Please Don't Use that Word!

HOUSE & Home, having moved from the Time and Life Building, is now happily at home at McGraw Hill. As noted in the October HGN its September issue contained a sentence with an unwelcome word to Georgists: "site valuation tax is no *panacea* for land problems."

In the exceptionally striking November House & Home a few familiar names appeared among the published letters, taking issue with this, and permission to reprint them was cheerfully granted.

Walter Rybeck, Washington correspondent of the Dayton Daily News, wrote:

"Many are becoming aware that land price spirals undermine communities and price decent housing in the stratosphere. Few have gone as deeply as your September issue to pinpoint major causes – illegal assessments and undertaxed land. Obviously, site valuation is no panacea. But once land values are taxed equitably, other planning tools (zoning, code enforcement, balanced transit systems, open-housing covenants and green belts), none of which by themselves are panaceas either, should function better. How can we hope for healthy cities so long as lopsided real estate taxation encourages land speculation, slums and urban sprawl?"

From Scranton, Pennsylvania, where for almost 50 years land has been taxed twice as heavily as improvements. John M. Kelly, a Scranton realtor, expressed approval:

"Congratulations on your splendid land issue. As one who lives and works in a community suffering the typical inequities and injustices imposed by archaic assessment patterns and techniques, I was particularly attracted by your recommendations.

"It was pleasing to see Henry George's single (land) tax theory mentioned; but I couldn't help feeling that the value of his theory was too quickly dismissed. . . . As a daily witness to a modified Henry George system, I can tell you that it's not the answer, and for the reasons you pinpoint – unequal assessments, inordinately low assessments on raw land, etc."

P. I. Prentice, vice president of Time, Inc. and formerly the editor of H&H, entered this sanguine protest:

"September is indeed an outstanding issue that should give a lot more people in the homebuilding industry a better idea of the harm being done by land price inflation and also a quicker understanding of some of today's new ways to use land better.

"It is unfair to Henry George to suggest he was foolish enough to think a single tax on site values would pay the cost of government at today's lavish scale, but it would have been quite enough in his time, when the total cost of state, local and federal government combined was only 2 per cent or 3 per cent of what it is today.

"No one thinks site value taxation is a panacea, but it is probably obvious that if land were taxed more heavily landowners would be under more pressure to put it to better use; conversely, if improvements were taxed more lightly, the prospect of higher taxes would be less of a deterrent to improvements, replacements and new construction.

"If you put the wrong building on your land or if your building becomes obsolete for its site you are stuck with it until you tear it down; but the low replacement rate of wrong buildings is almost as serious a problem as the amount of raw land held off the market by speculators; and there is no more excuse for subsidizing wrong or obsolete buildings by undertaxation than there is for subsidizing speculation in vacant land by undertaxation.

"It is just plain nonsense to suggest that heavier taxes on land would lead to higher slum rents. All respected economists from Adam Smith to Colin Clark have agreed that the land tax is one that cannot be passed on. Except under rent control slum rents are already all that the traffic will bear.

"It is also nonsense to suggest that heavier land taxation would encourage intensive development everywhere. On the contrary, the more intensive use of central land it would stimulate would almost certainly siphon off demand from the farther areas of suburban sprawl and thereby lessen the likelihood of premature subdivision.

"I agree with you that we need better zoning and better planning, including better metropolitan planning. But Van Ettinger of the Baucentrum in Rotterdam said a mouthful when he said: 'It is impossible to make good land planning effective in the face of land speculation.' "

[It might be noted that, while Henry George would probably not expect the rent of land to pay for the entire cost of government "at today's lavish scale," he did—and his followers do—anticipate that the cost of government would drop sharply once the single tax were instituted.—R.C.]

More LVT for Cleveland

The (Cleveland) Plain Dealer of November 13th carried a rewarding headline, "New Valuations Reflect Single Tax Ideas," and boldly connected the new tax with the ideas of Henry George and the late Mayor Tom L. Johnson. The County Auditor, Ralph J. Perk, has been supervising this reappraisal, and says the Cleveland tax rolls will include decreases in home values and increases in the value of all classes of land. In this valuation, which is still to be approved, an LVT increase of 25 per cent over 1963 is assured.

City homes will show value reductions resulting from a $35 million increase in residential land values, and a decine of $41 million in the appraised value of the homes. Mr. Perk attributed this to an "economic depreciation factor" which "allows a lower rate for residential property located close to industry, freeways and nonresidential construction. The over-all duplicate will show an increase of $100 million over 1963 – over-all building values will decrease from $1,432 billion to $1,375 billion."

Auditor Perk explained that where the previous taxation policy was to lean heavily on buildings and less on land, the policy now is to lean heavily on land and only lightly on buildings. He said, "this is a move in the direction of the 'single tax' ideas of Henry George and Mayor Tom Johnson, who believed that larger taxes on land encourages owners to develop their land rather than hang on to it. It discourages land speculation."

The Cleveland extension director, Ivan Dailey, who sent the above information, has kept HGN readers informed on this reassessment program.

In Nassau County, New York, property valuation is up 4 per cent, reflecting a drop from the normal growth rate on improved property and a 2 per cent vacant land increase, initiated by County Executive Nickerson. A "considerable burden of taxation" has been lifted from homeowners' shoulders and county general and police funds will benefit greatly.