

# LAND and LIBERTY

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## LESSONS FROM PHILADELPHIA

IN THE next issue of Land and Liberty, GEORGE COLLINS reports on the bid to introduce a heavier property tax on land values in Philadelphia.

- A lower tax on buildings, he will argue, would encourage new development – and create more jobs in the construction industry.

- Fiscal reform would be a return to the principles of the city's founders: 300 years ago, the first tax ever instituted in Philadelphia was on land.

# A dedication

**P**ROPERTY TAXES yield a significant slice of revenue for America's local governments.

Of the 22 cities that took at least \$500m a year, three relied on property taxes for over 20% of their income.

Boston's \$406.6m (for 1982, the latest year for which figures are available) heads the list at 39%, according to the Census Bureau in Washington.

But while league tables hold some fascination for statisticians, they tell us nothing about the wider costs and benefits of property taxes on social and economic welfare.

Yet it is vital that the nation enters into such a debate, if sensible solutions are to be developed to address some of the major problems of the 1980s.

For as Americans prepare to vote in the Presidential election this fall, as they wade through an Orwellian nightmare of political prose and electronic hyperbole, little will be said about the fundamental reason for high unemployment: a tax system that discourages growth at every turn.

How else can you describe the impact on those who defy the odds and launch a successful business? Does it make sense to slap a monstrous property tax bill on firms that build factories – while virtually ignoring speculators who quietly grow rich on unused land?

The richest nation in the world has to generate more jobs and higher wages for its citizens: fiscal policies provide all governments – from the federal down – with weapons to achieve these goals.

Yet even among tax reformers, there is a strange silence in 1984.

Proposals to alter the structure of taxation trigger off the alarm bells for vote-seeking politicians.

Reluctant to supply opponents with even the slightest artillery, most American legislators wait until

odd-numbered years to address the issue – and even then, they invariably approach the problem from the rear end.

Fortunately, there are some clear-sighted politicians who have discovered the merits of what the *New York Times* calls "enlightened taxation".

Encouraged by the success of land value taxation in five Pennsylvania cities, they have taken the first steps toward decreasing taxes on buildings and increasing it on the market value of land.

In New York, Missouri, New Hampshire, Wisconsin, California, Utah and other states, legislators are being asked to restore common sense to the property tax system.

*Land and Liberty* applauds this long-awaited effort and, in this special issue, offers a perspective on the implications of a land tax for different sections of the United States.

- From New York we explore the ongoing struggle to lure new development. Mayor Koch and his economic team have found the right path, but are tip-toeing where they should be sprinting.

- From the Midwest and New England, we examine the impact that a tax on land values would have on farmers. Representatives from rural districts might be surprised by the long-term benefits their constituents would realize.

- From the West Coast we look at recent unsuccessful attempts at property tax reform. Californians know *something* is wrong; they just haven't put their finger on it.

- Reports from Washington and Pennsylvania offer glimpses of how land value taxation can work.

In 1984, America's heightened political awareness offers a ripe opportunity to make significant and lasting changes in its tax structure. To those legislators who have undertaken this task, and to their colleagues who care about restoring equity and economic efficiency to the system, this issue of *Land and Liberty* is dedicated.