutiny the entire assessment process itself. A good deal has been done to help the individual taxpayer understand and, if need be, contest his assessment. Much less has been done in most jurisdictions with regard to the total tax base. There is no reason why the public debate about the property tax should be restricted to the annual haggling over the mill rate. A full, early public disclosure of the total tax base would give every jurisdiction a fair estimate of the rate needed to obtain the desired revenue level whether less, the same, or more, than in the past year. Even a simple breakdown of that base into basic property types would give the taxpayers and voters a pretty fair idea of who will be paying how much. A public description of the base in terms of new construction, new valuations and the factors used in these corrections would also go a long way to dispel the fear of the assessor.

But the residue of fear will not be dispelled by disclosure alone. Most taxpayers think they benefit from a fractional assessment. Much as the assessor draws fire for failing to do the job, he risks even greater displeasure when he does. It is very difficult, if not impossible to convince a taxpayer, particularly a homeowner, that assessing his property at anything near what he thinks it is worth won't end up costing him more.

*Prepared for the Toronto, Ontario, Conference,
International Association of Assessing Officers.*

*Other Finkelstein dates in recent weeks included :
New York Civic Assembly of the Women's City Club;
Real Estate Practitioner's Institute at the C.W.Post
College on Long Island; and the Conference on Tax
Policy of the Alternative State and Local Policies
Association in Washington D.C.*

"But money is only a medium of exchange and a measure of the comparative values of other things. Money itself rises and falls in value as compared with other things, varying between time and time, and place and place. In reality, the only true and final standard of values is labor - the real value of anything being the amount of labor it will command in exchange."

Indeed, the experience not only in California but in many jurisdictions where assessment at full value is taken seriously, would seem to justify that fear. The stake in maintaining a low fractional assessment is greater than any notions of equity, parity, or even sadly enough, legality. Politicians know this and run from full value assessment like the plague. And when there is no place to run and the courts have finally closed off the hiding places, it will be the bearer of bad tidings, the assessor, who will be dealt with accordingly.

To escape that precarious position as well as to make certain that local government, the property tax, and not incidentally his very own job are all worth preserving, the assessor should be quite literally, laying the groundwork for full value assessment. For it is the land that can and should be first of all assessed at full value. The land portion of most parcels of real property is that which is most likely to be subject to inflation and least likely to be assessed at full value. Despite the current fashion of older buildings, it is the land value that appreciates and structures that depreciate. Improvements are more likely to be assessed properly because they are recorded when made. Land assessments sometimes do not vary from their original recording date, leaving the anomaly with which we are all familiar, the most valuable parcels bearing the lowest assessments in a jurisdiction. Correcting such misassessments may well be the single largest benefit we can confer on the entire process to restore both its legitimacy and accuracy.

But there are even happier results of moving to full value land assessment. Homeowners who fear reassessment typically have most of their value in their homes, not in their small parcels of residentially zoned land. Moving their land assessments to full

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Leonard Axworthy

Henry George and the Urban Land Problem

Henry George was a major figure in the populist, progressive movements that swept through North America in the late 1880's and 1890's. He was known as the author of **Progress and Poverty**, a powerful indictment of how the laissez-faire economic system and industrialization allowed great wealth to be made while poverty flourished.

What is particularly interesting about Henry George, for contemporary purposes is what he had to say about land, its price, its misuse, and what to do about it. While written almost a hundred years ago, his views on the urban land market are of extreme relevance to our present land predicament in cities. It may just be that Henry George has some solutions in mind that bear looking into.

Why we need to look at the urban land predicament and why we need a solution was dramatically illustrated just a few weeks ago when the findings of the Task Force's long awaited **Land Supply and Cost**, burst forth in bold front page headlines in newspapers across Canada. The message was clear: urban land had risen at astronomical rates in the mid-1970's - over 40% in a three year period, and every consumer of housing was paying a heavy tariff as a result of that inflationary spiral.

At first the reaction was one of accusation and recrimination. Fingers were pointed at guilty municipal and provincial governments. Private developers were to some degree exonerated of guilt in causing the land splurge, but they were described as being the main beneficiaries, reaping annual profits in the order of 18% after taxes. Public land assembly was analyzed as being an ineffectual answer, and both federal and provincial levels of government

have quickly seized upon the report as a rationale for selling off their land banks.

Dr. Axworthy is a member of the Manitoba Legislature. His speciality is City Planning and this talk was given to his students at the University of Manitoba.

The Task Force findings deserve more careful consideration than they received in the first flush of sensational news stories and hasty governmental responses. The Report contains sober warnings about the long term malfunctions in the way we plan, regulate, tax and develop urban land, and suggests that unless some major corrections are forthcoming the present distortions will be continuing and growing source of high priced housing, impoverished municipalities, and poorly planned development.

