How College Textbooks Treat Land Value Taxation

By Elizabeth Read Brown

"How does it happen that I've taken so many courses in economics and until now have never heard about land value taxation?" This remark expressed the feeling of a graduate student in one of our state universities. A number of other students, who were having assignments on the subject, questioned friends attending different institutions and discovered that the texts these friends were using contained nothing about this method of taxation.

To determine the impact of college textbooks on student thinking regarding land value taxation seventy-six textbooks in economics were analyzed. Included in this group were texts which purport to be used in a substantial number of colleges and universities of the United States (including Alaska, Hawaii and Puerto Rico) and Canada. Attention will be focused in this paper mostly on books published after 1948 with a large percentage of these appearing after 1950, since these are the texts most likely to be in use. To ascertain whether certain views have been continuously emphasized by some of the authors, earlier texts—of which the same individuals were author or co-author—have been compared with more recent ones. Also, an occasional text has been compared with an earlier edition or book by the same author to discover whether he has changed his viewpoint.

In spite of many factors which made it impossible[1] to obtain completely satisfactory information regarding "adoptions," some interesting figures have been collected. Adoptions claimed ranged from 271 to eight, second and third highest being 233 and 120. (The reader should bear in mind that these were not complete records of adoptions.)

In analyzing each book, the table of contents and frequently the body of the text, as well as the index, were examined to locate any reference to land value taxation. When nothing was found in the index under this topic, such related words as "Henry George," "Single Tax," "*Progress and Poverty*," "Taxation," etc., were checked.

Only one book[2] of the entire group examined—and this was excluded from the tabulation since it is not a textbook—made any reference at all to the actual use of a land value tax system anywhere in the world.

[1] Further details—including qualifications—will be found in the Appendix.

[2] William A. Paton, *Shirtsleeve Economics; a Commonsense Survey*, New York, Appleton-Century-Crofts, 1952, on p. 106 refers in a footnote to H. G. Brown, "The Challenge of Australian Tax Policy," *Am. J. Econ. Sociol.*, July 1949.

Thirty-five of the seventy-six books—including George Leland Bach's *Economics, an Introduction to Analysis and Policy,* the one most widely adopted[3]—made no mention of Henry George, *Progress and Poverty,* or the "single tax." Seven other books made only the briefest reference.

I

KENNETH E. BOULDING'S *Economic Analysis* has the second largest list of known adoptions. The author prefaces his comment about Henry George and the "single tax" with the statement that the collection of information about national income and product has "led to the *'debunking'* of many *myths.*"[4] The thirty-word comment follows:

> Henry George's idea of the "single tax" fares ill when we compare what is absorbed by government with the small fraction of national income which goes to rents and royalties.

With these words Professor Boulding dismisses once and for all, not only *the* "single tax," but any consideration of the proposal that land be taxed more heavily than improvements (capital) as a reform in our tax system. So, of course, he makes no reference to existing information on what has occurred when that reform has been introduced in Australia and elsewhere. Why is not the taxing of land, according to its unimproved value for what it would yield, considered and compared and contrasted with other forms of taxation on the basis of such actual experience?

In *Economic Processes and Policies* by William J. Baumol and Lester V. Chandler,[5] the view that a tax on land values cannot be shifted, is referred to without endorsement, in these words:

> However, since land can neither be made nor destroyed, a tax cannot affect its supply. It is concluded that a land tax will be less harmful than other taxes in causing resources to be misallocated.[6]

The balance (less than one page) of the discussion given to "land taxes," is devoted to pointing out alleged "important weaknesses in the arguments of those who advocate levying taxes only on land."[7] It runs as follows:

> Again the argument is weak because a tax on land can affect the supplies available on the market. A land tax of sufficient magnitude may induce landlords to let their acres grow wild or use them as hunting grounds

[3] *Economics, an Introduction to Analysis and Policy,* 2d ed., Englewood Cliffs, N. J., Prentice-Hall, 1957; also 1st ed., 1954. (At time of investigation there were over 271 reported adoptions.) Same statement applies to the 3rd ed., 1960, which appeared after manuscript was completed.

[4] 3rd ed., New York, Harper, 1955, p. 281, italics supplied.

[5] Rev. ed., New York, Harper, 1954.

[6] *Ibid.*, p. 666.

[7] *Ibid.*, p. 667.

rather than renting them out for industrial building. The less effectively he can shift the taxes on to the person to whom he rents his land, the greater may be the landlord's inducement to hold it back for his own use.[8]

The authors state in a footnote reference that what they are criticizing was "essentially the view of Henry George, founder of the single tax movement."[9] But that proposal was that land values be taxed equally whether the land is used or not used. No owner could by using his "acres as hunting grounds" or holding them back "for his own use," escape taxes. From the passage in Baumol and Chandler here quoted, it would appear that a land tax does not apply to land when kept out of use. Yet advocates of land value taxation have constantly emphasized that such a tax would force good land into use *because* it *does* apply to unused land whenever it has value. Since the owner would have to meet the tax, he would be more anxious to get as great a return—by renting it or using it himself—as possible.

