Beyond Left & Right

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A simple yet basic tax reform can promote economic development, serving both equity and efficiency, at no extra cost to the taxpayer. If we fail to educate the people about and adopt this Great Economic Secret and ultimately implement it as policy, then property rights will continue to be violated more and more, and our free enterprise system will gradually be taxed into destruction.

This paper is written both for the professional economist and the layperson. For the benefit of the latter, all the technical issues have been swept into extensive appendices.

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Tax experts are giving increasing support to a tax designed to:

☞ Reduce the costs of construction, operation and building maintenance, thereby promoting economic development;

☞ Reduce or eliminate taxes on income and sales while simultaneously promoting economic development;

☞ Stop urban sprawl into the clean-and-green countryside by keying land use directly to land demand; and

☞ Allow localities to raise revenue more easily.

If we like free private enterprise, we shouldn't tax it. We should tax instead what private enterprise can't produce (i.e., the locational value of land).

If we want jobs and production, we shouldn't penalize them with taxes. The government should utilize another source of revenue (i.e., land values).

If we want to stop unproductive land speculation and absentee ownership, we should discourage those anti-social activities. We should tax ''bads'' rather than ''goods.''

Looking to the Left or Right - Liberal or Conservative - will not aid us in achieving these goals. It hasn't helped so far, and neither dichotomy even begins to address these questions in a constructive fashion. There is only one way to accomplish all these ambitions, and it can be easily adapted into Left-Liberal or Right-Conservative programs.

The Proposal

> ''He who waits to do a great deal of good all at once will never do anything.'' - Samuel Johnson

The proposal is simple enough, and it dates predominantly from the days of Henry George: **assess all land parcels at their market value and apply as high a percentage tax rate to this assessment as possible.** In this way, we can collect as much of the annual rental income from land as possible. Once its efficacy is proven, either the Left-Liberal side or the Right-Conservative side could avail themselves of this approach.

Indeed, experienced assessors the world over are already assessing land values according to market dictates and zoning limits. They seldom even have to leave their offices to do so; what would they see - the grass grow? For a brief discussion on how land value can be separated from building value, sometimes without on-site inspection, see Appendix A.

If assessors must also assess buildings, then their task is greatly increased. They should then look carefully at each building to determine its state of repair; a cursory ''windshield appraisal'' from a car window won't do. How many bathrooms does the building have, how old is the roof, is the plumbing copper, brass or plastic, is the fire protection and electricity adequate, etc.; these and many more are the questions a land-only assessor may ignore, but a building assessor must answer.

Assessing only land is easier and cheaper than assessing both land and buildings. One prominent assessor, Olaf Klasen of Vancouver, Canada, estimates the initial task to be twenty times longer if buildings as well as land must be assessed. Not only the time, but also the cost is

greatly increased, and the assessors must be much more qualified. Even so, experience indicates that the accuracy of assessment suffers, especially with respect to the proper allocation of assessment between land and buildings. Taxing land alone is therefore an easier procedural matter than taxing both land and improvements thereon. See Appendix B for a discussion of other reasons to avoid a tax on buildings.

If the percentage tax rate on land is high, the cost per revenue can therefore be very low.

Economic theories of capital tell us that the gross annual rental income of a land parcel is exactly equal to its market price times the current interest rate for land investment (which in America at this writing is about 8%). The land value tax can take part or all of this rent, leaving little or no rent for a private landowner. The effect is to of reduce the price landowners can get for their land, since they have less annual rental income to sell. If the government takes all the annual land-rental income in taxation, then there will be no land rent privately appropriated by landowners (either current or prospective) and land prices will be zero. This result is good news for landowners who want to use the land site properly. It equalizes everyone's opportunity to use land parcels, by making the cost of so doing zero, a price which everyone, even poor people, can afford. See Appendix A for a fuller discussion of this matter.

Isn't it better for the government to confiscate land rent via taxation than confiscate (via taxation) building rent, wages, retail sales or factory output? Taxes on these desirable activities will either increase prices or directly reduce the purchasing power of the average consumer. On the other hand, a land value tax will actually **reduce** land prices and encourage land use to move into more productive hands, thus potentially **increasing** output. This tax does **not** get passed on to the tenant or the consumer.

Left-Liberal, Right-Conservative: couldn't they both make use of this tax idea?

Endorsers

Many prominent specialists in economics and land use have endorsed the higher taxation of land values:

☞ Over 350 such specialists have been listed in the back issues of *Incentive Taxation,* a 4-page 8-times-yearly publication specializing in this subject. For instance, four British prime ministers have endorsed this tax, as have Pope Paul VI, recent U.S. H.U.D. Secretaries Robert Wood and Jack Kemp, and the New Jersey Tax Policy Committee. On p. 97 of his book *American Renaissance,* Kemp observes: "Property taxes could profitably be revised to fall more heavily on land rather than, as at present, penalizing property improvements."

☞ *Incentive Taxation* has hundreds more such endorsements in its files, as yet unpublished.

☞ Seven recent American Nobel Prize winners in economics have endorsed this tax (see *Incentive Taxation,* Nov. 1991, p. 1). They are Milton Friedman, Herbert Simon, Paul Samuelson, James Tobin, James Buchanan, Franco Modigliani and Robt. Solow. William Vickrey, the president of the American Economics Association (1992), is also in favor of such taxation.

If there are so many prominent endorsers of this idea, why hasn't it been more widely enacted? Perhaps because endorsers have so many other interests that they have not tried to package this idea for city councils or state legislatures to enact. For average voters to demand this tax instead of its more onerous alternatives, the tax must first be enacted somewhere and

shown to work; otherwise, they will not confront it and will not say yea or nay to it. If they can ignore it, they will. Most cities are simply unaware of the many prominent endorsers and the ample substantiation (about which more later), but after enough adoptions, they will be alert to the advantages and their current apathy could change quickly into their active support.

Moral Considerations

Before discussing the tremendous economic advantages for taxing land values rather than wages, prices or buildings, let us first consider these five moral points:

(1) The Labor Theory of Property: We each own ourselves. We therefore also own our own labor (which is an integral part of us), and the products we can make with our labor. Our ownership of these things is limited only by the equal rights of others. Any other logical limitation would vitiate the right of the laborer to all that he makes. (This Labor Theory of Property is quite distinct from Marx's Labor Theory of Value; see Appendix B for its explication).

If you doubt that we each should be exclusive owners of ourselves, then consider the alternative: slavery, where someone else owns us. Several forms of social organization are implicit slavery. In socialism, for example, we all equally own one another; this is a form of slavery in that everyone else (not just one master) owns us. A mixed economic system, with production heavily taxed, is semi-slavery in that we all own the produce of others insofar as that produce is taxed.

I further assert that each producer can own what he or she produces, and can therefore sell it to a purchaser. We can even enter long-term contracts to sell our labor services. The buyer can then morally own our output, but no rights of ownership arise from goods not produced by human labor.

> "Property - not property in the legal sense, for that may be anything which greed or perversity may have power to ordain; but property in the ethical sense - is that which carries with it the right of exclusive ownership, including the right to give, sell, bequeath or destroy.
> "To what sort of things does such right of ownership rightfully attach?
> "Clearly to things produced by labor, and to no other."
> - Henry George

Since no one produced the land, no one has an exclusive claim (arising from labor) to it. All of us now living, and future generations as well, then have an equal claim. Because dividing up the land equally among us according to its changing value is impossible, we should therefore divide up the annual rental income by having a democratic government collect the nation's land rent via taxation for our equal benefit.

(2) Equal Access to Natural Opportunities - God or Nature produced the land, which was here even before we discovered and peopled it. Shouldn't we all have equal access to its natural opportunities? Who among us should have more (or less) opportunity than the rest of us? But since landownership is necessary for access, and equal landownership is impractical, the ownership of the rental income from land should be equal - via government tax collection. Any other solution is a gross violation of the moral basis of a free economy (see Appendix C).

Consider, for example, the situation where tenants can rent access to land. In this case they are unjustly required to pay landowners for the right of equal opportunity (the right to rent

buildings is another matter altogether). Nomadic tribes can hold land in common, but that system has the defect of not giving security of tenure to the producer of hard-to-move improvements. Under socialism, the government might use force to be the sole legal landowner, but the real economic landowners will be those who use the land and get its benefits; this divorce of legality from economics is morally indefensible because it violates individual freedom. The users don't pay society for the land-benefits they enjoy, and not only do producers get taxed, but without legal title, they lack full security of ownership in improvements. Only land value taxation can give everyone equal access to natural opportunities.

(3) The Locational Value of a Site is not Produced by the Landowner. A landowner *per se* does nothing, except collect the rent (for which the reward should be a wage or something like a 2% commission). He may do things as a worker or capitalist for which he is entitled to recompense, but he has nothing to do with producing the locational value, any more than the slaveowner **as slaveowner** produces anything.

"Well," it may be objected, "don't landowners tie up and even risk their savings and shouldn't they be rewarded at least the opportunity cost of holding land instead of other assets? This problem would disappear when land value taxation drove land prices down near - or actually all the way to - zero.

Others may say that landowners contribute more service than simple rent collection. For example, can't a big mall change the value of a piece of land from agricultural value to tremendous commercial value?

Not exactly. What the successful mall developer can do is to recognize the tremendous commercial value of that site when others see only its agricultural value. All the mall customers create that value, and the developer has only recognized the site's commercial potential before others do. For this talent, traditional recompense has been over-generous.

Rather, it is nature, society and government that produce locational value. When markets work well, absent taxes, that value is exactly measured by the selling price or rent of the site and should be enjoyed by everyone equally. Consider:

☞ Nature makes certain sites more valuable by providing them with fertility of soil, mineral resources, accessible location or beautiful view. We should all stand equally before Nature and these natural opportunities.

☞ Society provides jobs and shopping nearby, making sites in the vicinity more valuable; landowners do nothing but collect the rent. Society should equalize everyone's opportunities.

☞ Government provides sites with roads, schools, police & fire protection, etc. (whether the site owners use them or not). Without these services, land-sites would be worthless or nearly so. Since the government should be our agent, we should all own equally what it produces.

Thus, moral principle demands a land value tax. It is not important who owns the land, as long as the government owns the land rent and lets people use the land freely (within reasonable zoning restrictions).

Because land rent properly belongs to the government, many advocates of this idea, especially in Australia, prefer the denotation "land rent for public revenue" rather than "land value taxation." They say they want to abolish all taxation, a term which excites opposition and implies an unjust taking of private income.

(4) Force & Fraud are the origins of all land titles. Examine the basis of all land titles, carrying the examination from owner to owner back to the first occupier, and you will find they are based on force and fraud, not on morality or reason.

Someone clubbed someone else, or one nation did in the previous set of landowners by force of arms. If conquest is the basis of the private ownership of land, then it wasn't moral at the beginning and cannot be so now, no matter what the legal law might say. Unfortunately, the legal law is often immoral, as we implicitly recognize when even the most conformist among us criticizes particular laws by a applying a higher moral standard to them.

(5) The Bible is not silent. For many people, the Bible is the Ultimate Authority of Moral Right & Wrong; this Holy Writ opposes the idea of private and unequal landrentownership. See Appendix D.

Appendix H contains responses to many frequently offered objections, but we respond to two moral objections here:

First Occupier - "Didn't the first owner who happened upon a site have the right to claim the land he or she discovered? And can't this rightful claim be passed down through all the generations to the current time?"

Yes and no: first owners had the right to claim title to the land they discovered, and full right to use the land as they saw fit. But as soon as they were joined by others and land rent (and price) arose, then they were morally bound to share that rent via taxation with others, for all the reasons given above.

Remember, they only discovered a small part of the Earth which should belong equally to us all. More practically, it is the land rent which should belong equally to all.

And anyway, how many landowners today can trace their ownership back to an original discoverer of their site? Very few, making this whole objection rather moot.

Justification by Purchase: "I purchased my land with my hard-earned labor; therefore it is rightfully mine."

