the Henry George News

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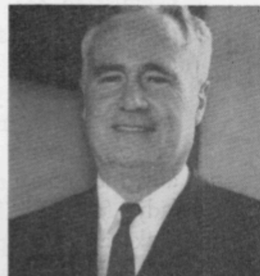

# *Assessing for Progress*

MORE realistic assessing methods, even under existing tax laws, according to Benjamin F. Smith, a professional engineer from Grand Rapids, Michigan, would result in natural urban renewal and increased building, without help from the government. In an address given in Toronto, at the 19th annual conference of the Henry George School, he analyzed the technical problems facing city assessors, suggesting new techniques for evaluating occupied urban residential land. He said we must eliminate white and non-white slums by use of present civil laws and a "new law" which he brings to the attention of civic groups and local city officials whenever the opportunity arises.

Mr. Smith is a native of New York City. He took the Henry George School's correspondence course in Fundamental Economics, and has taught classes in Grand Rapids. He has called for a clear directive by city officials for assessing land uniformly at the same rate as buildings and improvements, and for the use of a scientific method, not presently understood in the field of economics. Briefly this consists of a classification of factors, the development of laws and formulas, and their application. All applied science, he noted, begins with classification. For example, the electrical and electronics industries are based on clearly distinguished current, voltage and resistance. Land, labor, wealth and capital are defined as separate factors in economic textbooks, but they are kept separate in business transactions or bookkeeping procedures. The following chart shows why.

| | LAND | WEALTH AND CAPITAL* |
|---|---|---|
| Value | Created by society | Created by individuals |
| Income | Created by society (Economic rent) | Created by individuals (Interest*) |
| Taxes | Cannot be passed on | Can be passed on - in Higher prices Higher rents |
| Taxes | Lower selling price | Raise selling price |

In Grand Rapids, as in many other cities, the property tax base is composed of two subdivisions unscientifically classified as personal property and real estate. By breaking down these factors Mr. Smith estimated the value

(*Continued on page* 14)

# A Word With You

Do you remember "The Peterkin Papers?" It was about the simple-minded Peterkin family, and it was a lot of delightful nonsense spiced with good sense. In one episode, Mrs. P. makes a cup of coffee but puts salt in instead of sugar. So they call the chemist to see if he can rectify the damage. He puts in one chemical after another, but it only gets worse and worse. Then they call the herb-woman who tries her repertory of spices in the coffee, with no better results. Finally, they consult their friend, the wise lady from Philadelphia. "Why not make a new cup of coffee?" she suggests. Pleased with this bright idea, they comply.

Our tax system is like Mrs. Peterkin's cup of coffee. It took a bad turn when they put in the income tax. They are now trying to sweeten it, lighten it and moderate it with all sorts of amendments, revisions and reforms, but they're only succeeding in making it worse and worse. It is now such a hellish brew, so complicated, inquisitorial and oppressive, that the only remedy is to throw it away and start all over again. There's even a wise man from Philadelphia to help out with a better system (Henry George, as if you didn't know). If it were only as easy to convince our officials as it was to convince the Peterkins!

Nor is our tax system the only brew that has been ruined. The way the entire field of economics has been developing is beginning to look more and more like Mrs. Peterkin's cup of coffee. When economists abandoned principles in favor of description, they started spoiling it. Now one potion after another is being added to the muddied cup. Curves, matrixes, co-efficients, multi-sectored models, elasticities, reversely lagged types, function analyses, factor substitutions, linear systems, non-linear systems, simultaneous equations —all these and more are being thrown into the witch's brew.

Mathematics is an indispensable tool in any science. But instead of being used as a tool to further economic inquiry, to build up to new conclusions, it is being used by too many economists today as an end in itself, as a cover-up for confusion, as a substitution for purpose. "Interesting," as a member of the Peterkin family said, "but it doesn't taste like coffee."

In this regard, the wise man from Philadelphia is on hand to help out, too.

Anyway, he's *my* cup of coffee.

**—Robert Clancy**

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The Henry George News, published monthly by the Henry George School of Social Science, 50 E. 69th Street, New York 21, N.Y., supports the following principle:

**The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community—known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth.**

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# True Tax Story

THE Honorable James Clarkson, recently reelected mayor of Southfield, Michigan, speaking at the Henry George Conference in Toronto in July, said the residents of that Detroit suburb, with a population of 38,000, are certainly making progress, and now understand better what constitutes land value taxation. Everywhere he went in his campaign he urged shifting of the incidence of taxes from improvements and personal property to land values.

He believed the property tax, because of a failure to explain it, had fallen into ill repute, but that the ill lay only in its never having been applied properly. He said many residents had never understood the different terms, but those who attended regular meetings had become familiar with the fact, for instance, that appraised value was not necessarily the assessed value—it was more or less the market value—and the assessed value was one-third of that. The state, taking into account the different localities' assessed value, then set up an equalization factor. In early discussions about taxes, even the councilmen were not aware of this difference.

The citizens had come to the conclusion that property taxes had reached a saturation point, and their only other possibility for producing revenue was to levy an income tax, but surely that too has reached a saturation point, he noted.

