

THE TAX WE NEED

written and compiled by
Tertius Chandler, with many
excerpts from Steven Cord's
"Catalyst!"
and from Rolland O'Regan's
"Rating in New Zealand"

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Foreword

I have never seen a convincing refutation of Henry George's proposition that it makes no sense to tax land and capital or improvements equally; that taxing the rental value of land not only can not interfere with supply but would actually increase the supply offered in the market, whereas taxing capital must to some extent interfere with the growth of productivity.

Mr. Chandler makes the case again, and cites examples.

More power to him.

Alfred E. Kahn
Advisor to the President
on Inflation

Introduction

by Michael Wiseman

Associate Professor of Economics, U of California

It is commonly said that a thousand economists laid end to end could never reach a conclusion. The principal exception to this generally apt proposition must surely be what is so effectively argued by Tertius Chandler in this book: There is widespread agreement that property tax should be levied principally on site values rather than on improvements, and a property tax so levied should be a major instrument of public finance. As an economist interested in the plight of our cities, I welcome this effective and accessible statement and extension of the arguments formulated so long ago by another Californian, Henry George.

I welcome this book also as a long-time admirer of Tertius Chandler. Mr. Chandler - "historian," his business card says - has become something of a landmark in the Berkeley intellectual landscape. He represents the best of the scholarly tradition: an honest, warm man with a razor-sharp mind, ever ready to question or challenge the student (or professor) foolish enough to lapse into sloppy thinking or ill-considered or peevish ideologies. Near the end of the text, Mr. Chandler speculates on the type of person likely to take up the mantle of Henry George's philosophy and effectively lead the political movement for site value taxation. All sorts of individuals are mentioned. One category - the "few idealists among the elderly" - is clearly the one to which he belongs. We are fortunate that this one of the "few" has written this delightfully polemical book that is so relevant to the problems we face.

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The claim that poverty is eradicable may seem utopian, especially if the remedy is land value taxation. However,

LVT SPURS ECONOMIC GROWTH. Briefly, if we tax land, we encourage fuller use, for who could afford to keep land out of use, or in only partial use, if he had to pay a full tax on the annual land rent? If we use this tax for revenue and un-tax buildings and wages, then we'll have more new construction and renovation, and the after-tax incomes of workers will be higher. The statistics from Australia, New Zealand, and South Africa show LVT spurs economic growth: when a city switches to LVT, the amount of building permits issued takes a sudden jump over previous years and as compared to neighboring comparable non-LVT cities.

- from Steven Cord, "Catalyst!" 1979, p. 75

We Should Tax Land Values More

- Nothing is certain but death and taxes -

Benjamin Franklin

Some taxation is necessary, for roads, police, firemen, etc. Taxes should not fall on the poor, for they have too little to start with; when that is taxed away they become beggars, thieves, or dead. Taxes should fall on those who have the wherewithal to pay. Wealth is primarily in two forms: land and money. The moneyed rich can be reached by an income tax, though that has some defects both theoretical and practical, as will be shown later. Land however is most basic of all. It is on land that the principal tax should be placed.

We have a limited supply of land on this Earth, and a good many people to support. So anyone fortunate enough to own land, on farm or in city, should make appropriate use of it. A good stiff tax on the land's value can make him do this. In cities this value is site value. Thus a

vacant lot in the shopping district has a high sales' value just because of its location. It should be taxed accordingly, whether there is a building on it or not. The tax will force the owner to build, or to sell out to someone else who will.

Buildings Should Be Exempt

The absence of any house tax will still further encourage the landowner to set up a really worthwhile building. As the tax remains the same, he may as well have the best building he can conceive! In fact it works out about that way. Wherever the land value tax is in effect, good buildings are plentiful, and ramshackle ones disappear as if by magic. It is thus the free market operates, when it is spurred by a sensible system of taxation.

III Effect of Taxing Improvements

All things made by man, such as houses and their contents, as well as factories, vehicles etc., are called "improvements." All these should be left un-taxed.

In England in the last century windows were taxed. Many were then bricked up. This was bad for the health and comfort of the people. In the Middle East a sultan placed a tax on date trees. They were cut down. The food supply suffered and the country became more arid. In South Africa, wheels have been taxed. The poor whites and blacks who depended on ox-drawn wagons or carts removed the wheels. That was hard on the oxen and bad for the country. Sleds tore up the surface of the earth and greatly increased the peril of erosion.

- Frank Lucas in "The Analysts Journal," Feb. 1956
 Frank Lucas (1881-1958) got LVT adopted 1918 in Johannesburg, whence it spread to Nairobi 1921, Durban 1923, Mombasa 1949, Bloemfontein 1950,

and Pretoria 1970. So he was responsible for the good use of urban land in the countries of southern Africa.

Effect on Business

Tax manufactures and you check production. Tax buildings and you slow development.

Tax trade and you hinder or prevent exchange.

Tax capital and you raise the cost of production.

Tax wages and you lessen purchasing power.

But you may take the whole value of land in taxation and the land will not diminish nor be any less productive. On the contrary, land-value taxation will reduce the price of land and make more land available, stimulate trade and open up new opportunities to labor and capital for the production of wealth.

- Cord, p. 18

Thus the land tax is the happy exception to the rule. After all, taxation cannot reduce the amount of land - as it can and does cause a fall in the production of any other commodity. When land is heavily taxed, the effect is merely to cause its transfer from inefficient users to efficient ones. This helps business and also the community as a whole, as the energetic new owners put up apartments, stores, and factories in locations suitable for them.

Effect on Wages

Propping up wages above the market level helps some workers but dis-employs others. The higher the price for goods or services, the lower the demand for them; this is the first law of economics.

Many studies demonstrate the truth of this, and it is particularly the young and black who get left out. When the minimum wage was increased in 1967, white

teenage unemployment immediately jumped 20% and black teenage unemployment 25% ("Manpower Report of the President," 1967, pp. 203-4, 216).

And why should it be any different when unions force wage increases? When the steel union gets a wage increase, the extra wage cost boosts steel prices, which in turn reduces the demand for steel. Less steel is produced and some workers are dis-employed.

- Cord, p. 73

Land value taxation, by bringing land into full use, tends to increase jobs until nearly everyone is employed. In four countries - South Africa, New Zealand, Taiwan, and Australia - it has contributed to lifting employment in normal years consistently over 98%, and in none of these countries is quite the full site value of land taken in tax. With complete LVT the employment rate would have been even higher, probably over 99.5% - a figure actually reached anyway in 1974 in New Zealand and South Africa. When employment gets that high, bosses are nervous about losing any workers and pay them reasonable wages to keep them from deserting to some other employer. Labor becomes a scarcity item, so its price tends to rise; it is supply-&-demand all over again - except that this time it is labor that tends to benefit. The hapless usual competition between laborers for jobs that is the basis of the case for Marxian socialism simply disappears when the unemployed marginal laborer finds himself in immediate demand. Thus wages in the LVT countries tend to rise to the point where laborers receive a fair return for their labor.

This solution is automatic. It requires no special wage laws or subsidies by the government. In 3 of the LVT countries wage disputes are handled by compulsory arbitration boards - a method proposed by Charles Kingston in South Australia in 1890 and first actually set up by Pember Reeves in New Zealand in 1893. The decisions of the courts are practically always accepted without objection, so

strikes are very rare in those countries. Except for the traditional black-white differential in South Africa, the LVT countries enjoy peace on the wage front.

Effect on Inflation

It was Lenin who observed that inflation was the most effective way to disrupt capitalism.

- It is the cruelest tax of all, hurting the poor and fixed-income elderly in particular. Well-to-do people can protect themselves since much of their income comes from inflating investments; their incomes tend to rise with inflation.

- It erodes savings, the source of future economic expansion; and since the future rate of inflation varies erratically, it is difficult to make accurate business plans for the future.

- It sets group against group, as each group in society seeks political power to protect its economic position by special political advantages. Instability spreads as one group gains and others slip, not because they make a greater or lesser contribution to the productive process, but because they are more or less able to win special privileges in the political arena, or because they are adept at speculation. Increasing social friction and instability rend the social fabric of capitalism.

- Cord, p. 61

Inflation occurs when demand exceeds supply, causing prices to rise as people bid against each other. It occurs too when faith in a nation's money gives way because the government is sinking deep into debt and has to print extra money or sell bonds to make its payments.

The conditions needed to avoid inflation then are a fairly stable economy and a very stable government whose income from taxes is equal to its expenses.

There are two main ways to get inflation under control. Neither is in use in this country now.

One is a balanced budget. Not just a reduced deficit. Our current deficit is \$38 billion. Military costs are \$114 billion. So the saving can be made out of the military, and still leave us with an effective 2nd-strike force if we should be attacked by Russia. Philip Morrison and Paul Walker have written a book showing in detail how our military cost could be cut to \$73 billion. Even that is a lot for peacetime. A \$41 billion saving on the military would give us a small budget surplus.

The other basic way to cut inflation is a land value tax of 5% or more. Taxing land lowers its sales price. Land is a large part of the financial market, so low, steady land prices act as a strong brake on inflation. Our federal government could get localities to apply a land value tax by refusing to make grants in aid to any that didn't. This can be done by Congress, or by the president vetoing any grant that lacks the tax proviso. As for state constitutional roadblocks such as Jarvis's Proposition 13 in California, those would probably be repealed in a hurry when states found out that was the only way for their cities to continue getting federal money. So all this plan needs is a president or a Congress willing to put it into action.

There are sundry other things that could help against inflation, well summed up in "Time," April 8, 1974, pp. 79-82, such as cutting tariffs and import quotes, fixing prices in hospitals, and ending crop price supports - but although worthwhile, they are trifling compared to those two main measures.

If LVT were applied and accompanied by restraint in governmental expenditures, inflation should be brought well under control. Meanwhile, a windfall profits tax can be used to take for public use some of the profit in oil - a natural monopoly and part of land in Henry George's sense.

As Henry George was perhaps the first to point out, in 1879, runaway land speculation is the underlying main cause of major depressions. It is the central trouble, that turns little depressions into big ones.

Every depression has been preceded by a rampant land speculation.

During a period of prosperity, people start to buy land not at prices reflecting current use but future price appreciation (rise). With the demand for land increasing, and the supply fixed, who can doubt the price will rise? The mania to buy land now for resale at a higher price later is fed by numerous stories of private fortunes being made, made, made. The tempo quickens. Inexorably, the cost of land speculation is reflected in higher and higher prices of all goods and services until the current money supply becomes inadequate to clear the market.