But did you (or any) landowner purchase a just title, or a morally flawed one? The latter, for all the reasons given above. If you purchased a morally flawed title, that's all you got.

> "The wide-spreading social evils which everywhere oppress men amid an advancing civilization spring from a great primary wrong - the appropriation, as the exclusive property of some men, of the land on which and from which all must live. From this fundamental injustice flow all the injustices which distort and endanger modern development, which condemn the producer of wealth to poverty and pamper the non-producer in luxury, which rear the tenement house with the palace, plant the brothel behind the church, and compel us to build prisons as we open new schools." - Henry George

One can purchase stolen goods or slaves with hard-earned labor, but that doesn't justify ownership of those things.

Moreover, if we don't tax land rent, we force the government to support itself by taxes on labor - on wages, prices or buildings. We violate the sacred right of private property of the producers or their customers. If this sort of immorality is at the root of our economy, we should not be surprised if moral subjectivism, welfarism, crime, drugs and gross materialism result.

We could stop here. Our assertion is proven. We should tax the locational value of land, not wages, prices or buildings. If we should do so, then let's do so! Nonetheless, we shall proceed to present evidence that such a tax is economically viable and necessary as well as morally appropriate.

First, however, consider: if land value taxation is moral, can't you assume it would be

economically practical also? Could a moral proposal be impractical? Do you think that's the way the world works?

Economic Considerations

Land value taxation has been tried in about a thousand localities throughout the world, and **all** studies indicate that adoption has been followed by economic growth. Some of these foreign studies are summarized in Appendix I, and the localities are in:

- ☞ Denmark - every locality
- ☞ Republic of South Africa - most localities
- ☞ Southern & eastern Africa - most capital cities
- ☞ Australia - most localities
- ☞ New Zealand - most localities
- ☞ Canada & the U.S. - some localities.

As of this writing, I have been personally involved with 17 cities in Pennsylvania which have adopted a two-rate property tax (higher percentage tax rate on land assessments than on building assessments). For instance, Aliquippa, a depressed city of 17,000 north of Pittsburgh, has a tax rate of 8.1% (81 mills) on land assessment and 0.5% (5 mills) on building assessments, instead of raising the same revenue from about a 2.5% tax rate on both. (Assessments are supposed to be one-third of market value.) By levying a higher tax rate on land than on buildings, Aliquippa has shifted most of its property tax off buildings onto land. The law in the state of Pennsylvania allows for this sort of configuration, and 17 cities have already implemented it, with more coming soon.

Seven of these cities have made substantial enough shifts to the land tax, and long enough ago, that the impact of these shifts on new construction can be measured. Fortunately, there is an easy way to quantify this effect: in each of these city halls, whenever property owners undertake new construction, they must obtain a city building permit which indicates what is being constructed, alterations included, and the value thereof (inter alia, to make certain that construction and alteration meet minimal safety standards). Thus it is possible, using city records, to compare across similar cities the value of new construction during the three years after the building-to-land switch with that during the three-years-before. (See appendices J & K.) Here are the results:

☞ Every two-rate city showed a gain in new construction; i.e., there were more building permits issued in each case in the three years after than in the three years before, and the same was true for the dollar value of the building permits issued.

☞ By this metric, five of the two-rate cities out-performed their comparable neighbors; a sixth city (Washington, Pa.) out-performed one comparable neighbor but not the other. A seventh city, Pittsburgh was compared to nationwide office construction because it was too large to have any comparable neighbors; it out-did nationwide office construction by 5 1/2 times. The Pittsburgh construction boom has continued to this day.

Could other factors have caused these construction booms in the two-rate cities? I am not aware of any other compelling changes, except maybe in Pittsburgh where during the three-years-after period the downtown streets were thoroughly ripped up and were near-impassable because a new subway was being built. (Pittsburgh's CBD looked like London after the blitz). The "other factor" here was an important disadvantage!

Many of my earlier studies were independently corroborated by researchers for a *Fortune* Magazine article (8-8-83). Two researchers from the University of Maryland support the conclusions of my Pittsburgh study, while researchers from Indiana University of Pennsylvania have duplicated the results of my McKeesport work. These conclusions also match those of numerous similar studies from abroad.

Logic, as well as empirical study, supports these conclusions: if buildings are taxed less, there will be more of them and they will be more affordable. If land is taxed more, then it will have to be used more fully (otherwise, there'll be too much tax expense offset by too little income from an inadequate improvement). For both of these reasons, there'll be more new construction. It is good to know that the logic supports the evidence.

It has been asked, "If the idea is so good, then why hasn't it been more widely tried?" The responses are many.

First of all, it has been widely tried. As mentioned previously, more than a thousand localities the world over are taxing only land - or at least land values at relatively high rates.

Secondly, there are many reasons why supporters of the idea are not more widespread - for instance, growing moral subjectivism (the view that no moral standard is provable), welfarism (the view that the government should take care of us), and movements against property taxes or against growth in itself. Vested interests oppose the tax and many people are unaware of its benefits to them.

Perhaps it is more appropriate to ask, "If the idea is so good (so widely endorsed, so successful when tried), then why haven't Liberals or Conservatives adopted it?" Perhaps they have not heard about it, but of course that could not now be said about you, could it?

Popularizing the Idea

Given Liberal and Conservative ignorance about or opposition to the taxation of land value, we must find ways to gain their support. Collecting 100% of the land rent would be ideal, belonging, as it properly does, to society as a whole, so that we all have equal access to natural opportunities and our wages and savings would be as tax-free as possible. But, given this ignorance and this opposition, advocating the Single Tax of Henry George would seem impolitic. Consider, then, the following possible ameliorations and alterations to propound until the Georgean ideal gains greater ground and understanding. All are based on the desirability of making assessments as accurate as possible and changing the tax rates rather than assessments in accordance with revenue and equity needs.

(1) Localities could add to the national tax rate to fund certain popular local amenities, such as environmental protection; indeed, they could levy a land surtax for any local purpose.

(2) There could be a higher-than-average rate on assessed land prices owned by absentee landowners.

(3) In order to avoid land speculation, all inflation-adjusted gains from the sale of land could be taxed at 100%. For instance, if a person bought a parcel of land for 1 million monetary-units and sold it later for 10 million units, and between purchase and sale the general inflation rate was 60%, then this land speculator made an inflation-adjusted gain of 8.4 million monetary-units (1 million units x 1.6 = 1.6 million units; 10 million units - 1.6 million units = 8.4 million units), and this is what he or she would pay in a land-gains tax (LGT). Only this sort

of policy can discourage speculation in land.

(4) A less-developed country might wish to promote its economy by renting land to foreign investors (collecting the land rent in that way rather than by taxing it), with the assurance that there would be no change for five years in the rent assessment except as adjusted for currency changes; at the end of five additional years, the rent would be re-figured on the basis of market conditions, subject to an appeals process stated in law, but in no case might the land-rent assessment be more than double what it was in the previous year. The same process would be followed every five years thereafter.

Since foreign investors would be renting land, they needn't undertake the cost of buying it - a great saving for them. In addition, they could appeal their land rent, an advantage not available to them if they were to pay taxes. They would also enjoy the advantage of having tax-free labor and capital investment.

Profits and exports from more-than-50%-foreign-owned investments would be completely tax-free and repatriate-able, and the long-term iron-clad security of land-rental arrangements would be still another advantage for them, and thus for the land-rent-collecting nation. In such a way we can go beyond Left & Right.

(5) The economic boom expected from a land value tax could and should be guided by zoning and land-use regulations. These would protect historical sites, aesthetic buildings and agricultural uses from development. If a parcel of land were thus down-zoned, then its price would be lowered, as would its assessment and tax.

(6) In countries which were formerly socialist but are now moving in a market direction (i.e., eastern Europe), the government might continue to be the legal owner of the land for awhile, but the actual owners of the land rent would be the tenants and users by virtue of using the land and enjoying its advantages (location, amenities, view, etc.) even though they might be paying less than market price. Thus, during the transition from socialist to market economies, a land value tax is likely to be paid by the real owners of the land rent - the tenants and users.

In order to protect these land-rent owners from a too-sudden tax increase, during the transition period of the first three years the following land tax limits should apply: the land tax could not exceed 10% of the total rent roll in the case of multi-family buildings, 10% of the income of all residents in the case of single-family homes, and 10% of the gross sales in the case of land used for commercial, industrial or agricultural purposes.

(7) The tax rate on land zoned agricultural could be half the general rate. Farmers should like this special treatment.

(8) A landowner's land tax receipt could be used to obtain a 50% rebate in income tax payments, or 100% in the case of agriculturally-zoned land. The remainder of the land tax revenue could be used to reduce the nation's general income tax rate. Liberals and Conservatives could make much of this link.

(9) In agricultural areas, land taxes might be made payable at a time just after the harvest, when farmer-landowners are more likely to have cash or crop. To help keep farmers from losing their land when farm income falls due to low commodity prices or production, farmers might be provided with appropriate insurance, with the price of such insurance added to their tax bills. Farmers who did not want the insurance would have to decline explicitly.

(10) If a landowner were over 65 years of age and unable to pay a part of the land tax, then that part could be deferred, with interest charged to time of sale or bequeathal of his land. The same privilege could apply to unemployed landowners, except that the interest charge could be waived. Liberals and Conservatives, take note: such a protect-the-poor-consumer provision

cannot be made part of a value-added tax or most other taxes.

(11) The government could consider offering insurance to reimburse building owners at replacement value less land price, if their improvements were demolished and replaced with a newer improvement. This policy would prevent the effective expropriation of building owners who might otherwise lose the value of their buildings and be unable to sell their land for much, because of the land tax.

For example, suppose there were a building worth $5,000 but no longer appropriate to its site. It should be demolished and replaced with a bigger and newer building. Absent insurance, the owner would be expropriated because the building couldn't fetch any price since it would soon be demolished, and the land site wouldn't be worth much because of taxes. To avoid expropriation of the building, the landowner could buy governmental or private insurance and be reimbursed for $5,000 less the sale price of the land.

This policy would have two desirable side-effects: (a) it would encourage the quicker renewal of a locality, and (b) it would provide insurance to a building owner in a package that no other alternative tax proposal provides.

(12) It may be desirable to grant a fixed-amount of abatement (say, $1,000) to each assessment in order to aid farmers or homeowners.

(13) The government could follow the not uncommon practice of alleviating hardships by allocations from other revenue sources, or more preferably, from a tax on land values.

(14) Some people with very low incomes live on very valuable land. The difficulties these persons face could be used as an excuse for low land taxes. The better way to deal with this problem is to create a national or local board to grant individual reductions in cases of hardship. Wherever possible, such case should be dealt with by deferral rather than tax reduction.

(15) Payment before the end of the year could earn a landowner-payer something like a 5% early-payment discount; payment for the next six months could be at face value of the tax bill; payment in the last three months of a tax year could be at approximately a 3% penalty.

(16) In urban areas, land taxes could be paid quarterly if not monthly.

(17) Assessments could be made by the central government, with the land tax collected locally. Re-assessments by the central government could be annual but staggered: the central government might elect to assess all residential properties in one year, and all commercial, industrial and agricultural properties in the following year, with annual inflation adjustments in the interim years.

(18) The municipality could sell land parcels for non-payment of taxes after two years of delinquency. The non-paying owner would receive the total sales price minus the accrued unpaid taxes, an interest charge at the current mortgage rate, and a penalty of 20% of the sale price.

(19) 2% of all land tax revenue collected could be spent on educating the populace on the subject of land value taxation. How else could the average citizen get to know the principles behind this law, thus ensuring its success? The electorate would greatly benefit if land were taxed, rather than wages or prices, but they would be unlikely to know about this advantage unless explicitly informed about it.

(20) The central government could appropriate any land parcel needed for a public purpose **provided** it fully compensated the property owner for his land and building prices. This is called the right of eminent domain in most countries and any country should have such a law in place before it needs to exercise that right.

