

ON THE AMERICAN SCENE

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NEW YORK STATE has gone the way of California and ten other states in ruling against the local property tax as a way of financing education. The State Supreme Court declared that the property tax discriminates against the poor by yielding lower revenues in their localities, thus depriving them of their equal rights to education.

There are inequities in the property tax, arising mainly from the fact that "property" includes buildings and other improvements which the State has no moral right to tax. There can be no justification, on any standard of ethics, for a person to be required to pay more in tax simply because, at his own expense, he has put up a fine modern building or modernised an old one. To the extent that the property tax falls on the value of land, however, the State is taking something to which it has a clear right; and there could be no better way to finance State schooling.

The property tax should be reformed, not scuttled. The alacrity with which some seek to sink it arouses suspicion. Is it another case of the rich hiding behind the poor? Or can there still be ignorance in high places about the merits of land-value taxation?

New York City is still a city of "progress and poverty" as in the days when Henry George was shocked by its contrasts – perhaps even more so. Rents seem to go up day by day and finding living space at tolerable rentals is almost impossible. Meanwhile the number of homeless people is increasing and they are now in the tens of thousands – women as well as men. They are not just vagrants but good citizens who have hitherto lived in apartments but simply cannot now pay the new rents demanded; many are elderly and have no place else to go. One may see any number of them in the heart of the city, foraging by day, sleeping by night on the streets under the gleaming luxurious new structures being built. That great humanitarian, Mayor Ed Koch, is quoted as saying, "After all, the right to an apartment is not an inalienable right." But more basic inalienable rights are being violated when some can live comfortably on land rents ie, on tribute exacted from others for permission to build homes on a particular area of the Earth's surface; with homelessness – and hopelessness – for those unable to pay the consequent high rents.

Another example of land monopoly in action is seen in the farming trend. The *Wall Street Journal* of October 6 reports that there is an increase in tenant farming along with an increase in the concentration of farm-land ownership in fewer hands. In some areas farm tenancy is 80 per cent. Former Agriculture Secretary Bob Berglund says, "We have fewer landowners today than we've had in history." People who are buying farm land are attracted by the spectacular rise in land values and are buying for speculation rather than for farming. The *Wall Street Journal* asks, "How can an acceleration in tenancy and absentee ownership be prevented?" Some proposals are given, mostly complicated and requiring government control. It is high time that land-value taxation was considered as an answer to this problem. By making it expensive to hold land for speculation it would quickly bring more onto the market with the obvious effect on prices.

A battle is going on between conservationists and the new Department of Interior Secretary, James Watt. The

conservationists don't want the wilderness on public lands disturbed, while Secretary Watt is pushing for their use by private mining and oil-and-gas interests. The conservation-minded Sierra Club circulated a petition to get rid of Secretary Watt and said this was a good issue on which to raise funds for chapters of the Club. Meanwhile, back in Washington, Secretary Watt is known to be a potent fundraiser for the Republican Party. Is this the battle of the fund-raisers?

More to the point are the funds that should accrue to the entire public from the use of public lands. With due regard for a reasonable amount of conservation, let the public lands be used for exploration for needed energy sources, but with a sounder fiscal policy than at present. A lease on public land may now be obtained by lottery for as little as \$10, then this lease can be sold to an oil company for as much as \$500,000 plus royalties. US Senator Bumper argues that it makes no sense for an oil company to pay a private citizen for the right to drill on public land – a sentiment that most would endorse. But why should a citizen be able to demand payment from *anyone* for the use of *any* land unless he has first paid the full rent into the public till?

An Economics Round Table was held in New York during the Autumn (sponsored by the Young Mens Hebrew Association). In four sessions it featured prominent economists debating on the current economic scene and on the new policies in Washington. John K. Galbraith, Alan Greenspan, George Gilder and Robert Heilbroner were among the participants. The good news is that the series was attended by an overflow audience indicating a sharp rise of public interest in economics over what it used to be. The bad news is that the leaders of economic thought still have no real or hopeful alternative to current economic turgidity. The choice seems to be either to continue living in the fool's paradise of public spending or to "bite the bullet," go through a slump and hope for better things to come. It does not seem to be realised that turning away from the Keynesian doctrine is no remedy in itself; it is merely setting aside bad medicine that has failed. The positive and hopeful remedy of land-value taxation proposed by Henry George is needed as much today as ever in the past.

Not everybody is ignoring land-value taxation. The influential business magazine *Business Week* of October 5 had, as its leading letter to the editor, one entitled "A Simple Solution" from Stig I. Rosenlund of Stockholm, in the course of which he said: "Contemporary Western taxes, including VAT and other excise taxes, discourage production through marginal tax rates. By contrast, financing expenditures with taxes on land (including seaming rights, etc.) based on potential rather than actual production would only affect production by drawing resources that might have been invested in the private sector."

And Professor Dick Netzer of New York University, at a recent meeting of the Federal Reserve Bank in Philadelphia, gave a strong endorsement, saying that "user fees" and "land-value taxation" are considered by most experts as the best way to finance city government.