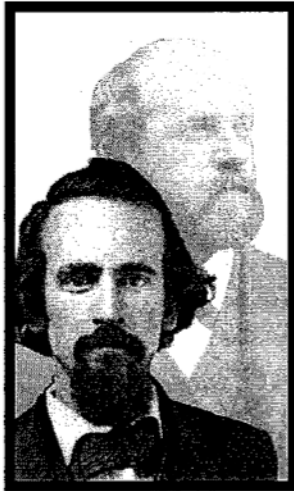


## Who's This Man? Henry George at Age 26

In 1865, at the age of 26, Henry George was supporting his young family in San Francisco by finding what work he could as a part-time typesetter. It was also during this time he began to write on social-economic issues. Having been unsuccessful in finding permanent gainful employment, and having been reduced to near penury a number of times, George had first hand knowledge of the plight of the poor.

One of his first published pieces was a letter to the editor of a new periodical, the *Journal of the Trades and Workingmen*. In this letter he urged



working people to think about political and social questions and to "check the tendency of society to resolve itself into classes that have too much or too little." In closing, he urged the editor to publish articles on social reform so that "the intelligence of our class be brought to the solution of political and social economy which deeply affect us; that we may bring our united efforts to the advancement of those great principles upon

which our republican institutions rest, and upon which we must depend to secure for us... our proper place and rights" - D.D.

## The Arden Land Trust

Mike Curtis

Today there are hundreds of land trusts in the United States; dozens of them are community land trusts which collect land rent and keep their land out of the speculative market. Between 1894 and 1950 there were 17 land trusts started by Georgists and referred to as Enclaves of Economic Rent. Fairhope, Ala., was the first, Arden Del., was second and Ardencroft, adjacent to Arden, was number 17. What is true of Arden is to

a greater or lesser extent also true of Ardentown and Ardencroft.

### The Potential of a Georgist Land Trust

Before it is possible to judge the success or failure of Arden as a Georgist land trust, it is necessary to understand the limitations of such a trust.

Unless you have an enormous amount of land and can limit population, you cannot create a frontier. If you can not offer free land,

you can't alter the distribution of wealth—raise wages and interest and lower rent. However, there are two primary things a land trust can do that cannot otherwise be done through the democratic process. The first is to remove the need to invest in the speculative price of land, which is based on expectations of greater profits in the future. The second is to transform a tax system based on the confiscation of private

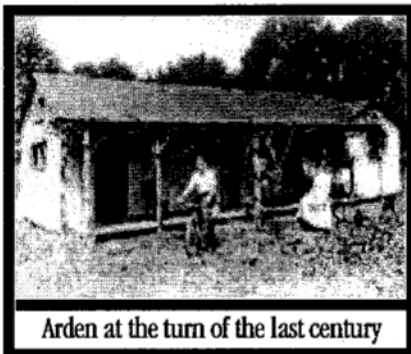
property into a payment for the exclusive possession of land, which is common property.

### The Speculative Price of Land

In the simplest terms, the difference in payments between leasing and buying a building is how

quickly you want to pay off the debt. If you don't pay off the principal, all other things being equal, the payments are about the same.

Land is different. In most cases it's profitability increases much faster than inflation. Its price, therefore, is always based on a projection of its future profitability. A building lot with a present potential profit of \$3,500 per year might well sell for \$50,000 or more. If you borrow the money to pay for the



Arden at the turn of the last century

land at 10 percent, you'll have to pay \$5,000 per year to the bank in interest. That's \$1,500 more per year than you would have had to pay its owner in rent. However, if you borrow the money and buy the land, no one can ever raise your rent. Those who can't afford to invest in the speculative price of land are destined to be renters.

### No Need to Buy a Piece of Land

A land trust can buy land at the speculative price and lease it out at its much lower current market value. During the early years of a lease, the trust absorbs the loss. Each year the rental value is reassessed and the rent is adjusted commensurately. In time, most land will yield more than enough to make payments on the purchase price. As the surplus accrues, the trust can purchase additional land and extend to others the same opportunity to use land without investing in the speculative price.

### Wealth and Income Taxes Converted into a Potential Rent Tax

Only through a lease agreement can the land holders be shielded from the government theft of their private property, and at the same time be forced to contribute to the community in reference to the value of the benefits they receive through the exclusive possession of land.

The trust simply pays all the confiscatory taxes levied upon the wealth or income generated within the trust and pays them out of the rents levied upon the annual value of the leased land.

### Arden and the Full Rental Value

Arden, as a Georgist Land Trust, has evolved over the years, but its basic premises are still in tact. The land is owned in common. The streets and park lands, which make up about half the area of the village, are owned by the political entity, "The Village of Arden". The other half of the land, which is leased in varying sizes for houses, etc., is owned by the trust. Instead of a deed, the people who own houses and other improvements have a lease.