As incoming orders diminish, and as land costs rise, the active producers, labor and employers, are gradually being squeezed, squeezed. The awful day of collapse is postponed by the extension of credit to the active producers - but only postponed. Eventually, as production costs rise beyond demand, the collapse comes with a snap, like the breaking of an overextended rubber band.

"But," will come the rejoinder, "we haven't had depressions in recent times, not since 1929-39. And yet, neither has there been any substantial amount of land value taxation. This doesn't accord with your analysis."

Ah, yes, but not quite. Rather than attack land speculation rationally by taxing the profit out of it, we have been narcotizing the problem by injecting additional money supply into the economy....This... puts more money into the hands of consumers so that

they can buy the products of industry at the higher price reflected by the onrush of speculation. The result is not depression, but inflation!

Let us once stop the inflation used to cover up the effects of land speculation, and we will be plunged into depression....

We have dealt with symptoms, not causes. Like morphine addicts, we require ever-increasing doses of - well, not morphine, but inflation. We are shooting ourselves full of money supply, putting off the evil day when the money will lose all value and the economy collapses. What happened in 1929 will then look like a minor recession by comparison.

- Cord in his May 1979 issue of
"Incentive Taxation"

I differ only with the last sentence. Inflation might succeed in curing the effects of an unbalanced economy, by distributing the loss over all who possess any money. So it may be possible to avoid an outright depression in this way, unwholesome and unsound though it is, provided the economy slowly gets onto its feet. If however federal expenses overrun income by a large enough amount, or land speculation runs on unchecked, the government can indeed collapse in total bankruptcy. Chaos would then follow, as professor Cord suggests.

Speculation

Land speculation is the holding of land out of full use in expectation of selling it for a higher price in the future. Speculation in labor-produced things is generally short-lived, since if the price goes up, an increase in supply becomes profitable, supply then increases and the price soon returns to normal. But in the case of land, no increase in supply is possible; thus, land speculation is self-sustaining. When we keep land out of use as determined by current market

demand, an artificial land shortage is created. This boosts land prices, and this extra price of land due to the artificial shortage is reflected in the increased price of other commodities.

- Cord, p. 62

Land in the years 1958-66 rose in price 6.2 times as fast as the consumer price index.

- Douglas Commission report, 1966

Our system taxes the value of unimproved or underdeveloped land so lightly that land owners are under no pressure to sell until they are offered many times what their land is worth; and land so lightly that there is no tax restraint on its price. So the price of our land - which reflects the capitalized difference between the rent the land can be expected to earn and the taxes it must expect to pay - has soared clear through the roof. The home builders have voted 3 to 1 that this land price inflation is their number one problem in trying to meet this country's need for better housing. I will go even further than that: this intolerable, tax-subsidized inflation in land prices is the only reason why private enterprise cannot hope to build new big-city housing cheap enough to meet the needs of middle income families and the biggest reason why private enterprise cannot meet the housing needs of low income families.

To cite only one example: The average price of New York City land taken for re-development has recently been \$486,000 an acre. How can private enterprise be expected to provide low-cost housing in the face of land prices like that? When you have to pay too much for your land, you have no choice but to build high-rise structures to spread the too-high land cost over as many units as possible - and building high-rise structures costs at least 50% more.

- Perry

Prentice in "The Architectural Forum," Nov. 1965

Profit from land value in the U.S. in 1977 was \$87 billion (Peter Meyer in "Harper's," Jan. 1979). This profit - made possible by governmental services such as roads - should go in taxes, so the government can maintain and expand those services. Private speculators shouldn't get it. Realtors should be allowed a normal payment for clerical work done and of course for any building they do to improve the site - but not more.

The profit on land, excluding inflation, tends to be about $8\frac{1}{2}\%$. With improved use under a land value tax, it would surely be more. Thus Brisbane city in Australia, which has had LVT since 1891, collects land tax at the rate of 9%, plus a state tax of 3%.

The change to LVT, if made in one stroke as in New Zealand, Australia, etc., is a bit hard on those who have recently purchased land. Therefore the city of Pittsburgh, which moved halfway to LVT, took 12 years to do it by gradual stages, 1913-25. On the other hand, people who have just bought land are usually well off and quite able to stand a little set-back. Moreover, the greater injustices of unemployment, inflation, and crime are all relieved best by the immediate change. Then too, most landowners actually pay less under LVT - because the wasted or under-used land that gets taxed more under LVT is usually held by only a few people or by corporations. So it is that the landowners themselves in New Zealand etc. vote for immediate change. They are better off that way. In those countries only landowners are allowed to vote on this issue. I see no reason why renters should not be allowed to vote on it too, as the rate of rent reflects land tax policies. Renters stand to gain even more than landowners from LVT, so if properly informed they should be a substantial help in getting LVT adopted in this country. That is, if they don't agitate so tactlessly as to create a backlash, as has happened already here sometimes in the past. On this issue poor renters and prosperous businessmen should stand together, and the lead should perhaps be taken by economists

such as university professors, as they understand so thoroughly what this subject is all about.

With such a united front, perhaps the speculators can be overcome.

Effect on Cities

Any policy which anchors poor people in a declining city - whether it be by generous welfare payments, subsidized housing or subsidized employment - is bound to be cruelly counterproductive.

- Irving Kristol

Raising the tax on land makes it less desirable, hence cheaper to buy. So builders can afford to buy it sooner and have more funds left over with which to make better buildings.

It is in cities that the land value tax is most effective. Indeed it may be the only way to save the urban cores. Urban revivals by the use of federal money can be so costly as to bankrupt the federal government. A land value tax does the job automatically.

Perry Prentice got the U.S. Chamber of Commerce's urban affairs committee to come out for the land value tax in a resolution, Feb. 17, 1971, saying, among other things:

We believe it obvious that heavy taxes on imports inhibit and often prevent investment in improvements. Conversely we believe heavier taxation on location values could put effective pressure on the owners of underused or misused locations to put their property to better use or sell it to someone who will.

We believe that many businessmen have insufficient understanding of the harm today that widespread misadministration of the property tax may be doing in their communities.

Gurney Breckenfeld summed up the case more recently in "Fortune," March 1977:

The real tragedy of our shrinking cities is that they have hastened their own decline by giving individuals and companies a self-interest in doing what is bad for the community.

Among disincentive taxes the property tax has by far the largest and most pernicious effect.

The trouble with the property tax is not what it is commonly thought to be: soaring tax bills that burden hard-pressed homeowners. The real trouble is the basic structure of the tax - a confusing and little-understood fusion of two separate taxes, one on the building and one on the location.

Most cities collect two or three times as much tax from buildings as from the site value of land. The low tax on land rewards speculators, making it easy to keep idle or under-used sites off the market until urban growth drives the price up enough for a fat profit. The high tax on improvements discourages both the construction of new buildings and the maintenance of aging ones.

The remedy is to turn the property tax upside down so it will hitch the profit motive to the right objective. States should adopt legislation allowing localities to abolish the tax on buildings and impose a corresponding increase (indeed any increase - TC) in the tax on land. Under such a tax shift, several studies have found that most homeowners would pay less. More important, the incentive for private investment in really good buildings would increase, while the lure of land speculation would diminish.

The following quotation bears out the above claim:

All apartment buildings in Pittsburgh pay less with the Graded Tax (limited LVT) in force there as compared to what they would pay with a flat-rate property tax.

- Cord, p. 47, citing former chief assessor Percy R. Williams

Nothing demoralizes a town more than blight at the core...the central business district with empty stores, or shabby cheap ones....Jobs are lost, momentum too. The commercial potential may be there - a ring of prosperous shopping centers attest to this - but the city is weak at the heart. It's a sick thing to see.

There are many things a city council can do to help downtown businesses....How about getting rid of sales taxes, inventory taxes (abolished in California in 1979), business privilege (!) taxes, license taxes and who knows what taxes which are hobbling and harrying our downtown businesses.

Don't we want retail sales, downtown businesses and jobs? So why tax them? Suburban shoppers rarely if ever have to pay these taxes. For example, movie theatres in Pittsburgh are going out like lights; they can't compete with suburban theatres which don't pay the heavy entertainment tax they have to pay. What is the matter - is entertainment something evil that we should tax out of existence?

ANOTHER SOURCE OF TAX REVENUE. Of course, our cities need tax revenue. But instead of taxing downtown businesses into trouble or out of existence, they should tax land assessments instead....The up-tax on land (not buildings) will encourage landowners to use their land more fully...just as in Australia, creating jobs and helping business.

- Cord, p. 17

Let a businessman use his machinery inefficiently, and he will soon go bankrupt. But if a landowner uses his land inefficiently, then he suffers no penalty for so doing. He merely foregoes an extra income he could earn - unless, of course, he has to pay a tax on land value. Then his out-of-pocket expenses would encourage him to use his land efficiently or sell to someone who

would. The higher the tax, the more incentive he has to use the land efficiently - and incidentally contribute to the re-employment of some other people. The higher the tax, the higher the employment, and with unemployment diminished to the quintessential nub, the higher will go the general demand for labor and the general wage level! Let the free market work in land as it does elsewhere, and the wage level will naturally float on upward.

Land is a vast storehouse of raw materials and locational advantages which workers and businessmen must draw upon in order to make a living....But the active producers, labor and businessmen, must have access to land....The only way to do this is to tax land values.

- Cord, pp. 73-4

A recent study in Montreal came up with this fascinating statistic: if local land owners had to pay the city 5% interest on the city's investment in...community facilities - roads, streets, sewers, schools, water supplies, fire protection, police, etc. - then the city could run its government and operate its plant without collecting any taxes at all!

- Perry Prentice

HOW TO ATTRACT NEW INDUSTRY. Any town can attract new industry with land value taxation. Here's how:

1) By reducing the price of land, LVT would reduce considerably the initial investment required by new industry. Industrial prospects need shell out less for land - less for the privilege of entering the community to provide much-needed jobs and services.

2) By abolishing the tax on the factory building which the new industry would construct, the operating costs of a new factory would be considerably reduced - another attraction to new industry.

See studies by Schwartz & Wert on Bethlehem, Pa. (Lehigh U, 1958, p. 19) and by Cord on Lancaster, Pa.

