

IF REAGAN SUCCEEDS
by
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On the night before election I listened to Candidate Reagan's peroration on TV. It was a picture of what he imagined America might become if only he and his cohorts were entrusted with the reins of power. Curiously enough, he seems to believe that his extravagant imaginings are justified. Despite the fact that many aspects of his program seem to most establishment-minded people as both valid and necessary, there is really very little justification for his enthusiastic euphoria. The fevers of inflation may well be our major concern but the pill of a balanced budget and the bitter medicine of wholesale liquidation of programs of relief and subsidy will hardly lead to ultimate success. Even if his program is adopted in toto this nation will still be in big trouble, because he is stubbornly or blindly refusing to face up to the real cause of poverty.

DEALING WITH SYMPTOMS ONLY

To many who accept the present system of things as essentially sound, Reagan's four pronged plan may seem reasonable. 1) To cut government spending, 2) to ease up on tax pressures, 3) to grant corporate immunity from public control, and 4) to restore a stable currency, — they are all valid undertakings. However, none of these measures will have more than a cosmetic effect in dealing with the fundamental causes of our having been saddled with such a bloated federal budget, our outrageously high taxes, and our perennial failure to strike a balance between the money supply and production. All we can say is, — if Reagan succeeds, so what?

EIGHT TIMES IN 66 YEARS

Our success in balancing the federal budget only eight times in the past sixty-six years is a scandal of inefficiency. We should long since have discovered why the national debt was being allowed to escalate from \$1.5 billion in 1915 to \$957 billion in 1981. It was not because we were at war. It was because there was then, and always has been, a basic flaw in the government/business relationship. A \$1.5 billion deficit then may have looked as big as a \$1 trillion budget does today. For us it is much more appalling because, with interest rates being what they are, it is costing us \$67 billion just to service the debt! How long can this go on?

WHERE DOES THE MONEY GO?

In the past nine years since the close of the Viet Nam war the national debt has increased \$522 billion. That is \$87 billion more than it had increased in the years between 1915 and 1972. Why is it so impossible to deal with this problem, and what makes Reagan think that his group will have any more success in balancing the budget if his program is implemented? Since we have been involved in no war during the past nine years, where has the money gone? It has gone to relieve famine areas as the government has been pressured to grant relief funds to all kinds of institutions and programs. Private industries and a near bankrupt city were beneficiaries. Then there was the Johnson dream that we could eliminate poverty by taxing the employed and giving billions to the poor. No wonder we are confronted with economic disaster.

RICARDO DISCOVERS THE LAW

Unless this and all the other countries of the world learn what causes poverty and how it can be eliminated, all our crises will be turning into calamities. It is not nearly as complicated a problem as the ruling elite would like us to believe. Men have been trading for thousands of years. For centuries poverty was accepted as inevitable. At no time was it hard to see that when land is treated as private property wealth and power come to those who own and control the land. Until about 1776, no one, not even the great Adam Smith, famous progenitor of all economic theorists, could explain precisely why — step by step. Then David Ricardo, a student of Adam Smith, discovered the law of rent. The law had been at work for centuries without even the landowners understanding how it worked. Strangely enough, Ricardo was no reformer and could care less that it functioned as it did. It remained for Henry George, one hundred years later, to explain why and how we should deal with the law so as to guarantee justice, security and well-being to all the workers and producers of the world.

Had the channels of communication been made available to those who understood its amazingly incredible potential for putting social controls on the age-old lust for wealth and power, we might, by now, have entered upon a period of peace and general prosperity such as only prophets and poets had dared to dream. And yet, ask almost any conventionally educated or well read person how the law operates and he will say, "The law of what?" We all live and work today as if the law had never been revealed or that Ricardo and Henry George had never lived. Civilization is still in the pre-Ricardian age!

THE LAW OF RENT

What is the law of rent? First let us understand that we are talking about land rent. We pay rent for land, —nothing else. We do not rent houses. A rented house is technically capital, and for that interest is paid. Labor receives wages. In any economic project whoever owns the land receives rent, whoever provides the capital receives interest and whoever does the work, wages. A grocer who owns the land, the building and the stock on the shelves, and who also clerks is landowner, capitalist and laborer. His income may be divided into three parts. This is true of any economic operation, no matter how large or complex. At any time or place the current rate of interest and the "going wage rate" are fixed by the erstwhile mysterious process known as the law of rent. Once the interest and wage payments have been met, all the rest may be claimed by the landowner in rent. To simplify by illustration, if the land where the grocer operates has become extremely valuable, his capacity as landowner will enable him to claim as his share whatever happens to exceed what might have been produced on most of the poorer sites in the community.

At the risk of being redundant, here is a formal statement of the law: The rent of any given piece of land is fixed by the excess of its productivity over the poorest land in use with the same amount of capital and labor. A landowner may claim as his share in production everything over and above what anyone might be able to produce on the poorest land in use. Our system may appear complex, but there are only three factors in production, — land, labor and capital. These can be identified by a careful observer. Wealth is like water that seeks its own level according to the law of gravity.