(21) The central government assessors could establish the unit land value for whole neighborhoods or type of agricultural land capability according to the market value based on the

highest and best use, as limited by zoning. Unit value appeals would be made first to the assessor, then to the President (or designated assistants). Individual landowners could appeal the accuracy of their cadastral entries at any time, with a finding issued by the local cadastral office with 30 days. An appeal of this finding would have to be made within 60 days of original complaint, first to the local cadastral office and then to the President. The only grounds for appeal to a local court would be inaccuracies in cadastral entries or improprieties in assessment procedure.

(22) No contracts of real estate sale never or falsely recorded in the cadastre would be enforceable in court.

For more information on any of these provisions, fax 1-410-740-3279 or call 1-410-740-1177.

The Alternatives

Instead of taxing land values, we could be taxing wages, income, buildings, retail sales, manufactured goods, or imports. These alternatives, however, tend to be costly in both efficiency and equity.

(1) A tax on wages reduces purchasing power, handicaps poor people, makes labor less profitable, and reduces jobs because employers wind up paying at least part of the tax, and offer fewer jobs if they must pay higher wages to compensate for the tax.

(2) An income tax does all of the above whenever it doesn't distinguish between earned and unearned income, production and landwithholding.

(3) A tax on buildings increases building costs, thereby making buildings less profitable to construct and less affordable to purchase. It hikes rents for tenants because a tax on buildings is passed on to them.

(4) When store purchases are taxed more, retail prices must be hiked, and consumers have less purchasing power and buy fewer goods and services. A tax on manufactured goods acts likewise.

(5) An import tax is particularly deleterious because it cuts jobs by reducing exports, since foreigners can buy less from us if they can sell less to us. Such a tax also raises prices, reduces consumer choice and creates monopolies, by sheltering domestic manufacturers from foreign competition.

Contrast these costs with the advantages of a land value tax. Moreover, such a tax inspires landlords to use their land more fully. Out-of-pocket tax expenses should motivate them to raise revenues through increased use. Vacancy is the best current use of land only when a capital project is best deferred, and temporary buildings cost more in demolition than they're worth in interim income.

Protecting the Environment

Most of us now agree that our environment needs protection from the stresses of industrialization, but at first glance, a tax on land values would seem to force, not moderate, development. Wouldn't skyscrapers sprout in cornfields? Wouldn't our cities be "Manhattanized' into office-building canyons, with people-clogged streets, unravelable traffic jams and polluted air

you can almost cut with a knife (but can't breathe)?

On the contrary, however taxing land values tends to preserve the environment. Consider the following:

(1) Philosophical Similarity - The environmental and the LVT movements share the philosophy that property in land is different from property in labor-produced things (pens, glasses, machines, furniture, etc.). Land ownership provides an opportunity to work and to live, and that opportunity should be equal for all of us. What individuals produce as a result of that opportunity belongs to them alone, and although they can willfully destroy the fruits of their own labor, they cannot rightfully destroy the landed opportunity of which they are temporarily steward. This must be preserved for future generations to provide opportunity and access for all; it is not more for some than for others.

Preserve the land. Collect the land rent via taxes for everyone's use. These two corollaries go hand in hand.

(2) Zoning Protection - In many communities, zoning regulations seem made to be broken. There's big money in buying land cheap and then getting it up-zoned in order to use it more intensively or sell it at a higher price. But this behavior shreds the zoning plan and makes development proceed haphazardly.

A land value tax would moderate or eliminate the speculative profit from zoning changes. Any up-zoned site would attract a higher tax, thus moderating (maybe abolishing) the land price, and therefore the land profit.

(3) Containing Urban Sprawl - In the average U.S. city of more than 100,000 in population, 21% of the land area is vacant yet capable of being built upon (1970 study, described in *Incentive Taxation*, 3-4/82). This is not pleasant, open space, but wasted, vandalized space. Another vast land area which is only partially developed - the improvements thereon are not the highest and best use of the site. If urban land is not developed efficiently, then the clean and green countryside will be developed prematurely. And while urban property owners might use a quarter acre (more often less), if they move out to the countryside they'll often sprawl out over many acres.

> "Mourn not the dead...
> But rather mourn the apathetic throng -
> The cowed and the meek,
> Who see the world's great anguish and its wrong,
> And dare not speak." - Ralph Chapin

Inefficient land use - urban, suburban or even rural - causes the premature disappearance of open space. A tax on land values causes land to be used efficiently as landowners seek to gain as much income (or utilization) as possible from their improvements in order to cover the higher land tax, and possibly make a reasonable profit besides.

With development taking place in the more urbanized areas, legitimate agricultural and open-space lands will be freed from the speculation that is artificially inflating their price. If their land price is low, so will be their land value tax. Thus, these lands will more likely be preserved and used for agriculture or open space. If you don't urge land value taxation, you abet urban sprawl.

(4) Supporting Public Transportation - Mass transportation pollutes less than individual transportation, but spotty development of city land makes it uneconomical. Buses and subways require concentrations of people near stations, and LVT would encourage them.

(5) Making Absentee Landownership Uneconomical - A tax on land values is a tax on

absentee landownership; after all, absentee landowners who collect land-rent from tenants and then must hand all - or a major portion of it - over to the government as a tax, are likely to be in a losing situation and soon sell out to their tenants. And good riddance, because neither the tenants nor the absentee landowners are likely to have stewardship and long-run environmental protection uppermost in mind.

(6) Good Revenue Source for Environmental Programs - A land value tax can finance environmental programs. So could other taxes, but there's a serious trade-off since those other taxes inhibit incentive and repress production, which only the strictest environmentalists favor. A land value tax enhances both.

The land value tax is particularly well suited for establishing parks and playgrounds. Since the tax lowers land price, governments will find it easier to buy land.

In sum, if you don't favor the taxation of land values, aren't you implicitly supporting the taxation of buildings or workers? Aren't you then acting as if you favor urban sprawl, absentee landownership, and governmental deficits?

Quibble if you will with one or two of the above six arguments, but if you feel that even one of these arguments is valid, then think hard about the probity of land value taxation and act accordingly.

Protecting the environment is an issue that both Left & Right could embrace. It is beyond both orientations. Available to both of them, land value taxation is so integral a part of environmentalism that such protection will surely fail without it.

History of the Idea

The Single Tax on land values didn't spring up overnight, like a mushroom after a spring rain. Rather there is a long history to the sense of community of land and taxing it to equalize opportunity. See Appendix H.

> "An army of principles will penetrate where an army of soldiers cannot. Neither the Channel nor the Rhine will arrest its progress. It will march on the horizon of the world and it will conquer." - Victor Hugo

History is important. To be sure, an idea must be evaluated on its own merits. But if it is logically and ethically coherent **and** comes widely recommended, succeeds wherever tried, and has a long and commendable history as well, then it should be very seriously considered indeed. The weight of the centuries is not an unimportant consideration.

What Should You Do Next?

If this brief discussion of land value taxation has sparked your interest, or even gone the distance in convincing you of its economic and moral merits, please consider the following ways to add to your knowledge and increase its power:

(1) Take courses offered by the Henry George School, 121 E. 30 St., N.Y.C. 10016 (write for a catalog) or correspondence courses offered by the Henry George Institute (same address);

(2) Advocate the idea to others;

(3) Write articles in the public press about this idea.

(4) Write or finance informative advertisements;

(5) Support financially and morally the organizations already established to further this Cause; and

(6) Inform city officials about this idea and the reasons for it, in hopes that they might pass resolutions requesting state and national legislatures to grant local option to allow cities to tax land values.

Those who do nothing become part of the problem, not the solution. ''All that is required for the triumph of Evil in this world is for good people to do nothing.'' Now that the truth has been laid upon you, it is your duty to act; you can no longer claim ignorance, nor should you want to. You have a duty to seek out the truth. In this case, it transcends old ideologies. Act on your new knowledge.

''The longest journey begins with but a single step.''

He who is silent, consents.

To find out more about how to pursue these tracks, please see Appendix I.

> ''The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends - those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth.'' - Henry George

Appendices

Appendix A: Chart of Tax Rates, Land Value & Rent

The following formula can be used to determine the payment each private landowner must make to the local authority:

Tax Payment = Land Assessment x Tax Rate (expressed as a percentage).

In other words, each landowner pays a percentage of his assessed land value to the locality each year. The resultant revenue can be divided between the various levels of government according to law - perhaps half to the central government, half to the locality, or 2/3-1/3, or all to the locality, whatever.

The formula used by the government to determine the revenue it receives from a land price or rent tax is similar:

Revenue = sum total of all Assessments x Tax Rate.

Here is a formula to determine the percentage of land rent collected by the land tax rate:

$$\% = \frac{TR \times PC}{IR \times PU}$$

where TR = tax rate, PC = current land price, IR = current interest rate, PU = untaxed land price.

Since the higher the tax rate, the lower the land price, the tax revenue from a particular land parcel could eventually exceed both the land rent and the land price when the tax rate is high enough, but this possibility is of only intellectual moment. More importantly, at some tax rate, the price of land would fall to zero, enabling equal access to this vital resource.

Consider, now a clarifying hypothetical example. All assume that the initial price of a land-parcel is $10,000, the tax rate is based on the current land price, and the interest rate (for land investments) is 10%:

Tax Rate	Tax Paid	Land Rent	Land Price
0	$ 0	$1,000	$10,000
6.00%	600	400	4,000
8.00%	320	680	6,800
10.00%	680	320	3,200
20.00%	640	360	3,600
27.78%	1,000	0	0

Note that it is possible for a higher tax rate to yield a lower tax paid; this is because the higher tax causes a lower land price. Were a different schedule of tax rates to be used, the tax rate could even exceed 100% and still raise some revenue. The figures also show that although it is simpler to assess on land rent rather than land price, the latter can accomplish the same desired result.

Here is another schedule of tax rates. Though the principle is the same, the numbers are different.

Tax Rate	Tax Paid	Private Land Rent	Land Price
0	$ 0	$1,000	$10,000
5%	500	500	5,000
5%	250*	750	7,500
5%	375	625	6,250
5%	312.50*	687.50	6,875
12%	825	175	1,750
50%	875	125	1,250
75%	937.50	62.50	625
100%	625*	375	3,750
26%	975	25	250
400%	1,000	0	0
?			

* Note that in these years, the tax paid actually decreased even though the tax rate had remained unchanged or had actually increased.

Of course, these tables assume that all other influences on land value will remain the same, such as supply and demand, public improvements, general economic development and inflation; it also assumes that assessments are up-to-date. Although these assumptions may seem a tad heroic, they serve only to simplify the analysis, without doing damage to it.

Appendix B: Progress and Poverty's *Labor Theory of Property*

What constitutes the rightful basis of property? What is it that enables a man justly to say of a thing, ''It is mine?'' From what springs the sentiment which acknowledges his exclusive right as against all the world? Is it not, primarily, the right of a man to himself, to the use of his own powers, to the enjoyment of the fruits of his own exertions? Is it not this individual right, which springs from and is testified to by the natural facts of individual organization - the fact that each particular pair of hands obey a particular brain and are related to a particular stomach; the fact that each man is a definite, coherent, independent whole - which alone justifies individual ownership? As a man belongs to himself, so his labor when put in concrete form belongs to him.

(Henry George, *Progress and Poverty,* p. 334)

Appendix C: Progress and Poverty on Equal Natural Opportunity

If we are all here by the equal permission of the Creator, we are all here with an equal title to the enjoyment of His bounty.. This is a right which vests in every human being as he enters the world, and which during his continuance in the world can be limited only by the equal rights of others.

There is on earth no power which can rightfully make a grant of exclusive ownership in land. If all existing men were to unite to grant away their equal rights, they could not grant away the right of those who follow them. For what are we but tenants for a day? Have we made the earth, that we should determine the rights of those who after us shall tenant it in their turn? The Almighty, who created the earth for man and man for the earth, has entailed it upon all the generations of the children of men by a decree written upon the constitution of all things - a decree which no human action can bar and no prescription determine. Let the parchments be ever so many, or possession ever so long, natural justice can recognize no right in one man to the possession and enjoyment of land that is not equally the right of all his fellows.