- Cord, p. 19, revised

In 1953 Dunedin, New Zealand, adopted LVT. A tremendous increase in construction and renovation ensued in the old town. In the 6 years before, the average value of building permits issued was \$7,400,000 annually. In the year following, the value jumped to \$12,500,000 - a 69% leap!

- Cord, p. 98, condensed

Towns in Victoria, Australia, which adopted land value taxation between 1955 and 1964 grew at a 58% faster rate than their neighbors which did not.

- Cord, p. 97

Buninyong, 73 miles from Melbourne, in 1972 voted to switch to land value taxation. Buildings were completely un-taxed in April that year. What happened?

Boom. Construction in neighboring localities grew that year by 13% while Buninyong, which had been stagnating, saw construction rise by 400%, and so it continued in the years following.

- Cord, pp. 20-1, condensed

Under the striking headline "The kiss of life," Melbourne's newspaper "The Herald" on Dec. 2, 1972 ran a full-page article on suburban South Melbourne City. It described its amazing renaissance, shedding off long years of deep sleep and bouncing back to exciting times again. To quote from the article:

"Resurrecting a city is a magical thing, but it takes toll and great purpose when man is attempting a miracle. In South Melbourne the revivers are in a rage of earnest.

"Some begin earlier than others: suddenly it's all happening at once.

"Big industrialists and bold young professionals are pushing up commercial castles there. Faded mansions are being re-vamped into fashionable town houses. Quaint cottages in forgotten streets are being resus-

citated by loving hands. Once-despised architectural styles have become treasures again.

"The influx of work-places and home-makers has trebled the value of building permits in the past 3 years."

It all began back in November 1964, when the property owners voted in referendum to switch to the land value tax system.

In the first 6 months of 1965, the value of new building permits was 2.4 times what it had been for the four preceding 6-month periods....Not only that, but the growth in construction continued unabated in the ensuing years. - Cord, pp. 96-7

14 of the 28 largest cities in South Africa tax land values only and exempt buildings entirely. 9 cities tax land much more than buildings (2-15 times more), while only 4 tax land and buildings at the same rate.

How goes it in Johannesburg, the largest of South Africa's cities? Here follow extracts from an article by J. McCulloch, city valuer (chief assessor):

"As regards the benefit to a city of site value rating, this is obvious in Johannesburg with its tremendous development in the relatively short period of its existence. There are more new developments and more replacements of non-viable buildings than in any other city in the Western World....In central Johannesburg, once a building becomes incapable of producing rentals comparable with adjoining modern developments the trend is to demolish and redevelop, and buildings have been replaced 3 times in 80 years to retain viability....

"In Johannesburg a site fully developed pays exactly the same rate as a similar site partially developed or vacant. And the stimulus to develop with no increase in rates has produced the modern development which is not evident in other cities of the world. A house owner who develops his property to the maximum is not

penalized by having to pay on his improvements...."

- McCulloch in "Land & Liberty," Jan. 2, 1976,
quoted in Cord, pp. 98-9

Effect on Crime

Many proponents of land value taxation are still unaware that it has any usefulness in reducing crime. But it does.

The effect is indirect but nonetheless real. LVT clears out slums. So criminals have no dismal districts in which to congregate. If a few people are hard up in an LVT city, they will tend to live separated from each other, in prospering districts which can easily afford to carry them. They do not need to slip into crime from mutual despair in a sordid, broken-down neighborhood.

Along with this wholesome lodging situation goes the abundance of jobs. LVT puts land into full use, which in turn means more employment - usually virtually full employment. New Zealand had over 99% employed from 1966 through 1975 (despite the mounting oil crisis) and so did South Africa, while Taiwan and Australia despite a sizeable influx of immigrants did nearly as well. Employed people are much less likely than the unemployed to get into crime. Thus the U.S. Americans in jail in 1979, 43% were jobless at the time of their arrest ("National Enquirer," Sept. 4 1979).

In view of these considerations it should come as no surprise that New Zealand shows the lowest murder rate in the world for 1975, the latest date for which comparative figures are available: .16 per 100,000 inhabitants. One year recently New Zealand had no rapes at all. Violent crimes there are about 1/35 as common per capita as in the U.S. Both countries grew up largely at the same time and with similar speed, with similar British traditions,

and it is useless to say the racial mix in America excuses any such inferiority as a ratio of 35:1.

Clearly, LVT is valuable against crime. Indeed this may well be its most appealing aspect.

Public Transportation

Here's how we can make public transportation self-sufficient:

- 1) The fares should cover operating and maintenance expenses only - in which case, such fares should be rather moderate.
- 2) The construction costs of subways, surface trains, highways and bus systems can be paid for completely by a tax on the increase in land values resulting from these desirable public improvements.

"But," one might ask, "would a tax on the increased land value really pay for the huge construction costs?"

The answer is yes and here are some facts to prove it:

New York State taxpayers spent more than \$400 million to build the New York Thruway, but land values along the route increased by much more (Perry Prentice in "Architectural Forum").

Since the Toronto subway was built, land values have skyrocketed. A 100 square foot plot purchased in 1947 for \$22,000 sold ten years later for \$257,000 ("Life" editorial, 1965).

The landowners on Staten Island, NYC, pocketed a \$700 million windfall because other taxpayers put up the Verrazano Narrows Bridge, making their land much more accessible than before. And one can wonder about the increase in land value on the Brooklyn side of the bridge (Perry Prentice in "The Commercial and Financial Chronicle," Aug. 22, 1968).

The opening of the George Washington Bridge increased land values on the New Jersey side alone by \$300 million, or more than 6 times the construction

cost (Gilbert Tucker, "The Self-Supporting City, p. 11).

And so on and on we can go. And there is good reason for it: a necessary transportation improvement makes a neighborhood more accessible, more convenient to live in. It thus increases the value of its location, and this is directly expressed in increased land prices. Q.E.D. - Cord, pp. 26-7

The California legislature unanimously passed a bill by James Mills to finance the San Francisco Bay area subway by taxing increased land values, and the law was signed by governor Ronald Reagan - before land speculators got into action and somehow got the law scrapped and the cost passed onto the general taxpayers, who are still paying it by an increased sales tax. A good chance was missed. (See Harlan Trott in "Contra Costa Times," May 7, 1978)

Suburban Sprawl

It is worth keeping in mind that every empty acre in our cities requires the development of dozens of acres out on the rural fringe.

- Mason Gaffney, quoted in Cord, p. 38

It might be thought a high tax on urban land would drive people out into the suburbs and take farmland out of cultivation. This is in fact the commonest criticism I have met. Yet nothing could be further from the truth.

A high land value tax, by lowering the price of land, makes it easy for merchants and residents to buy into the inner cities, while the removal of the tax on buildings under LVT is a further boon, encouraging people to set up fine buildings, good enough to let them make more than enough to pay the land tax each year. This goes not only for shopkeepers but also for apartment builders, who set up under LVT a lot of good, moderate-height residential structures. These buildings house and employ more people than formerly, while low-density slums disappear. So population in the inner suburbs and even in the central city tends to increase, and the drift toward the countryside is reversed.

Farmland is preserved. Urban land is better used. Smog is reduced, as commuters travel shorter distances, and some workers come to live near enough to their jobs not to need to drive to them at all. After all, many people live in the suburbs so as to avoid the derelict central districts; once those districts become pleasantly liveable and crime-free, there is much less point to living out in suburbs.

The pleasant scenario pictured above is borne out by the facts wherever LVT has been tried, whether fully or in part: in Wellington (where it was already tried back in 1849-76 and has been used again since 1901), Brisbane, Sydney, Taipei, Johannesburg, Durban, Pittsburgh, Scranton, Harrisburg, etc.

Uptaxing land in and close to the city offers the one best hope of stopping the premature subdivision of land that should be left open for farming and recreation for many years to come. No developer in his right mind would leapfrog out into the boondocks if today's under-assessment and undertaxation of the close-in land needed now for urban growth did not make it...so easy for its owners to hold it off the market until they can exact a ransom price.

...Land prices have been shooting up 6 times as fast as the rest of the price level according to the Douglas Commission Report and faster since. - Perry Prentice
in "American Journal of Economics and Sociology,"
Jan. 1977

The second commonest criticism I get is that LVT might cause cities to become too much built-up. Again, not so. Here is an answer to that one:

Could it cause land to be used too intensely? Will we have shoulder-to-shoulder apartment houses? Will urban parks disappear? Will cities be congested with traffic, and will people be elbow to elbow?

No, because land value taxation keys land use to demand. A heavier tax on land values would tend to put

land into its optimum use as determined by the demand of potential users, but it won't favor more intensive use than that. In short, the people will get what they want. In fact, rather than cause over-intensive use, LVT will alleviate the problem, for these specific reasons:

- 1) LVT encourages more even land use. No underuse, but no overuse either.
- 2) LVT makes parks easier to establish because it lowers the purchase price and also because it makes the city more prosperous and hence more able to buy and hold the desired parkland.

- Cord, pp. 38-9, revised

Zoning

Zoning may be an unnecessary interference in the free flow of economic development. Houston has no zoning, and seems to be none the worse for it; see Dick Bjornseth, "Houston Defies the Planners," in "Reason," Feb. 1978.

Zoning, except on the rural fringe of cities, wastes half of economic rent in the process of redistributing it (Mason Gaffney, speech in San Francisco, Aug. 1979). I should add that with an adequate land value tax, land prices would remain low even on the rural fringe of growing cities. So zoning could and should be dispensed with. It is a needless regimentation.

Irrigation

Ever since 1909, California law requires that when new irrigation networks are built, they are to be financed by a tax on the affected land values only; all privately owned improvements were to be property tax exempt. The theory was that since land values jumped due to the publicly owned irrigation networks, the expense of those networks should be borne by the affected

landowners.

The result has been beneficial to the local farmers, particularly the smaller ones. The irrigated valleys are among the most productive in the world, and in 1914 the Modesto Chamber of Commerce stated that "as a result of the change many of the large ranches have been cut up and sold in small tracts. The new owners are cultivating these farms intensively. The population of both county and city has greatly increased.... The new system of taxation has brought great prosperity to our district. Farmers are now encouraged to improve their property. Industry and thrift are not punished by an increase in taxes." (Congressional Research Service, "Property Taxation," p. 48)

- Cord, p. 41

Farmers and LVT

Farmers have been in the forefront of the land tax movement wherever in the world it has been widely adopted, as in Australia, New Zealand, western Canada and Denmark.