AS POPULATION ADVANCES LAND VALUES RISE

As land values rise more and more of the wealth produced is claimed by landowners in rent. In due time, in whatever country that treats land as private property, most of the land comes into the possession of a few. It has happened here. In the United States 3% of the population owns 95% of the land area. If you are tempted to become defensive because you own a city or suburban lot, let us remind you that one big company in California owns more millions of acres of land than all the homesites in the state. Remember, we are talking about huge holdings of millions of acres of oil, coal, timber and natural gas deposits. A 200 acre farm is about the size of a mosquito on the ear of an elephant in comparison.

HENRY GEORGE POINTS THE WAY

One hundred years after Ricardo had discovered the law of rent Henry George wrote his classic Progress and Poverty. He had made something of a discovery himself. We do not have to pay rent to private landowners. We can pay most of it to ourselves in our capacity as citizens. By basing the property tax on land value we could claim that ever growing socially created fund for the use of society itself. In doing so we could eliminate many of the taxes on everything from needles to skyscrapers. All such taxes are punitive anyway, as if it were a crime for human beings to create wealth.

THE SIMPLE TRUTH ABOUT TAXES

It is incredible that our failure to deal with a few simple facts about taxes has us all on tenterhooks. First and foremost it must be stated that the property tax deals with every square foot of land and every bit of wealth in the country. If we had all been taught from childhood (1) that every bit of wealth came originally from land; (2) that a tax on land value is actually a form of rent which we could just as well pay to the government rather than to a private landowner; (3) that any tax based upon the value of any and all kinds of land, assessed at full market value, would so reduce the price of land as to make it easily accessible to all kinds of people for all kinds of purposes; and (4) that any tax based upon buildings and improvements, being always passed on to the ultimate consumer, will reduce the cost of everything we need, — I repeat, if we had all been taught these things from childhood and if the property tax had been structured accordingly, who can imagine the kind of dream-world that we might now be enjoying or the extent of our influence among the nations of the world?

This is how it all adds up. Tax land value high (but not beyond its market value) and the price of land is reduced; Untax buildings, improvements and all labor-produced commodities and the price of all things except land will also be reduced; It may sound crazy but it is true.

AN ODIOUS COMPARISON

One might wonder why the real estate tax which collects a mere \$60 billion could be considered important at all in comparison to the federal collections of \$900 billion. Actually, those who own the land are collecting the full economic rent which may be \$3, \$4, or \$500 billion. The idea of land value taxation is that those

who are renting or using the land should be paying a far larger percent of the economic rent to the government instead of to private landowners, and this, in lieu of all the taxes on buildings and improvements. If the real estate tax were to be based on land value alone, millions of people, hungry for all kinds of land, could secure it at low, low prices. In a free and open market people are constantly bidding for the right to use all kinds of land. The fact that a large part of the rent is being paid to the government instead of to a private owner will not increase or diminish the annual economic rent. It will, however, greatly diminish the amount of taxation on everything we buy except land. This, in turn, will automatically reduce commodity costs, as well as the purchase price of land.

If our elected representatives in Washington understood the first thing about the law of rent, assuming they are sincere in trying to get things back on track, they would not be wasting their time worrying about what not to spend of the proceeds of the income tax. They would be giving their attention to the mischief that is being created by the way the property tax is structured. They might even realize that there would never have been an income tax at all if we had only listened to Henry George in the first place. For the moment, we do not need to cut the income tax as much as we need to fix the property tax. We need an income tax as much as we need the proverbial "hole in the head." The primary reason that the income tax has grown to such gigantic proportions is that the property tax is so badly conceived in the first place and so amateurishly administered in the second.

A NEW KIND OF LAW IN PENNSYLVANIA

In 1960 I went into Pennsylvania to explain to city officials why they should do as the State Legislature had told them they could, — stop taxing buildings and improvements and put the entire tax on land value. The idea had been around and thoroughly researched for years. It had been highly successful in New Zealand and Australia. The city of Johannesburg, South Africa, has enjoyed land value taxation for many years. It completely renews its downtown area every thirty-five years. But even though I explained that land value taxation would solve many knawing problems common to all American cities blank stares was about all I ever got at first.

Using tax rolls, inadequate and sometimes outdated as many often were, I ran research studies in fifteen cities, showing exactly what the tax on particular properties would be if the city tax was to be based on land value alone. The results were amazingly uniform. Homeowners, industries, apartments, funeral parlors, banks, and

always a few of the larger buildings in the downtown districts would enjoy tax decreases. Vacant lots and poorly improved properties in the high value areas would have to pay higher taxes than before. However, all would be able to improve their holdings without any additional tax. The studies revealed that almost all of the regrettable conditions that plague most cities are caused by our fallacious property tax, and that a land value or incentive tax would automatically serve to renew slum areas, replace old rickety buildings with fine modern structures, stop substantial citizens from fleeing the city and eroding the tax base, end suburban sprawl, provide apartments with ample recreational and parking facilities, and in doing all this move the building business into high gear.