The Deed of Trust and the lease agreements require that the land be leased at its full rental value. Out of the rent so collected all state and local taxes are to be paid so far as the rent is sufficient. Any remaining balance may be spent for such common purposes as desired by a majority of the residents, so long as those disbursements are properly public.

*Continued on p. 8*

Continued from p. 6

### The Annual Board of Assessors

The assessors are sworn to assess as nearly as possible the full rental value of each of Arden's leaseholds. However, a provision of the charter allows an alternative assessment submitted by any leaseholder and approved by two-thirds of the Town Assembly, and again by referendum, to become law. An alternative assessment is not required to be the full rental value. Ironically, an alternative assessment has never been adopted.

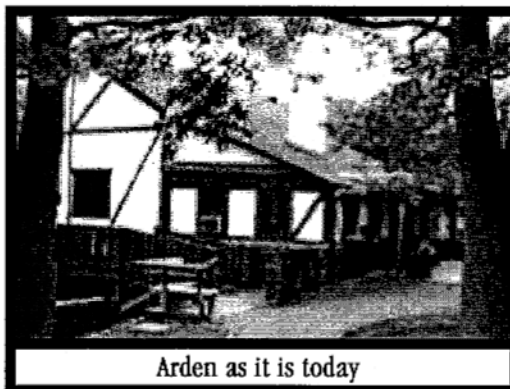
In the early years there was a mortgage to pay on the purchase price of the land, streets and public improvements to build, and a reluctance on the part of many prospective residents to build a house on a piece of land they couldn't own. It is likely during those early years that the full rental value of the leaseholds totaled just enough to pay the taxes levied by the county on the buildings and land, make the payments on the mortgage, and provide a reasonable level of revenue for the maintenance and improvement of Arden's infrastructure. In other words, the full rental value of the land was being collected and spent for the needs of the community. (When the state began to levy income and other taxes, the trust reneged on its agreement to pay state taxes.)

As time went on, the mortgage was paid, the roads were complete, water, gas, electric and, much later, sewers became available; the rest of the county increased in population and development and the value of Arden's land increased. The value of Arden's land increased at a much faster rate than its expenses, a trend that continues to this day. Unfortunately, no provision was made for buying more land or any other external expenditure.

Arden could issue a cash dividend, or it could still further improve its public spaces. However, not only would giving a cash dividend increase the rental value of land, but so would improved streets and park land. There is not only no need to collect the full rental value of the land, but if it were collected, there would be no reasonable way to spend it.

As it is, the elected Assessors have simply redefined the words "full", "rental" and "value", when used in regard to assessments, to mean an amount equal to the needs and wants of the Village. There is testimony as early as 1912 that this practice had already begun.

Because all the rent is not collected, the leaseholders enjoy what Georgists call an Unearned Income (money collected or saved). This Unearned Income is calculated in a speculative projection and capitalized into a selling price. The net result is that land in Arden sells for just as much, given its advantages and disadvantages, as land sells for anywhere else in the county. The leaseholders enjoy the Unearned Income and the Unearned Increment (the increase in the selling price), and those who want



Arden as it is today

to live in Arden have to pay the speculative selling price of the land, in spite of the fact that they only get a lease.

This failure, perhaps an oversight of the founders, was caused by not having an outside entity entitled to the surplus rent. There is no doubt it was a monumental undertaking to establish the trust and the village, and it may well have been impossible to find lessees under provisions that part of the rent would be spent for the purchase of more land or education. However, the absence of an outside entity entitled to the surplus rent ensured this ultimate failure.

### Development Restrictions

The founder of Arden had in his house a hand carved quotation of Themistocles. It read, "I cannot play upon any stringed instrument; but I can tell you how of a little village to make a

great and glorious city"

Today, Arden's residents have another idea. Arden's land continues to increase in value, but the town restricts the building of additional dwelling units, thus restraining a growing density of population. These constraints lower land values and often require people to hold more land than they want, the antithesis of the Single Tax incentive.

### Arden Transforms the Real Estate Tax

If nothing else, Arden as a Georgist land trust, has accomplished one thing perfectly - it has transformed the county and school real estate taxes into a land value tax. The real estate tax bills go to the legal owner of the land, the Arden Trust, and the money to pay the taxes is raised from leaseholders in proportion to the value of their land only.

Arden gets its name from a forest in Shakespeare's *As You Like It*. "Now am I in Arden?" says a character in the play, "The more Fool I." In Arden, if you own a \$250,000 house, you pay no more in taxes or land rent than your neighbor does if she owns a \$50,000 house on a similar piece of land. However, the more your house is worth, the more everyone's land rent increases.

That's why people say: "in Arden, they take from the poor and pay for the rich." "Now am I in Arden? The more Fool I." The truth is, however, within the leaseholds of Arden, the value of houses and other improvements belong unconditionally to their producers or their assignees, not in any degree to the government or the community. Conversely, each leaseholder within the community is required to contribute to the community in direct proportion to the benefits she receives from the community - a small, but very real step toward the Georgist goal of justice.

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