

The Land Taxers of Fairhope

More than a century ago, Henry George proposed a property tax he hoped would remedy inequality. Here's what happened to a town that tried it.

By Henry Grabar



Been spending most their lives living in a Georgist paradise: Fairhope, Alabama.

Photo courtesy Henry Grabar

In 1879 the American political economist Henry George proposed a policy to address economic inequality: Tax land—not what's built on top of it. Tax a parking lot, a seven-story building, and a skyscraper based solely on the value of their footprints. Tax landowners that way, George reasoned in *Progress and Poverty*, and they couldn't afford *not* to develop their holdings. The "single tax" on land would create a strong incentive for bigger buildings, more offices, and more apartments, lowering costs for businesses, shops, and residential tenants. It would remedy the regressive advantage of the urban landowner, to whom George wrote: "[W]ithout doing one stroke of work, without adding one iota of wealth to the community, in ten years you will be rich!"

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George was widely admired; Tolstoy, Churchill, and Einstein were fans. But his policies have been adopted in just a few communities in the United States. “The ‘single tax,’ ” Clarence Darrow **said** in 1913, “is so simple, so fundamental, and so easy to carry into effect that I have no doubt that it will be about the last land reform the world will ever get. People in this world are not often logical.”

The single tax is once again having a moment, its case bolstered by urban housing crises and widening global inequality. Peter Orszag, President Obama's former budget chief, recently **endorsed** the idea in a *Bloomberg View* piece. In April the cover story in the *Economist* **called** for land taxes to combat rent crises. Much of Thomas Piketty's “return to capital,” MIT doctoral student Matthew Rognlie has **found**, can be attributed to housing wealth. His idea may still be political fantasy, but George feels more relevant than ever.

To see a good argument for a land tax, look to any high-cost city Advertisement where the tax code penalizes construction and rewards speculation, encouraging landowners to keep land vacant. On West 29th Street in New York City, two blocks east of the High Line and a couple of blocks from Macy's, Edison ParkFast charges drivers \$40 to park for a day in its vacant lot. That may be a lot to pay for parking, but it's not an impressive haul for 180 square feet of earth in Midtown. Yet the annual property taxes for this asphalt parcel amount to just **\$9,404**. Parking just one car each day of the year would more than foot the bill. The seven-story building next door, by contrast, pays **more than \$250,000** in taxes each year.

So what would actually happen if we taxed land instead of buildings? Unfortunately, the various American experiments in Georgism don't tell us everything we'd want to know about how it might play out in society writ large. Still, there are lessons to be learned from places like Fairhope, Alabama, a charming town on the Eastern Shore of Mobile Bay. Home to the nation's oldest and largest single-tax colony, Fairhope has waved the Georgist flag from its scenic, public bluffs for more than a century. Its evolution offers a glimpse of a world in which a different approach to tax law radically reshapes the structure of a society—and shows how implementing a land tax in isolation can be frustrated by the layered burden of state and federal laws.

Founded in 1894 by a group of progressive Midwestern settlers, Fairhope was the most prominent of a handful of single-tax utopias in the U.S. The Fairhope Single Tax Corp. bought thousands of acres along the sparsely populated shore and leased lots

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You can't do single-tax alone. You have to have the system on your side.

with rents pursuant to acreage but *not* to property improvements—a simulated Georgist environment in rural Alabama.

Things went well at first. The founders put the best land toward a magnificent waterfront park—one of the area's rare public beaches—and started one of the nation's more interesting experimental schools. "We must make land common property," George had written, and Fairhope did its best. The effort, guided by what one founder called a philosophy of "cooperative individualism," became a model for other colonies (one of which, the tiny hamlet of **Arden, Delaware**, is still in existence).

But external events and policies threatened the Fairhope Single Tax Corporation. The Great Depression strained the Corporation's finances; the income tax put further pressure on the lessees. The separate, incorporated municipality of Fairhope, which sandwiches the strip of Corporation land, offered access to the Corporation's amenities without the peculiar lease system. The colony surrendered its beachfront and parkland bluffs to the town in the early 1930s.

The American dream of home-stored wealth, too, eventually broke the Fairhope model. Restrictions on profiting from lease transfers had been so abused that the Corporation stopped trying to regulate them in the 1980s. (Even if a lease could be sold for only a few thousand dollars, a rusty tractor in the backyard would go, with a wink, for \$150,000.) And so property in Fairhope became the same speculative commodity that it is elsewhere, with the caveat that a buyer did not really own the land but rather possessed a 99-year lease from the Corporation.

Fairhope still celebrates its Georgist heritage. But today the Corporation simply passes county property taxes to its 3,900 lessees, and charges a land tax-based "demonstration fee" for philanthropic initiatives. It takes in \$4.5 million a year and sends about \$4 million to the county.

In his memoir *Coming of Age in Utopia*, the writer Paul Gaston—whose grandfather was one of the colony's founders—posits that the Fairhope demonstration ultimately failed. "There was a time when those who kept the faith put the blame for the colony's failure on miscreant members," Gaston **wrote**. But the truth, he continued, was that structural conditions made success impossible.

"We don't live in a vacuum, so obviously we're not a single-tax community," says Lee Turner, the president of the Corporation. "The federal government does not exempt me from income tax." Nor does the Corporation have

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an effective way to diffuse the county's property tax requirements, approximating George's vision. (The man himself was opposed to the piecemeal adoption of his proposition, and died three years after Fairhope was founded, without visiting.)

In a way, Fairhope proved George's point: You couldn't do single-tax alone. You had to have the system on your side.

That's why Pittsburgh, in 1913, led a handful of Pennsylvania municipalities in lobbying the state to allow them to replace property taxes with land taxes. (Today Pennsylvania is the only state that allows municipalities to set their own "split-rate" taxes.)

By 1925, Pittsburgh's tax on land was twice its tax on buildings, and by midcentury, as Mark Alan Hughes **has written**, the policy was a local point of pride. The city's chief assessor (a devout Georgist) believed the tax was to thank for the Golden Triangle building boom, and pointed out that skyscrapers paid less under the split tax than they would have under a more typical property tax.

David Lawrence, the longtime mayor of Pittsburgh elected governor in 1958, was sure it had been a boon to the city. "It has discouraged the holding of vacant land for speculation and provides an incentive for building improvements," Lawrence said. "It produced a more prosperous city." In 1979, the ratio of land to property tax rose to 5-to-1.

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But the policy was scuttled in the early 2000s after a mismanaged reassessment prompted a kind of homeowner revolt. (Assessed land values rose 81 percent between 2000 and 2001, but the city didn't adjust the tax rate, leading to a sticker-shock uproar.)

Today the largest land taxes in the United States are in Allentown and Harrisburg, Pennsylvania, which employ, respectively, a fivefold and sixfold emphasis on taxing land vs. buildings. But they offer scant evidence for how such a policy might affect enormous, high-cost metropolises like Los Angeles or New York. The shift would cause huge changes in property values, and would have to be implemented over a period of years, if not decades, to be feasible.

I hat seems like a long time to be patient for a change in the tax code. I hen again, the Georgists, gathered in a handful of societies in the U.S. and elsewhere, have waited 135 years for the world to come around. Why get antsy now?

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