

the Henry George News

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What Taxes Do—A Seminar

ONE hundred and one assessors, planners, school board members, developers and other community leaders from the southern tip of California to Juneau, Alaska, gathered for an all-day seminar January 15 in the conference room of the World Affairs Council in San Francisco. Given under auspices of the Northern California Extension of the Henry George School, the seminar entitled "What Taxes Do," studied the positive and negative effects of taxation on planning, housing and conservation.

Taxes are like medicine, said the opening speaker, Duval Jaros, M.D., former President of the School's Marin Branch. "When you prescribe a medicine you not only think of the medicine's effect on the illness but its side effects as well. With taxes, you not only wish to raise revenue but at the same time to discourage that which is socially undesirable and encourage that which is socially beneficial." "The power to tax is the power to destroy or to create" said Los Angeles School Director Harry Pollard, the moderator. The seminar stimulated what concluding speaker, Robert Tideman, called "a new skepticism of old assumptions" and produced fresh thinking on the topic, "What Taxes Do."

Taxes are not all alike. There are two basic kinds: the kind that raise

prices by hitting production, and the kind that lower prices by hitting monopolies. "The things men make," continued Dr. Jaros, "get scarcer if you tax them, and their price goes up. But the natural monopolies like land are fixed in supply. Tax land and there's no less land—indeed, those who hold it on speculation are quicker to offer what they have for rent or sale, and land prices feel a downward pressure."

The circulation of land titles is a sterile process. "Money that circulates from one land speculator to another," said University of California Professor John Henry Denton, "makes no jobs and creates no wealth."

Land speculators get extraordinarily favorable tax treatment, Denton said. Not only is vacant land underassessed, but federal tax laws favor the man who sits on his land title and waits. Land speculation profits get favorable treatment as "capital gains." Interest and property taxes are deductible.

There are those who say the profit motive is good and those who say it is bad. John Menz of the State Department of Finance believes it is neither good nor bad but a vital social force which should be harnessed to achieve socially desirable goals. Zoning, though necessary, is merely a negative, prohibitory tool.

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Zoning can backfire by inducing speculation in the areas it favors, according to John Nagy, President of State-wide Homeowners Association. He called for a property tax on land only to promote zoned uses rather than speculation and sprawl. High farm taxes are caused not by over-assessment of farm land but by under-assessment of vacant lot, slum and speculative holdings on the city's fringes, he said. Instead of tax favors, farmers need better assessment of vacant lots and fringe lands so that builders and speculators will not bid up land prices in bona fide farm areas.

Public utilities are not taxpayers but tax collectors, said Francis J. Carr, Manager of the Tax Department of Pacific Gas and Electric Company. They pass their property taxes on to their customers by way of higher rates.

Roy Davidson showed that new legislation is not the only way to tax land more and improvements less. Enforcement of the present requirement that all property be taxed equally would shift \$800 million a year to land. He is the Director of Resources Research, who has made assessment studies in 12 California counties.

Equalization of assessments is a

good political issue for aspiring candidates. Most property owners gain from more uniform assessments. A few big speculators lose. "I was called a 'single taxer'," said Floyd Morrow, newly elected San Diego councilman, "but I was in the right place at the right time and I got the votes."

The surprise of the day came when Joseph Eichler rose and asked to make a fifteen minute statement. He was not on the program and the chairman was justifiably reluctant to have the meeting run overtime but others who recognized Mr. Eichler as a builder of high quality subdivisions and a man who has probably done more than any other to provide good housing for Californians, prevailed upon the moderator to allow him fifteen minutes. Mr. Eichler gave an account of his efforts to establish his firm and cited the acquisition of land at speculative prices as his greatest difficulty. No one sold land unless absolutely forced by circumstances or until "the price had risen beyond his fondest dreams of avarice," he stated, and his experience as a developer had shown him that the "only sane tax program proposed today was Henry George's single tax."

(Reported by the Northern California Extension).



CONDITIONS OR COVENANTS?

Life is a condition, without it nothing is possible.

Courage is a condition, without first having courage no other virtue will ever be practiced.

The combination of thinking and feeling justice is a condition; without it growth is distorted and progress is subverted.

Acquisition of basic economic rights is a simple condition. Without such acquisition all public covenants seem to give rise to greater complexities.

With such rights firmly established, the opposite results should emerge. Covenants should then give rise to solutions, not to further problems.

— Tom Sherrard