

Implementation: Many Paths Lead There

by Lindy Davies

The long-debated issue of implementation of the Georgist remedy was hotly debated at this year's IU and CGO conferences — and got some rather provocative attention in the Summer '97 issue of *Land and Liberty*. What methods exist, in the real world, to achieve our goal of public collection of land rent and elimination of taxes on production? What avenues of attack will prove most effective? At what level of government should we focus our efforts (or should we direct our attention to governments at all)? And where in the world should we start?

For a long time Georgist activists have focused almost exclusively on local property taxes. This is the approach that Henry George recommended, of course, and it seems the logical place to begin. Local property taxes already take some of the rental value in taxation; all we have to do is raise the rate of taxation on land and lower the rate on improvements (until it ultimately is eliminated!) and there we are. The newly updated edition of *Land Value Taxation Around the World*, edited by Dr. Robert Andelson and newly published by the Schalkenbach Foundation, details all the places in the world where this strategy has worked.

"Results count," notes Prof. Steven Cord, the indefatigable property tax reformer, in a letter to *L & L's* editor, "not promises or effort. Let us not reject success." Prof. Cord and his team at the Henry George Foundation of America have been instrumental in the success of the fifteen Pennsylvania cities who have adopted two-rate tax reform. "Let us think globally and act locally," he writes. "Let us finally get some land value taxation and prove that it works." Dr. Cord's sentiment is echoed by the team that has successfully sought for a land-only rating system in Cape Town, South Africa. Advocates recommend local gradualism as a concrete step that allows activists to progress beyond mere theory. Not only does it provide Georgists with something tangible to strive for, it also brings real land rent into local coffers, while unburdening actual buildings from the punishment of taxation.

Because the strategy of "local gradualism" has all this to commend it, Dr. Cord and other advocates see the local tax reform effort as the primary avenue for Georgist activism. They call for more support, more enthusiasm and more people. Critics, however, point out troubling aspects of the local-tax approach, and

suggest many other ways to get the public to collect land rent.

Two-rate reformers tend to dismiss consideration of land value assessments — which, they argue, are practically impossible to influence meaningfully. They are done plot-by-plot and are subject to appeal and other kinds of manipulation. Rates, on the other hand, can be instantly changed across an entire taxing jurisdiction. However, assessments have tremendous influence — and unfortunately are often very divergent from true market value, particularly in the case of land. Assessments in Pittsburgh, notes longtime activist Dan Sullivan, have inexorably shifted so as to dissipate the impact of the increased rent-collection mandated in tax rate changes over the years. In New York, a Henry George School alumni research group did a study of property assessments showing that a revenue-neutral shift to a higher rate on land and lower rate on improvements would, under the existing tax system, result in higher property tax bills for the overwhelming majority of Manhattan property owners. In effect, New York City's property tax system seems to be set up as if to preclude the possibility of land value taxation ever gaining a political foothold.

On a more prosaic level, though, studies by Walt Rybeck and others have shown that one way to make sure that the existing property tax system collects more land rent is to demand frequent reassessments. As Mason Gaffney puts it, "over time, land appreciates more years than not; buildings depreciate every year." (And frequently, land value gains are "depreciated" too — stuffed in with building values for the calculation of "capital" depreciation.)

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This year's CGO conference featured a "real estate bus tour" of Manhattan, which demonstrated, by analysis of assessment figures, sale prices and the use of basic assessment techniques, some of the many bizarre features of real estate taxes in the Big Apple. The figures, which were gathered and organized by the Graduate Research Committee of the New York Henry George School, showed that New York City's property tax functions like an income tax: by assessing parcels according to their current income, the system favors underused "taxpayer" properties and penalizes renters! The tour covered a variety of Manhattan neighborhoods, including Greenwich Village, Midtown, Murray Hill and the Lower East Side.