

Conference Papers

REVIEWED BY JULIA BASTIAN

Below are summaries of some of the Conference Papers presented at the Twelfth International Conference on Land-Value Taxation and Free Trade, held at Caswell Bay, South Wales, September 8th-14th, 1968. Further summaries will appear in subsequent issues.

The Southfield Story: A Lesson in Creative Taxation

BY TED GWARTNEY

THE STORY of how land-value taxation came to Southfield, Michigan, is told by Mr. Ted Gwartney, Southfield's City Assessor. This progressive city is fast overcoming problems of blight, poverty, and high taxes and is beginning to demonstrate to critics what land-value taxation can achieve when put into practice.

Southfield is rated one of the biggest growth cities in the U.S.A. Since 1958 it has tripled its assessed land value. Over three million square feet of office space has been erected since 1960—ten per cent more than in Detroit—while over one thousand new homes went up last year.

Much of this activity stems from the city's policy of land assessment which for six years now has differed from that of most other American cities. Land is assessed on its *full market value*, however it is used, or not used, with a yearly appraisal of all property. City services are financed from a property tax rate lower than that in any comparable city in the State, and unlike other major cities, Southfield does not need to levy a municipal income tax.

Turning point in the city's fortunes dates from the election of Mayor James Clarkson in 1961. The state government had been advised by a committee of investigation to implement some form of land-value taxation, but had done nothing. As Mayor of Southfield, James Clarkson decided to do something in his own city.

A committee was appointed to study assessing practices. Mayor Clarkson demonstrated to them that a better job of appraisal could be done, thus triggering off a complete reappraisal of land values throughout the city. This move resulted in widespread increases in valuation amounting to \$45,000,000. An astonished Council finally consented to depreciate all building assessments by exactly half this amount.

When the new land reappraisal programme was complete the City Council decided not to implement it, but the Federation of Homeowners Associations, which represented the majority of homeowners in the city, filed a lawsuit to enforce the new assessments. The homeowners won and were soon enjoying reductions, not only in assessed values but in municipal tax rates also. Land speculators, too, were "enjoying" big increases in their assessed value.

The new policy thus established, Mayor Clarkson went on to win four more elections, all on a platform of LVT.

Today a householder's assessment is no longer increased because he modernises—installs storm windows, new gutters or lays a drive—while those who fail to paint the fabric, repair or maintain their property gain nothing in tax reductions.

The Assessor's Office in Southfield is kept busy handing out information to other cities, both inside and outside the U.S.A., all anxious to hear more about Southfield's "creative taxation."

Mr. Gwartney outlines how, with the help of a computer system, re-appraisals are accomplished. Once a year a city-wide reappraisal can be done, which takes only three hours, and costs less than a new secretary.

Heavy taxes on improvements are bound to discourage property owners from making improvements. The bigger the improvement tax, the greater the disincentive to improve. In Southfield, however, heavy taxes on land values encourage and sometimes compel development. The bigger the tax, the greater the pressure on land owners to improve—or sell out to someone who will.

The Land Commission's Betterment Levy

BY VICTOR SALDJI

THE TWO major objectives of the Land Commission Act are (1) to secure that the right land is available at the right time for the implementation of national, regional and local plans, and (2) to secure that a substantial part of the development value returns to the community, thus reducing the burden of the cost of land for essential purposes.

So far, so good. But Mr. Saldji's paper serves to remind us that the Land Commission Act, 1967, gives the Commission wide powers of acquisition, management, and disposal of land. There is grave concern that such power may bring about "back-door" nationalisation of land, although up to now few land purchases have been made.

The 40 per cent betterment levy charged on net development value, realised on the disposal or material development of land after 6 April, 1967, resulted in the frenzied digging of thousands of trenches and holes, to establish that development had already begun! Labourers and mechanical diggers were working "flat out" all over Britain for several weeks prior to this date. By spending less than £50 a trench, one newspaper reported, builders may have saved hundreds of pounds in levy.

Complete stagnation followed all this activity, but after a few months the market recovered, although such parcels of land as did come up for sale were snapped up at record prices.

Quite apart from party political considerations, the betterment levy is a wholly undesirable penalty on land

transactions as well as on development. To understand fully the workings of the levy, one needs to be a genius, but briefly, it falls on net development value realised in any of six ways. To arrive at this value a great deal of clever working is required.

