

Michigan In The Red

THE State of Michigan ran out of money yesterday. Governor G. Mennen Williams has halted all payments from the State's general fund, including a \$100,000 payroll. It was the State's first payless payday in its entire history. Another \$5.1 million payroll due to 28,000 State employees May 7 cannot be met, the Governor said, calling the situation "a public disaster of the first magnitude". It is startling to realise that a great and powerful government can go broke the same as you and I.

Some blame Michigan's crisis on last year's recession. The State depends heavily on taxes from the big auto firms, which suffered a severe drop in income because of the 1958 recession. At the same time welfare payments to unemployed workers went up into outer space. But actually the recession only triggered the crisis, for the State has been spending more than it took in for three years now.

According to reports from Lansing, the capital, the crisis stems from a battle over what kind of new taxes should be adopted to raise additional State revenue. Governor Williams wants a graduated income tax. His Republican opponents, calling this a "soak the rich" scheme, want a boost in the sales tax from 3 per cent to 4 per cent, which the Democrats of course consider unfair to low-wage earners.

The Governor has prepared "a timetable for fiscal collapse" listing the order in which State bills should be paid. Welfare payments to the unemployed and the State's handout to the 2,300 school districts head the list.

Michigan is a sovereign government over a large area of land. Originally valueless, this land has increased in value many times over as the State has grown in population and as governmental services—roads, schools and other facilities—have made it more and more desirable. In the early years, the expenses of government in Michigan, both local and State, were met by taxes falling primarily on the value given to land by social growth and public services. These taxes were not arbitrary. They were a quid pro quo, a payment by each landholder for the advantages given to his holding by social growth and public expenditure. These old traditional taxes encouraged development in Michigan because, after all, one had to pay them whether he used his land or not. They fell on absentee speculators as well as on resident workers and industries.

These taxes have been largely forgotten, replaced by others falling on trade and industry. And now once prudent landholders who used to have to pay the bills, have added their strident voices to the chorus demanding increased public expenditures. Why not? Every public project tends to raise the value of the land surrounding it, and the landholders don't have to pay for it. Their

Excerpts from a commentary by **Robert Tideman**, executive secretary of the Henry George School in San Francisco, broadcast on May 1 by KPFA, Berkeley, California.

attitude is "Let's spend the money!" And while Left and Right, Reuther and the big three auto makers, Democrats and Republicans fight to the bitter end over whether to soak the man who earns a little or the man who earns a lot, land prices steadily climb, sharp operators write about how to make a million in real estate, and Michigan land continues to be relatively tax exempt.

One of the Michigan legislators who sees this clearly is Democratic Representative S. James Clarkson. "This is the best kept secret I've ever seen," he said, in an interview reported in the Royal Oak Daily Tribune last January 22. "Everybody in the Legislature is talking about taxing wages or capital profits; no one mentions land." He gave examples of Michigan land, in city and country, which is giving employment to no one, because, being undertaxed, it is profitable to hold it for speculation.

Clarkson has now introduced a bill calling for the separate assessment of land values, so that they can be taxed without regard to the improvements in or on the land. Separate assessment of course has been the policy in California for many years and is the policy in most other States too. Representative Clarkson doubtless hopes it will open the way for tax relief to income and sales tax payers.

One remedy for Michigan's distress which is sure to be proposed in the weeks ahead is that the federal government should bail them out, just as it is bailing out other governments all over the world which raise their revenue in ways which depress their own economies. That would lead as surely to federal control of the State government as farm subsidies have led to control of farming.

No, Michigan's problems are Michigan's own doing. Right in the State's school districts, which the Governor says must have second call on the State's dwindling cash, lies land which is held idle because it is under-taxed—land for building, for farms, for industry—idle lots and idle acres past which the unemployed tramp on their way to the welfare office to pick up their weekly relief cheques.

Professor Mason Gaffney, formerly a graduate student here in Berkeley, assembled figures on the percentages of idle land in a number of cities over the country. Among them were several Michigan towns. In Kalamazoo, for example, 19 per cent of all land was reported vacant in 1952. If this land, along with the land which is in use, were separately taxed as Representative Clarkson suggests, the State would have the revenue it desperately needs. Powerful landholders would begin to work for the economy. More important, idle land would begin to come on the market. There would be new demands for labour, and the pressure on welfare funds would begin to ease off because the unemployed would begin to go back to work. Industry and people would begin to move into Michigan instead of out of it as they have been for several years now. The crisis would be over.