In Australia, for example, it was found that where land was taxed more heavily and capital was relieved—or untaxed—there was a "decline in vacant holdings."[10] In August 1956, the citizens of Wangaratta (Victoria) voted in the land value tax system. A June 1958 issue of the *Wangaratta Chronicle Despatch* reported that: "Valuable blocks of idle land have been sold by auction at 'very satisfactory' prices, and some derelict buildings have been demolished to make way for new ones."[11]

II

FOUR EDITIONS of Paul A. Samuelson's *Economics*,[12] bear testimony to

[8] *Ibid.*, p. 666.

[9] *Ibid.*, p. 667.

[10] H. G. Brown in "The Challenge of Australian Tax Policy," *Am. J. Econ. Sociol.*, 8 (1949), p. 380. This article summarizes the statistical studies made by the Land Values Research Group of Melbourne, of which Mr. A. R. Hutchinson is the Research Director. Concerning these studies, Mr. E. J. Craigie said they "have been accepted as reliable in Australia." See *Land Value Taxation Around the World*, New York, Robert Schalkenbach Foundation, 1955, p. 18.

[11] *Wangaratta Chronicle Despatch*, June 5, 1958, "Building 'Wave' Envelops Whole of Town." (Wangaratta is an important town about 145 miles northeast of Melbourne, Australia.) A facsimile reproduction of a considerable portion of the front page including headlines of the *Wangarratta Chronicle Despatch* appeared in *Land & Liberty*, 65 (London, England, Aug., 1958), p. 136. Recognition of the stimulating effect of a land value tax policy can be found in the literature of nearly half a century ago. See, for example, Yetta Scheftel, *The Taxation of Land Value, a Study of Certain Discriminatory Taxes on Land*, Boston, Houghton Mifflin, 1916, pp. 107–20. Her investigation showed that "the land tax" had been found to increase the amount of building, decrease the amount of vacant land and stimulate business.

[12] *Economics, an Introductory Analysis*, 4th ed., New York, McGraw Hill, 1958. First published in 1948, 2nd ed. in 1951, 3rd ed. in 1955. No record could be secured regarding the number of adoptions. The present writer, however, has personal knowledge of a considerable number of institutions, in widely varying sections of the United States, which have been, or are currently, using Samuelson.

the popularity of a text by an author who has been called "one of the most brilliant of contemporary young economists."[13]

Professor Samuelson introduces the subject of land value taxation because, he believes, *Progress and Poverty's* "central tenet—that land rent is in the nature of a surplus which can be taxed heavily *without disturbing production incentives*—can be examined to illustrate one principle of distribution and taxation."[14] Nowhere does he point to any specific benefits from such a system. Instead he leaves the student with this thought concerning "the Single Tax Movement":

> This is not the place to attempt any assessment of the merits and demerits of such a political movement. . . . The Moral? Perhaps this: At this point, suspend judgment on the ethical problems of distribution—on the For Whom. And when you do begin to tackle such ethical questions, don't forget efficiency.[15]

Are college students *never* to consider the pros and cons of this subject? Where is the place—if not in college classes—that "the merits and demerits of such a political movement" should be assessed? (Other writers than Samuelson have taken the course of avoiding such a discussion. For example, Baumol and Chandler say:[16] "However, this is not the place to go into the complicated ethics of the question.")

Samuelson does not consider whether higher taxation of land would force more good land into use. Nor does he weigh the proposal that relief of capital from taxation be employed to increase the rate of capital investment. He does not indicate whether the increased amount of available land and the increase of capital would make labor more productive. He does not show whether taxing capital less and land values more would facilitate slum clearance without putting an extra burden on the taxpayer's back to buy out slum landlords at higher prices, probably, than they could otherwise get. He does not indicate whether such a tax policy would make easier the purchase of a home, farm or commercial property. Like *nearly all* the writers of economics texts, Samuelson ignores existing data from Australia and New Zealand. And indeed, he ignores *all* literature on the subject of land value taxation later than 1879 when Henry George's *Progress and Poverty* was published!

III

RALPH H. BLODGETT in *Our Expanding Economy,* commenting on "the

[13] From a review by L. C. Fitch of Samuelson's *Foundations of Economic Analysis,* in *Political Science Quarterly,* 63 (1948), p. 474.

[14] Samuelson, *op. cit.,* p. 529.

[15] *Ibid.,* pp. 529, 540.

[16] Baumol and Chandler, *op. cit.,* p. 667.

basis of what is called the single-tax movement," appears to have changed his attitude toward the "single tax."[17]

It is contended, Blodgett says, that the rents owners receive are the results of social growth and development and not any activity by the landowners. Hence it is argued that the rent of land should be taken in taxation by society. But on the other side it is argued, Professor Blodgett continues, that many landowners have bought their land at such a price that the rent they receive is no more than "the going rate of interest." Why, therefore, he asks, should this rent be taken away from them while investors in capital are not thus taxed?