For instance in largely rural Queensland, Australia, the rural shires there all pay a land value tax of 5.8% on assessed value (1953 figure, from E. J. Craigie, "A Tale of Two Cities," p. 3). In the state of New South Wales, the farmers in all the rural shires have chosen to pay for all local governmental expenses by a tax on land values only.

In North Dakota, all farm improvements are exempt from property taxes, which consequently fall on land values alone ("U.S. News & World Report," Ap. 3, 1978, p. 54).

In short, the government should tax first what it has created - i.e. land values - and as much as possible leave to individuals what they have created - i.e. wealth and income.

- Cord, pp. 41-2

The law of every state in the nation says that all real estate should be assessed at full market value or at least at a uniform percentage thereof. But in fact in almost every jurisdiction, land is assessed at a smaller percentage of market value than are buildings. Result: land is undertaxed and buildings overtaxed in open violation of current law.

Prof. Philip Finkelstein has found these variations in the average ratio of assessment to value:

Metro Areas	residential	business	vacant land
New York	3.6%	5.0%	2.3%
New Jersey	2.8	3.5	2.8

There is an obvious inequity in this situation. It amounts to a negative land value tax - granting a premium for under-use of land and a penalty for individual initiative! Does your taxing district suffer from the same assessment inequity? If you would like a similar study to be made in your area, consult Philip Finkelstein, Center for Local Tax Research, 5 E 44 St., New York City 10017.

- Cord, pp. 31, 13, condensed

In Nassau County, Long Island, there is evidence that idle land is assessed at an average of less than 1% of its market value.

- Perry Prentice in
"The Architectural Forum," Nov. 1965

Assessment - How It's Done

Involved calculations need be made only for selected benchmark properties, and the values established for the bench marks may be extrapolated to all properties.

Properties which were sold and redeveloped provide clear market evidence of site value. When properties are redeveloped without a change of ownership, the construction and operating cost data and rentals paid for the new building space provide market data for calcula-

ting site values. - R. W. Archer, "Site Value Taxation in Central Business District Redevelopment" (Sydney), p. 22

Assessors in Australia have found assessing land takes only 1/7 as much time as doing it for land and buildings.

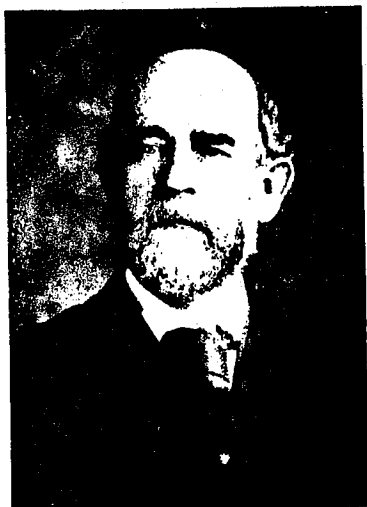
There are also far fewer complaints, as land value can be quite accurately determined for the whole district, whereas comparing buildings is almost impossible, as each is individual with endless special characteristics, to say nothing of the degree of depreciation.

Land Rent Is Huge

Land rent for the U.S. in 1980, including mineral land values, could amount to \$440 billion or even as much as \$600 billion. Cord, pp. 59-60

This is a huge sum. If taken as taxes, it would be nearly enough to finance all our government, federal and state and local. If we would pay off our national debt so we'd no longer have to pay interest on it, and if we furthermore reduce our military costs, this huge income from land rent gathered in land value taxation would finance our governmental expenses with a margin to spare - which could be rebated to the people on a per capita basis.

As it would be a Single Tax adequate to all needs, there would be no reason for other taxes. None whatever. What a blessing that would be!



Henry George

The greatest proponent of LVT has been Henry George (1839-97), an American from Philadelphia who went to sea at 14, became an editor in San Francisco and was living in poverty there when he wrote his main book "Progress and Poverty" (1879), an instant success which was for a time the most widely sold book ever written on economics. He ran for mayor of New York in 1886, losing by 68,000-90,000. He visited Ireland and England, giving well attended public speeches on land taxation. In 1890 he made another voyage, this time to Australia, with a stop in a harbor in New Zealand. Queensland province promptly in 1891 voted for LVT and has kept it to this day. In New Zealand, which had twice had LVT already, a new struggle for it began, supported by prime minister Ballance, which culminated in the passage of a bill to allow land value taxation on local option, in 1896. A 5% land value tax has gradually been voted in since then in all the larger N.Z. places except Auckland. Similarly LVT has spread from Queensland over most of Australia. Henry George was running again for mayor of New York City when he died.

Wholly self-taught in economics, George sometimes slipped into errors. His main blunder was ambiguity as to who should own the land. Repeatedly he said it should be the community at large, but close reading shows he only meant the rent should go to the community and that this should be collected by taxation. He was not a revolutionary nor any sort of socialist, though he sometimes sounded like one and attracted a radical element among his followers.

Other items in his thought need correcting:

He included wages but not money in "wealth" - but wages are money. Actually, George used the terms "wealth, capital, interest" in the sense of community assets such as food, shelter etc., which do not vary in usefulness as paper money does according to fluctuations in the market. There are sound economic reasons for considering things from this aspect, but to the average reader it is bound to

be confusing.

George believed rising population is always good! He said London could reach 1 billion and the earth 1 trillion without hardship. In this century hardly anyone would say such things. He was assuming people would have adopted the land value tax. LVT is good - but it is not that good.

He said population ebbs and flows. That was true till 1800. Not since. See my book "3000 Years of Urban Growth" for comprehensive data on this subject.

He claimed no ancient code advocated stationary population, but Plato tells us Athens kept its population deliberately stable for centuries ("Critias" 112 A-D).

He said China had been formerly more populous than in his day. Not so. Chinese census data, going back to 2 A. D., prove the country had a fairly steady population until about 1700, when it began a rather rapid 5-fold growth.

He claimed the British created tax-farming in India. Actually the British found it already there and, thanks to Thomas Munro, abolished it in the large Madras and Bombay provinces, an immense blessing which was duly appreciated at the time.

Henry George denied wages vary inversely with interest, as economists have always taught. The example he used was Australia. He failed to see that in newly developed Australia there was unusually high demand for both labor and capital, so both could stay high at once.

None of these slips invalidates the truth of George's central message. Land value taxation is as fair, worthwhile, and necessary as he said it was, and in a peaceful world it might quite possibly serve as a Single Tax, as he hoped.

Henry George summed up his acceptance of free enterprise as follows:

We see no evil in competition, but deem unrestricted competition to be as necessary to the industrial and social organism as the free circulation of blood is to the health of the bodily organism - to be the agency whereby the fullest cooperation is to be secured. We would simply take for the community what belongs to the community, the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual; and treating necessary monopolies as functions of the state, abolish all restrictions and prohibitions save those required for public health, morality, and convenience.

- Henry George, "The Condition of Labor"

Marxism or Georgism

Capitalism in its usual form is highly productive, but has its drawbacks. It limits ownership to a few, tends to exploit most of the rest, keeps some unemployed, and every now and then the whole system breaks down in a depression. Many of the brighter youths in each generation recoil instinctively from such a system.

Karl Marx and other Socialists suggested society be structured with jobs for all, arranged by central planning. Thus the profits of society would be distributed more equally. The strong would tend to support the weak. There is no denying the idealistic appeal of this plan. The early Christians had much the same idea. As Luke put it in the Bible at Acts 4:35: "To every man according to his needs." The Socialist Louis Blanc expanded this into: "From each according to his abilities, to each according to his needs."

Unfortunately, Socialist planning turns out to require a considerable bureaucracy. This bureaucracy tends toward inefficiency, because it is far removed from actual production or commerce, and also because its operations are so

vast as to be rather hard to handle at all. As I like to put it, "How does the chap at Moscow know what is going on in Minsk?" A certain rigidity sets in, and over half the Socialist regimes have been outright dictatorships. Productivity simply cannot keep up with the most advanced free enterprise countries. Thus 37,000,000 Russian farmers produce less than 4,000,000 U.S. ones (St. Louis "Post-Dispatch," Jan. 22, 1978), and Russia has to buy grain from us or other free-enterprise nations. Even the Social Democracies have big bureaucracies to support by taxes, which weigh on business and push up the price of goods.

Henry George found a way out of this bureaucratic impasse. He wanted a Single Tax, based on the steadily rising sales value of land. This tax would force un-used or under-used land into full service, creating a sound urban core in every city, in place of the slums which otherwise arise under capitalism. His tax operates with a very small bureaucracy, as a tax on land only is very easy to assess and collect, and other bureaucratic services such as welfare, jails, etc. would become largely unnecessary. At the same time the freedom from all other taxes would be a god-send to business and would enable many more men to find work.

Usually Georgism and Marxism are presented as enemies, and they do indeed start from opposite premises: one for less planning, the other for more. Yet George himself agreed that essential services should be run by the state, and he included in these such things as railways and utilities, on the ground that these were monopolies like land. In fact, taxing them on LVT lines would do as well.

A look at the tabulated map in "Time," March 13, 1978, shows that Socialist dictatorships now do about as well in living standards as nearby capitalist countries. It shows the Social Democracies do even better - Scandinavia etc. The countries with Henry George's land value tax (New Zealand, Australia, Taiwan, Kenya) are among the best. Thus Kenya has the highest living standard in all black Africa.

The "United Nations Statistical Yearbook" shows New Zealand, in the latest year for which figures were available, 1975, had only 0.3% unemployed - better than twice as good as the next nation (Iceland .7; Norway 1.3; Sweden 1.4) - and that was a rather poor year for New Zealand, owing to the sharp rise in oil prices which made it expensive to get her good to market. In 1966 and 1974 N.Z. had an unemployment rate of less than 1 in 1,000 workers! And even there, the land value tax of only 5% stops far short of Henry George's objective of taking all profit out of land speculation for the use of the government.

- from my "Current Problems," March 1979

George vs Marshall

In Feb. 1883 a debate was held at Oxford University between Henry George and Alfred Marshall. Lengthy notes were taken and have been lately published in the "Journal of Law and Economics," 1969.

Marshall spoke first. Only 40, he was an Oxford don and was beginning to build his reputation as a leading conservative economist. He opened up by claiming George had said the only remedy was to divide up the land, an inaccurate statement, as George's program was to tax the land, not to seize it.