There are a number of problem areas cited. One level of government (the Federal) increases the demand for housing through its tax and fiscal policies, while the other levels (Provincial and Municipal) limit the supply through a variety of planning restrictions. There is no servicing strategy for land supply. Citizens resent new developments. But through the pages of the Report one root problem in the system seems to stand out. To quote the Task Force it is "the biased structure of the property tax system".

Municipalities limit the supply of land for modest income housing because it costs them more than they gain in revenue from taxes to develop the land. The property tax system rewards the retention of unused or vacant land and penalizes improvements to structures on the land. To again quote from the

Task Force, "the municipal property task force gives them (the municipalities) no incentive to make cheap housing available".

If our property tax system is a major flaw in our urban management system what should be done to change it? Here is where Henry George has an answer - implement a land value tax. The theory developed by George is a simple one; all increases in the value of land would be taxed away by the government. An owner would keep title to the land, and improvements on it; buildings and the like would not be taxed. The increase in value, however, an increase that accrues not because of the investment of capital and labour, but just because there is growth in demand or because there is investment by the public in roads and services would be subject to 100% tax or at least a very heavy tax. Land stays in private ownership; its full use is encouraged; substantial revenues are realized for the municipality; and land speculation is arrested.

The time may be at hand for a new look at the ideas of Henry George. The most recent assessment of all the experts working on the Federal Provincial Task Force is that our urban land system is out of whack. They dismiss the effectiveness of many of the current panacea and implore government to focus on the working of the property tax as a first priority. But they offer no answer on what to do with that property tax system.

Someone once said that we should learn from the mistakes of our forefathers so we won't repeat them. Maybe the time is now to learn from our forefathers how to correct our mistakes. Maybe it is time to dust off Henry George and see how his insights gathered at the beginnings of our industrial urban age could help us to solve one of the most nagging and persistent problems of our maturing urban society. A graduated land tax system could well be the way to discourage speculation, recapture inflated values, and provide an incentive for the building of market housing and the improvement of existing properties. Maybe it is an idea whose time has finally come.

Land value tax is a hundred year old idea of economist Henry George that only now in these post-Proposition 13 days is receiving some much deserved attention. Its use would realign the tax burden from those least able to pay to those most able to pay; be a simpler and cheaper system to administer, and create a positive atmosphere for community growth and development.

Under the current system we tax improvements at the same rate we tax land, a method that discourages people from fixing up their properties.

A land value tax would promote the use of vacant land because it would cost more to let it lie vacant. Under the land value tax, values can be assigned to land — based on its highest and best use — during community planning.

In Pennsylvania, second and third-class cities are allowed to have separate tax rates on land and improvements, a graded tax.

A.L. Hydeman Jr.
Secretary, Dept. of Community Affairs
Harrisburg, Pennsylvania

SCHOOL NOTES

Close to 250 students enrolled in Fall Semester classes at New York Headquarters. Joining 120 Basic Course students were 24 enrolled for "The Many Faces of Fascism"; 28 for "Urban Politics in the United States"; 21 for "A History of Social Reforms" — from Henry George to F.D.R."; 32 in "Money and Banking"; and 15 for "A History of Economic Thought". Twenty-five additional students from Hunter College of City University enrolled for college credit in "Urban Politics".

Long Island Director, **Stan Rubenstein**, reports excellent enrollment. At four High Schools, Basic Courses have enrolled 135 students. Thirty-five are enrolled in Seaford; 45 at Valley Stream; 30 at Massapequa; and 25 at Westbury.

The Henry George Schools' affiliate in Toronto, the School of Economic Science, has a new manager of operations. He is **Laire Teich**, who will be remembered for his fruitful contributions to the Bryn Mawr Conference this year.

On the west coast, San Francisco's Director, **Wendell Fitzgerald**, spent a busy pre-election day weekend. After a morning exhibiting Interstudent High School materials at the annual East Bay Social Studies Teachers Conference, he changed hats to become Treasurer for Eric Moncur, Assessor candidate with strong Georgist views, and worked hard throughout the rest of the day. Moncur has been hitting at underassessment of city land, particularly pointing to the 'Pier 39' scandal where a piece of land is assessed at one fourteenth the value of its neighbor.

Collins of Philadelphia

by **MARTIN HIRSCH**

A free, 10 week course in Fundamental Economics begins this week at the Henry George School of Social Science, 413 S. 10th st. Classes, which meet one night a week from 7 to 9 p.m., are held in the house where the American economist and social philosopher Henry George was born almost 150 years ago.

The irony is that George, who was as well known in his time as Ralph Nader is today — and whom some still recognize as the most original economic theorist this nation has ever produced — has become a forgotten man in his native Philadelphia. Few Philadelphians, it seems, have ever heard of Henry George, though many have probably passed his birthplace on the east side of 10th st. a hundred times without realizing its historical significance.