Though his titles have been acquiesced in by generation after generation, to the landed estates of the Duke of Westminster the poorest child that is born in London today has as much right as his eldest son. Though the sovereign people of the State of New York consent to the landed possessions of the Astors, the puniest infant that comes wailing into the world in the squalidest room of the most miserable tenement house, becomes at that moment seized of an equal right with the millionaires. And it is robbed if the right is denied.

(Henry George, *Progress & Poverty,* pp. 338-40).

Appendix D: The Bible is Not Silent

The Bible is not silent about land tenure. In many places it proclaims what reason leads us to believe as well, that the land belongs to God and we should all have equal access to the resources of nature which the Lord has provided to us all.

We read in Ecclesiastes V. 4 that "the profit of the earth is for all, the king himself is served by the field." In other words, the rental income of land belongs to us all, king included.

Corroboration is offered by Psalm 23:1: "The world and all that is in it belong to the Lord; the earth and all who live on it are His." *(Today's English Version,* Am. Bible Society, 1976) Neither the land nor people are proper subjects for unlimited private property. Clearly enough, natural resources (minerals, soil, etc.) are what is meant by " all that is in it." On the other hand, the products of labor are proper subjects of private property; note the injunction "Thou shalt not steal" in the Eighth Commandment (Exodus XX:13) and in many other places as evidence of the justifiability of private property.

Further support can be found in Psalm 115:16 - "The heavens, they are the Lord's, the earth He has given to all mankind." The land properly belongs not to some of us rather than others, but once again to all of us equally.

Then there is Leviticus VII: "The land shall not be sold forever; for the land is Mine; for ye are strangers and sojourners with Me." (v. 23) All the land is to be held, as it were, from God on lease. It is this section that provides for the famous Year of the Jubilee, the fiftieth year in which slaves were set free and all land was to revert to the original owner to whom it had been assigned, or to his heirs. The Hebrew who voluntarily sold his land or lost it for non-payment of debt, parted not with the ownership of the land but with the remainder of the lease - till the next Jubilee year, when all the leases fell in simultaneously. The purpose of the Jubilee was simple enough: to equalize the privilege of landownership and prevent its concentration in the hands of a few. "With the blast of the jubilee trumpets the slave goes free, and a redivision of the land secures again to the poorest his fair share in the bounty of the common Creator." (Henry George)

Of course, the principle of equal landownership will have to be applied differently in a modern society than in the ancient pastoral Hebrew one. For the Hebrews, the Jubilee was the most practical method, and the Bible prescribed it. But for us, living as we do in a changing urban industrial society, the same principle can more easily be applied if we allow land to be held in private ownership and collect the annual land rent in taxation instead. If the revenue is spent on the public welfare, than each person would enjoy equally the privileges of landownership.

Do we really believe in the Fatherhood of God and the Brotherhood of mankind? Do we really take these values seriously? Then we should share equally in the common inheritance - in the earth, God's gift to all His children. He has no stepchildren we know of, who should be disinherited by receiving less than their fair share. We should all have equal access to the opportunities of nature, and what we individually do with those opportunities is our own individual concern. Isn't that how a proper family is run?

The earth is the birthright of all mankind.

"And ye shall hallow the fiftieth year, and proclaim liberty throughout all the land to the inhabitants thereof: it shall be a jubilee unto you: and ye shall return every man unto his land, and ye shall return every man unto his family." (Leviticus 25:10)

(from *Catalyst,* p.80-81, The Bible is Not Silent...)

Appendix E: Objections and Responses

OBJECTION: Taxing land price would be a good idea if it had been done when the land was first settled; now landowners have a vested interest in being tax-free.

ANSWER: (1) They are not tax-free; they pay many taxes now on their labor and capital investment.

(2) The unemployed, the poor and the homeowners shouldn't have to suffer just because they always have suffered. Landowners don't have a vested interest in the pocketbooks of producers.

(3) We change tax laws all the time; vested interests change along with them.

(4) If we change the tax laws gradually, landowners will have ample time to adjust to the new and better conditions.

OBJECTION: Won't a two-rate property tax worsen parking problems in the city?

ANSWER: NO. Most flat parking lots probably would pay more in taxes, but there certainly are some back streets where parking lots would pay less because they are the best use of such sites.

Multi-level parking garages save tax money with two-rate, and they provide more efficient parking. Moreover, trying to preserve flat parking lots in the downtown by taxing buildings heavily may be a cure worse than the disease. When buildings are taxed instead of land, construction is hampered, jobs are lost, and urban sprawl is promoted. Such taxes would hit the poor harder, and absentee landowners would avoid paying taxes. Are the merchants in a city really better off if the downtown is dotted with flat parking lots? And what about the rest of us?

OBJECTION: What about farmers?

ANSWER: It is not clear that existing farmers would pay more in taxes under a land value tax (LVT) system, since farmland is cheap compared to urban and suburban land. Those who think farmers would be hurt by LVT should do studies to substantiate their views.

But it is quite clear that young farmers seeking their first farm could acquire land more cheaply under this system and would need to invest less money to enter the farming business. They would clearly benefit.

Because land value taxation would require the most efficient use of urban and suburban land, there would be less such sprawl into farming areas. If quarter-acre lots in cities were cheaper, as with LVT, many homeowners wouldn't build on two-acre lots in farming areas. Urban and suburban sprawl eat up farms and are the farmer's real Enemy #1.

Also, the two-rate property tax could be applied only in cities, in which case farmers wouldn't be taxed at all.

OBJECTION: If landowners can't develop a site, they'll go bankrupt if they have to pay a higher land value tax.

ANSWER: If there is no current market for the use of a site, that site should be assessed at zero value, and the tax on it will then be zero. Landowners won't have any trouble paying that.

OBJECTION: A vacant lot requires no city services and should therefore pay no tax.

ANSWER: No. City services make the location valuable, as when the city government provides roads, schools, hospitals, police & fire protection, etc. The government should tax

what it creates, not what individuals produce.

These services are provided to every site in the city, whether the site is in productive use or not. Thus, the property tax should be based on site value. If buildings are taxed, then we'll have fewer buildings, more taxes on homeowners and renters, and more sprawl. When sites are taxed, they must be used efficiently. Isn't it wasteful to string utilities past vacant or under-used lots?

OBJECTION: Land Value Taxation will result in overbuilding and congestion.

ANSWER: LVT provides an incentive to develop sites only to their best use, not beyond that. If the proper use of an acre is for farming but it is used instead for a factory or office building, then it isn't being put to its most profitable use. Land value taxation is the free-market way to allocate optimal land used. LVT promotes efficient use but dis-incentivates overuse.

When a community decides that it would rather not see a particular site being put to its most profitable use, it is free to place zoning restrictions on the property. This safety valve won't be changed in any way under a land value tax system.

OBJECTION: How could poor people own land if there were a high land value tax to pay?

ANSWER: If land values are taxed, then land prices will be low, well within the reach of poor people. Although land taxes would be higher under LVT, building and other taxes would be lower, and speculative rent costs would be nil: with LVT, it wouldn't pay to speculate. Accordingly, poor people could own land more easily.

OBJECTION: LVT is socialism!

ANSWER: No. If land values were taxed, then it wouldn't be necessary for the government to socialize parts of wages and returns on capital by taxing them. If you like free enterprise, then don't tax it!

Remember, under LVT, private landownership would remain. Private deeds would still exist. In fact, landownership would be more secure than ever since you could use your land *sans* tax.

OBJECTION: LVT is no panacea.

ANSWER: Correct. There are no panaceas.

OBJECTION: Why single out landowners for heavy taxation?

ANSWER: Because "they toil not, neither do they spin." They do not produce, nor have they bought their land from anyone who did. The rent they collect is in reality a private tax on production. They deny access to natural opportunities; they get in the way of production. They create poverty and unemployment. Brevity prevents a fuller response.

OBJECTION: If the idea is so good, why don't people know about it?

ANSWER: a) Most people are quite smart but are not necessarily well informed. What happened in 1776, for example, isn't all that well known these days.

b) About a thousand cities worldwide are doing it, with good results; seventeen cities in Pennsylvania are doing it - also with good results: spurts in new construction. Also, Arden, Delaware, Fairhope, Alabama, and the California Irrigation Districts also show good results.

c) It hasn't been practically packaged for local action.

d) If this is a valid objection, no good ideas would ever be adopted.

e) Most of the evidence for the idea has not been available for long.
f) Vested interests often oppose it.

OBJECTION: Our city is already all built up. We don't have much vacant land.

ANSWER: Is your city perfect? Unimprovable? Every city as much as possible should encourage private enterprise to maintain and improve the buildings in the city. No city is all built up forever.

Do you want to wait until your city is dilapidated before you act to improve it? LVT is not just a tax on vacant land. It is also a tax on land in use and it encourages all sites to be used efficiently. Why should buildings be so heavily taxed - more heavily taxed than any other commodity or service in our economy (except maybe cigarettes and alcohol)?

OBJECTION: LVT will cause tax defaults.

ANSWER: Wherever it's been tried, this has not been the result (see *Incentive Taxation*, 10/81). And why should un-taxing buildings cause tax defaults? People who put forth this objection never offer any facts in substantiation, and we've never been able to uncover any). If on rare occasion, a lot owner lets a site revert to the city for back taxes, it wasn't a valuable lot in the first place, and the city won't lose much property tax revenue, if any.

OBJECTION: LVT should be implemented, but if we don't adopt it, then no harm will be done.

ANSWER: True, but only if you think that non-workers (landowners) should live off workers (labor & capital), and only if you want to tax free enterprise, and only if unemployment and poverty don't bother you.

Appendix F: Agriculture in Australia Prospers with Land Value Taxation

Statistical Verification Presented

"Won't farmers suffer with a land value tax?" We frequently hear this question, and the 3/4/79 issue of *Incentive Taxation* (and others) gave reasons and facts to answer in the negative. Briefly stated, if land value taxation encourages the most efficient use of land, then it will encourage the agricultural use of land that should be used agriculturally. In any case, it is always possible to apply the tax in metropolitan areas only. Moreover, we have just come across a study indicating that agriculture has in fact prospered under land value taxation.

In his study based on government statistics and entitled "Public Charges Upon Land Values" (Melbourne, 1961), Allan R. Hutchinson compared the acreage devoted to agriculture in the three Australian states that tax land values the most with the three Australian states that tax land the least. He found that from 1929/30 to 1938/39, the Depression years, all the land-taxing states increased their acreage devoted to agriculture while the non-land-taxing states suffered actual decreases.

The three land-taxing states, cited according to their degree of land taxation, are Queensland, New South Wales and West Australia. Queensland experienced a 68% increase in agricultural acreage, New South Wales 22%, and West Australia 3%.

The post-war comparison follows the same pattern, though with less difference in the extremes of the two groups. The explanation may lie in the fact that the second group raised its taxes on land values to a level much closer to that of the first group in this post-war period.

Meanwhile an interesting intra-group change occurred. There is now little difference in the level of land value taxation between South Australia and Victoria. In the latter, land taxation is to be found mainly in urban areas whereas in South Australia, it has been mainly the farming areas that have adopted land value taxation.

Evaluating the Study

Some people might object that this study is not very recent. While true, that's irrelevant to the question of whether land taxation encourages agriculture. If it encouraged it in former times, pre-1961, why not now? If the figures given were post-1961, would that make the conclusion any more valid?