Marshall went on that George had fallen into error because of lack of training - a slur based on the fact that George was self-taught. He went on to say George was instilling poison. At this point there were cries of "Hear, hear", "No, no," and an uproar.

Getting around to economics, he said George's Single Tax on land value wouldn't bring enough revenue because British taxes totaled £100,000,000 yearly and ground rent totaled only £60,000,000. George replied that with a Single Tax many expenses would be saved. He mentioned some of these later on. Savings would be on assessment, tax collection, and - because of better land use and less hampering of

business by other taxes - business would become more productive. Whether these changes would have sufficed to balance the budget is an interesting question, and it's too bad it wasn't discussed further.

Marshall claimed things were going alright anyway. He claimed conditions were improving for British workers because their average pay in 1730 would buy only 2 pecks of grain but now would buy 5. In a letter to him afterward Alfred Wallace pointed out that workers in 1730 enjoyed better living conditions on the farm. Someone should have added that the main change was in rent, as Ricardo had shown; thus a worker may have the price of 5 pecks but have to pay 3 pecks' worth for rent, leaving him no better off than before.

By this time Marshall's arrogant cracks had hotted the meeting up considerably, but George began his own speech tactfully. Someone taking notes summed up his statement:

"What he proposed was simply that they should levy their taxes on the value of land, and exempt all buildings and improvements. The tax on the value of land - as they all knew, who knew anything about economics - was certainly the best of taxes, inasmuch as it was a tax which could be collected with less expense, with less danger of corruption; it was a tax which bore less upon production, which, in fact, did not bear on production at all - (cries of "oh, oh") - which in fact was a tax which stimulated production, for one of the reasons which kept production back was the holding of land by people who did not want to use it, those who prevented others from using it until they could get a very high price for it."

That was a good summary of George's position, and certainly a long way from the expropriation of land, which Marshall had accused him of wanting. However, in answer to a question, George slipped into just that. He said he would take land from landlords without any compensation

except their equal share. This sounded like seizing the land and divying it up, as a few radicals had already suggested and as in essence Lenin was later to do. Small wonder that the meeting at that point broke up in an uproar!

- from my "Current Problems," May 1980

Moral Right

The private ownership of land is moral only when the rental income from land is fully taxed by the government.

Here is the basic proposition: a landowner as landowner produces nothing, yet has an income. If he has an income without producing anything, then others must necessarily produce without getting a full return for their efforts.

Q. But most landowners own buildings or raise crops.

A. Quite so, and in such capacities they are entitled to a full return for their labor and labor products.

- Cord, p. 78

The rental value of land at any particular location measures precisely what the advantages of community living, determined in the property market, are deemed to be worth at that location.

Payment of this rental value to the community by each individual landholder is therefore logical, equitable and just. The rental value of land from year to year is thus the natural source for public revenue and community enrichment: its private capitalization into land price is both un-natural and un-just.

- K. N. Grigg, quoted in Cord, p. 78

The ones before Henry George (1879) thought in terms of farmland, not realizing there is even more value in the site aspect of urban land.

Balfour, A. J., British prime minister
 Ballance, John, prime minister of New Zealand
 Black, Hugo, U.S. supreme court
 Brandeis, Louis, U.S. supreme court
 Campbell-Bannerman, British prime minister
 Carlyle, historian
 Chiang Kai-shek, established LVT on Taiwan
 Dewey, John, philosopher
 Einstein
 Eisenhower
 Fels, Joseph, businessman
 Franklin (last address to the French)
 George, Henry
 George, Lloyd - see under Lloyd
 Grey, George, prime min., New Zealand
 Gung-sun Hung (d. 124 B.C.), Chinese official
 Hutchins, Robert, educator
 Huxley, Aldous (in his introduction to later editions of "Brave New World")
 Jefferson
 Johnson, Tom, mayor of Cleveland
 Kahn, Alfred, advisor to president Carter
 Kerensky, Russian prime minister
 Lincoln
 Lloyd George, David, British prime minister
 Locke
 Madero, president of México
 Mill, James
 Mill, John Stuart, economist
 Myrdal, Gunnar, economist
 Nash, Walter, prime min., New Zealand
 Paine
 Penn (in his law of 1683, and "Fruits of Solitude," 1693, II, p. 222)

Porter, Sylvia, newspaper columnist on finance
 Prentice, Perry, editor
 Quesnay, economist
 Reuss, Henry, chairman of the House of Congress
 banking committee
 Rivadavia, president of Argentina
 Roosevelt, F. D.
 Roosevelt, T. (in "Century" magazine, Oct. 1913)
 Russell, Bertrand
 Shaw
 Sinclair, Upton, author, nearly elected governor of
 California in 1934
 Steffens, Lincoln, journalist
 Sun Yat-sen, first president of China
 Szent-Györgi, Nobel Prize winner
 Tolstoy
 U'Ren, William, originator of the recall and of direct
 election of senators
 Ward, Barbara, author
 Wilson, Woodrow
 Wright, Frank Lloyd, architect
 - mostly compiled by Cord, pp. 101-2

Some Quotations from Celebrities

John Locke (1632-1704) "Whenever the proprietor ceases
 to be the improver, political economy has nothing
 to say in defense of landed property."

Tom Paine (1737-1809) "Men did not make the earth....
 It is the value of improvements only, and not the
 earth itself, that is individual property. Every
 proprietor owes to the community a ground rent for
 the land which he holds."

Thomas Jefferson (1743-1826) "The land belongs in usu-
 fruct (i.e. while in use) to the living....Whenever
 there are in any country uncultivated lands and
 unemployed poor, it is clear that the laws of

property have been so far extended as to violate natural right."

John Stuart Mill (1806-73) "Landlords grow richer in their sleep without working, risking or economizing."

Abraham Lincoln (1809-65) "An individual or company... acquiring land should hold no more than is required for their home and sustenance and never more than they have in actual use in the prudent management of their legitimate business."

Leo Tolstoy (1828-1910) "People do not argue with the teaching of George; they simply do not know it. He who becomes acquainted with it cannot but agree."

Sun Yat-sen (1866-1925) "I intend to devote my future to the welfare of the Chinese people....The teachings of Henry George will be the basis of our program of reform."

Winston Churchill (1874-1965) "The landowner's unearned increment is too often in direct proportion to the disservice he has done the community by holding his land off the market when it was needed for orderly development."

Ralph Nader (1934-)'s Tax Reform Research Group sees "much merit in site-value tax, as an instrument both of tax equity and of desirable patterns of land use. It seems especially fair for the community to take back in the form of taxes, the value it, and it alone, bestows on land through the construction of highways, transit lines, sewers, and through the provision of other services."

Jackson Ralston, 1857-1945, a mainly self-taught labor lawyer, was called "judge" because he once presided over a Hague Tribunal. His significance was as a Henry Georgist Single Taxer.

He got Hyattsville, Md., to become the first place in the U.S. to try the Single Tax 1893-4. This worked well but was unfavorably reviewed by a lower court, and was dropped.

He retired to California 1924, as a series of efforts to get the Single Tax by initiative were ending. Efforts in 1912 and 1914 had gotten 40% of the vote. They were to get an enabling law, to let each locality tax as it saw fit. The next try, for a compulsory law to remove all tax from buildings throughout the state, got only 31% in 1916, and 24% in 1918. A still more radical effort, to make all land state-owned, was beaten down with only 20% of the vote in 1920 and 1922. Ralston had a big hand in getting the Georgists to drop this Bolshevik idea in 1924.

In 1933 judge Ralston took the lead in reviving the mild enabling act. The Depression was deepening, so the time was ripe. Just as Joseph Fels had financed the 1912-4 campaigns, so Ralston financed this one, from his life's savings. But he fell just short of the required 110,000 valid signatures, so his initiative didn't get on the ballot. Upton Sinclair ran for governor that year, including a plank for a land value tax. He lost in a 3-way election, though he got 38% of the vote.

1936 Ralston tried again. Realtors opposed him with scare lines such as "Kill That Single Tax or Starve" and with outright lies such as that the Single Tax had failed in New Zealand and Australia - where of course there is no Single Tax but land value taxation was thriving and is doing so to this day. Indeed the land value tax is one reason why those countries weathered the Depression so much better than the U.S. did. The utilities companies, which might have gained by the tax, opposed it, perhaps because Ralston had gotten AFL and CIO support, and union leaders

were thought to be radical (some like Bridges were Communist-liners). The press was practically all hostile, partly because the main newspaper owners, Hearst and Harry Chandler (no relation of mine) were among the largest landowners. Noah Alper, Ralston's right-hand helper, started a Georgist paper but got out only 2 issues. Anyway Ralston this time managed to collect enough valid signatures - but the opponents got his initiative petition thrown out in court because its short title failed to mention the tax transfer from buildings to land. This was a fair objection. Yet other short titles had been inadequate, and had been accepted. One judge, dissenting, said the disqualification was for "hyper-technical and captious reasons." Once more the voters were denied a chance to decide the issue.

Ralston kept trying. At age 81 he mounted a new effort. Realtors sent men to frustrate his signature-collectors by buying them off or offering them jobs if they would quit. Yet Ralston got the necessary signatures, and his carefully re-worded amendment got on the ballot. Alas, his private funds of \$25,000 were practically used up, and contributions were slim. For the actual campaign between registration and the election 3 months later only \$2,500 was available, while the opposition spent an estimated \$250,000. Money is apt to tell. Ralston's amendment drew only 20% of the vote, partly because public attention was focused on the "ham-&-eggs" proposal to pay \$50 a week to all over 50, which barely lost.

Jim Echols thinks Ralston had no real prospect of success and that other Georgists will fail too unless they hide the fact that they are Georgists. Considering that the opposition will know at once what they are, such hiding seems ridiculous. Anyway Georgism is nothing to be ashamed of. LVT is working splendidly in Australia and New Zealand etcetera. Anyhow, the 1930s were a time of especially dirty conservative politics in California, as is well documented in Upton Sinclair's classic "I, Candidate for Governor, and How I Got Licked" (1935). Now in post-Watergate years, standards should be somewhat higher, giving the land

value tax a chance.