HOWEVER, according to George L. Collins, 43, director of the Henry George School of Social Science, if Proposition 13 and other property tax reform measures continue to engage the public consciousness as it appears they will, the name of Henry George will be resurrected from undeserved obscurity.

Collins is an uncommonly handsome West Indian whose mesmerizing manner and glistening shaved head are reminiscent of Geoffrey Holder, the mysterious deep-voiced black actor/choreographer who captured America's imagination a few years ago as the guardian of 7-Up's mythical "Un-Cola Nuts."

After a 4 year stint in the U.S. Air Force, Collins moved to New York City in the late 1950s "to find some direction for my life" and it was then that he first learned about Henry George. Collins' ambition at the time was to become a social worker. But a newspaper advertisement which referred to George "as America's most original economic thinker" and announced a free course at the Henry George School proved provocative enough to alter his career path.

COLLINS HAD NOT heard of Henry George before he attended the free course. But by the time he was half way through the course, he recalled, "I found myself defending George's theories whenever other students attacked them. "After taking several more advanced courses, Collins was invited to join the faculty of the New York school in 1961, and then moved to the Philadelphia extension of the Henry George School of Social

Science in 1964.

Since then, he has been spreading the gospel according to Henry George—a philosophy he says that has been drawing more and more followers in recent years.

Why the sudden surge of interest in a forgotten economist of the Industrial Revolution? Because, Collins explained, George's thesis is based on the belief that land, like the air we breathe, is a gift of God which should not be hoarded by the rich and powerful. It is a point of view which could, understandably, become very popular at a time when middle America is crying out for relief from soaring property taxes.

AS COLLINS explained it, George's economic theory is based on the assumption that the utilization of land is the primary determinant of economic conditions. He believed that underlying the wage-price spiral is a continual land price spiral that traditional economics ignored.

"George believed that our treatment of land as private property, which allows the owner to use it productively or not productively, is the basic cause of poverty in the world," Collins said.

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Hirsch is a journalist with the Center City Welcomat, from which this article was taken.

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value will not increase their tax liability. In fact, the attached study of a suburban school district in Long Island shows that four out of five homeowners would have a tax decrease under full value assessment of their land. Of the twenty percent who have increases, the majority are not typical homeowners but those sitting on multi-acre parcels with minimal residential improvements. We need not characterize this minority as speculators to recognize them as nevertheless a very privileged class of taxpayer who have long been able to enjoy more while paying less.

Opponents of reassessment like to cite the fearful costs in time and manpower as a means of delaying or even deterring the dreaded day. By moving on land assessments we can knock out perhaps ninety percent of cost, as much of the time, and most of the uncertainty. Decent maps, current sales data and access to a computer are the basic requirements for the job. No need for an army of busybodies trying to learn how many bathrooms have been added or attics finished. The probability of an accurate valuation of land alone, given modern methods including those recommended by the IAAO itself, is at least as great

as the results of the arcane calculations of probable and potential income, capital investment and replacement costs. And the results can be kept as current as any jurisdiction requires, at least annually, in most cases.

The administrative and fiscal, economic and political arguments for assessing land at full value, persuasive as they may be, still pale before the equitable and yes, if you will, moral ones. Is it fair, is it right, for those who invest in their property by improving it to pay for the benefit of those who do not? Or, in the reverse, shall we continue to subsidize the profit in increased land values, while penalizing the development of new improvements? Shall those who claim to own natural resources be dealt with more kindly be the taxing authority than those who live by their labor or man-made wealth?

Assessors need not be crusaders for reform. Neither should they stand in its way, defending the methods and practices of the past, even their own. Alternatives, especially those combining fundamental justice with sound fiscal administration, should not be disregarded or dismissed.

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To reduce poverty and bring about a more equitable distribution of wealth, Collins said, George advocated the taxing of land alone, and not buildings or improvements on them. The goal of the so-called "single tax" system is to discourage speculation by removing profit from landholding.

ACCORDING TO Collins, here's

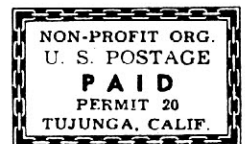
how George's system would work: Land owners would be taxed at an assessment level based on the optimum use of their property; this would discourage the rich from holding unused land, and encourage developers to utilize land in the most strategic locations before resorting to outlying areas; thus "land value taxation" would stimulate uniform urban development and promote the fullest and most efficient use of land.

If you're interested in finding out more about Henry George and his answers to America's current economic crises, his historic birthplace at 413 S. 10th st is open to the public Mondays through Fridays from 2 to 5 p.m.

For more information about the free courses, which are approved by the Adult Education Council of Philadelphia, call George Collins at WA2-4278.

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