Heavy opposition from the rival candidate was met with a series of bulletins "printed in the interest of the homeowners and taxpayers living in Southfield." The fourth told "the truth about the new assessment program," explained who opposed it and who favored it, and why. The latter group, more than twice as large as the first, included important civic and homeowner associations. Figures were given too, attesting to the surprising fact that most residential homeowner taxes did go down – a statistic hard to believe. They went down because the assessor (a "land value taxer all the way") was automatically applying a one-per-cent building depreciation allowance.

In a final well-planned coup, the opponents tried to thwart the reappraisal, hoping to defeat the assessor's work by having the Board of Review throw out the Cleminshaw report. The hastily contrived plan might have succeeded except for the fact that certain properties were returned to 1962 figures, and four million dollars of land values were lifted from a privileged few.

This played right into the hands of the campaigning mayor, because the press brought it to the attention of citizens who saw where their assessments had increased from \$101 to \$118, and realized that if the plan had succeeded the increase would have gone to \$142. They acted vigorously by starting a taxpayers' suit against the City of Southfield to require the court to put the favored taxpayers (such as multi-millionaire landowners) back on the roll. "They're not off the hook, yet," said the Mayor, and I hope that in the future when you read your Henry George News I can relate to you the success of this suit."

Mayor Clarkson is convinced that those who have made their fortunes through land speculation are (save a very few) the enemies of land value taxation. They definitely do play a part in politics and try to sell any other kind of taxes to save their holdings in land. It's not an accident—it's done on purpose. "Let's face it," he said, "there are few John Lincolns—those who would come to the front and say a thing was wrong even though it might be legally right—and I think his type of moral fiber is sadly lacking with most of those who have made their fortunes in land."

Actually Southfield's City Council has found itself supporting the reappraisal program since they needed the revenue and knew the Cleminshaw report was accurate; also, the people who contested the taxes on land values admitted that their market value was fairly stated.

In spite of the natural temptation to go along with Detroit, there are no income taxes in Southfield, and this should prove an obvious advantage. Nevertheless, a number of industrialists protested that they felt discriminated against because of the increased property tax, while saying nothing about those homeowners whose taxes went up (the Mayor said his increase was $1,000).

Mayor and Mrs. Clarkson recently returned from Hawaii, and he was all for having the Georgists pick Hawaii for the next conference, promising a most receptive audience. He thinks the speed with which they adopted the fundamentals of land value taxation was based on several facts, not the least of which was the knowledge that one principle island is owned by only four people. It is sometimes more difficult too, to see that a large continent like North America can run out of land, but in Hawaii they're building on the sides of mountains that appear to be crumbling and seem terrifyingly apt to slide into the sea.

Land is so scarce that even in the first subdivision it ran as high as $2 to $5 a square foot. Land values on the island are amazing, said Mayor Clarkson—$250 a square foot is not by any means unreasonable. Obviously the legislature had to do something, and they evidently picked up good, sound logic by observing their island neighbors, New Zealand and Australia.

Naturally Mayor Clarkson and others in the audience were enthusiastic about the "Pittsburgh Bill" which had been signed by Hawaii's governor on June 3rd, just 9 days before the Clarksons arrived. This is described at greater length on page 11. A number of other bills were considered and narrowly missed passage. These were regarded hopefully by Mayor Clarkson who feels Hawaii has surpassed U.S. legislatures and will become an example for others. "They are way ahead of Southfield," he said, "they're catching up with Pittsburgh, and I think they're going right by it."

## PROPOSAL TO HALT DC SLUMS

**Representative John Henry Kyl of Iowa, who believes that urban land has a true value as a tax source, has introduced a resolution providing for development of a sound assessment system designed to promote private redevelopment in the District of Columbia, and stimulation of similar tax assessment systems in other cities, states and counties.**

**The joint resolution therefore proposes that a committee, after due consultation with local officials in cities which use tax policies to halt the development and spread of urban blight and slums, "shall develop and recommend to the House of Representatives the tax assessment system best calculated to produce maximum private real estate renovation, rehabilitation and improvement in the District of Columbia, and encourage and assist private redevelopment, rehabilitation and improvement of real property."**

# Progress Reports

A POPULAR session held at each annual Henry George School Conference is the one in which reports are given by various Georgist and related organizations, which seem to be growing in variety, scope and interest. Laurence Kobak, assistant director of the school in New York, presided over this session on July 6th in Toronto, and said by way of introduction, "we don't have to educate *all* the voters—we're getting successes now—things are beginning to happen."

Peter VanMeggelen, representing The Alumni Group of Toronto, said the School of Economic Science was without a director for several months, but after James Ramsay took over, 12 classes were started in and near Toronto. From these classes 100 students were graduated, having studied *Progress and Poverty, Science of Political Economy* and *Protection or Free Trade.* Democracy versus Socialism will be incorporated into the curriculum when the new course begins this fall.

True to the goals outlined for alumni members, every individual tries to make progress in whatever field is open to him for passing on the teachings of Henry George; and from the recent group of graduates a "hard core" emerged who went out to give lectures, start classes, or engage in other activities. In addition to administering education The Alumni Group has held well publicized monthly meetings with prominent speakers on particular problems, and when the Canadian government set up a commission on taxation, an impressive brief was presented setting forth the case for land value taxation (see HGN, June, 1963, p. 10).

