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## Mechanics of Georgism

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THE prerequisite to individual success is unity of purpose and complete integration to the point where one is essentially going somewhere whole-heartedly—one-directionally, without regret or reservation, so says Harry Emerson Fosdick.

The success of any group movement must have the same essentials. The actions of each member must be for the whole and there must be unity of purpose and complete integration so that one member does not destroy what another has built.

We must look for agreement, not disagreement in our meetings. On the *theory* of Georgism I believe we all agree, and we should recognize that fact. But on the application or *mechanics* of Georgism we vary widely, and the purpose here is to mention the principal concepts of Georgist mechanics which exist today and enlarge upon the one which I support, and which I shall call "Type I, Mechanics of Georgism." It is hoped that those advocating other concepts of Georgist mechanics will formulate their ideas in Types II, III, and so on, with the idea of rallying support behind the most acceptable one in the interest of unity.

I believe the principal controversy on mechanics, centers around two heads, methods of collection and methods of assessment. Various ideas which have occurred to me as related to each, are as follows:

### Methods of Collection

1) Federal government takes in all revenue of land as Henry George defined the word, and redistributes it to state, county and local governing agencies.

2) Local government takes in *all* revenue of land as Henry George defined the word, and redistributes it to all other branches of government.

3-a) Federal government receives the full income derived from the severance tax on natural resources and the full income derived from the tax on destructive practices of stream pollution (where interstate), over-grazing of grasslands, and poor farming methods resulting in soil erosion, etc.

3-b) State, county and local governments receive the full income from land area through a tax on surface land values.

### Methods of Assessment of Surface Land Values

1) Tax 9 per cent rather than 10 per cent on present selling price of land, thus retaining a small selling value upon which future assessments would be made.

2) Tax the full 10 per cent on present selling price of land to start, which eliminates future selling price. Future tax to be determined by highest bidder for the use of the site.

3) Other methods of assessment similar to those mentioned in items 1 and 2, but without definite rates of 10 per cent or 9 per cent. Rates to be determined by "trial and error findings" at the time of application.



4) Determination of relative land value from the poorest site in use. "True Economic Rent Theory" but very vague in application.

5) Start with present costs of government as a base and apply that figure, minus the income from severance tax, to land area under present zoning systems. As government costs rise, increase tax accordingly.

6) Land value determined through population and adjusted at each census. This total value distributed over a unified and standardized zoning system and full 10 per cent rate applied.

### Type I, Mechanics of Georgism

It is well before going into the mechanics of any philosophy, to set the limits of the philosophy. There are two keys to the George philosophy which set the pattern of taxation and, at the same time, circumscribe the powers of government, so that it may grow in size but not in power over individual rights. Let us begin by listing these keys.

1) Taxation shall *only* be imposed upon those forces which tend to monopolize, consume or destroy the "real wealth" of the nation where the term "real wealth" is defined in this case as a nation's land area, its natural resources, and its natural resources tempered by the constructive efforts of labor and capital into more useful form. The tax shall only be to the exact extent of the monopoly, consumption or destruction.

2) That value which no man, company or corporation produced belongs to all men (or government) in its entirety, but that value which any man, company or corporation, himself, or itself, produces, belongs in its entirety

to the man, company or corporation which produced it and is not subject to taxation.

Type I, Mechanics of Georgism employs the third concept under Methods of Collection and the sixth concept under Methods of Assessment of Surface Land Values mentioned earlier in this article.

Regarding the income of federal government (that is, severance value of natural resources) it should be noted that there is no need for an appraisal of, or assessment on, the quantity of the resource which remains in its original state. The tax is on the *use* of the resource, not on the resource itself. As long as the resource remains undisturbed, there is no tax. Only that value which no man, company or corporation produced, the value of the resource itself, as it is removed from its original state, and which amount is determined by competitive bid, becomes the major source of income of the federal government.

The highest bidder per ton of coal, iron ore, etc. in its natural state, the highest bidder of stumpage in timber lands, the highest bidder per barrel of oil or cubic foot of natural gas, etc. that man shall obtain access to the resource in question and shall exploit it in accordance with prudent conservation rules and he in turn may keep in its entirety, all the increased value his labor and machinery adds to the basic value of the raw resources, which value he must pay government. The first responsibility of federal government, then, is to oversee and prudently administer our natural resources.

Where destructive practices of stream pollution, undo draining of artesian water basins, plowing of steep hillsides causing erosion, over-grazing and the like are in force, it becomes the business of federal government to charge in the form of taxation for the damage done with the view in mind to eventually eliminating such practice.

State, county and local governments derive their sole income from a 10 per cent tax on the land values which the services of these governments create. These land values under Type I, Mechanics are determined from population. Bolton Hall, a friend of Henry George, discovered the close relationship of land values to population. The rates of taxation vary widely between cities. Some tax heavily upon improvements, and others more on land value, but it is interesting to note that in comparing cities of equal population the country over, the net income is about the same regardless of the way they tax or the rate of taxation. Where rates are high, assessed valuations are relatively low and where rates are low, assessed valuations are high. Bolton Hall, in checking land values of cities deemed to have the best assessing records, found that roughly one thousand times population expressed in dollars, was pretty close to the land values of those cities. As late as the 1940 census, and 1940 value of the dollar, this relationship still existed. In working out a

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simple, concise and accurate method of determining land values we have drawn on these findings for the Type I Mechanics of Georgism.

We recognize that there are three classes of cities, one which is a unit in itself, gaining about as much from outside as it loses—and on such a city 1000 times population equals land values. Then we have the city which draws business from a large suburban area where land values often run to 1100 times population; and the suburban city or town which loses business to a larger city where land values often run as low as 900 times population. For this writing, however, we will confine our attention to the average area which balances its losses and gains with surrounding territory and where 1000 times population expressed in dollars (of 1940 standard), equals land value. With recent inflation and decreasing value of the dollar, we must, in making these calculations, figure the dollar at its 1940 value and always standardize it at the level. If the dollar of 1960 equals only 50 cents of the dollar of 1940, then the figure becomes 2000 times population instead of 1000.

An approved, and as much as possible, standardized, zoning system with full consideration to all natural advantages as well as created advantages, such as paved streets, sewerage, water facilities, transportation facilities, etc. should be used and the total land value of the area apportioned over the various zones with minor breakdowns again within each zone. Once land values are determined over the entire area, the full 10 per cent rate is to apply to all established valuation. We recognize that a man monopolizes land area when he holds title to it, so the tax on his monopoly is the same whether he uses the land or not.

Land that is not in use will undoubtedly revert to the city because of the new tax system which no longer penalizes improvement or use, but demands full return for monopoly advantage. Such land will be held by the government in question until there is some individual or corporation willing to pay the monopoly tax on it. It will then be turned over to that individual or corporation merely for the payment of the tax upon it. The government shall exact no purchase price or special consideration from the prospective user except as it requires of all other land in that area.

We recognize that the services of the state, county and local governments reflect themselves in the land values in the areas they service. We state further, that there should be no public service that is not self-liquidating in this respect. When a bridge is built the land area that is opened for development should accommodate sufficient population to increase land values equal to the cost of the bridge if no other purpose is supplied by it. A one-million-dollar bridge that would open land for 1000 new settlers (provided there was demand) would be justified because 1000 population times 1000, equals one million in land values. A two-million-dollar bridge there would mean favoritism of one area by government over another area and should be condemned.

We favor any further taxes which might come within the scope of the two keys to Georgist taxation, but never a tax on production or constructive enterprise.

[Ed Note: Readers are invited to submit comments for consideration.]