

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 build-

ing 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.

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.