A more troubling objection concerns whether the differences in agricultural acreage might be due instead to factors other than the different levels of land value taxation. Would the differences have existed anyway, even in the absence of land tax differences? To be objective, we cannot give a final answer. After all, we are comparing vast areas in which many different things are happening. This is not like the other Allan Hutchinson studies quoted in past issues of *Incentive Taxation,* comparing new construction before and after the introduction of land value taxation in particular Victorian towns, and also comparing new construction in land-taxing towns with neighboring and similar non-land-taxing towns. There the "other factor" possibility is kept to a bare minimum, and dozens of such comparisons have been made.

All we can say here is that the facts are in accord with the theory. By taxing land, the

land-taxing states require agricultural land to be used agriculturally and not held vacant. By taxing land, they keep down agricultural land prices and make it easier for new farmers to enter the farming business, and such moderate prices reduce the average farmer's mortgage overhead. Evidently, the higher land tax has not significantly hampered farmers. In short, there is reassurance to be gained from these agricultural acreage comparisons offered by Hutchinson (see 6/84 *Incentive Taxation*).

Two American Experts Report: LVT Easier to Administer in Australia and New Zealand

In the fall of 1964, two American experts visited Australia and New Zealand in order to evaluate land value taxation there. They were A.M. Woodruff, then Provost of the University of Hartford (and formerly a real estate appraiser) and L.L. Ecker-Racz, then Assistant Director for Taxation and Finance of the Advisory Commission on Intergovernmental Relations. Their report appeared in the October 1965 issue of "The Tax Executive."

Woodruff and Ecker-Racz concluded that land value taxation could be administered more easily and more fairly than other systems. They quoted approvingly the following statement by Dr. J.F.N. Murray, the highly regarded author of the leading Australian textbook on valuation techniques:

"(a) equity in valuation can be more easily achieved when the rating is based on land rather than a combination of land and building;

"(b) considerable economy can be achieved if the Valuer General [chief assessor] does not need to maintain records on the character of buildings;

"(c) most of the errors in valuation involve buildings and not land;

"(d) use of cadastral maps not only readily permits equalization of land values but reference to such maps makes it very simple for an aggrieved owner to determine whether he is treated equitably.

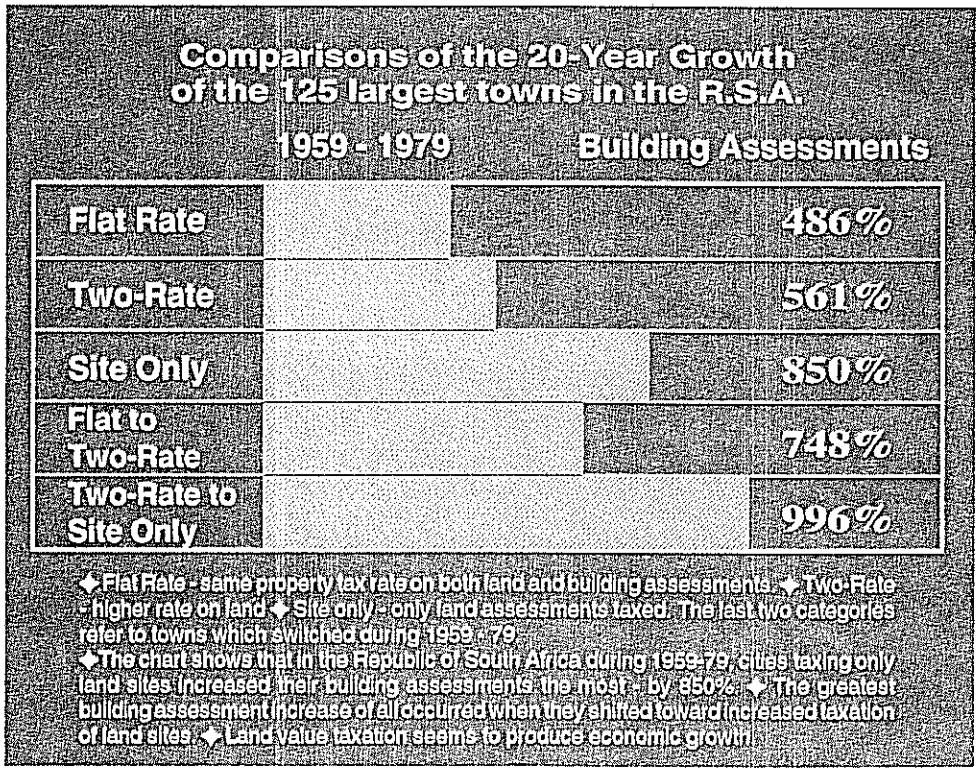
The authors assert that

> "In consulting with the United Nations concerning tax systems for new nations, where ownership records are good enough to permit clear identification of taxable holdings, Murray strongly advocates site value taxation because of its simplicity and the relative ease with which inexperienced civil servants can be trained to do the job.
>
> "The argument commonly heard in America that site value rating is administratively impossible because of the difficulty of assessing land apart from the buildings on it, is not heard at all in Australia and New Zealand. Many decades of experience have convinced even the most hardened skeptics that while it may be considerably more difficult to appraise the land component of a single improved parcel apart from the building on it, the reverse is true when great numbers of properties have to be evaluated for tax purposes. Involved calculations need be made only for selected benchmark properties and the values established for the benchmarks may be extrapolated to all properties, very much as American assessors customarily build up land value maps. The 'land value atlas' or 'cadastral map' is the device for accomplishing the extrapolation. Both Australian and New Zealand tax professionals, including a few who either oppose site value taxation or are lukewarm to it, are agreed on its administrative simplicity.
>
> Woodruff and Ecker-Racz also report that "the earlier graduated land taxes of the Commonwealth of Australia, the Australian states, and the central government of New Zealand were a decided factor in the breaking up of large landed estates."

"The case for the use of unimproved capital value for the base of property taxation on grounds of administrative simplicity, efficiency, and resultant equity between individual owners and classes of owners is also impressive, if only because professional administrators representing as a group nearly 300 years of collective experience are satisfied that substantial savings could be realized in valuation (assessment) costs, and assessment quality raised, if unimproved capital value were the only base used for local and state property taxation" *(IT,* 10/86, p. 3).

New Hard Evidence for Land Value Taxation

Consider, now, some new corroborating data from from the Republic of South Africa. The source is new study by Godfrey Dunkley, a respected social researcher and ardent opponent of apartheid. Dunkley is a prominent engineer, a past president of his country's leading professional institute for mechanical and electrical engineering. He has long been interested in economic reform and has published extensively on the subject. He has proven himself to be a careful researcher. His study of **every** city and town in South Africa is based on statistics from the 1985 South African Municipal Yearbook, a government publication.



Dunkley found that the more a city or town's property tax focused on land assessments, the more its building assessments increased (see table; Dunkley has also performed studies arriving at the same conclusions which date back to 1951 and forward to 1984).

In addition South Africa shifted steadily away from taxing buildings, toward taxing land more or land only. While 58% of all South African towns in 1951 had flat-rate property taxes, this practice declined to only 24% in 1984. Only 11% of the towns taxed land alone in 1951; by 1984 they comprised 38% of the total.

Other cities (especially capital cities) in southern and eastern Africa also make use of a land-focused property tax.

Because the theory is so amply substantiated and corroborated by many studies from other countries, it seems safe to say that if we reward the efficient use of an important factor of production - land - and remove the penalty from efficiently using the other two factors of production - labor and capital - economic growth will take place, even under adverse circumstances.

How much worse off all the people in South Africa would be - whether black, white or brown - if they used the property tax system commonly found in the U.S. and Canada.

Yet Another Study Shows LVT Promotes Economic Development

Consider, now, the comparison that I and Professor Kenneth Lusht of Penn State University ran on building-permit issuance in the Australian cities of Seymour and Alexandra. Fairly close to each other, both are about 50 miles from Melbourne. Each is a marketing center for surrounding agricultural areas, though Seymour has also had a nearby army base for many years. Alexandra is 2.3 times larger in area, but Seymour has more population (11,420 vs. 5,500). (Source: Vict. Muni. Dir. 1988, pp. 549, 817).

Starting in September 1981, Seymour switched its property tax from land-and-buildings to land-only. I examined the government building-permit statistics for these two towns along with the Edgar Heyward, a recently retired university senior-lecturer in physics at the Royal Melbourne Institute of Technology. Here is what we found:

☞ In the five years before Seymour shifted to land-only taxation (1976-1980), it experienced a steady level of building-permit issuance, while non-LVT Alexandra experienced a slowly rising level.

☞ But after Seymour shifted to a land-only tax, it enjoyed a 144% increase in building permits issued (1982-86 as compared to 1976-80), whereas Alexandra, still taxing buildings, experienced an 111% gain. Score one for LVT!

☞ In recent years, a complication in Victoria has arisen. In some localities, property owners are now being taxed at a steadily rising minimum tax[1], thereby narrowing the tax difference between land value taxation (known as 'site value rating' in Australia) and land-and-building taxation. We could avoid this recent narrowing of the tax difference by comparing the three-year periods before and after the tax shift, which is the usual comparison period for the studies we have performed.

We compared the building-permit issuance in 1978-80, three years before the tax shift, with 1982-84, in order to avoid the recent minimum-tax imposition as much as possible. Score two for LVT! Seymour posted a 184% gain against Alexandra's 22% gain.

In sum, before Seymour's shift to land-only taxation, it wasn't growing as fast as non-LVT Alexandra, but after the shift in 1981 it grew much faster. This comparison corroborates 22 other such studies in Victoria, Australia and literally hundreds of studies elsewhere; the great number of studies with similar resukts greatly diminishes the possibility of other factors causing economic development in the LVT localities as compared to their comparable neighbors.

(This summary has benefited from comments by Professor Lusht.)

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[1]We find it amazing that the Australian electorate would put up with such a high minimum property tax, since it is equivalent to a poll tax and is highly regressive.

Appendix G: Inflation: The Way Out

"Inflation," Mr. Typical Pundit was saying, "has many causes, as we all. First, there are the unions - they keep pushing up wages and then prices go up to cover the higher wage costs.

"Then there's oil - OPEC pushes up oil prices, and oil is used in so many different products.

"Then there are profits - see how they zoom, boosting prices everywhere.

"And last but not least, the politicians are funding all this with a too-fast increase in the money supply." So much for the Accepted Wisdom. At least the last-mentioned cause contains a modicum of truth.

Unions

Union wage increases in excess of what union members could get in free-market bargaining surely are passed on to consumers in the form of higher prices. But inflation is not just higher prices than what the free market would produce, rather it is a constantly increasing price level.

If unions were to suddenly desist from wage bargaining, then union wages, and prices in general, would fall back to the free-market level, but after that, prices would continue rising due to the inflationary pressures still existing in the economy (see diagram).

Union wage increases could cause inflation only if they exceeded their members' free-market wages by greater and greater amounts with each succeeding year. But this is clearly not the case historically. Economist Albert Rees, the leading researcher in this area, estimates that unions have raised their members' wages about 8% above what they otherwise would have been in a free-market situation, but this percentage has not increased since the early 1950's. It was about 8% then and is so still. Union wage increases can hardly have caused the inflation that has been raging during that time.

Remember, too, that only 17% of the U.S. work force is unionized, and about one union out of three has little impact on wages *(Ibid.)*. So we can see what little impact unions have on higher prices, let alone on inflationary price increases.

OPEC Not The Cause

As with unions, pretty much with OPEC. The U.S. crude oil import bill came to about $26 billion in 1988 *(U.S.S.A. 1991*, table 1224). The G.N.P. for that year was $4874 billion (table 698, *Ibid.)* so oil imports came to only 1/2% of our total economy.

But much of that 1/2% the OPEC nations are entitled to anyway. It's what they would get in a free oil market even if they weren't an international monopoly.

So while it's true that OPEC has been a cause of our inflation, it has been only a minor cause. Surely we cannot blame OPEC for the steadily growing price inflation prior to the Big Price Hike of 1973!

High Profits Not the Cause

As with unions and OPEC, so with high corporate profits. In recent years, corporate profits have been dangerously low and have varied with the business cycle rather than with

general price inflation. For decades corporate profits have averaged about 5% of sales. For years, they have averaged about 12% of stockholders' equity, really much too low to attract the necessary new investment that would enable our economy to grow and contain inflation.