Times have indeed changed. Economists are now virtually unanimous in favoring a land value tax. And Perry Prentice has led the U.S. Chamber of Commerce into printing his defense of this tax, and a similar article by Breckenfeld was printed in "Fortune," for March 1977. Henry George's support is now perhaps as much from the right as from the left. This alliance of the productive wings of society should be put to use. The time for Georgist changes in state constitutions is now!

- in my "Current Problems," Jan. 1979, condensed,
based on Jim Echols's thesis (1967, Fresno)

In Ireland the potato crop failed, causing famine in 1845-7. Practically all the land was owned by Englishmen. These were taxed extra to pay the cost of relief. Part of the tax was on houses. So the landlords got out of paying the house tax by flattening the crude cottages (mere huts) in which their Irish tenants lived. It is true the landlords since 1838 had been hoping tenants would emigrate so the land would be free for sheep-farming. Even so, had the land alone been taxed, probably a good many cottages would have been spared.

As it was, in 1845 there had been in Ireland 310,375 tenancies of 1 to 5 acres; ten years later there were 88,083. So 222,292 cottages were "tumbled", - leveled by crowbar brigades, often under military protection.

Nearly 1,000,000 Irish died - some by famine, some from losing their homes. 2,600,000 emigrated to America, Australia, etc. The motive for the evictions was clearly in part the Poor Rate's tax on homes.

- from O'Regan, "Rating in New Zealand," 1972, pp. 9-10,
condensed

Property Tax in England

The English property tax is based on the amount of rent collected. Vacant land tends to be untaxed. Recently a modern building in the heart of London was left unoccupied 7 years and paid no rates (tax). Described as the most expensive dog-kennel in Europe, the building, known as "Centre Point," was occupied only by guard dogs. The property magnates had discovered an empty skyscraper increases in value faster than one encumbered by tenants' leases. Happily, the law at London was changed in 1969 to put a tax on vacant land.

A further difficulty in England is that rent control makes it hard to know what the market value of houses should be. Partly for this reason, assessments have been

too infrequent. The only ones since 1934 have been in 1956 and 1963.

In 1929 farm land became 100% de-rated. This deprived the government of £60,000,000 a year. That leaves too little revenue for local government, so 60% of that now comes from the central government. - O'Regan, pp. 3, 13,

condensed

Property Tax in the U.S.

In the U.S. the situation is if anything worse. Assessment is legally set at less than market value in many states, as little as 20% in Arkansas. Urban buildings are frequently abandoned because the low tax rate lets the owner profit more this way than if he put them to use. Such under-taxation means a huge loss of potential city revenue. Exemptions make matters still worse. In Boston 50% of properties are tax-exempt. American assessors are untrained and quite often corrupt. 20 states, like Britain till 1840, still tax personal property, that is, movable goods (O'Regan had 21, but California dropped this tax in 1979). So businessmen move inventories out on trucks or boats when warned the assessor is coming. - O'Regan, pp. 15-9,

condensed

Land taxes provided 50% of all U.S. tax revenues in 1879 but only 2% now. - Perry Prentice, lecture Aug. 23, 1979.

The impact of Jarvis will be discussed later.

Property Tax in New Zealand

In Wellington as early as 1849 an Ordinance provided for rates to be on the estimated value of land, which was defined so as to exclude homes. There were similar Ordinances in Nelson, New Plymouth, and Otago provinces. These are the first known instances anywhere in the world of a property tax on land only, excluding buildings. O'Regan justifiably exults:

It was a milestone on the road to progress....The handful of settlers in this most remote of European settlements...purged...taxation of its inherent weakness. They had made a contribution to social theory and practical administration which was to prove of immense importance in the development of Australia and New Zealand....Indeed, unless this principle is applied to the cities of the United States and England there is very little prospect of the urban problem improving in any substantial degree without radical restrictions on the proper rights of property and the liberty of the individual. - O'Regan, p. 21

When Vogel abolished New Zealand's provinces in 1876, the N.Z. parliament by a committee vote of 41-36 barely decided against making local taxes fall on land only. This marked a backward step in the 4 above-named provinces. And it meant barely missing a gigantic step forward.

A law of 1882 required that assessors be specially trained. As assessment is always difficult (though much easier when homes are left out of it), this law has been very useful. Thanks to it, New Zealand has had practically no trouble from favoritism or corruption in assessing.

In 1890 Henry George passed by New Zealand on his way from the U.S. to Australia, where he persuaded Queensland to adopt the land value tax in 1891. As his ship lay in Wellington harbor, New Zealand's former governor and premier George Grey came on board and warmly greeted him. Grey was a strong supporter of the land value tax and had actually gotten a law for such a national tax on the books in 1879 briefly just before his fall from office.

Henry George's meeting with Grey may have stirred up the land value taxers, for in 1893 Joseph Ward introduced a bill to exempt houses from the property tax. Premier Dick Seddon supported the bill, which passed the House in 1894 and 1895, and in 1896 finally cleared the Legislative Council or upper house to become law. It was however only an enabling law, allowing municipalities to go over to taxing only land, if they wanted to. Thus conditions could return

to what they had been in the 4 progressive provinces before 1876. Change under the new law has been gradual but steady. Wellington voted for it in 1901. Christchurch 1903, 40% of New Zealand's municipalities had it by 1920. Dunedin adopted it 1953. An attempt to carry it in Auckland in 1963 failed, though it is much needed for urban renewal there. By 1973 some 74% of New Zealand had it. Counting both local and national taxes, New Zealand collects 7% of all taxes from land value, a percentage excelled perhaps only by Taiwan.

Under the land value tax, the city center, with its high site value, bears the heaviest portion of the tax. Consequently, if an outlying borough merges with the city, its tax burden becomes less!

This is a very great inducement for a neighboring borough to join the city and there is no doubt that this has happened in Wellington consistently and this is the reason why Wellington...is a strong city administratively and financially. - O'Regan, p. 53

One cannot help contrasting this healthy condition with our American cities where the suburbs fearfully avoid joining the steadily rotting central core.

New Zealand has enjoyed general peace and exceptionally able leaders. Even so, her high standing among nations must owe something to her system of taxation. In 1966 and 1974 her unemployment was under .1 of 1% - a mark not even remotely approached by any other free nation. Murder and rape are lower there than in any other reporting country. It really does pay to use the only tax that automatically cleans up the slums! If the proof is in the pudding, then we could do well to start cooking along New Zealander lines!

Land value taxation was first used in China by the Germans in Kiaochow enclave including Tsingtao port 1898-1914, beginning before it was applied anywhere in Germany.

It was from Kiaochow that Sun Yat-sen learned about LVT. He went on to read Henry George's works and became a strong supporter. He declared a Chinese republic in 1911, but the country was torn apart by warlords till nearly 1930. In 1930 his followers put LVT into the Chinese Constitution. By 1937 Tsingtao, Canton, Changhai, Nanking, Hangchow, and Nanchang had it. But new wars wracked China, and in 1949 the government headed by Chiang had to move to Taiwan.

On Taiwan, land value taxation was applied to the farms in 1950. This proved successful, so in 1954 it was applied also to the cities.

The rural tax is 1.5% on pasture, 2-3.6% on rice paddies. On rice paddies, tax payment is in rice only.

The urban tax rises from 1½% on the smallest lots to 7% on the largest, except that these are halved if the owner resides on the land. Factory sites pay 1½%. Wherever buildings are worth less than 10% as much as the land, the site is deemed vacant, and taxed 2-5 times as much - to bring the land into full use.

Unfortunately assessment has been 30-50% below actual value. Moreover, urban land is not reassessed unless 3 years have passed and the value has changed over 50%. So there are still factors making for speculative profit.

Buildings are wholly exempt except for a small service charge in the cities.

In Taipei, the capital, special tax notices were sent out in 1968 to 5,632 owners of vacant land. 429 convinced the authorities they were using the land. Of the rest, 2,600 were brought into use by the owners by the end of the prescribed 1-year period; the remainder had to pay the tax. So fast can land come into use when it is adequately taxed! (Wei-shin King, "Land Taxes in the Republic of China," paper read at Singapore, Dec. 1974, p. 12).

Taiwan has also a land value increment tax, collected when the land is sold. If the site value has doubled, this extra tax is 20%, about as in the U.S., where the tax on capital gains is a flat 28%. Otherwise it is much higher than here. If the site value has quadrupled, the tax is 40%. If it has risen 8-fold, the tax is 60%. Any rise over 16-fold is taxed at the maximum rate of 80%.

This tax has worked very well, despite a fair amount of cheating on reported sales prices. For one thing it is generally accepted and has been in effect a long time....

Cities on Taiwan have been growing very dynamically for the past 25 years, and like all cities going through periods of dynamic growth, values have escalated considerably. Under these conditions, the land value tax has been one of the most lucrative in the country.

In addition to property taxes, Taiwan also has a national income tax, a national sales tax, and operates national monopolies in tobacco and alcohol. It also runs a very economical government. Welfare costs are especially low, and the whole society operates on the basis of "work or else." Plenty of work is available. The lack of a minimum wage law removes the greatest disincentive to the employment of unskilled workers at wages commensurate with their potential, but limited, productivity. This is backed up by a system of family farms to which urban workers retreat in periods of reduced activity in the industrial sector. This combination of systems may not survive prolonged industrialization, but for the past quarter century it has worked well. Between fiscal prudence and a good tax system, the cities of Taiwan have been among the few in the world to have maintained fiscal surpluses in recent years, while carrying out massive programs of modernization and beautification.

- A. M. Woodruff, "Taiwan Tax System," paper read

at the Henry Georgist Conference in San Francisco,
August 1979

Counting the land value increment tax, Taiwan probably collects well over 10% of its revenue on land taxes - the highest of any country in the world. This along with the exemption of houses from any taxation has made it free of slums, like the other LVT countries. The gross national product per capita is well ahead of any other Oriental country's except Japan, and employment is nearly full: 98.8% in 1977.

The land and subsoil (oil etc.) taxes are the only ones that help business, by forcing land etc. into proper use.

All other taxes hurt business. But some have redeeming features.

Thus a tax on liquor and tobacco makes those products more expensive and therefore tends, however slightly, to reduce their use. A far better way to treat those menaces to health, though, would be to prohibit or ration them.

Then there is the income tax. This has been a favorite of reformers, and it was originally intended to correct inequities in wealth. But this tax has fallen far short of what it was supposed to do. It has been backed up by inheritance taxes, but those don't work either, as the rich often manage to give most of their wealth away while living - and gift taxes run counter to the impulse to generosity.