The author's final comment on the subject is that "a number of ethical and practical obstacles would stand in the way of a program for socializing economic rent."[18]

In an earlier book, *Getting and Earning,* of which Professor Blodgett was co-author with Raymond T. Bye, a rather different view—and a much more exhaustive treatment—of the "single tax" was presented.

Here then, is a problem—and a challenge . . .[19]

> Having thus considered something of the nature of the income from land, let us now apply to it the test of earnings developed in the second chapter. Let it be remembered that we are dealing with the income from the bare land itself and not from any improvements which may have been erected thereon. According to our criteria, only that income is earned which is paid to the recipient for a socially useful service rendered in production, at a price not exceeding the normal competitive value of that service. On the basis of this definition, the rent of land is unearned income . . . There can be no doubt that the land makes an important contribution to production, but the landowner himself does not, and it is he who receives the rent.[20]

The authors emphasized the dependence of land value on the geological and social factors for which the owners are not responsible. The fortunes of the Astors, the Weyerhaeusers, the Fields, *et. al.,* resulted from rising land values which went to private individuals. But what these did "on a large scale, many others have done and are now doing on a smaller scale. In every growing community there are land speculators, reaping an unearned profit made possible by the activities of others about them; and every town of small or medium size has its quota of inhabitants who have become well-to-do through land ownership."[21]

[17] *Our Expanding Economy, an Introduction,* New York, Rinehart, 1955, p. 439.
[18] *Ibid.,* p. 440.
[19] *Getting and Earning, a Study of Inequality,* New York, F. S. Crofts, 1937, p. 89.
[20] *Ibid.,* p. 96.
[21] *Ibid.,* p. 103.

In commenting on the frequent insistence that such "investors have borne a considerable risk for which they deserve to be rewarded" and that they have exercised foresight, Professors Bye and Blodgett illustrated by a story of a bandit. If the bandit robs a messenger carrying a payroll and escapes with the money, this effort does not qualify him to receive a reward even though he has exercised "foresight" and taken "a risk."[22]

Notwithstanding Bye and Blodgett pointed out certain weaknesses in George's reasoning, they recognized and gave him credit for those of his arguments which they considered to be correct. Even more unusual, they did not assign him to "the underworld of economics."[23] Instead, they felt it necessary to defend him, noting that:[24] "For many years conservative writers have taken a peculiar delight in trying to punch holes in Henry George's analysis." Admitting that there are points on which "his reasoning and conclusions are vulnerable to some extent," they added:

> In spite of these objections, there is considerable truth in George's analysis and much merit in his basic proposal. Our own reasoning supports his view that land rent is unearned by the landlord. This may be held to justify the appropriation of rents by society through its collective organization, the State . . . Therefore, why not appropriate the entire economic rent of land, henceforth, by means of taxation?

Though Bye and Blodgett maintained the vested rights argument was "not to be dismissed lightly," they went on to say:[25]

> On the other hand, it surely should not be allowed to block the way to many socially desirable reforms . . . We did not allow the vested interest of innocent purchasers of inflated securities in monopolistic enterprises to prevent the breaking up of such monopolies under the Sherman Anti-Trust Law . . .
>
> There is, then, ample precedent for ignoring the vested interest of those who have purchased land, if we desire society to appropriate the land values which properly belong to it.

Further on in the chapter one reads:[26]

> Let us begin at once to modify the present general real estate tax, which is acknowledged by all students of public finance to be in need of reform.

[22] *Ibid.*, p. 105.

[23] Robert L. Heilbroner in his *The Worldly Philosophers: the Lives, Times and Ideas of the Great Economic Thinkers*, New York, Simon Schuster, 1953, p. 182, wrote of Henry George as follows: "He was a religious man; let us hope that his soul went straight to heaven. As for his reputation—that went straight into the underworld of economics and there he exists today; almost-Messiah, semicrackpot, and disturbing questioner of the morality of our world." It is interesting to note that in his book of 342 pages, Henry George is the only individual about whom Heilbroner writes in such terms.

[24] Bye and Blodgett, *op. cit.*, pp. 111–2.

[25] *Ibid.*, p. 114.

[26] *Ibid.*, p. 120.

As a part of this reform, let the value of land be appraised separately from the value of improvements thereon in every case. Then we can begin a series of gradual reductions in the taxes levied on the improvements, parallel with a series of gradual increases in the taxes levied against the land. If this were done over a period of several decades, the land tax could eventually be raised until the State was receiving approximately all the economic rent, while the tax on improvements could be reduced to zero . . . the net result of this policy would often be an actual reduction in the total taxes paid on real property . . . By this proposal, we would not only be improving a system of taxation which is admittedly bad, but we would be achieving the reform advocated by Henry George by a gradual approach which would reduce the injustice to vested interests to a minimum.