Don't blame inflation on high profits.

Too Much Money?

What we're left with from Mr. Typical Pundit's analysis is his assertion that an increase in the money supply is causing inflation. As we have said, there is a modicum of truth in that - a smidgeon, a dollop, an iota.

Surely prices cannot keep rising for long unless the money supply is increased to provide purchasers with the additional money needed to obtain the higher-priced goods and services. If the government didn't allow the additional money to be created, many goods and services would go un-bought and a recession would ensue. Our economy careens back and forth, between the Devil of Recession and the Deep Blue Sea of Inflation. The government tries to avoid the one by risking the other. If we could only solve the problem of recession, then the government wouldn't risk encouraging inflation.

"Not at all," says our Typical Pundit. "The government could cause inflation by borrowing money from the banking system to pay its expenses in order to avoid imposing taxes. In other words, it increases the money supply quite irrespective of inflation/recession considerations by printing either greenbacks or bonds."

It could - and here we have Pundit's modicum - or shall we say his nut, kernel or tidbit - of truth. But in fact, the government has not much done this. Yes, the government has encouraged an increase in the money supply, which is the necessary pre-condition of inflation (higher prices). But it has done this primarily in response to the ever-present threat of recession, and the proof of this is that government debt has been increasing at least as fast as GNP. It is fear of recession that has fueled the increase in the money supply. We demand that the government expand the money supply in order to clear the higher-priced goods an services off the market. So we must seek the prime cause of inflation in the reason why the economy would tilt into recession and depression.

Land Speculation and Inefficient Use

That brings us to - land. More precisely, to speculation and inefficient use of land.

During a period of prosperity, land prices rise steadily. It becomes profitable to hold land out of full use, hoping to re-sell it in the future at a higher price. Also, many existing improvements on land sites become inadequate as the land value escalates; the higher location value of the site begins to justify a more intensive use than the existing improvement constitutes. In other words, increasingly the site is being put to a less-than-full or inefficient use.

As the period of prosperity continues, than, more and more land is being held out of full use as determined by current market needs. Speculation in other things can be resolved by an increase in the production of those things, but that can't be done in the case of land, the supply of which is fixed. Inefficient workers lose their jobs, inefficient capitalists go bankrupt, but inefficient landowners suffer no out-of-pocket expenses for their inefficiency (unless it be a land value tax).

In the final stages of a period of prosperity, the active producers in the economy, labor and capital, find it increasingly expensive to use land, due to the growing land speculation and

inefficiency in land use. They borrow money to cover these growing land costs, but that can't go on for long. They try to pass on these costs to the consumers in the form of higher prices, but they can't do it since the consumers don't have the extra money to buy at the new higher prices.

The producers are being inexorably squeezed. Only the extension of credit is keeping many of them alive. Suddenly there is a blow to confidence in the business future - a banking house fails, the stock market sags, international news turns adverse, etc. The credit extension stops, and the recession or even depression begins.

The government usually steps in to allow an expansion in the money supply. Then consumers and investors can buy the higher-priced goods and the economy keeps rolling along - but at a higher price level. This is inflationary. The government has funded the higher land prices.

Soon the economy needs another monetary fix as land prices escalate still further due to land speculation and inefficient land use; and then another, and another fix is needed. Just as the first dose of morphine stills the sufferer's pain, but another and larger dose must then be given, so it is with inflation. Unless we remove the cause of the problem, morphine and inflation can offer only temporary relief. The day of reckoning must inevitably come.

Technical Note

The price of land reflects the value of doing business at a particular location. If the general price level rises, then land prices will follow. For example, the prices of goods sold in stores on high-priced downtown land are generally less than the price of the same goods sold in stores located on cheaper sites; Macy's undersells most neighborhood stores and its ultra-high land value is not figured into the price of goods it sells. If a retailer weren't charged land rent, then his profits would increase and he wouldn't reduce this prices. Land prices simply don't enter into the cost of doing business. Any economics book will tell you that.

But the economics books don't tell the whole story. When land speculation or inefficient land use occurs, then in effect the amount of land currently available on the market place is reduced. The artificially-induced lower supply causes land prices to rise higher than if land were used efficiently (as with full land value taxation). This extra price of land is passed on to consumers in the form of higher prices. This extra land price does not represent better locational advantage; rather it is the economic equivalent of a private tax levied by individual landowners on the active producers, labor and capital.

To all of this, our T. Pundit has a quick response: "Surely you exaggerate the importance of land speculation and underuse. Land is not that important in our modern industrial economy."

Not so. Without doubt, inflation has many contributory causes but land speculation and underuse is the basic cause. Particularly in the short run, the inflation rate is affected by changes in the monetary supply, consumer demand, raw material scarcities, wars, rumors, etc., but in the long run it is the artificially-induced land-price increase which causes the underlying recession-inflation pressures.

Supporting Evidence

Pundit is entitled to know what hard factual evidence there is to support the logic of this land-underuse theory.

In the first place, one notes that land prices have grown by leaps and bounds in the final stages of previous prosperity periods (see Homer Hoyt's book, ***One Hundred Years of Land Values in Chicago*** as one carefully-documented substantiation for this).

Secondly, land rent today is an important and growing part of our national income. An estimate based on research by the highly respected Conference Board shows that land rent is 21% of national income, and that was an underestimate even according to the authors of the study.

This Conference Board under-estimate shouldn't surprise: fully 21% of the land is vacant yet buildable upon in all of the U.S. cities with population over 100,000 for which there is available data *(Land Economics,* 11/71, pp. 352-3).

The Way Out

Can we solve this careening from recession to inflation? Yes and no. There is cause for both optimism and pessimism.

Optimism is justified because the solution is obvious. The more we tax land values, the more unprofitable land speculation and underuse becomes. For who could afford to keep land out of full use as determined by the current market place if he had to pay a tax equal to its annual rental value? There would be too much tax outgo offset by too little income. Tax land, and the basic underlying cause of recessions/inflation will disappear.

Pessimism, alas, is also justified because the possibility of attaining the full taxation of land values in the foreseeable future seems so remote. But who knows what the future holds for us; perhaps some city somewhere will go far toward the full collection of the annual land rent in taxation and thereby demonstrate what such taxation can really accomplish in terms of economic (and moral) growth, and perhaps this would start a bandwagon rolling ....Don't count on it, but don't rule out the possibility either.

The Last Defense

How long do you think our free enterprise system can endure this careening between recession and inflation, this morphine-like addiction to inflation as the solution to recession? And if the government takes over the economy, combining the economic with the political power, how long will democracy last? Remove the unseen hand of free competition, and the all-powerful government becomes the battleground of competing special-interest groups of all sorts, with no standard but raw political power to determine who gets what, and how then will the equal rights of each individual to his life, liberty and property be respected?

Lest you think that full land value taxation is not equal to the task of preserving free enterprise, reflect upon how a moderate land tax rate has been able to spur new construction in those towns in Victoria, Australia that have adopted it, and how this spurt has far exceeded the construction improvement in neighboring comparable non-land-taxing towns. We are entitled to wonder what full land value taxation would be able to accomplish.

Let's stop wondering, let's start doing. Who will be the first politician to get the band-wagon rolling?

Appendix H: History of the Idea

The idea that the land is the common heritage of all mankind has deep roots in history. What this necessarily brief survey of landownership indicates is that the idea of the unconditional ownership of land, which so many of us today take for granted, is in fact less common in history than the idea that landownership is conditional upon services rendered or taxes paid in place of such services. In the beginning, primitive tribes generally held land in common, and the products of individual labor were more often regarded as being individually ownable.

When agriculture replaced the nomadic existence, private ownership of land became prevalent, but since each family tended its own small plot, at least there was a rough equality in the ownership of landed opportunities.

With the development of the huge centralized autocratic dynasties, particularly in the Near East, the king, priests and nobles began to own vast areas of land. But even this development had its beneficent side. The crown land provided revenue for governmental purposes, and priestly land was often devoted to religion and the care of the needy. The noble landowners enforced the king's laws and provided soldiers for national protection. Seen in the worst light, the unequal division of land resulted in a most unequal division of the wealth produced on it. At best, the rental revenue was often used for public purposes.

Greece & Rome

The land histories of Greece and Rome resembled each other. In both cases, common landownership was quite prevalent at first, changing gradually to small private landholdings roughly equal in size. When both of these cultures moved into their imperialistic phases, vast feudal estates appeared, with hordes of serfs and foreign slaves as labor. Huge size and autocratic government were not conducive to small landholding; instead this encouraged a centralized economy and centralized ownership of land.

In both cases, this transition from small to large landholding was marked by sharp social conflict and civil war. In Greece, Solon attempted with some success to limit the size of landholdings in 594 B.C., but his reforms were negated by the time of the Alexandrian Empire some three hundred years later. In Rome, Tiberius Gracchus became Tribune in 133 B.C. and was able both to force through a limitation of about 620 acres per person on the size of newly created landholdings, and to redistribute public lands to the urban proletariat at low rentals.

According to Plutarch, Tiberius had sadly observed: "The savage beasts of Italy have their own dens; they have their own places of repose and refuge; but the men who bear arms, and expose their lives for the safety of their country, enjoy in the meantime nothing more in it but the air and light and, having no homes or settlements of their own, are constrained to wander from place to place with their wives and children...They were styled the masters of the world, but had not one foot of ground which they could call their own..."

For all his troubles, Tiberius was killed by his enemies in the struggle that followed. Nine years later, his younger brother Gaius extended the land reform laws but he, too, was killed and the Gracchan laws were soon permitted to lapse. According to Cicero, by 100 B.C. half of Roman Africa was owned by six landlords, and not two thousand men in the state had any landed property. The Roman state had come under the control of a few great landlords.

Middle Ages

The feudal character of landholding in the Roman Empire persisted into the Middle Ages, spreading gradually from the south to the north of Europe. It was abetted by the need for local economic self-sufficiency as well as protection from marauders from without.

Throughout the Middle Ages, landholding was not generally considered absolute but rather conditional on service to one's superior. A landowner didn't own land outright; he was expected to perform services of a military and political nature. For instance, he was expected to provide fully equipped men-at-arms to the king's army when needed, maintain local highways, administer law, and even to pay a nominal amount in annual rent to retain his lands, with extra cash payments on certain occasions. Revenue from church-owned land was used to defray the cost of instruction and care of the sick and destitute. To be sure, actual practice did not always follow principle.

Also promoting a sense of communality were the commons - land not privately owned but available for everyone's use and extending over 10 million acres in England alone. In addition, there existed "a custom, having all the force of law, by which cultivated lands, after the harvest had been gathered, became common for purposes of pasturage or travel, until the time had come to use the ground again; and in some places a custom by which anyone had the right to go upon the ground which its owner had neglected to cultivate, there to sow and reap a crop in security." (Henry George, *Progress and Poverty,* p. 378).

The doctrine of eminent domain has its origins in the sovereign, as the symbol of the state, having the ultimate right to use the land for public purposes. The very term "real estate" attests to this, in that the land with its immobile appurtenances had royal (or regal, or real) ownership.

The Decline of Feudalism

With the decline of feudalism, landowner obligations became first mere show and then were voided altogether, leaving him in full and absolute possession of the land. In England since the fifteenth century, Parliament allowed the large landholders to engross the common lands. In 1645, the Long Parliament abolished their military dues (which earlier had replaced their obligation to provide foot soldiers), thus freeing them altogether of any rental obligation for the lands they possessed, even when they were as large as the Duke of Sutherland's, for instance, 1,358,546 acres, the Duke of Buccleuch's, 459,108, or the Earl of Breadalbane's, 438,358.