Raymond Perron, director in Montreal for less than two years, who attended his first conference as a director last year in Pittsburgh, began by saying, "a few of us old-timers decided to start a committee to write letters." This of course drew chuckles from the audience, which included a few *real* old-timers, but also more than the usual number of active young Georgists. Last year Mr. Perron brought as a guest to the conference a young woman, strikingly French, who is now his wife.

After a period of letter-writing it was decided that research would open more doors. So a committee was formed to submit a brief at the hearing before Canada's Royal Commission on Taxation, and considerable newspaper publicity followed — also requests for copies have been received from a number of interested sources in the United States as well as Canada.

William Camargo of New York spoke as advisor of AGLA (Asociacion Georgista para Latino America), a tool for Georgist expansion through Spanish language correspondence. He reported 2,000 enrollments in South America and some in Spain. Classes in Fundamental Economics in Spanish at the school's headquarters in New York have been conducted with a good percentage of students completing the courses. Among those who finished the work a great need was felt for some kind of association through which they could continue their interest and activity. In order to put this energy and enthusiasm to work the Spanish newsletter "Noticias Del Agla," was started. From four to six pages are prepared bi-monthly by students who represent several Spanish speaking countries. This circulates in South America where George's message is deemed very important to counteract the strong pro-Castro feeling prevalent there. Mr. Camargo said at present more correspondence teachers are needed, since there is a shortage of persons capable of doing this work.

Mina Olson, new executive secretary of the Chicago extension of the Henry George School and member of the Henry George Woman's Club, said this group had enjoyed a busy and profitable year. Happily affiliated with the Chicago and Cook County Federation of Women's Organizations and The Illinois Federation of Women's Clubs, the Henry George group continues, as in the past, to raise money through several efficient and well planned social events during the year, and this money will be used to help the "new extension." Mrs. Olson noted that while this extension is considered new, its eleven-member board includes two persons who graduated from one of the first classes in Fundamental Economics ever given in Chicago, in 1934. Five members of the board are members of the Henry George Woman's Club. This club has helped to promote and teach the new neighborhood classes resumed last year, and plans are now being made for an essay contest based on *Progress and Poverty*.

Noah D. Alper started the Public Revenue Council in St. Louis 12 years ago because he was convinced that not everyone would take the 10-lesson course in economics at the school, and many would be capable of grasping the importance of Henry George's method by other means. He feels there is a tremendous need to introduce clarity of thought into confused economic thinking and has found this can be done with printed material dealing with economic science and public revenue.

The response received from publications issued by the Revenue Council and mailed to such selected lists as professors of economics, has been reassuring, and recently requests have been coming in for copies to be used in their classes. Mr. Alper is director of the Henry George School in St. Louis and author of the popular HGN feature "Brief Cases." His faithful efforts over the years have borne fruit as indicated by increased attention in the St. Louis press to the connection between public revenue and land.

Edmund C. Darson of Detroit made the brief observation that a League to Untax Buildings was started 18 months ago with Joseph Pietruska as president. Certain key people in local political circles have chosen to favor the homeowners' organization, and one of the members of a consolidated homeowners organization has adopted the idea. There is now a Greater Detroit Homeowners Association which is gaining steadily in public acceptance, and when Mr. Pietruska goes out to speak he will be speaking for this large group and representing the point of view of a large segment of voters. Mr. Darson believed such influence could exert quite a bit of pressure, especially as its president seems to have the ability to reach the right people at the right time with important information.

## RSF Seminar

Robert Schalkenbach, a New York printer and a self-made man, left a will which resulted in the founding of the Robert Schalkenbach Foundation in 1925 for the purpose of "teaching, expounding and propagating the ideas of Henry George," said Miss V. G. Peterson, the executive secretary. She mentioned that this foundation has a large board of twenty-one unpaid members, and a small staff. Its modest offices are located in the same building as the Henry George School. Among other things, the RSF provides textbooks at cost for the use of the Henry George School.

It is now well known that the lecture tour of Dr. Rolland O'Regan of Wellington, New Zealand, was sponsored by the Robert Schalkenbach Foundation. He was chosen for this coast-to-coast tour because of his excellent speaking ability, his dynamic personality, and his long and intimate knowledge of how the unimproved rating system has operated in New Zealand. Many important organizations invited Dr. O'Regan to their platforms, and a number made requests for second appearances or asked for copies of his speech to be distributed to their membership.

Other RSF activities during the past year included work on a manuscript concerning free trade which, it is hoped, will be ready for publication within another twelve months. A new Spanish translation of *Progress and Poverty,* by Baldomero Argente is now in type and will be published this autumn in Valencia. A modern Hebrew translation of the 228-page English abridgment of *Progress and Poverty* has also been made, and is being printed in Jerusalem. The executive secretary of the Jewish National Fund, near neighbors of the RSF in New York, has written a short foreword. This is appropriate because the JNF, whose founders wrote into their early documents that land owned by their fund should never be sold but should be leased to users at the equivalent of economic rent, has had a great influence on the spectacular development of Israel.