Professor Blodgett offers no clue other than the passage quoted from *Our Expanding Economy* to what caused him to change the view he held —or endorsed as co-author—in 1937. In the preface to the 1955 book, however, he does indicate that he fears some might approach his later book with hostility or at least prejudice because of earlier views. He expresses the hope "that *Our Expanding Economy* will be considered on its merits and not on the basis of any of my earlier works."[27]

IV

Principles of Economics, by Fred Rogers Fairchild, Norman Sydney Buck and Reuben Emanuel Slesinger[28] was published in 1954. According to the publisher it is now "in use in colleges in all sections of the country." It is claimed by the publisher that this fairly recent text "has been patterned after *Elementary Economics*"—which in its day was one of the most widely used texts—written by Fred Rogers Fairchild, Edgar S. Furniss and Norman Sydney Buck.[29] The 1954 book superseded the older work. In 1923 the senior author—Professor Fairchild—had published *Essentials of Economics,*[30] in which he took the same position regarding the "single tax" as that expressed in the two later books of which he was a co-author. Thus for over thirty-five years the view now set forth in *Principles of Economics,* has been presented to students in high schools and colleges all over the country.

Professors Fairchild, Buck and Slesinger describe the "single tax" as the "most extreme form of taxation proposed."[31] They fear that the tax might easily encroach on . . . other types of income and thus act as a

[27] Blodgett, *op. cit.*, p. v.
[28] New York, Macmillan, 1954.
[29] New York, Macmillan, 1924, with 5th ed. in 1948.
[30] New York, American Book Company, 1923.
[31] Fairchild, Buck and Slesinger, *op. cit.*, pp. 363, 364–5.

deterrent to productive effort . . . A movement of this kind destroying private property in land, might destroy many other property rights, because of inability to distinguish land and its return from other productive factors and their returns, and might facilitate the launching of a movement for the wholesale abolition of all private property.

In the 1954 text, Professor Fairchild—in collaboration with the other two authors—gives his student readers the same criticism he proffered in 1923 though in a somewhat different phraseology:[32]

It is one of the lessons of history that the most efficient use of land occurs when it is in private ownership. Much of the motive to such productive use would be destroyed if owners could not look forward to any gain from the increased economic rent of their lands, and society would be poorer because of the diminished utilization of this factor of production.

The last two quoted passages merely assert. The authors do not present any factual material, either contemporary or historical, to buttress their assumptions. There is, however, an increasing amount of data on the effects of raising the local tax on land while at the same time reducing, or abolishing, the tax on real estate improvements and other capital. It has been found, for example, that such a change in the tax system results in an increase in capital; ownership of homes, farms and business establishments becomes easier.[33] There was less land held out of use and more modern commercial site development in municipalities, especially those which had taxed on the land-value basis for a considerable number of years.[34]

Let us consider a specific case where this reform was adopted. Less than two years after the property owners of Wangaratta (Victoria) had voted four to one to adopt land value taxation, the following headline appeared in the local newspaper:

BUILDING 'WAVE' ENVELOPS WHOLE OF TOWN

In the same issue, the *Wangaratta Chronicle Despatch* commented editorially:

This seems to be one of Wangaratta's most energetic years. Announcements of new commercial building and rebuilding indicate just how rapidly the town is going ahead. The expansion of Yarrunga's shopping centre is particularly significant and could set a pattern for

[32] *Loc. cit. Cf.* wording of this passage with Fairchild, *Essentials of Economics, op. cit.* pp. 525–6; also quoted and criticized in H. G. Brown's *The Economic Basis of Tax Reform,* Columbia, Mo., Lucas Brothers, 1932, pp. 253–60.

[33] H. G. and E. R. Brown, *The Effective Answer to Communism*, New York, Robert Schalkenbach Foundation, 1958, pp. 12–19.

[34] *Ibid.,* pp. 20–2.

future suburban centres in western and southern Wangaratta.[35]
And this occurred at a time when there was a general recession in building in Victoria!

From 1923 through 1954, Dr. Fairchild and his various collaborators, in their discussion of the "single tax," have warned against the sort of change Wangaratta citizens overwhelmingly voted for in 1956!

V

HENRY GRAYSON and Philipp H. Lohman in *Principles of Economics,* discuss the subject in fifteen lines, part of which reads as follows: "In England . . . unearned increment is partly taxed out of existence. In this connection the 'single tax' proposal of Henry George is interesting."[36]

In the only cases (in England) where there has been legislation providing for any special taxation of land values, or of unearned increment, the legislation was repealed when the Conservatives gained power.[37]

Perhaps the authors had in mind the development charge in the Town and Country Planning Act of 1947—a provision repealed in 1952—in which the landowners paid to the State a charge for the privilege of improving their lands. This was not the "single tax" or land value taxation in the sense understood by advocates of this reform nor was it closely related to either of them.[38]

In *A Key to Modern Economics,* David McCord Wright devotes most of his brief discussion of Henry George and the "single tax" to pointing out the "several weaknesses in the George thesis."[39] Professor Wright states that:

> If all the increase in land values were taxed away, there would be less incentive to undertake improvements . . . Most countries which have tried the Georgist thesis have found the expense of administering the tax is out of proportion to the collections.