Had the form of these feudal dues been simply adapted to changing times, "English wars need never have occasioned the incurring of a debt to the amount of a single pound, and the labor and capital of England need not have been taxed a single farthing for the maintenance of a military establishment." *(Ibid.,* p. 383) All these expenses could have come from a tax on rent, which if further augmented could have paid for all the other legitimate expenses of government.

Forerunners of Henry George

By the 17th century, most land had been alienated from public control, but the idea persisted that the absolute ownership of land was less defensible than the absolute ownership of labor or the products of labor. Consider, for instance, John Locke: "God hath given the world to men in common...Yet every man has a property in his own person. The labor of his body and the work of his hands are properly his...As much land as a man tills, plants, improves, cultivates, and can use the produce of, so much is his property." *(Civil Government,* Sec. 1 and 32).

This truth was seen by such others as William Penn, Benjamin Franklin, Thomas Jefferson

and Adam Smith. All believed that no one should own more land than each individual could naturally use, so that equality of access to the resources of nature would be roughly attained, even though none argued vigorously for this view and it certainly wasn't their chief claim to fame (Still, note that the first tax law in Philadelphia, January 30, 1683, was a single tax on land).

Such a view of land ownership is hardly the advocacy of land value taxation, yet the underlying principle is the same. The method of approach differs. After all, the proper mode of common landownership differs with each type of society: nomads should hold land in common, agricultural societies should have equal landownership, and for cities, which increasingly characterize modern times, should have land value taxation (except in the case of parks and other public areas, where common landownership is more appropriate).

In the Far East, a tax on land values was put forth by Mencius (b. 372 B.C.), a follower of Confucius. The idea persisted throughout Chinese history down to Sun Yat-Sen, who incorporated it as one of his Three Principles of the new Chinese Republic.

In Italy, a number of thinkers advanced the idea: Ludovico Ghetti (15 c.), Giovanni Botero (1540-1617), and The Bandini (1677-1775) eulogized by Richard Cobden. Before he died at the age of 36, Gaetano Filangieri, a finance minister at the Court of Naples, attracted much attention to land value taxation.

In Spain, Francisco Centani in 1671 submitted a land value tax plan to his king. Although Charles III decreed it a law a century later, it was never actually put in force.

In France, the Physiocrats - Turgot, Quesnay, DuPont - came close to implementing an *impot unique* (single tax) on land. They had the King's ear, but then so did others whose contrary views finally prevailed; the Revolution followed soon thereafter.

In Germany in the 19th century, a number of land reformers of single tax vintage attracted attention, as did such natural rights thinkers in England as Tom Paine, Thomas Spence, Patrick Edward Dove and the younger Herbert Spencer.

But it was up to Henry George, an American, to give the taxation of land values its fullest expression. His predecessors saw the truth that access to landed opportunities ought to be equal for all, but George fully developed that idea and gave it practical form. He established a movement that lasts till this day.

Henry George

George was born in Philadelphia on September 2, 1839; his father was a customs clerk and an unsuccessful churchbook publisher. Being of an independent and somewhat restless nature, the young George soon left school and at age 14 signed on as a foremast boy aboard a ship headed for Melbourne and Calcutta. Eventually he settled in California where hard times awaited him as gold miner and journeyman printer. But an unsigned editorial he wrote on the occasion of Lincoln's assassination attracted the attention of the editor of his newspaper; George was soon identified as the author and his career as journalist began. Unfortunately, with his impatience and quick temper, he argued frequently with his employers, and his career did not proceed apace. Nevertheless, in 1872, he founded the San Francisco *Post*, with himself as editor and part owner. In 1875, however, as the result of over-expansion and an unwillingness to compromise on his principles, he lost ownership of the *Post* and began his masterwork, *Progress and Poverty*, published in 1879.

Into this work George poured his economic philosophy with a force born of firmly held moral conviction and fiery eloquence.

The essence of George's 571-page book is that both equity and efficiency dictate a single tax

- on land value, but not on the improvements thereon.. The reader who wishes to be truly well-versed in the land question should read all of *Progress and Poverty.* Its grace of style alone ranks it among the great classics of literature.

Progress and Poverty seemed destined to fall upon the market place with a dull thud, the market for unheralded tomes on economics and ethics being somewhat limited. At first the book moved slowly but soon it was caught up in the Irish agitation then making front-page news. Ireland was in one of its recurrent states of uproar, in those days not only over nationalism and religion but also landlordism. Absentee English landlords owned vast estates in Ireland farmed by Irish tenants and laborers. At harvest time, vast sums in land rent left Ireland for England while workers in the Emerald Isle starved. It was a vivid illustration of George's thesis, and he threw himself whole-heartedly into the Irish cause. Soon he was off to Ireland as a correspondent for the newspaper *Irish World.* Sales of *Progress and Poverty* soared, eventually reaching into the millions with many translations into foreign languages.

A long lecture tour in England spread his popularity on that island as well. Other books followed *(Social Problems, Protection or Free Trade,* etc.) and by 1886 he was one of the best-known writers in the Anglo-American world. He was a very approachable person, modest yet able to inspire dedication in the hearts of his family and followers. But even new acquaintances felt elevated by contact with the man, and on the lecture platform he exhibited a moving force and fluency of charismatic proportions. Gone was the impatience and temper of George's earlier years. They were transformed now into zeal for a cause. Those who met him in his later years commented most often on his considerateness.

The year 1886 saw George at the apex of his career. The workingmen of New York drafted him as a third-party candidate for the mayor of New York City and predictably the campaign took on the flavor of a crusade. George lost to the Tammany Hall Democratic machine candidate (there are many who say he was counted out at the polls, since thousands of ballots marked with his name were seen floating down the East River the day after election; Tammany Hall men had counted the ballots), but he came in ahead of the Republican candidate, one Theodore Roosevelt. He had run to publicize his idea, and that he had accomplished. The friendships forged in that campaign lasted down through the years; the ''Eighty-Sixers,'' for so his followers were called, provided leadership for the Georgist movement in the United States in the decades following his death.

A statewide political campaign in 1887 proved disappointing and he devoted the last years of his life to writing, lecturing and editing. He lecture-toured Australia and New Zealand, leaving behind the nucleus of a land tax movement still in existence there and resulting in the adoption and spread of land value taxation in one locality after another until today more than 80% of the localities there tax only land values rather than both land and buildings.

Against the strong advice of his doctors, George again acceded to a draft in 1897, this time by middle-class reformers, and ran once again for mayor of New York City. In the midst of a strenuous campaign, he died, two weeks short of election day. He was accorded a gigantic public funeral. He had died in service to the cause he had done so much to promote. He had left a lasting impact on history.

1897-1915, Years of Promise

George had significantly altered the social thinking of his American contemporaries and those who followed him.

After George died, the United Stated experienced the period of reform known as the Progressive Era, and many of its leaders acknowledged George as one of their prime sources of inspiration. Although favoring a heavier if not exclusive tax on land values, these leaders unfortunately for the most part channeled their efforts in other directions.

George's followers, meanwhile, both in America and abroad, coalesced into various organizations and engaged furiously in propaganda and politics. In America, most of the single tax organizations were local. Frederick Monroe's Henry George Lecture Association was a notable exception; it operated nationally, sending such stellar lecturers as Charles Fillebrown, James R. Brown, John Z. White and George Duncan on frequent and extensive lecture tours. In 1901, Joseph Dana Miller founded the *Single Tax Review* (later known as *Land & Freedom),* which was eventually joined by *The Public,* with Louis F. Post as editor. Early in 1909, Joseph Fels, manufacturer of Fels-Naptha soap, established the Fels Commission to finance single tax propaganda and politics both in the United States and abroad, particularly England. He died in 1914 but both he and his wife gave nearly $200,000 to the cause, with single taxers everywhere giving an additional $120,000 before the Commission ceased its work later in the decade. Daniel Kiefer was the Commission's chairman, aided by Lincoln Steffens, Alfred B. DuPont and Charles Ingersoll (the Dollar Watch manufacturer) among others. Single taxers waged at least two dozen major electoral campaigns at state and local levels.

All that effort, however, produced only two ephemeral successes: in Everett, Wash. (pop. 24,000), the voters in referendum agreed to gradually exempt improvements from taxation over a period of six years (socialist support helped), but before the law could be put into effect, the State Tax Commission found it unconstitutional, an uncontested ruling. In 1913, Pueblo, Colorado voters in referendum called for the exemption of improvements from taxation over a two-year period (actually to 99% for legal reasons), but before the law could go fully into effect, it was repealed in a subsequent referendum by a vote of 3,255 to 3,042.

Election of political supporters, however, proved more promising during this period. A number of single tax mayors were elected to office, including Tom L. Johnson, Frederic C. Howe, and Newton D. Baker in Cleveland; Samuel H. ''Golden Rule'' Jones and Brand Whitlock in Toledo; Mark M. Fagan and George L. Record in Jersey City; Hazen S. Pingree in Detroit; and J.J. Pastoriza in Houston. Try as they might, none of them could implant the land value tax in their cities.

But there have been some lasting legacies from that period. In 1900, single taxers from Philadelphia established an enclave in Arden, Delaware in which all the land was owned by the town government with individual sites being rented out to the residents; this rental income paid for all the expenses of local government. The town is essentially free of local taxation even though only about a third of the land rent is being collected by the town government. Some years previous, another such enclave was established at Fairhope, Alabama, near Mobile. Although its beginnings were meager, Fairhope prospered and grew much faster than its more favorably situated neighbors. Today, Fairhope has a population of some 7,500. These are two examples of the single tax in extensive if not complete operation.

Consider the following American successes, as well: Around the turn of the century, the California Irrigation Districts were established on the principle that all irrigation network costs, both for construction and maintenance, should be financed by a tax on the value of lands affected.

In 1913, the Pennsylvania state legislature authorized Pittsburgh and Scranton to institute the Graded Tax, whereby the municipal property tax rate on buildings was gradually reduced (in graded steps) vis-a-vis the property tax rate on land until in 1925 and thereafter it was one-half the tax rate

on land value. The impact of the Graded Tax was mitigated somewhat because the county and school districts in these cities levied property taxes equally on land and buildings, but the Graded Tax is significant in that it was politically popular and it shows how the current property tax could be converted gradually into a tax on land values only.

In 1914, single taxers in North Dakota, most of whom were farmers, amended the state constitution to allow farm improvements to be taxed at one-sixth the rate on land value. In 1917, a law was passed implementing these provisions, and to this day farm improvements are taxed less than land values.

The Georgist movement was by no means, however, confined to the land of George's birth. An International Union for Land Value Taxation and Free Trade was established in London which holds periodic international conferences of Georgists. Indeed, it was in Great Britain that the biggest battle was to be fought. Henry George's lecture tours in that country had firmly planted a movement there. Public sentiment for a higher tax on land values to remedy that country's extreme maldistribution of land was so substantial that no fewer than three Liberal Party prime ministers campaigned for the idea: Campbell-Bannerman, Asquith, and Lloyd George, not to mention Winston Churchill, then a Liberal leader but later a Conservative prime minister.

In 1909, Lloyd George submitted a budget providing for a nationwide valuation of land, a necessary first step leading to a tax on land values. When the valuation was completed, the tax rate on land was to be a minuscule 0.2% on market value. In addition, there was to be a 20% tax on all increases in land value. Opponents riddled the bill with complications and exemptions and although it passed through the House of Commons, even in its depleted final form it was too much for the great landowners sitting in the House of Lords. After much debate, they took the unprecedented step of vetoing the budget bill, thus precipitating a serious constitutional crisis. A newly elected House of Commons saw to it that the House of Lords was shorn of its veto power (but only after the king agreed to appoint a hundred new lords if necessary to get the proposed veto bill approved by the upper House); as for the land valuation and assorted land taxes, their implementation was delayed until the eve of World War I, at which time they were shelved and later killed by the return of the Conservative Party after the war. *Sic transit reforma.*

More specific progress was achieved in western Canada, where the exemption of improvements from taxation, either in whole or in part, spread widely during 1897-1915, surprisingly due more to the efforts of land speculators than single taxers (the speculators wanted to encourage development through the un-taxing of improvements). But city budgets were minimal in those days and the tax rate on land was never very high. Today improvements are still not fully taxed in many cities of western Canada.

