

NEWS

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California Court Voids Property Tax for Schools

In what may prove a land-taxing as well as a landmark decision, the California State Supreme Court has held that the state's public school financing system, based largely on property taxes, is unconstitutional because it discriminates against the poor.

Reaction to the decision, as reported in the August 31 edition of the *Wall Street Journal*, is varied and far-flung, stretching its impact across the nation. The ruling is expected to be appealed to the U.S. Supreme Court.

In a six-to-one decision, the state court held that the California system violates the equal protection clause of the U.S. Constitution, because "districts with small tax bases simply cannot levy taxes at a rate sufficient to produce the revenue that more affluent districts reap with minimal tax efforts."

Thus, the court held, "affluent districts can have their cake and eat it too; they can provide a high-quality education for their children while paying lower taxes. Poor districts, by contrast, have no cake at all."

Under the California system property taxes, raised at the local school district level, account for about 56% of public school funds. *The Journal* reports that the tax base ranges from a low of \$103 per school child to a high of \$952,156—a ratio of almost one to 10,000.

Wilson Riles, California's Superintendent of Public Instruction, says that the decision (brought about by a suit filed by Los Angeles parents) will force the legislature to a reluctant decision to pass a bill devising new ways of financing schools.

"This court case will in my view give the legislature an opportunity to do what they should have done a long time ago," Riles told the *Journal*. "The state will have to be more accountable in seeing each

(Continued on next page)

N Y Suburbanites Struggle To Keep Their Hold on Land

It's nine o'clock, and herds of businessmen pour out of buses and automobiles into a gleaming, high-rise, office tower. At five they swarm out and head for home.

Midtown Manhattan?

No. The place is Piscataway, N.J., which combined with the other New York suburbs, now comprises "the largest city in America," according to the *New York Times*. Together, the suburbs house "about half the area's manufacturing jobs, retail jobs, and restaurants . . . and a full range of 'urban' facilities."

The classic desire for "elbow room" that pushed the pioneers westward a century ago, has led 8.9 million people to the more tame surroundings of Nassau and Suffolk Counties, Connecticut, and New Jersey. And while there are no more In-

dians to run out, residents are fierce in their efforts to ensure that other New York City "savages" are kept out. This they achieve by tight control of the land.

"Each small community exercises its local zoning power zealously," reports Jack Rosenthal, by engaging in "upzoning, exclusionary zoning, or large-lot zoning."

The result is that only single family homes are permitted, a minimum acreage is demanded, and only middle and upper-income families can afford to move in. At least 80 per cent of New York area families are now priced out of Suffolk County where the house that cost \$14,500 in 1960 sells for \$30,000 today.

Ask the residents the purpose of the zoning restrictions and they will cite the

(Continued on back page)

Site Tax Weighed in Urban Plans

"Are the uses put on the land the result of the kind of people living there, or are the people the way they are because of the type of land they have occupied for centuries?" queries *Urban Land* in its July-August feature tour of land development in the Orient and South Pacific.

In the process of attempting to answer this question the issue provides a thoughtful review of the life styles in the urban centers and points out that like customs, climate, and diet the methods of land taxation have varied among each city too.

In Japan, for instance, where land uses and prices affect each other—land prices in 140 cities rose an average of 1300% in the last 14 years—these new ideas have been adopted by the government to meet urban problems:

- A Land Development Plan will be the master guide for efficient land use throughout the country.
- A City Planning Law will insure orderly urbanization of land areas.
- A Guide Post System officially sets the market value of a standard parcel in

each urban area as the barometer for land transactions, assessments, and condemnation.

Japan's National Law of Real Estate Appraisal is credited with stabilizing land value. Under its provisions, trained, licensed, professional appraisers have established public confidence in their work.

In Sidney, Australia, where a high concentration of retail sales volume has pushed prime downtown land values from \$30 to \$300 per square foot in a few years, a "betterment" tax is levied on real estate.

Under this betterment tax, one-third of the increase in the value of land resulting from zoning changes must be paid to the government. The payment may be discharged over a period of several years.