If Professor Wright had in mind an increment tax, this—as was pointed

[35] *Land & Liberty, op. cit.,* Aug., 1958, p. 136.
[36] New York, American Book Company, 1958, p. 626.
[37] *Land Value Taxation Around the World, op. cit.,* pp. 146, 150–1.
[38] *Ibid.,* pp. 154, 155–6, 158; also *Land & Liberty, op. cit.,* Oct. and Nov. 1952, p. 111, April–May 1954, p. 40. Mr. V. H. Blundell, Secretary of the United Committee for the Taxation of Land Values, Ltd., confirmed in a letter dated Aug. 31, 1959 that the Development Charge had been abolished as stated in the reference here cited. Some might think of the Town and Country Planning Act as somewhat related to the system at one time widely used in Germany, referred to as "increment taxes." This, too, is different from and not to be confused with land value taxation. See *Land Value Taxation Around the World, op. cit.,* pp. 193–8 for a more detailed discussion.
[39] New York, Macmillan, 1954, pp. 478–9. *Cf.* the view presented by Melville J. Ulmer in *Economics: Theory and Practice,* Boston, Houghton Mifflin, 1959, p. 512.

out in the discussion of the reference by Grayson and Lohman—should not be confused with land value taxation.

Let us examine what recently happened in Mildura City—351 miles northwest of Melbourne, Australia—where taxpayers in August 1956 voted 3½ to 1 in favor of land value taxation. Two years afterwards, the following was reported: "Building in 1957 broke all records. And at the present rate, the 1957 record will be broken this year."[40]

The evidence from Mildura City surely does not indicate that the adoption of the land value tax has resulted in "less incentive to undertake improvements." Instead, there seems to have been considerably greater incentive. Similar results have occurred in Wangaratta and in other Australian towns "with clockwork regularity."[41]

When Professor Wright asserts that the expense of administering the land value tax is excessive relative to its yield, he does not name the countries he has in mind and he does not support his argument with citation of sources. In connection with Professor Wright's statement, the findings of the Taxation Enquiry Committee appointed in 1947 by the Kenya government (East Africa), regarding local taxation are certainly relevant. Nairobi, the capital of Kenya Colony, has levied its rates (taxes) on land values only, since 1921 The report of the Committee said that the site-rate system is "economical to administer . . . From the fiscal point of view and bearing in mind the present need to encourage development, the Committee favors the site-value system in the taxation pattern of the Colony and the principle of levying a comparatively high tax on land, thus ensuring that it will not be left idle or insufficiently developed for long, rather than the taxation of improvements."[42] In Australasia the "cost of administration and collection of the tax constitutes a very small proportion of the revenue collected."[43] And in "South Africa, as in Australia, it was shown that, once the practice of relieving improvements from taxation has been experienced, it remains established for good."[44]

Again, if "the expense of administering the tax is out of proportion to the collections," how could it happen, as Dr. Rolland O'Regan reports: "Some 56 New Zealand communities have adopted land-value taxation, exempting all buildings and improvements, in the last fourteen

[40] *Land & Liberty, op. cit.,* Aug. 1958, p. 136.
[41] *Loc. cit.*
[42] *Land Value Taxation Around the World, op. cit.,* p. 47.
[43] Scheftel, *op. cit.,* p. 95.
[44] *Land Value Taxation Around the World, op. cit.,* p. 46. *Cf.* Scheftel, *op. cit.,* p. 120.

years?" (This was by vote of property owners 30 per cent of whom had signed "a petition for land-value taxation," resulting in a special election called by the governing body.) Dr. O'Regan commented that "it spreads like a grease spot."[45] It appears unlikely that citizens would request such action—and overwhelmingly vote for it—if other citizens in New Zealand and Australia had discovered through experience that the "cost of administering the tax" was "out of proportion to the collections."

Sol Holt and H. L. McCracken, after presenting two interesting paragraphs in their text, *Economics and You,* on what creates land values in country and city, conclude their brief discussion of the "single tax," with the statement that it "has never been seriously considered either by local or national governments."[46] This statement would seem to imply that these authors were unaware of any application—even to a limited degree—anywhere in the world, of land value taxation. Yet the history of it in Australasia predates the twentieth century by more than a decade.[47].