The popular short motion picture, "Land and Space to Grow," introduced by the Schalkenbach Foundation in 1960, has had 119 television showings over independent stations, and 4,265 screen showings, with an estimated total of 3,074,190 viewers.

A three-day academic seminar was held last month at the University of Wisconsin-Milwaukee, under RSF support. It was the third such seminar — and the twenty professors were invited to discuss the role of land value taxation in less developed countries. Each man invited had shown some previous interest in this subject. These seminars are held on university campuses in different parts of the country each year.

Percy Williams of Pittsburgh, executive secretary of the Henry George Foundation, is our honored and able exponent of the Graded Tax Plan, which, with Hawaii's recent endorsement, has now gained an international reputation. It is 38 years old, one year younger than the Robert Schalkenbach Foundation, Mr. Williams said.

Although any attempt to affect political action in the United States is difficult, it is hoped that success can be achieved in adoption of the Graded Tax Plan by at least one more city in Pennsylvania (Erie). Sidney Evans, Jack Motley and Wylie Young have been faithful proponents of this campaign, aided initially by the lecture visits of Dr. Harry Gunnison Brown. Such a victory would be a great cause for rejoicing on the occasion of the 50th anniversary of the adoption of the plan in Pittsburgh. Encouraging news was received shortly before the Henry George Conference in Toronto, that the new state of Hawaii had ratified a plan of this type applicable to the entire state. See page 11 for details of this legislation.

Judge John Fuchs of New Braunfels, Texas is president of the Henry George Foundation. He introduced an amendment to the state constitution favoring land value taxation, and will submit it at the 1964 general session.

Sidney Evans of San Diego and several other speakers representing organizations related to Henry George, wore more than one hat. Not only is he intimately concerned with the Henry George School in San Diego, but he speaks eloquently also for two new tax-conscious organizations.

The Incentive Taxation Committee of California (1960) of which he is a director, is enjoying a reputation for vigorous action in the field of property tax reform, with the result that there is now a great deal of acceptance and understanding of its objective among legislators. Bulletins are published from its year-round office in San Diego, and a paid staff attends to correspondence and sends speakers around the state. Through the activities of this committee residents are being made aware of the need for reform in the property tax, and the amendment ACA 20 embodying this is being studied with increasing hope of approval.

Mr. Evans is also the secretary-treasurer of a homeowners association conceived in 1961 offering tax relief to the group of "orphan children" who are now being discriminated against in taxation, namely the homeowners. This organization will try to build up voting strength among its members who will pay dues of $12 a year. The Statewide Homeowners are starting with offices in Los Angeles, San Francisco and San Diego, with six paid workers. Various experimental methods will be used to recruit members and arouse interest.

## Fairhope High School Winners

BRUCE EVANS, JR. of Fairhope, Alabama, director of the Fairhope extension of the Henry George School, taught economics classes last term at the Fairhope High School and School of Organic Education, with a total of 34 students. Many of them wrote contest essays of 1000 words on the subject "Employment in a Single Tax Economy." A committee of three, with C. W. Arnold as chairman, found a longer time than usual was needed to decide on the winners among these alert students.

The first prize of $100 was awarded to Phil Porter Dyson, and he receives an additional $100 a year for the next three years if he goes to college. The second $100 went to Sally Lege; with James Michael Ottinger winning $75; Nancy Brown, $50; and Allan Hoffman, $25.

Mr. Arnold, chairman of the Educational Committee of the Fairhope Single Tax Corporation, said the essayists showed with remarkable clarity that shifting taxes from wages, personal property and buildings to land would inescapably promote industrious activity in all phases of man's endeavor, resulting in rapidly expanding business, fast increase of employment, and, if fully applied, would eliminate involuntary unemployment and poverty. The young authors seem to have grasped the fact that these benefits can be realized within our present framework of laws to promote freedom in private enterprise without submitting personal freedom to the withering hand of socialism. "This," he said, "is the true beauty of the single tax philosophy."

The instructor, Mr. Evans, is constantly amazed to find that his high school students show understanding of economics which college graduates often fail to grasp. He remarked jocularly that after the awards were made he cornered the five winners and demanded a 10 per cent cut of their "easy money."

One of them responded promptly, "Mr. Evans, you spent several hours teaching us that it is unjust to tax either labor or initiative."

When this rejoiner was told to the student's father next day, he replied that the instructor had them "thinking single tax."

# "The Fruits of Their Labors"

Miss V. G. Peterson, executive secretary of the Robert Schalkenbach Foundation, who visited Australia and New Zealand in 1962, brought with her to the Henry George School conference pictorial evidence of the effects of land value taxation in the form of "before and after" scenes photographed near Melbourne, a beautiful city in the State of Victoria, Australia. This spectacular reform known to natives as "unimproved rating," is becoming increasingly studied around the world. It gained tremendous attention in the U.S. press recently through the interest aroused by the lecture tour of Dr. Rolland O'Regan, which the Foundation sponsored.