Urban Land reports that in both New Zealand and Australia, real estate is taxed in relation to the financial burden it imposes on the community.

CALIFORNIA COURT.....

child in the state has a fair crack at educational resources."

Legislation to replace the dependence of public schools on local property taxes and replace the taxes with a uniform state property tax is now pending.

Under the uniform state property-tax proposal, funds collected by the tax would be redistributed to the local school district on an equal per-pupil basis. In Los Angeles, such a redistribution would cut property taxes about 22 cents per \$100 assessed valuation and give the schools an additional \$25 million in funds, proponents of the measure contend.

Pointing to the inequities of the present system, Riles notes that a city such as Beverly Hills "can tax its citizens \$2.60 per \$100 assessed valuation and come up with \$1,500 per child in school, and in the same county the city of West Covina taxes \$4.30 per \$100 and raises less than \$700 per child.

Suits similar to the California action already have been filed in Michigan, New Jersey, Texas, and Wisconsin. Riles predicts that the decision "will have nationwide impact because every state but Hawaii finances their schools in the same way."

Michigan Amendment

As reported in the August News, a state constitutional amendment to all-but abolish local property taxes for education is pending in Michigan. The amendment would make the state's general treasury the sole support for Michigan education from kindergarten through twelfth grade.

"I shudder to think of the gyrations we'd have to go through to come up with a new system," declared Kenneth Hamilton, executive finance director of the Philadelphia school system.

"We'd be in a real fix," told a spokesman for the Wyoming Department of Public Instruction.

[Editor's note: There is here a genuine ideological conflict, given the desire for equal opportunity and the intention to tax only natural or community created value. While there can be no certainty that the quality of education is the same for each dollar spent, such disparity of outlays from district to district as stated above must result in some children receiving markedly better instruction than others.

David Hume is credited with having characterized socialism as the reduction of everyone's pace to that of the slowest. Regardless of the accuracy of his observation, the California court's decision could have the effect of leveling educational facilities throughout the state by reducing the better ones to something below the present average.

Moreover, there is the hint in many of the comments about the decision that

George's Tenets Applied In Study of Government

The following is excerpted from "Human Nature and the Management of Society" an essay by high school senior Jill Matichak, a student in Harry Pollard's Classical Analysis course, required by a Los Angeles school.

Man has formulated and lived under many forms of government in his desire to achieve the perfect society. His inherent nature has determined, to a great extent, the kinds of governments under which he has existed.

Society is defined as a closely integrated group of individuals held together by mutual dependence and exhibiting division of labor. It is necessary to examine the separate members of the group as well as the society itself when discussing the merits of social organization. The psychology of human behavior on an individual level, however, is a complex and as yet unsolved problem. The Classical Analysts of the Henry George school of thought have developed two axioms of human nature that are quite accurate in asserting a general thesis that is compatible with the current theories of prominent psychologists. These two postulates are: Man's desires are unlimited and Man seeks to satisfy his desires with the least possible exertion, though there is no concrete proof of these statements, supportive evidence can be found in every century of recorded history. The desires of a creative and progressive society are never fulfilled. It is this very fact, however, that supports the second axiom of the Theory of Classical Analysis. Because man seeks to satisfy his desires with the least possible exertion, it is possible to believe man will someday reach the stars, for the incentive to find an easier way has already brought us a long way from the discovery of the wheel and we are still moving. On an individual level the basic desire of each person is survival. The search for food, shelter, and water has necessarily been a primary concern of each new civilization that comes into existence. The competition for the necessities of life has been a chief factor in the growth of nations for it has been either the wealthiest or the mightiest who have survived to

labor products as well as community-created values will be subject to levy. And there is a question as to whether transferring the imposition of the property tax to the state level will improve matters. By removing authority from local hands and shifting responsibility to distant officials, assessments might become even more disparate than they are, and the tendency to levy on labor products even greater than at present.]

populate the world. It is at this point, however, that we encounter the serious questions concerning human nature that must be answered, or at least theorized, in order to continue further discussion. In the fight for survival, who theoretically has the right to survive? Should the wealthiest or the mightiest be the survivors, or should there be other criteria on which to base the question of survival.