The essential difference between the betterment levy and a straight tax on land values is that the first applies as a capital payment, as and when land is developed or sold, while a land-value tax is an annual tax on all land valued at optimum permitted use. In contrast to the levy, a full land-value tax would not only throw less of a capital burden on the developer, just when his expenses were at a maximum, but it would loosen up the land market.

In conclusion, Mr. Saldji points out that the earth is not the product of human effort, and it is on this basis that the whole ethic of land-value taxation is built. While any man-made object or improvement is the property of its maker, the earth itself belongs to a vast family, of whom many are dead, a few are living, and countless numbers as yet unborn. We are all tenants for a brief day on what is *common* to all and the absolute *property* of none. The economic rent of land, therefore, should be collected as the first and major source of public revenue, before any tax is placed upon labour or capital.

Human Rights

BY FRANK DUPUIS

THE YEAR 1968 is Human Rights Year. As a topic of interest, so far, human rights have failed to arouse much discussion, but this masterly paper by Frank Dupuis opens up the subject and dispels the confusion in which it has been shrouded for so long.

There was a time when ordinary people would fight for this as their cause. The magic words, The Rights of Man, are more than a statement of government policy. The American Declaration of Independence of 1776, and the French Declaration of the Rights of Man and of Citizens in 1789, were the culmination of a century of thought, known to us as the Age of Reason. These two great manifestos were thrown up by a national spirit borne on the belief that public misfortune and government corruption were not defects in the planned economy, but simply "ignorance, neglect and the contempt of human rights." This is as true today.

After the Glorious Revolution in England in 1689, John Locke's ideas were circulating. "The Government has no rights," he pointed out, "only the duty of protecting the rights of the individual."

In December 1948 the United Nations Assembly in Paris approved a very different Charter—the Universal Declaration of Human Rights. Mrs. Eleanor Roosevelt, feeling uncertain about it, wrote in the foreword: "This is not a perfect document . . . but a beginning had to be made." Mr. Dupuis hopes that this year, at Teheran, the Charter will be drastically revised. Put on a new basis, one hopes, it will start off with a clear definition of universal human rights (i.e., those inherent to every person

at any time and in any place). One hopes, too, that rights and duties will be clarified in the Articles, keeping in mind that no right can be created by the state and that human rights existed long before governments.

There are many passages in the present Charter that conflict with these basic ideas, and there are several clauses (for example, on education) where the statements are quite contradictory. Instead of conforming to one universal human right, the separate statements are all *claims* for one thing or another which everybody has the alleged right to compel somebody else to provide.

"If A has the right to well-paid employment with paid holidays, B must necessarily provide it; but if B has the same right, then A must also provide B with the same," writes Mr. Dupuis. This approach is not so much a statement of universal human rights, in the enjoyment of which all might freely provide for themselves, as a code of regulations for a dependent world.

The subjects omitted from the Charter are also significant. On economic matters—questions of inflation, trade, taxation, and the prohibitive cost of land for people to live and work on—this Charter has nothing to say. In fact, it leads the public to believe that human rights are not involved in these things.

Nevertheless, it should be remembered that the sponsors of this Charter occupy the highest positions in Church and state. If they delude themselves they delude millions.

The record suggests that state relief for all as a so-called right can never bring happiness. A general malaise is threatening to erupt in the same blind violence that has happened so often before. But the riots now are not for the recognition of human rights. Students on public assistance demand more assistance. Closed shop trade unionists strike not to assert the right to work but to monopolise it. At the same time elderly savers are robbed of their savings by debasement of currency. Land users have to pay an ever increasing toll to land owners. Consumers are exploited by private and state monopolies. The taxpayer bears the total load. Yet none of these victims think of invoking the United Nations Charter of Human Rights. If they did, they would find no specific Article to protect them.

The choice in front of the sponsors of the Charter was either to show that our current economic evils are caused by violation of essential rights and to denounce such violation, or to re-state human rights so as to line up with our artificial measures of protection and relief—as if the evils were inevitable. They chose the latter way and produced a Charter which the most selfish land owner or trade monopolist could sign.

The first of all human rights—the right to land—is too often overlooked, but on this all other rights depend. There is nothing in the order of nature to show that one man has more right to land than another, or that some men have no right to land. This being so, rights to land everywhere must be free and equal. If this right is denied no other right can be freely enjoyed.