The pictures showed in some cases lots formerly vacant which after the change to unimproved rating were transformed into car parks or used for display purposes since there was no immediate need for building on them. Other views showed how ancient shops had been smartly refurbished and improved. In some instances, completely new, modern buildings replaced shoddy, out-moded structures. All this was brought about in a relatively few years through the simple expedient of shifting the taxes from buildings to land.

This principle is well established "Down Under," and is spreading, Miss Peterson said. However, we must bear in mind that no effort is being made to collect the full economic rent. Local governments in Australia and New Zealand have fewer responsibilities than do those in our own country, and the tax rates are set according to the amount of money that must be raised. Despite this weakness, we can rejoice with good cause, that so much has been accomplished in so little time, and a lot of the credit for this must go to Georgist friends in Melbourne. At the slightest indication that a community may be ready to consider changing its tax system, they move into the area to help organize, guide, and then put through the local polls which must decide the issue. Only property owners may vote in such polls. If the poll is successful (and they usually are) the Georgists stay until the new tax system is installed and working smoothly. This does not take long. Much publicity appears while these polls are in process and pictures were shown of newspaper clippings covering boards several feet high.

Miss Peterson spoke with feeling about her meeting with Mr. A. G. Huie of New South Wales, who, though well past his ninetieth year, still follows his lifelong practice of writing letters to newspaper editors who long ago learned to respect and fear his biting criticism.

When Henry George visited Australia in 1890, young Mr. Huie was one of those who welcomed him to Sydney and eagerly showed him the wonders of this city built on the new frontier. At his departure the group clustered around him for last farewells, and asked what their goal should be in the years ahead. The complete removal of all taxes from buildings, George replied, first in Sydney, and then throughout the state. Nothing less would do. It was a large task and a hard one, but they pledged it to him, and before his ship was out of sight they were making plans. There were setbacks, for opposition was strong and victory not easily won, but at last it was theirs—first in the city, and then throughout the state, as George had foreseen. And many of them were still alive to taste the fruits of their labors. Now, though, there are but two, the elder Mr. Firth, who lives nearby, and Mr. Huie who, as he told his story, lived again the stirring days of his youth.

# THIS TAX STAYS PUT

MITCHELL S. LURIO, director of the Boston extension of the Henry George School, emphasized the importance of simplicity in introductory tax talks. Speaking at the conference in Toronto he said a group of Harvard Business School alumni members in Worcester invited him to speak because they were concerned about the real estate tax situation in Worcester and wanted the Pittsburgh Plan explained. Realizing there would not be time to discuss theory he stressed only that land is essentially different from buildings and improvements, and the fact that an increase in the tax on the land portion of real estate cannot be shifted to a tenant, whereas an increase in the tax on the building can be and is passed on to the tenant.

He made it clear that the sites in a city are fixed, that is, the supply is constant. If the demand for sites increases, no one can increase the supply and the economic rent rises. If the demand for sites decreases no one can decrease the supply and the economic rent falls. The owner, of course, is getting all that he can in the way of rent from his tenant, and if his tax is increased he cannot force the tenant to pay that increase because the tenant is already paying all he can afford to pay.

In the case of buildings the supply is not fixed. If there is an increase in demand for space, new construction will take place and soon the temporary advantage to owners by reason of the increased demand is lost. If demand decreases there will be no new building construction, the existing buildings will continue to deteriorate until the supply falls sufficiently to warrant new construction.

Or to put it another way—an increase in the tax on buildings falls first on the owner and cuts down the yield from real estate. With no new building — with continuing obsolescence — with minimum maintenance—the effect is the same as a decrease in the supply of space until owners can pass on their increased taxes to the tenant.

If the real estate tax on buildings is lowered, owners get a temporary windfall, but the business of building construction is then very profitable. New buildings rise, old ones are altered and restored, and the supply becomes so great that in order to keep the space occupied, owners have to lower their rentals, thus passing on to tenants the benefits of lowered taxes.

Once this point was put across, it was easy to show how increased taxes on land values and decreased taxes on buildings in Worcester would bring land into better use, give employment and encourage industry.

Mr. Lurio believes in repeated emphasis on the fact that land value taxes cannot be shifted to tenants. In analyzing any real estate situations this proposition must always be kept clearly in mind, he says. George's remedy would not work if community collection of ground rent did not come out of the pockets of private collectors and did not make land accessible at nominal prices.

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### HENRY GEORGE IN THE WHITE HOUSE

**Among 1,780 book titles chosen for the President's "working library" in the White House, after an "agonizing" year of "weighing and sifting," *Progress and Poverty* appears in the Economic Life section. It is said this book list may set a standard of measurement for other libraries. James T. Babb of Yale University was chairman of the committee. The 32 categories of subjects chosen purportedly represent every American era, style and point of view.**

# Hawaii's New Land Value Tax Law

**—Based on explanations by Mitchel S. Lurio and Percy R. Williams**

THE tax system of Hawaii is unlike that of most other states in that the power of taxation remains almost exclusively in the hands of the state government. There are no statutes allowing counties to levy taxes on their own.

School districts, towns, townships, special administrative districts and other forms of local government common to the mainland are non-existent in Hawaii.