Unfortunately the U.S. income tax laws now fall more heavily on the middle class than on the rich, and some who are very poor have to pay it when they work on piece-work or on a day basis. Worst of all, it can be largely evaded by the rich, sometimes entirely. This is at times done by juggling the books or just omitting items. At other times, complex laws make it possible for a rich man to get off paying income tax without breaking any law.

For all these reasons it would be good to do away with the income tax. Yet it is probably the best way there is to get additional revenue, beyond what can be taken in by the land value tax. Knud Tholstrup, speaking at the Henry George Conference in San Francisco 1979, suggested that as the land value tax takes in more revenue, the income tax could be correspondingly reduced by raising the level below which a person would pay nothing at all. So long as the Cold War continues, there will probably have to be income tax, to pay for the heavy military expenditures.

Steven Cord sums up the drawbacks to taxes aimed at the rich:

The trouble with soaking the rich is that you can't get much revenue that way. In 1972, a confiscatory 100% tax on annual incomes in excess of \$50,000 would have yielded only \$7.5 billion (Stewart Alsop in "Newsweek," June 19, 1972). That couldn't have run the government for a week (and would have killed the economy).

And of course, in the second year such a \$50,000-a-year ceiling on income would produce practically no income at all (who would earn an income if it were to be immediately confiscated?).

Could we finance extensive government doles with sales or corporation tax? Forget it. Such taxes raise the prices of goods and services which poor people must pay, and they tax marginal producers out of business, thus killing jobs. That doesn't help the poor either.

How about an inheritance tax? It raises peanuts in revenue and anyway inherited income can be justified on the grounds that if a person owns property, he can rightfully sell it or give it away now or after he dies.

So give up all dreams of soaking the rich and giving to the poor. They're not dreams - they're nightmares.

- Cord, pp. 30, 71

The March 1969 issue of "Nation's Cities" presents eye-opening evidence that non-land-value taxes bear down like a dead weight upon the economy of a city. For instance:

1) "Before New York City cut its sales tax back from 4% to 2%, a university research study showed that each 1% of the tax was driving 6% of all clothing and house furnishing sales out beyond the city line (along with thousands of jobs).

2) "The one and only reason the Federal government can get away with an income tax schedule ranging from a minimum of 15% to a high of 77% is that no one can es-

cape the tax without giving up his citizenship; but no city has dared raise its maximum income tax higher than 3% for fear of speeding the upper-income and middle-income exodus to tax-cheaper suburbs.

3) "The corporation tax takes 52% of the admitted profits of corporate business (plus another 5% or so in accelerated payments). On top of that the personal income tax takes an average of some 30% of whatever corporate profits are paid out in dividends, so all told the Federal Government is now socializing close to two-thirds of business profits from all but the smallest corporations.

"Affirmative evidence that such stiff tax rates can be a heavy drag on the economy was given by how the small relief provided by the Kennedy tax reduction abetted an overnight acceleration in the G.N.P. growth rate.

"....There is only one tax that helps not hinders the economic process: land value taxation. Tax land and you don't reduce its supply (that's physically impossible) but rather landowners are encouraged to put more of it on the market, available for use. Tax anything else and you cut its supply."

- Cord, p. 10

Jarvis's Proposition 13 - the new twist in California

In 1978 Howard Jarvis's Prop. 13 or similar laws passed in California, Nevada (where it required re-passage in 1980 and failed), and Idaho. Prop. 13 halves the house tax but unfortunately also halves the even more important tax on land.

Americans cannot say they hadn't been warned. Perry Prentice had written of a similar tax shift in Europe:

Before homebuilders and homebuyers start cheering for proposals that would provide property-tax relief by taking school costs off the property tax, they

should take a good look at what that kind of unthinking relief is costing homebuilders and home-seekers in Europe.

As any competent economist could have predicted, the resulting low property tax has been capitalized into impossibly high land prices. So, for example, a 50' X 100' lot for a small house in a suburb of the capital of Switzerland would sell typically for 220,000 Swiss francs, or a bit more than \$55,000. And on the outskirts of London, land zoned residential is priced as high as \$192,000 an acre.

Low property taxes are the biggest reason why land prices in Europe are so crazy high - why private enterprise has been priced out of the housing market, why from 50% to 80% of all new housing has to be government-built or government-subsidized; why up to 85% of all new housing is limited to land-intensive apartments (mostly high-rise) instead of land-expensive houses.

- Prentice in "House & Home," April 1972

Another warning was the following article, published early in 1978, well before the vote:

The Jarvis Amendment, if passed, would:

- 1) Limit property taxes to a maximum of 1% of market value.
- 2) Limit increases in assessed market value to 2% per year.
- 3) Require 2/3 vote in both houses of the state legislature to create or raise state taxes.
- 4) Require 2/3 vote of registered voters to create or raise local taxes.

Tax reform is sorely needed and the question is whether the Jarvis Amendment is the appropriate vehicle for it.

It is estimated that \$7-8 billion, representing 1/2 to 2/3 of total property tax revenue, will be lost to local governments and school districts. Furthermore the measure is designed to make it difficult to replace these lost revenues. The obvious question, then, is: will not essential public services have to be cut back? Supporters of the measure say there is enough waste and fat in local budgets which can and should be cut. Opponents say essentials will be affected drastically.

It is reasonable to assume that the truth lies somewhere in the middle. At least some essential services will have to be cut or be reduced in quality. The poor and renters will suffer from service cuts with no corresponding compensation in tax cut or rent reductions.

The supporters of the Jarvis Amendment say they do not want new taxes to be raised to make up for lost property tax revenues. It is hardly reasonable to believe that the forces which have caused government to become larger and more expensive over the last several decades are going to be denied. If these forces cannot be denied, the Jarvis Amendment will give rise to new or increased taxes. The poor and renters will be saddled with a disproportionate share of any such tax increases.

By promising to cut funds for schools and welfare services and making it very difficult for local government to raise new taxes, the Jarvis Amendment will hasten the day when state government will take on the financial responsibility for those services. Along with any added financial responsibility for schools and welfare, the state will inevitably assume greater control at the expense of local control.

Put in a proper perspective the burden of taxation and alienation from government felt by the public comes from the dozens of taxes levied by remote state and federal governments. It is these governments which are unresponsive and beyond effective control. It is they who waste the substance of the country on a truly

monumental scale. The long-range effect of the Jarvis Amendment will be to weaken local government and to deliver all people further into the hands of remote and faceless bureaucrats.

Who Benefits?

In California and across the nation the ownership of land is highly concentrated in the hands of large corporations and wealthy individuals. The property tax is not easily avoided and is a thorn in the side of the wealthy and powerful. The Jarvis Amendment proposes to cut property taxes across the board for all property owners. But as much as 70% of the tax relief will go to wealthy individuals and large corporations.

The reduction of the tax on improvements by itself would have tended to increase the renovation of houses.

However, the Jarvis Amendment will also lower the tax on land values. Land prices will immediately rise. Land speculation will be encouraged. Large landowners will be under much less pressure to make efficient use of their land even though they could erect profitable and useful improvements. Urban blight and sprawl will be aggravated.

The simple alternative to the Jarvis Amendment and the existing property tax is to eliminate taxes on improvements altogether and to raise taxes on land value to make up the lost revenue.

- These 2 pages are condensed from Wendell Fitzgerald in "The Analyst," winter 1978 (Henry George School, 833 Market St., San Francisco)

Jarvis is a self-made millionaire. It was he who got Utah to adopt a sales tax. He admitted on TV that his assaults on the property tax and then on the income tax would probably lead to an increase in California's sales tax.

Jarvis's amendment was opposed by almost the entire legislature, by most experts, and by 3 of the 6 gubernatorial candidates, including Jerry Brown who got reelected. Yet the public knows little economics and liked Jarvis's promises such as that his Prop. 13 would cause rents to fall without any controls - an economic absurdity when land prices rise, as all economists know. Voters were also irritated by the legislature's inability to find any formula for disbursing the big state surplus. Prop. 13 passed by 1,800,000 to 1,000,000. Jerry Brown shifted ground to sound as if he liked it, and the other opponents were shocked into silence. A challenge failed in the courts.

Aftermath of Prop. 13

Proposition 13 is a loose cannon careening around the deck of the ship of state. - Henry Reuss

Prop. 13 by unloading \$4.4 billion of the accumulated state surplus, while the legislature provided \$900 million in tax relief, produced a mild rise in business. Jarvis naturally gloated over this. Of course ANY DISTRIBUTION OF THAT MONEY WOULD HAVE PRODUCED A RISE. The best way would probably have been by abolishing the sales tax. The general public did not know that, and the only poll in 1979 on this subject, taken by a Los Angeles paper, showed Prop. 13 still as popular as ever.

A look at California's "boom" shows that while employment increased a little, unemployment grew at a higher rate. And a look at the detailed statistics shows 2 items out of line and actually in decline. One is the number of public employees, as expected. But the other is in the important field of housing starts: down 30% in the first half of 1979, while the rate in the U.S. as a whole fell only 13%. For the year as a whole the decline in California was 16%, even though people continued to migrate in from other states. So Prop. 13 seems to have put a crimp in housing. The state was short of housing even before. Small wonder that its violent crime rate went up 10% in 1979.

Moreover, by lowering the tax on land, Jarvis has made it more profitable to own, hence more expensive to buy. Inflated land prices are one of three main causes of general inflation today - the others being the unbalanced budget and the regulated price of oil. Inflation is regarded as our worst problem. Prop. 13 is a clear aggravation of this problem.

Milton Friedman and Arthur Laffer are the two economists of distinction who supported Prop. 13. Indeed, it was the prestige of Friedman, a Nobel Prize winner, that turned Jarvis's hitherto faltering movement into an irresistible bandwagon. Without his help, Proposition 13 would quite likely have been defeated. These men backed Jarvis - in the hope of promoting a groundswell of opposition to federal spending, as that is where the really big spending is. Yet both of them admitted Prop. 13 was a poorly drawn amendment. And both of them have admitted in letters to me that "land should be taxed as much as possible, and improvements as little as possible." That's Georgism! Friedman and Laffer should have opposed, not supported, Jarvis.