The same lack of knowledge of land value taxation as a going policy over considerable areas, seems to be revealed by E. A. J. Johnson and Herman E. Krooss in their *The Origins and Development of the American Economy,* when they say that this tax "is farther from adoption than ever."[48]

Here is the comment on the "Single Tax Proposal," of Professors J. A. Nordin and Virgil Salera in *Elementary Economics:*[49]

> This plan is extreme enough so that it never had a very large group of determined partisans; and it is no longer a political issue.

Apparently the only justification these authors have for devoting two pages to the discussion of the subject is that "the background of the plan is interesting because it emphasizes an important characteristic of land: the total supply is highly inelastic."

The 1957 edition of *Economics; Principles and Applications,* by James Harvey Dodd, Carl W. Hasek and T. J. Hailstones,[50] omits all mention of

[45] *Christian Science Monitor,* July 29, 1958 (Pacific edition). A review of an interview with Dr. Rolland O'Regan—a leading Wellington surgeon and president of the New Zealand League for Land-Value Taxation—by the Monitor's Pacific correspondent, Mr. Harlan Trott. (Report reprinted in *Land & Liberty, op. cit.,* Sept. 1958, p. 149.)

[46] Sol Holt and H. L. McCracken, *Economics and You,* New York, Scribner's, 1954, p. 90. *Cf.* Ulmer, *op. cit.,* p. 512. According to the publisher's report, *Economics and You* is used only in high schools and perhaps a few colleges and junior colleges.

[47] Brown, *The Effective Answer to Communism, op. cit.,* p. 21. See also Scheftel, *op. cit.,* chapters II and III .

[48] *The Origins and Development of the American Economy; an Introduction to Economics,* New York, Prentice-Hall, 1953.

[49] New York, Prentice-Hall, 1950, p. 340.

[50] 3rd ed., Cincinnati, South-Western Publishing Company, 1957.

taxing land values. In the previous edition—Dodd and Hasek only—the authors, like Professor Fairchild, appear to be concerned lest the institution of private property be undermined by the "single tax."[51] Their presentation conveys the impression that beneficiaries of the institution of private property would naturally oppose any significant change in this direction. Yet in Wangaratta and Mildura City, as in many other cities and districts in Australia—and also in New Zealand—property owners themselves have voted overwhelmingly for the adoption of the land value tax system.

Professors Dodd and Hasek refer to the program as something involving a fundamental and radical change. Instead of this program, they vaguely suggest—not describing or even naming them—programs which they consider of a more gradual nature and not so spectacular. In this connection, it might be noted that the Pittsburgh (also Scranton) graded tax system was adopted by a gradual process. Over a period of years the tax on improvements was made progressively smaller in relation to the rate on land. Thus improvements came to be taxed less and land more.[52]

Dodd and Hasek express the opinion that there are other sources than land of unearned income. These, they contend, should be taxed before taxing, or increasing the tax on, land. Just because there are other sources of unearned income—which may often call for enforcement of competition or for regulation rather than taxation—it does not follow that land values should be relieved of taxation.

After summarizing George's philosophy, Shorey Peterson comments in *Economics*:[53]

> His proposal still has organized support. In certain instances it has been applied in a small way by levying heavier property taxes on land than on buildings and improvements.

Professor Peterson adds:

> Confiscating rent would destroy the value of land; and its present owners, for the most part, are not the ones who held it when it acquired its value. Income from the land itself is badly tangled with the income from the capital invested in developing it, and the returns are hardly separable . . . Moreover, the whole land-rent matter seems less serious than it did in the last century, and other aspects of distribution now cause greater concern. This, at least, is true in the United States.

[51] James Harvey Dodd, C. W. Hasek, *Economics, Principles and Applications*, 2d ed., Cincinnati, South-Western Publishing Company, 1952, pp. 325–6.

[52] Percy R. Williams, "Pittsburgh's Graded Tax in Full Operation," *National Municipal Review*, 14 (Dec. 1925).

[53] Rev. ed., New York, Holt, 1954, p. 674.

Henry George and the "Single Taxers" are lumped by Professor Peterson with the Socialists and with Huey Long who proposed a "Share the Wealth" movement in the United States in the Nineteen Thirties. In this connection Professor Peterson says:[54]

> Earlier, Henry George and the Single Taxers tried to get rid of the natural-resource element in inequality by taxing away the economic rent of land . . . while rearrangement of wealth ownership or income from it may look easy, the difficulties are actually great if the structure of capitalism is to be retained.

This is the expression of an opinion by the author but without citation of any factual material to support it. On the contrary, so far as land value taxation is concerned, an increasing body of data indicates that to increase taxes on bare-land values and reduce them on capital strengthens the incentives on which capitalism must rely.[55]

Professor Peterson, too, like many other textbook writers, appears to be disturbed over vested rights, which have been discussed earlier in this paper in connection with Professors Bye and Blodgett's *Getting and Earning.*

A. Smith Pond's *Essential Economics,* with nearly fifty recorded adoptions, might at first glance be regarded as comparatively objective. This is the author's comment on the "single tax":[56]

> A limited group of economists urges heavy taxation of this form of income as a substitute for other taxes. They insist that by freeing other income of taxation, incentives to produce will be strengthened, whereas rent is not needed as an incentive to production. They also contend that taxation of land rent on the basis of the highest income the land could yield will force land into those uses and thus produce the greatest benefit to society.