The maximum amount of annual property taxes is determined by the legislature. The revenues to be sought each year are determined by the county budgets, subject to statutory limits. Cities do not exist apart from the counties in which they are located.

The maximum rates for the city and county of Honolulu are \$16 per \$1,000; and for the counties of Maui, Hawaii and Kauai, \$18 per \$1,000 valuation. Unless expressly exempt or otherwise taxed, all real property is subject to taxation. The personal property tax was finally repealed in 1947.

All land must be assessed in accordance with its highest and best use regardless of whether the land concerned is put to such use or not. Buildings are valued upon the basis of cost of replacement less depreciation, if any. Age, condition, utility or obsolescence are also considered.

All taxable property is subject to taxation on its fair market value, but the Director of Taxation is authorized to use as the tax basis a percentage of fair market value, and the present policy is to assess at 70 per cent of this value.

There are various other forms of taxation within the state, including a gross income tax, gasoline and motor vehicle taxes, liquor licenses and a franchise tax on public utilities (which are not subject to a real estate tax).

No information is available as to total assessed valuations of real estate. This new graded tax law provides for separate assessments of land and buildings and requires or permits a gradual reduction of the building tax rate by 10 per cent stages until a minimum of 40 per cent on buildings is reached as compared with 100 per cent on land.

By an involved formula, the tax rate on buildings will go down every two to four years on a mandatory basis beginning January 1, 1965. Each interval is two years unless the governor chooses to defer the change for an additional two years. The bill provides for six deductions in building rates, which are to take place in a minimum of 10 years, beginning January 1, 1965, or a maximum of 20 years, if the reductions are deferred each time for an additional two years by the governor then in office.

Real property is divided into six classes: single family and two family residential; three or more family apartment and hotel and resort; commercial; industrial; agricultural; and conservation. The principle involved in the formula can be more clearly described if only one class is considered, say one and two family house sites and the houses, if any, standing on such sites.

Beginning January 1, 1965, the tax rate on the houses only (omitting the site value) is reduced so that the tax on houses is no longer proportional to the value of the houses divided by the total value of houses and sites, which is the case when the tax rate on lots and on houses is the same.

Instead, the value of the houses only are reduced by 1/10 (or multiplied by 0.9), and a "factor" is then computed by dividing .9 x house values by the total of land values plus .9 of house values.

For example, if land values are $1 M. and house values are $3 M., the total value amounting to $4 M., then under the conventional formula, the houses would account for ¾ or 75 per cent of the total tax on houses and lots. Under the new formula, houses are to account for about 73 per cent of the total and the tax on the sites would then be 27 per cent of the total instead of 25 per cent.

When, two to four years later, the mandatory percentage is lowered from 90 per cent to 80 per cent, the houses will bear 70.6 per cent of the total tax and the sites will bear 29.4 per cent of the total tax on houses and sites against the original or present figure of 25 per cent.

Two to four years later, the mandatory factor goes down to 70 per cent. The portion of the total tax on sites is increased to 32.3 per cent.

The mandatory factor continues to go down every two to four years until it reaches the minimum provided in the bill which is 40 per cent. This gives 54.5 per cent from the buildings and 45.5 from the land.

Assume that the total tax on houses and sites (valued together at $4,000,000) is $120,000. Here it is assumed that the budget divided proportionally among all classes of real estate would conventionally call for a 0.03 tax rate or $30 a $1,000 of valuation; then the figure of $120,000 is the amount to be collected from Class I. Under the formula, when the mandatory factor reaches 40 per cent, the rate on houses will be $21.80 per $1,000 of house values. On sites the rate is $54.60 per $1,000.

So far, the results are based on the assumed ratio of houses to lots of 3,000,000 to 1,000,000 or 3 to 1. If the ratio is different, the results are different.

The table that follows shows the end results when the 40 per cent figure is reached, after 10 to 20 years. For each class, after each assessment, there will be a ratio of total buildings to total land values. Results for the practical range of these ratios are as follows:

**Table of Tax Rates on Building and on Land When the Percentage Applied to Houses is 40 Per Cent**

| Ratio of Building to Land | Rate per Thousand Dollars on Buildings | Rate on Land Values per Thousand Dollars |
|---|---|---|
| 1. | $17.00 | $43.00 |
| 2. | $20.00 | $50.00 |
| 3. | $21.80 | $54.50 |
| 4. | $23.00 | $57.70 |
| 5. | $24.00 | $60.00 |
| 6. | $24.07 | $61.80 |

Each class of real estate will have a different set of factors depending upon the average ratio of all buildings to land values.

It is seen from the above table that if in any class the buildings are valued at three times the land and the 40 per cent figure is used (10 to 20 years from now) the building rate is $21.80 and the land value rate is $54.50. In other words, we get down to a rate on buildings which is 40 per cent of the rate on land values.

## LOUIS FABIAN BACHRACH

**A loss, deeply felt by all who knew him in Boston and New York, was experienced in the death of the celebrated photographer, Louis Fabian Bachrach of Boston, in July, after a short illness. A Georgist of long standing, he was a trustee and a true friend of the Henry George School in Boston, where his cheerful and willing support will be greatly missed.**

# Letters

El Paso, Texas has a population of 310,000 compared with 335,000 in Cuidad Juarez just across the bridge in Mexico. There are many beautiful houses in Juarez, as well as much dire poverty. In studying the El Paso Electric Company I came across an interesting way of comparing living standards.