Who gained? Of the \$7 billion saved for taxpayers under Prop. 13, only \$1 billion went to people living in their own homes - though all the propaganda for Prop. 13 had been about them. Of the rest, \$2 billion went to landlords, and

a whopping \$4 billion was saved by corporations for land that they were holding out of use, waiting for future profits when the land price would go high enough to suit them! Thus they can make an exorbitant profit out of the land, as other people get more and more desperate to buy it. This process makes a few people rich, but is certainly not good for the economy as a whole.

As for the state legislature, it spent most of its time and a good deal of its temper on trying to agree how to allocate funds to all the suddenly hard-up cities and special districts. Among other things, it was decided to transfer funding of the schools from cities to the state - a centralizing process practically sure to make for inefficiency and for a wooden sort of conformism.

The bail-out left cities and districts still 10% short of their former revenue (Stumpf & Terrell, "Proposition 13 and California Human Services," 1979, p. 9). This shortage was what supporters of Prop. 13 had hoped for. They supposed it could all be saved by firing excess administrators or by improving efficiency. Human nature however remained the same as before. So the "saving" took the form of reduced services. Libraries, cut 17% even after using an 11% carry-over from the year before, simply shortened hours and closed some branches. Police forces were reduced, even as violent crime increased.

A new California law, effective Jan. 1, 1980, lets towns levy extra taxes for services. Within the month Hillsborough had placed a tax on each house. This falls harder on the poorer homeowners, while vacant lots are charged only 22% as much as occupied ones. It is a poor law but needed to avoid reducing the police and closing a fire station (Hillsborough has no library).

This "services" law comes none too soon. The 1978-9 bail-out was \$4.4 billion; the 1979-80 bail-out is \$4.8 billion; 1980-1 is planned at \$4.9 billion. That will exhaust the state surplus (letter Jan. 11, 1980 from state senate finance chairman Albert Rodda). The state will have

no more to give. Political fireworks can be expected.

A technical flaw in Prop. 13 is that it keeps assessment the same until a piece of property is sold, when the rate rises to the current market value. This gives an unfair advantage to owners who hold onto property for a long time. Even so, the state supreme court has held that Prop. 13 is legal - a somewhat dubious decision. The unfair advantage of keeping property long unsold is bound to tempt owners to hire crafty lawyers to find ways of concealing purchase.

Even before Prop. 13, Californian cities were only 20% self-financing - a shamefully low figure (U.S. average: 32 %). The rest was donated by the governments at Sacramento and Washington, D.C. Jarvis's Prop. 13 lowered that to a mere 10% (Gruen et al, "Proposition 13 and the Future of Construction in California," 1978), with a certainty that it will become even less each year that inflation tops 2%; inflation is currently running over 10%. Jarvis has produced a formula for abolishing local government in California.

Cities and special districts should of course pay their own way 100%.

Politics - the Way Forward

People ask, "As land value taxation is such a good idea, why isn't it in use already?"

Well, it is in use in at least 5 foreign countries and to a limited extent in such American cities as Pittsburgh, Scranton, and Harrisburg and wholly in California irrigation districts. But why not more? Here are the reasons:

Economics is dull.

Most state constitutions forbid exempting buildings.

Land speculators want to go on profiting.

Marxism has cornered the reform market.

There are the reasons. Now, what to do about them.

It is sad that university professors - of economics and also business administration, government, and history - do not take a larger role in informing the public. They are informed. They are respected enormously by the public. Yet most of them sit on the side-lines, aside from teaching theory and evaluating events of the past. Partly this attitude results from the Hatch Act of 1934, which forbids any civil servant taking part in political campaigns. Teachers in public schools and state universities are civil servants. In practice a university department is apt to assign just 1 professor to act as occasional consultant at the state capital, and even he tends to tread a wary line. At election time most professors maintain a discreet silence, and few of them ever run for office. Even private colleges tend to fall into this toothless policy. One realizes teachers are busy with their study and their students. One realizes too that politics is a vexatious and irksome activity even when you win - and wholly unpaid and useless when you lose. Even so, the nearly complete absence of professors in the political arena is to be regretted. The net effect of the Hatch Act and innate caution is that the learned professional experts are largely muzzled! What a way to run a democracy!

This leaves the job up to the rank & file. What rank-&-file? Students are too busy competing against each other and are anyway still learning and somewhat unsure of their ground. Laborers nearly always simply don't know enough. (Ben Franklin and Henry George were remarkable exceptions). Politicians are seldom trained in economics, especially land-value-tax economics, and they are kept busy with their committees and reports and endless personal contacts.

So who are there to take the lead? There are the elderly - who are mostly too exhausted (Judge Ralston was a fine exception). There are those who have leisure because they inherited wealth - but these are apt to join the speculators.

So we have a few self-taught laborers, and a few idealists among the elderly and the idle rich. Yet whenever a dynamic personality like Henry George comes along, a big movement can arise swiftly.

The main obstacle may be the Marxists. Marxism well explains the defects of class society as it is. Gifted writers and speakers have spread Marxist doctrine, and dedicated youths have eagerly accepted it. Henry George and LVT get overlooked. Indeed I was myself a Marxist for 38 years until 1978, when a letter of mine to a newspaper drew a reply from a Georgist. I still regard social-democratic Marxism as the 2nd-best solution to our troubles.

Californians face a special problem, for Jarvis's stampede has gotten Prop. 13 onto the books not just as a law, but as an amendment to the state constitution. To get it repealed or amended requires the vote of both houses of the legislature plus 2/3 of the voters in a state-wide referendum. Considering Prop. 13's nearly 2-1 margin of victory in 1978, legislators, much as they loathe it, doubt they can get it repealed and understandably don't want to look silly on an unsuccessful try. The degree of their opposition can be shown by the speed with which, when it became apparent Prop. 13 might win, they rammed through the legislature a rival amendment by nearly unanimous vote. It was a poorly drawn law and was rejected by the voters statewide, but at least it lacked some of the worst features of Prop. 13.

Not only legislators dislike Prop. 13. Local officials from top to bottom oppose it, because it threatens their funds and often their jobs.

Economics professors - Friedman and Laffer excepted - also oppose it in their quiet way.

So here are three important groups, all strongly opposed to Prop. 13 and just waiting to be led.

Labor unions are split. Some see their jobs threatened. Others like the cut in their property tax. Businessmen have inclined to favor Prop. 13 because of its tax cut.

They need to be shown that their deeper interest lies in a wholesome society, cheap land for business operations, freedom from inflation and depressions and crime and from possible Communist revolution if the existing set-up breaks down altogether. Actually businessmen should welcome the shift away from sales and business taxes. A few already do, especially since Perry Prentice won over the U.S. Chamber of Commerce's urban affairs committee in 1971.

One way to start the ball rolling against Prop. 13 would be to get the League of California Cities to declare its opposition to it - as it did before the amendment was passed. I suggested this to various city officials in 1979, but they felt the time not yet ripe. It is my belief that the effort cannot begin too soon, as discussion should bring to light Prop. 13's many flaws. Even defeats would thus have educational value, and steady pressure should be effective. A good formula would be:

Article XIII A, Section 1 add "This section shall apply only to improvements such as buildings and not to the tax on the site value of land itself. Improvements may be left wholly untaxed."

Sections 2-4: delete, and substitute "All land value shall be assessed annually."

Another way to get rid of Prop. 13 would be for Congress to stop allotting grants in aid to any city which taxes houses or which has less than a 5% tax on land. This idea is from C. Lowell Harriss in "The Assessment of Land Value" (1972).

Protecting Homeowners

The plight of retired homeowners can be a serious one, especially in times of severe inflation. Their income shrinks in buying power, while their tax is apt to go up. It was this plight of homeowners that led to the passage of Jarvis's Prop. 13 - which in fact helped other elements 6

times as much as it helped homeowners.

For the elderly homeowner I suggest the following. When one has lost 40% of his buying power because of inflation, he should be eligible for special land tax relief. This would consist of half his inflationary loss. Thus if his pension rose 20% while taxes rose 80%, he would pay only 30% additional, not 60%.

A Backward Step

In 1980 Massachusetts, which had the highest property tax in the nation, voted to limit it to 2.5%. The state has no stored-up surplus so, unlike California, it faces an immediate financial crisis.

The reduction in the tax on houses was of course good. Unfortunately, lowering the tax on land will encourage poor land use, with the usual baneful secondary consequences.

Progress 1978-80

In 1978-80 Pittsburgh by stages raised its tax on land from twice that on buildings to 6 times as high - actually more like 3 times, as schools are still supported by a tax that falls equally on land and buildings. Scranton, which had phased in the 2-1 ratio in 1913-25 like Pittsburgh, raised the ratio in 1979-80 to over 4-1, while Harrisburg raised it from 1.8 to 3.4.

The land tax rate in Pittsburgh is now over 4%, in Scranton over 5%, and in Harrisburg over 6%.

The prime mover in getting these changes in Pennsylvania cities has been editor Steven Cord. The civic leader who took the lead in Pittsburgh was city councilman Bill Coyne.

1979, the year Pittsburgh's first new rise went into effect (up to twice the old ratio), was a flat year generally, with the metropolitan area seeing new housing permits down by 18%. In Pittsburgh itself however, new housing

permits were up 15% and the sale of vacant lots was similarly up by 14% over the previous year.

McKeesport, the big Pittsburgh suburb, in 1980 adopted the LVT principle for the first time, going from equal taxation on land and buildings to 4.5 times as high on land as on buildings.

A Warning from the Past

If we look into history we can see that the consequences of a low land tax can be disastrous. The well-off landowners of ancient Rome got off paying any significant taxes - and Rome decayed and fell. As Propertius said, "By her own wealth is proud Rome being destroyed" ("Elegies," book 3, chapter 13).

The Caliphate of Islam thrived in its first century, when it relied largely on a tax based on amount of farm land, essentially a rural land value tax. The catastrophic downfall of its capital Bagdad from a population of 1,000,000 to 100,000 between 932 and 956 A.D. was largely due to a shrinking tax base because too much land was given, tax-free, to retired army officers, who received whole villages for their own use.

French nobles and clergy got out of taxation on their huge properties that covered half of France, and the French monarchy, quite bankrupt, fell in 1789.

It should be obvious that the owners of land, the basis of wealth, should pay rather heavy taxes. Only so can the land be forced out of the hands of inept owners and into the hands of those who can develop it properly. This lets business develop, and employment become full. It also lets the government take in enough revenue to stay solvent.

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