The author objects to such a tax because

> land is not the only source of rent, that it is difficult to measure rents accurately . . . that there would be danger of discrimination against landowners, particularly against those who had purchased their land in preference to making other types of investments . . .

Professor Pond insists that "it is difficult to measure rents accurately." Let us assume that it isn't possible to make an absolutely accurate separation of land value and improvement value. Does it necessarily follow that because of possible danger of accidentally and occasionally taxing improvement values, in attempting to tax land values *only,* it is better to

54 *Ibid.,* p. 707.
55 Brown, *Effective Answer to Communism, op. cit.,* pp. 18–19, 80, 91–3.
56 *Essential Economics, an Introduction,* New York, Harcourt, Brace, 1956, p. 176.

deliberately and purposely tax *all* improvements *all* the time than to make an honest attempt to exempt them?

C. Lowell Harriss' work, *The American Economy,* ranked third in number of known adoptions. His two-page discussion of what causes land values to rise—unearned increment—refers to some making "a killing." But he does not suggest taxation as a remedy.[57]

In the third edition (1959), what had been, in the previous edition, a seven-line footnote summary of Henry George's economic views as expressed in *Progress and Poverty,* was incorporated into the text with this addition:[58] "Removal of taxes on buildings would encourage construction."

In commenting on those who "strike oil" or acquire sudden wealth from owning land "with highly valuable resources underneath," Professor Harriss remarks that:

> The 'have nots,' most of us, often suspect that more of the benefits of nature's gifts might appropriately go to the public as a whole.[59]

Chapter 32, "Taxation: Principles and Practice," is devoted to a discussion of taxation, including the corporation tax, the income tax and the like. No mention, however, is made of land value taxation—or even the "single tax." Regarding the effect of an income tax on incentive, the author says:

> The net incentive aspects of personal income taxation are a great unknown. A horse and a rabbit in a stew make a mixture of unequal proportions. So do high taxes—stimulating and depressing . . . When we stop to think, does the system not seem topsy-turvy? If we produce more, or run a business more efficiently, we are penalized for our extra contribution. The more we do what others want, the more we must sacrifice for government, and not proportionately but progressively more.[60]

Land value taxation is designed to give the relief which Professor Harriss appears to feel is needed. He does not himself make any mention of it in this connection, however, nor does he offer any other solution.

The section entitled "Fuller Utilization of Human Capacities"[61] is a discussion of ways in which the productivity of workers can be increased, but Professor Harriss does not suggest that land value taxation could contribute even slightly toward this goal whether by increasing the available amount of good land or by lessening the penalty on saving and the in-

[57] *The American Economy; Principles, Practices and Policies,* rev. ed., Homewood, Ill., Richard D. Irwin, Inc., 1956, pp. 487–8.

[58] 3rd ed., Homewood, Ill., Richard D. Irwin, Inc., 1959, p. 548.

[59] *Loc. cit.*

[60] *Ibid.,* p. 670.

[61] *Ibid.,* pp. 782–5.

crease of capital equipment.

In Chapter 40, "Economic Problems Ahead," Dr. Harriss has this to say about urban blight, slums and housing:[62]

> Urban blight curses every city as older areas deteriorate. It spreads . . .
> Urban blight is no modern creation, but neither the ancients nor we moderns have mastered it. Unfortunately, in another 15 years we may find that many of the cheaper housing developments built since World War II have become new centers of blight, bringing losses not only to the owners and users but to many more in areas around. But there *must* be some possibility of prevention.
> The years ahead will bring difficult housing problems. The millions of the poor are likely to find slums increasingly expensive. To meet the crude, quantitative needs for our population growth, the economy will be able to build enough housing units though rising land and construction costs will not be easily met by the masses.

For these problems Professor Harriss does not suggest a solution. He—as this survey shows to be the case with nearly all authors of economics textbooks—makes no mention of land value taxation as having any bearing on them.[63] Nor does he refer to the experience of New Zealand in combating slums or to Wangaratta, Mildura City, Moorabbin or any other Australian city's experience in increasing building.

Moorabbin "is the largest of the municipalities which together comprise Greater Melbourne" (Australia). For years "its development lagged behind that of many smaller Melbourne municipalities" that exempted buildings and taxed land values. "Much land was held vacant for speculation." In 1946, after a vote by taxpayers in its favor, Moorabbin adopted land value taxation. Twelve years later (August 22, 1958) "the *Moorabbin Standard-News* published a special supplement featuring the growth of the city from obscurity to one of the most important municipalities in Victoria." The *Moorabbin Standard-News* further stated that it "has established its place as Victoria's fastest growing municipality . . . and the second fastest growing city in Australia." This growth had been in "all of its phases—population, industry, commerce, housing, parklands and civic amenities."[64] In view of the possibility of other influences, it is not contended that a single case is conclusive. But with an increasing number of cities or municipalities—in Victoria alone there are more than forty[65] local authorities that have adopted land value taxation—showing

[62] *Ibid.*, pp. 840, 842.