Juarez has about 27,000 kilowatts of electric power capacity for all its people. Some of this comes from the Mexican government utility (since they expropriated the U.S. electric production and lines), and some is purchased from El Paso Electric.

El Paso, with fewer citizens, requires 300,000 kilowatt hours of electric capacity to serve them, but El Paso Electric could now serve many more people at El Paso citizens' standards. Investors in the El Paso utility, since it became publicly owned at $2,500 for 100 shares, have been offered the chance to invest another $2,409, which would bring the number of their shares to 1116 (with splits) worth $27,900. Dividend income would have come to $6,506. The contrast between public government management and private management and investment is startlingly evident.

LANCASTER M. GREENE
New York City

On a recent trip to Puerto Rico a friend met me at the airport in his new Volkswagon. As I admired it he mentioned the extremely high registration fee paid there for a new car. The fee is levied in proportion to the price—in most cases registration for a new car is several hundred dollars—for a car one year old approximately $100 less, with a proportionate decrease for each year of a car's age. That explains why one sees so few new cars in that Caribbean island resort.

As we were driving to the hotel, a distance of a mile and a half, I observed two accidents, and was told these are quite common. In fact Puerto Rico is said to have the highest death rate from car accidents per unit of population of any place in the world. My friend thought this was primarily due to poor driving. However it developed that they have never had compulsory auto inspections or compulsory liability auto insurance laws. I asked if he had ever heard the expression "the power to tax is the power to destroy." It is a safe conjecture that old cars with defective brakes are likely to figure in accidents oftener on the average than newer cars in good condition.

WAYNE BERRY
Flushing, New York

I have read nearly all of Henry George's books and pamphlets, and would like to have the names and addresses of two men or women between the ages of 30 and 54, from each of the following states who have completed the basic course: Minnesota, Wisconsin, Iowa, Illinois, Missouri and Michigan. My age is 42, and I would like to write to those twelve people. Can you give me this information?

FRANK SMETANA
Minneapolis, Minnesota

(Since we do not reveal the names and addresses of our graduates, we suggest that volunteers from the above states who wish to correspond with the author of this letter write to him at 913 Chathamfield Road, Minneapolis 26, Minnesota.)

## Assessing for Progress

(*Continued from page* 1)

of capital in Grand Rapids at just under $500,000,000; wealth (mostly homes) at $550,000,000; and land at $500,000,000 or more. In Grand Rapids, and probably in similar industrial cities, the value of land is even greater than that of capital.

Through the use of a statistical work-sheet the engineer was able to calculate the values of occupied residential land in 24 blocks representing one of the best residential sections, also some white and non-white areas. Data were obtained from three sources: 1. city engineer's maps; 2. a government publication entitled "U.S. Census of Housing, City Blocks, Series HC" for Grand Rapids; and 3. actual inspection of the blocks.

By using this information and applying statistical methods, figures were arrived at for the number of people per acre in each of the 24 blocks. The value of land per acre in each block was also calculated, by capitalizing that part of the total "rent" which was paid for the use of the land (economic rent).

The relationship between population density and land values in the 24 blocks of the survey was shown in a graph (see A, page 15). The result of plotting these two factors against each other is a straight line, as the illustration shows Mr. Smith stated that this straight line is no coincidence. He believes that it is, rather, the graphic evidence of a natural law in operation. This law can be stated as follows: "The value of occupied urban residential land varies directly as population density." For Grand Rapids, the value of occupied residential land per acre is $890 times the number of people per acre.

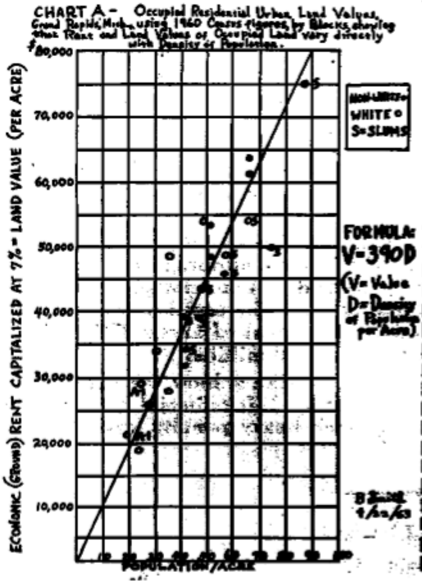
A formula of this type, based on data from reliable sources, can be determined for any urban area in the world. The Grand Rapids figures were found to be applicable also in Lansing, Michigan.