DO IT GRADUALLY

It would be unrealistic to change the tax policy suddenly, but it would be both easy and practical to have it done gradually over a period of four or five years. Such a plan upon being announced would produce immediate results. The price of building lots would fall. New homes would be built. Merchants would build better stores. Industries would expand their plants. Not only would the government have more money but the level of wages for the great majority of the workers would rise. It is one of the automatic effects of a land value tax that as the grade of land goes up less and less goes to rent to enrich private owners and more and more goes to wages to reward those who actually produce the wealth.

IF LVT IS GOOD, WHY NOT?

Perry Prentice, for 25 years a Vice President of TIME Magazine has devoted his retirement years to urging the adoption of LVT. He was recently asked a question familiar to all so-called "Georgists."

Paul Wilborn, Florida Living Editor, Tampa Tribune, in an interview with Mr. Prentice, asked: "If land-value taxation is such a good idea, why isn't it being adopted around the country?"

Mr. Prentice: "The large landowners who run our governments and corporations that influence governments won't support a system that would force them to either develop or give up their vast land holdings."

This is the source of the opposition which we face. When, in the late eighteen hundreds Progress and Poverty became a best seller the word went out. The idea must be scotched. It must not be taught in the schools, preached from the pulpits, acclaimed in the press. Publishers must be warned not to make available to its proponents the avenues by which books are reviewed and sold. Authors must pay to be published and suffer the consequence of being ignored. As of now the powercrats are still ahead. Millions paid a terrible price in the great depression. Now we are on the edge of another precipitous calamity. I was silenced as a minister by the discontent of an unthinking few who swallow everything the establishment dishes up. I bided my time and on retirement went to work. So far, the Social Security System pays off regardless. Now the property tax is doing us all in. It is high time!

THE DETERMINATION OF STEVEN CORD PAYS OFF

During the seventies, Dr. Steven Cord, Member of the History Department of the University of Pennsylvania located in Indiana, Pa. and now President of the Henry George Foundation in Pittsburgh began the publication of a monthly newsletter called "Incentive Taxation." It has been going to mayors and councilmen of all Third Class Cities in Pennsylvania explaining the advantages of land value taxation. With dogged persistence the letters kept coming. At last, several cities have agreed to test the law.

In January 1979 Pittsburgh's land tax rate increased from 49.5 mills to 97.5. In January 1980 it went from 97.5 mills to 125.5. Here is Pittsburgh's record of building permits issued.

Year	Number	-\$ Value
1975	3,179	\$ 56,906,055
1976	3,805	55,794,694
1977	3,819	101,458,569
1978	3,622	89,264,159
1979	4,420	108,398,188
1980	4,804	297,484,884

Source: Reports of Building Permits Issued, Pgh. Bureau of Building Inspection, 1976 and 1978 annual reports and Dec. 1980 report.

In 1977, it happened that a number of large hospital and government buildings (all tax exempt) were started, and this accounts for the extra-large dollar-value figure for that year. It should be borne in mind that these kangaroo jumps in building permits issued occurred in the face of a recession in 1979-1980. This recession was especially severe in the construction industry and saw the prime rate jump to an unprecedented 21%.

Robert Clancy, President of the Henry George Institute, in New York, recently printed a quotation from the autobiography of Herbert Quick, an early advocate of what is now known as land value taxation. Mr. Quick had just read *Progress and Poverty*. His experience parallels the reaction of many men and women who say they will never forget the time or place that the same thing happened to them.

"I have often wondered whether many men have passed through such an experience as mine in the reading of this book. I found the very foundations of my philosophy in the process of dissolution. Like the foundations of the Cathedral of St. Paul's they turned out to be nothing but sand and rubble, and the structure of conviction so dear to me was tottering to its fall; but the book did not destroy alone. It poured into the rotten base the concrete of a new and perfectly correlated doctrine, which has stood firm and unshaken ever since. But these foundations of belief which were moving, dissolving and undergoing reconstruction, were those of my very life. The dome which was trembling was that of the conviction which I had publicly proclaimed before my little world. Consistency is a very precious jewel, especially in him who even in a modest way has been a speaker and a writer; and I saw that if these were veritable truths which I was drinking in, I should be forced to repudiate my doctrines which I had held, and constituted the bond between me and many dear friends. I was facing a crucial test of character, or I was being misled."

Should the ideas in this brief treatise intrigue you and you might be willing to distribute a few to some friends write to the author at 904 Harvard Ave. Swarthmore, Pa 19081. If you would like to investigate the philosophy further we suggest four possibilities. My own "Antidote for Madness" in paperback, \$2.95; Steven Cord's "Catalyst" which will include much material that has been used in his monthly publication "Incentive Taxation." \$5.00; Wm Newcomb's paperback "The Conspiracy Against Homeowners and Tenants." \$2.00; Robert Andelson's "Critics of Henry George" \$18.00. All available and much more at the Robert Schalkenbach Foundation, 5 E. 44th St. NYC 10017.