An active land tax movement in Australia and New Zealand was able to switch locality after locality to the taxing of land values only. This trend has continued down to our own time.

Towards the end of this period, land taxes in the Union of South Africa were busy obtaining the exemption of improvements from taxation, in whole or in part, for many cities there, a practice continued to this day. The same occurred in Rhodesia and Kenya.

It might be mentioned that Francisco Madero, first leader of the Mexican Revolution (1911), was a single taxer, but he was soon assassinated. In Russia, Alexander Kerensky actually wrote a single tax provision into the new democratic constitution; the communists soon drove him into exile. In China, Sun Yat-Sen's single tax interest has already been mentioned; it bore some fruit in the tax policies of the Taiwanese government. George's ideas had a scattered impact in some other countries as well.

Although Henry George Leagues sprang up around the world, only in Denmark were land

value taxers able to establish a viable political party. The initial impetus there came not only from urban intellectuals but even more so from small farmers. The latter group saw the land value tax as a way to divest large upper class landholders of much land they were holding out of full use while the small farmers were forced to rent land, work small holdings, or work as paid farm laborers. The first of a series of land value tax laws was passed in 1915, so that today a not insignificant part of the total land rent in Denmark is being collected in taxation.

On the eve of World War I, land value taxers everywhere could hope that their movement was on the march even though their actual political victories were as yet limited and few. It was generally acknowledged that they were on the verge of more successes.

1915-1932, Years of Contraction

But it was not immediately to be. The coming of World War I distracted popular attention, both in America and elsewhere, from social reforms of all sorts, and the land tax was no exception. Nor did reform flourish in the Jazz Age atmosphere that followed the war. Try as they might, land value taxers steadily lost ground during those years.

And they did try hard. In America, the Single Tax Party was formed to contest the presidential elections of 1920, but the results were not encouraging, and in 1924 even less so despite a change of name to the Commonwealth Land Party. Here and there in cities throughout the nation, little groups of single taxers would periodically meet to discuss their common philosophy, but the groups grew fewer and the hair grew whiter with the passage of the years. The demise of the movement, like so many other land movements in history, seemed imminent.

What had caused the decline? Surely more than World War I was involved. The coming of the income tax was in part responsible, as it seemed to attack the ill-gotten gains of the privileged wealthy and made a land value tax seem less necessary to many. Moreover, the revenue from the new tax was used to finance welfare expenditures to alleviate the worst aspects of poverty.

Another factor was the weakening allegiance of the general public, intelligentsia especially, to the free market as the ultimate standard for the just and efficient distribution of wealth. Government interventionism was on the rise and the free-market frame of reference of the Georgist economic analysis seemed increasingly out of kilter, increasingly irrelevant.

The growing moral irrationalism (or relativism) of much modern thought weakened the impact of the Georgist claim that the private ownership of the rent from land was immoral. Morality was becoming increasingly regarded as a matter of personal opinion only, and the Georgist moral argument based on universal natural law lost its bite. Moreover, the general wage level seemed to be increasing faster than land values, thus reducing the urgency for land value taxation. Single taxers might argue that the pace of technological progress could outpace the growth of land values in the short run, although eventually wages would start to become squeezed just as George had predicted; but this argument lacked popular appeal.

In the conservative atmosphere of the 1920's, many people mistakenly thought of the single tax as a brand of socialism. (In fact, George had called Karl Marx "the prince of muddleheads" while Marx criticized the land value tax as an attempt "to rescue the rule of capitalism and to establish it anew upon a firmer basis than its present one.") Many Georgists reacted to these charges with an extreme dogmatism and cocksureness, especially toward professional economists.

In brief, the land value taxers of that era were faced with a huge task. The system of untaxed private landownership had become deeply rooted. Their proposals would increase the taxes for some vested interests, a minority to be sure, but one vehemently opposed to land value taxation.

Slavery itself was not abolished in a day, or even in a generation; what could be expected of so basic a reform as the land value taxers proposed?

Outside the United States, the number of land tax adherents also dwindled, although opportunities still presented themselves. In Great Britain, a coalition of Labor and Liberal parties took control of the government in 1923, and both pledged to institute land value taxation. But before they could act, the coalition fell apart in a squabble over a mysterious letter supposedly written by Zinoviev, the Russian president of the Third International (the communist revolutionary organization); the letter advocated preparation for revolution in England and was later proven to be a forgery. In 1931, another opportunity presented itself; the Laborites and Liberals were back in power once again and under the guidance of Philip Snowden, a small tax on land values was actually passed. But alas! the government fell in a squabble over unemployment insurance payments, and the Conservative government which followed promptly repealed the land value tax. Again, *sic transit forma.*

Elsewhere the story was pretty much the same. Even in Australia and New Zealand, although some additional towns, water and sewer districts adopted a tax on land values only, the number of land taxers continued to decline. Clearly, the land tax movement had to develop some new approach if it was to advance further, or even survive.

1932-Present, New Directions

In 1932, Oscar Geiger, a friend of Henry George and prominent Georgist, responded to the challenge by opening a school in New York City offering classes on *Progress and Poverty* to adults. This had been an old dream of Geiger's and after losing his job in the Depression, he now had the time to effectuate it. The Henry George School of Social Science had a chancy existence for the first year. Geiger's meagre life savings of some $7800 were dwindling away. Classes were held in a variety of public places with attendance so gratifying that Leonard T. Recker, a new adherent, offered money to establish the school in its own headquarters at 211 West 79th Street. Students continued to flock to the school; they sought answers during the Depression.

Geiger died in June 1934 but his institution grew with time. John Dewey became its first honorary president. John C. Lincoln, the vice-presidential candidate of the Commonwealth Land Party in 1924, provided substantial financial support; he was an inventor of arc-welding equipment and a successful businessman. But contributions and bequests flowed in from other sources as well. During the 1930's, thousands of students each year enrolled in courses taught on a volunteer basis by previous graduates; the quality of instruction varied but was generally quite respectable. The textbooks for the basic courses consisted of Henry George's works.

The atmosphere at the School was charged with hope. New adherents were coming into the cause. New branches were being established in major cities throughout America and abroad. The decline of the previous years was being reversed.

There was growth in other centers of the movement as well. Other Georgist organizations began to attract bequests large and small, the income from which when coupled with annual contributions put them on a viable financial basis, and most important of all, guaranteed their long-term existence. The Robert Schalkenbach Foundation, for instance, began in 1925 but didn't achieve major status until the following decades, largely through the ministrations of its able executive secretary, Violetta Peterson Graham. It became the publishing arm of the movement, issuing books, pamphlets and a scholarly quarterly entitled the *American Journal of Economics and Sociology.*

The Henry George Foundation of America, founded in 1926, also achieved major status in later decades through the bequests of Congressman Charles T. Eckert, Stephen Cronan and others.

Until his death in 1977, Percy R. Williams, one-time Chief Assessor of Pittsburgh, was the executive secretary and guiding force. From its inception, the Foundation conducted annual national conferences of Georgists in various cities, a practice which was later taken over by the Henry George School. In 1932, a Foundation trustee, William McNair, was elected mayor of Pittsburgh and began hiring Foundation members to fill his administrative posts. Membership in the Pittsburgh chapter boomed, but soon McNair had a falling out over the power of patronage with the Democratic Party organization that had elected him and eventually he resigned. Another opportunity was lost. But the Foundation still actively subsidizes efforts to get land value taxation adopted in various cities and of this writing, has won adoption of a building-to-land shift in the municipal property tax in 17 cities. It publishes an eight-times-a-year bulletin entitled *Incentive Taxation* which is sent to thousands of non-Georgist politicians (others also) who could take immediate action to adopt land value taxation in their own localities.

Another nonprofit group, the Lincoln Foundation, the largest in terms of investment income, engages in research concerning land.

In the years since 1932 land taxers have lessened their emphasis on political efforts, becoming primarily interested in education. A growing mood of libertarianism among many has not been conducive to political action.

Nevertheless, in 1940, the Oklahoma Farmers' Union pushed for an initiative measure imposing a graduated land tax on agricultural land, with higher rates on larger holdings, to help combat the growing problem of farm tenancy. The voters actually passed the initiative, 408,559 to 196,711, but once again failure followed: the initiative vote was voided on technical grounds.

England entered World War II with 50 members in its Parliamentary Land Values Group, but after the war they were not able to effect any legislation. When a deputation of Georgists approached Prime Minister Winston Churchill to urge him to repeat his earlier support for a land value tax, he told them that if they drummed up popular support for the measure, he would sing the Land Song (a rousing single tax hymn) in the streets with them. In any case, the United Committee for the Taxation of Land Values, under the able leadership of Arthur Madsden and Victor Blundell, engaged in propaganda and education while maintaining steady contract with members of Parliament, looking to the day when its fortunes would revive.

The movement struggles to stay alive in New Zealand under the leadership of Rolland O'Regan and Betty Nobl. The same story holds for Australia, where the leaders have been such stalwarts as E. J. Craigie, Graham Hart, A.G. Huie, and Allan Hutchinson among others.

In Denmark, the Georgist-oriented Justice Party, though small, participated in a government coalition.

Since World War II, the need for land reform in underdeveloped countries finally became widely apparent. A World Bank Study (1975) reported that in 83 such countries, slightly over 3% of all landholders control almost 80% of the farmland; communists were able to profit from such a mal-distribution of land. The political power of the large landowners presented one formidable obstacle to land reform, but so did the land reform technique usually proposed - buying land from large landowners and redistributing it to small ones. Some United Nations study commissions have proposed a heavier tax on land values but their recommendations have been generally ignored even though such a land reform would bring in revenue to the government rather than increase its expenses.

In 1960, a new development favorable to the movement surfaced. Urban tax and land use experts, both in academia and in government, were gradually becoming more receptive to land value taxation. They began to appreciate its technical merits and support for a heavier tax on land values came to be more and more voiced in professional circles, although to be sure they showed no

interest in the whole single tax. This new support became strong enough to achieve a momentum of its own quite apart from the Georgist movement.

This significant development was ably abetted by a new recruit to Georgist ranks - Perry Prentice, vice-president of Time, Inc. He proved extremely adept at placingarticles about land value taxation in leading American publications of all sorts and in gathering support among leading organizations and politicians. Prentice used the incrementalist approach of urging a heavier tax on land values; he felt the ultimate goal could be reached one step at a time, rather than attempting to shoot for all or nothing now, with the likelihood of getting nothing at all.

The Henry George School is still offering courses in *Progress and Poverty,* and the Henry George Institute offers correspondence courses worldwide. But the number of Georgists who actively work for the cause, contribute or attend annual conventions is growing very slowly.

At the time when the circle of Georgist influence is widening to reach the press, academia and government, there is no growth at the center, at the core of the movement.

It would not do to end this historical survey on a note of false optimism. The land tax movement is still frail and thinly rooted. But neither is despair called for. There is more true land reform and more advocates of land value taxation now than 100 years ago. It is just possible that the movement may be on the verge of a great leap forward. Let one city here or there adopt enough land value taxation to induce an economic renaissance, or let one of the newly freed countries in eastern Europe do so, then others may wish to do likewise and soon, success breeding success, a Bandwagon will be created and politicians eager to urge the un-taxing of workers and investors will suddenly be heard across the land.

But for this to happen, dedication is required - a dedication on the part of those who have become acquainted with the moral imperative and economic advantages of the taxation of land values and are moved to convert their intellectual understanding into real action, into joining and contributing to the organizations that are already in the field, attending the annual conventions and propagating the idea in public forums and among public officials.

If the obstacles appear too great even for such dedication to overcome, reflect upon this statement uttered in a moment of despair in 1859 by Ralph Waldo Emerson, philosopher and abolitionist: ''No man living will see the end of slavery.''