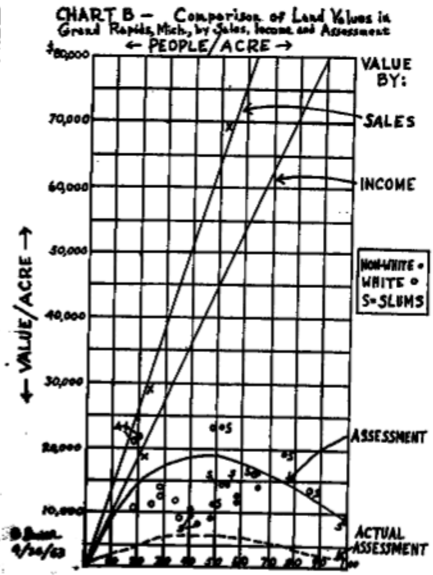
Mr. Smith pointed out that there is no color prejudice in economics. The best white housing is located on the least expensive (and of course least populated) area. Land in the fairly heavily populated Negro section is twice as valuable. However, the highest land values are in white slums, where they are four times those of the best areas.

Some people might think these calculated results unrealistic, but they were verified by actual dollar values of parcels of land sold in some of the blocks in the survey. Plotting these values against population densities, a steeper straight line than before resulted (see B, page 15). This showed that original calculations were on the conservative side.

Two other lines also appear on this graph. The curved lines near the bottom were made by using values assigned by the Grand Rapids city assessor to the land in the survey blocks. The dotted curve was drawn from actual assessments. Since these are supposed to represent one-third of true value, the solid curve was drawn to show the "true" values according to the assessor. These two curves are approximations only, as the plotted points did not form a smooth curve. However, they indicate the range into which the assessor's values fall.

It is apparent from these graphs, according to Mr. Smith, that assessing procedures in Grand Rapids are inadequate. He pointed out that the assessor's appraisals are fairly accurate in the newer areas, but are more and more inaccurate as the decaying core of the city is approached. The worst slum land, which ranks with the most valuable residential land in the city, is assessed at less than 4 per cent of its




value, and is taxed at 4 per cent of that amount. This tax is thus less than 1/6 of 1 per cent of the value of the land. These assessments are the same as they were 10 years ago, and even then they were too low.

In Grand Rapids today, only $3,200,000 a year is being collected in taxes on land. This is less than 2/3 of 1 per cent of its total value of $500,000,000, and this local tax is the *only* tax on this community-created value. The tax take amounts to only about 9½ per cent of the community-created economic rent. Consequently, land is monopolized, land prices are high, slums exist, and it is easy to keep land from the people who need it.

Land in Grand Rapids ought to be assessed according to rigid, scientific, free-enterprise principles, the speaker said. Taxes on land value, under present laws, could support over half of the city budget instead of one-sixth, while taxes on capital and wealth (homes) could be cut in half. The following sequence would result:

1. Economic pressure and incentive would fall on landowners to use or sell vacant land, and to better use other land
2. Land prices would fall
3. New buildings would be constructed
4. Old buildings would be modernized
5. Rents would drop
6. Non-white buyers and renters would be welcome all over the city
7. There would be 60 per cent integration of housing
8. Two-thirds of the slums would be eliminated

If state and local laws were changed the entire city budget for Grand Rapids could be supported by a land value tax. Then land prices would be only half of what they are now, and there would be complete integration of housing.

# Formula for Ugly Cities

A Life Magazine editorial on August 16th started with the familiar quotation from Henry George, "If I have worked harder and built myself a good house . . . the tax gatherer now comes annually to make me pay a penalty," and the same quotation appeared in Raymond Moley's newspaper column last month—all in reference to the recent tax ruling against the Seagram Building on Park Avenue (see July HGN, page 3).

The 38-story Seagram structure, sacrificing rentable space, created a broad plaza with flowers and fountains—a welcome vista greatly admired. It is, however, being penalized for what has been variously termed commercial prestige value and "conspicuous waste." Normally the building would be taxed according to a capitalized net rental income and depreciation assessment of about $17 million. Instead it was assessed at the full replacement cost of $26 million.

If the New York Court of Appeals does not "strike a blow for equity and esthetics" and reverse this "absurd decision," states the Life editorial, a tax policy precedent will be established which will invite such heavy penalty taxation that "American cities will stay ugly and get uglier."

## MARIE GREENWALD

Ten years ago, on a wintry Monday night while I was preparing to initiate my class in the first lesson in *Progress and Poverty*, a trim young woman came over to my desk, saying "I am Marie Greenwald, a new teacher, and as I am going to start my very first class tomorrow morning may I please sit in as an observer with you for the ten lessons?"

A "teacher student" is always a challenge, and she became the shining target at whom I aimed my teaching; thus, not only I, but my students, benefited by her presence. That first night a friendship was born between us; it kept strengthening because of our mutual interest in the Henry George philosophy.

Tuesday mornings became known at the school as "Marie Greenwald time," and she was the inspiration for many of her graduates to continue their studies in the advanced classes. Later she joined the roster of the Speakers' Bureau, spreading her work in the cause of Henry George to audiences who were not at the time students of the school, but in whom she roused interest in the philosophy of freedom through her knowledge of the subject as well as her great vitality and gregarious qualities.

On August 5th she went to her eternal rest. The decade of her services as a teacher and lecturer has enriched those of us who were privileged to be part of her work. We are grateful to her husband and two sons for their unselfishness in sharing Marie with us for the ten fruitful years she spent with her colleagues at the Henry George School.

— Dorothy Sara

Mr. Robert Clancy,
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