The Declaration of Independence states that all men are created equal. It is obvious that taken in the literal sense, this statement is not true. People are born with more intelligence, good looks or skill than others and that will always be the pattern of life. It is possible, however, for people to have equal opportunities and equal rights where society is concerned. According to many great philosophers there are certain rights that can neither be granted nor contracted; they are inherent in the organism from birth and no man can have more "rights" than another.

Society and Survival

The basis of freedom is economic self-sufficiency. The person or group which controls the means of production and distribution of goods, and therefore the wealth of a society, is in control. Survival is the basic desire of man and, therefore, the person controlling the means of survival controls the society. In accordance with the premise that all people enjoy equal rights, the opportunity for controlling the means of production and distribution of goods should belong to all people. This is not a strike against capitalism, it is instead a statement in favor of such a system. The laissez-faire capitalism of the 19th century liberals was the most free and equal form of economic opportunity and organization in existence. The rugged individualism advocated by the liberals complements the Classical view that men will seek their unlimited desires in their own ways on an individual basis.

The mutual cooperation of the Free Market attempts to insure equality in economic opportunity. As men seek to satisfy their desires with the least amount of exertion they will attempt to maximize their returns by exchanges. There will be no need for laws or police to force men to conform, since they will act according to their natures. Competition will set the prices at the cheapest level. Reputation will insure high quality merchandise, for deliberate cheating may result in loss of customers the following year. It will be in the self-interest of the educated employer to provide good wages and good working conditions for his employees in order to assure good production. It will be in the

self-interest of each capitalist to enforce payment of debts and policies of fair exchange.

This type of society management is obviously very idealistic and looks good on paper, but is a different matter entirely in practice. Though the ideal situation would be to have a government of authority that commands respect and obedience by the consent of the general public, in many instances this is not feasible. Man's unlimited desires can often be easily fulfilled through unethical or immoral practices. It is good to say the market will take care of the fraudulent businessmen, but with the immense population in the world today, there is always a sucker who can be taken in by a catchy slogan and a smooth line. Though it is true that welfare, social security, labor unions and other such socialistic practices would not be needed in a truly free society, there must be a respected group of individuals with power enough to protect the rights of individuals guaranteed by freedom from persons who could easily escape the natural punishment of the market.

In a more practical sense, it is necessary to grant government the power to control natural monopolies of location. The utilities and road construction are two important examples. Competition in the water or sewer industry would cause innumerable problems by using up land, which is an essential part of individual freedom, for many companies and intricate systems of pipes. In the sense of pure convenience, government organized systems of transportation would enable producers to send their products to the consumers in an efficient and expedient manner.

Least Government

"That government is best that governs least" is still a good basis on which to judge social management. In the structuring of a new government, man must be careful to limit the power given to the ruling institution. In fulfilling his desires with the least possible amount of exertion man will, according to his nature, fight for his survival by serving his own interest. In pursuing his self interest he will improve the conditions of his neighbors or workers, not because he is concerned, but because he is inspired by the profit motive. His incentive to produce and distribute, however, can become a dangerous infringement on the rights of others. In his attempts to find the easiest way he may resort to immoral or unethical practices, from which the average citizen needs protection. Government, in some form, must exist preferably as combination of power and authority. It must be the product of the individuals over whom it will rule and determined by the laws of human nature with the power to protect the individual rights and freedoms implied by man's rational ability to choose.

from the editor's notebook

A PARABLE

In an age when New York Times' columnist Russel Baker can note, without fear of contradiction, that "economics" is probably the ugliest if not the most boring word in the English language, I find myself wildly excited in anticipation of the sort of entertaining novels (with a land value theme) that Henry George Foundation Trustee Newcomb's offer of publishing assistance will draw.

Cynics might say "economics" and "entertainment" are mutually exclusive. I hold the two are a strange but attainable mix, and I offer the following parable as proof. It is pure fiction; any resemblance of its characters to persons living or dead is purely coincidental and entertaining.

... And it came to pass that in the eighth month the Grand Vizer teleported himself into the hearts and homes of the populace, and told them: "Let there be cold..." for 90 days, anyway, "... for what our market aspect needs is a good shot in the arm."

And the populace heard him, and pardoned the expression, and were confused. But they surveyed their winter gear, and finding it suitable they all agreed that they would use neither more heating oil nor less, and that they would look forward to the day when the cold would wane.

All of them agreed, that is all but George, the Plumber (who insisted that some of the populace had more fuel than they needed, while others had too little), and Ajax, from the Grand Vizer's cabinet (who had been promised more fuel only moments before the broadcast).

Now the Grand Vizer appointed his nine-headed watchdog, named Task Force, to make sure that no one was over-oiled. And this placated the Plumber somewhat. However, he and Ajax-from-the-cabinet had been long-time adversaries, because some years earlier (the exact circumstances are uncertain), Ajax had complained that the Plumber was getting too strong, and too dirty, and he was having to clean up his mess too often. Still seething from this insult, the Plumber announced that if Ajax were given the oil he was so loudly demanding, he, the Plumber, would "gum up his works."

The Grand Vizer was a fair man (not to be confused with mediocre) and also clever. He knew that if Ajax left him it would be one more good man down the drain. So he told Ajax that instead of more fuel, he would let him use his winter house in Southern California for the duration of the "freeze." The winter house was

not only situated in a warm climate, it was constructed primarily of insulated glass, and would keep him sufficiently warm and mollified.

Ajax considered this offer, and agreed—if he were allowed to sit on the Grand Vizer's throne which was housed there. The Grand Vizer happily agreed, since the throne was of bamboo, a cheap Japanese import which he bought before the fuel shortage.

That Ajax was nestled comfortably in the rattan throne did not sit well with the Plumber, George, who had already found this business of compensating goods and services quite taxing.

He gathered his minions, who chartered a plane, boarded it, and flew it straight into the heart of the winter house. The result was a lot of noise, a lot of wasted fuel, and a lot of broken glass. Ajax spent the rest of the freeze scouring the countryside for another boss.

The moral? When it is cold out, people who live in glass houses shouldn't stow thrones.

Letters

Sir:

I wonder what the Henry George School of Social Science is coming to? What do you call this H.G. News received here today? No explanation as to why the format change? Only one signed article. No statement of policy. Smaller type. You must be kidding with this sheet. No letters to the editor?

Carl Shaw

Westpoint, N.Y.

A subscriber of twenty years

Sir:

The slate of fall courses at the School is a great surprise, and not too soon in coming. That the ideals of Henry George will finally be linked to current events and trauma is gratifying to someone like me who has been the recipient of a thousand questioning glances when I mention that man's name in discussions. I am proud to note that the faculty is expanding to include some of the most outstanding educators in the area, like Mr. Netzer, and some career people who, if anyone, can explain how to survive in New York City.

Sir:

The current dispute among the Mets, the Mayor, and the Yankees makes me wonder if you'd even be wise to buy center field at Shea Stadium.

Carol Coleman
New York, N.Y.

NY SUBURBANITES

need to preserve "the country image" or the "environment." Some will concede their fear of "city crime" and "welfare costs." None admit to a desire to exclude minorities.

The struggle for land, meanwhile, remains a battle between the people who already have some, and the developers who would build new homes and apartments for new residents, either for personal profit or the sake of social conscience.

The entrenched residents appear to be winning, despite occasional thwarting by a court decision, new legislation, or a successful developer.

By adept zoning, Westchester county has reduced its population capacity (if every vacant lot were to be occupied). It has been almost halved since 1952. Westchester's population is growing by less than 1 per cent a year. Nassau and Suffolk Counties combined are growing at that rate.

In Wayne, N.J., zoning has caused the value of an acre of land to soar from \$700 to as much as \$90,000.

Zoning Problems

Through zoning, a town can attract whatever sort of development it chooses. The result is a severe imbalance that occurs when industry grows in areas where housing does not, job opportunities appear in areas where no workers can reside, and only some communities are blessed with the tax advantages that neighborhood industries create.

And the question that keeps cropping up: "How long can the suburbs sustain their record of economic accomplishment when the benefits fall so unevenly on the region's population?"

As apartment construction is blocked by the zoning regulations, houses are limited by minimum acreage requirements, and minimum prices of new homes continue to rise, it seems inevitable that the blue collar workers attracted and needed by the growing industry will find themselves priced out of housing adjacent to their place of employment.

Industry, concerned about possible labor shortages, has sought solutions. The Mem Company operates a bus from the George Washington Bridge's Manhattan

side to its location in Northvale, N.J., to transport the black and Puerto Rican workers who man its assembly lines. Most of the 350 employees cannot get on the bus however, and are forced to form carpools. Among those who do fit on the bus, many have a two-year wait before they achieve enough seniority to rank seats.

Few companies, however, have been willing to exert pressure on local governments to change the zoning restrictions that underlie the housing shortages.

Restrictions Necessary

Suburban governments maintain that the zoning restrictions are necessary because their chief source of income is a property tax. If any but the most expensive homes are built, the towns stand to lose needed revenue.

Reportedly, in Princeton Township, a \$60,000 house barely pays enough in taxes to offset the municipal services, from sewers to schools, that its presence requires. In a section of Westchester, the town breaks even on a \$52,000 house. In New Canaan, Conn. the break-even point is \$70,000.

Meanwhile, industry will not move into the high-tax areas that are that way simply because they house insufficient industry.

According to Thomas A. Dorsey, staff director of the New York State Joint Legislative Committee on Metropolitan and Regional Area Study, the problem pivots on the relevance of the property tax. Yet he maintains, "you'd have to go a long way to find another tax that can give you that kind of money."

Tax reforms currently being considered include sharing of tax burdens on a county level or among groups of towns, consolidation of school districts, and assumption of education costs by the state.

'Out of the Woodwork'

Arthur Kunz, assistant director of the Nassau-Suffolk Regional Planning Board contends that removing the financial basis for zoning will only "pull the bigots out of the woodwork."

Dick Netzer, dean of New York University's School of Public Administration, asserts "Everyone knows that, strictly speaking, you're not supposed to spot

zone on the basis of how it will affect taxes. But short of openly stating that purpose, you can be pretty damn overt about it. But you can't be overt at all about other reasons. There's some question as how much the fiscal thing is a screen for others."

"You might find that nobody wants any factories any more. If it's not going to do them any good, they'll say, put it in the next town."

"The suburbs develop elaborate master plans and tight zoning which they are eager to corrupt whenever a big company, a good 'ratable' that would pay lots of taxes comes along," says one developer.

"To find anything that's considered a bad land use but a good ratable," explains another, "look at the village line. That's where the gas stations are. 'Let them bother the people in the next village,' the town official thinks. 'They don't vote for me.'"

"It's a classic case of not-on-my-blockitis," says Lee E. Koppelman, Nassau-Suffolk Planning director.

No Novel Funds

The offer of \$5000 in prizes by William Newcomb, trustee of the Henry George Foundation, for novels written around a land value taxation theme, has been withdrawn.

Newcomb had been willing to put up \$1000 if other students of Henry George would contribute an additional \$4000. But as of September 15, the deadline for donations, there were no other sponsors.

Because there are such novels being written, Newcomb has volunteered to recommend a story editor, agent or publisher, to authors of such fiction that he deems "entertaining."

Newcomb does not claim to be a fiction writer. He is, however, former feature writer for the Orlando Sentinel-Star; former Economics editor of Progress Guide; and former film company executive.

Manuscripts should be submitted to him at 532 Wickham Road, Melbourne, Fla., 32901.