[63] For a recent discussion which emphasizes the relation of land value taxation to urban blight, slums and housing, see E. R. Brown, "Growing Urban Obsolescence and Tax Policy," *Am. J. Econ. Sociol.*, 19 (Oct. 1959), pp. 96–8.

[64] *Land & Liberty, op. cit.*, 66 (Aug. 1959), p. 129.

[65] *Land & Liberty, op. cit.* (July 1959), p. 121.

favorable results from this tax policy, it would seem that the evidence should not be completely ignored by writers of textbooks in economics.

VI

IN THE 1946 EDITION of John Ise's *Economics,* the presentation of the "single tax" (Chapter 31, "Some Land Problems"), was concluded—except for incidental reference— with these words:[66]

> If confiscation of land or rent is ethically indefensible, and if State appropriation with fair compensation offers no important advantages, what point is there to any discussion of the single tax? . . . The logical answer might seem to be that it is of no significance, but this is not correct . . .
>
> . . . since a tax on land, or rent, has definite advantages over taxes on capital or productive enterprise, the State should move in the general direction of heavier land taxes whenever it is necessary to increase revenues. Any new tax, any change in the tax system, involves some injustice because it imposes a burden which the people have not included in their calculations. Even so, when the state and federal governments change their tax systems, as they frequently do, they might well consider the relatively less burdensome land tax. If injustice must be done, let it be done in the furtherance of an intelligent general policy. It is no more unjust to raise taxes on land than to raise taxes on capital, and the long-run effects, as we have seen, are less harmful.

Professor Ise's revised *Economics*[67] omits the passages just quoted. In fact the entire section entitled in the earlier work, "The Land Tax in Future Tax Systems," was deleted from the later edition. Consequently when the student gets to the study questions at the end of the chapter, he is not prepared—as was the student of the first edition—to answer questions under 4. The questions are as follows:[68]

> Is there any more justice in taking a man's land rent from him if he has paid for the land, than in taking his bonds or stock? Would it not be unjust to expropriate land without compensating the owners, and unprofitable to pay them what the land is worth? If so, what is the point of talking about a single tax?

It appears likely that the deleted paragraphs were inadvertently omitted—or the questions inadvertently left in!—from the 1950 edition. In either case the student is prepared only to give "the logical answer," and is left with the bald interrogatory statement ". . . what is the point of talking about a single tax?" Would a student reading the revised edition be likely to have any further interest in the subject? For the fact is,

[66] New York and London, Harper, 1946, p. 452.
[67] New York, Harper, 1950.
[68] *Ibid.*, p. 585.

whatever the explanation, that Professor Ise has expunged from the 1950 edition his two most sympathetic paragraphs.

VII

ONE OF THE FEW economics texts to break with the general pattern as revealed by this study, is *Economics: Experience & Analysis*, by Broadus Mitchell, Anatol Murad, Monroe Berkowitz and William C. Bagley.[69] This text first states the "objections to the single tax," and then undertakes to refute them. The last section of the discussion presents "Advantages of a Land Tax." This arrangement is contrary to the usual pattern—when the subject is discussed at all. As this survey has shown, most texts present a point or two in favor of the "single tax," then conclude by setting forth objections, which are generally made to appear insurmountable.

Perhaps many or most of the textbook writers intended to present and believe they have presented an unbiased discussion of the "single tax." If so, then an unbiased discussion—as indicated in the foregoing survey—means presenting the "single tax" as though it has no bearing on contemporary problems or policy. It means that the proposal is regarded merely as an historical curiosity to be viewed very briefly and put back into moth balls. It means treating only Henry George and his philosophy as he expressed it over 80 years ago in *Progress and Poverty,* and including, perhaps, a few sentences on his campaign for the mayoralty of New York City. It means presenting the subject as though nothing had been done anywhere since 1879 by way of substituting increased taxes on land values for taxes on other property. It means a few words indicating that in theory his proposal might have some advantage, but dismissing it on the grounds that it would be unjust since the plan was not put into effect in the very beginning. Or it means raising some other objection against any further consideration of the matter.

Many of the objections set forth in the textbooks surveyed are again raised in a 1959 publication, *Economics: Theory and Practice,* by Melvin J. Ulmer. The author, who is a department chairman, is or has been advisor to several government agencies, business advisor, journalist, research economist and lecturer. He is described by the publishers as "an able teacher of both graduates and undergraduates."[70]

A picture of Henry George, with mention that he lost the campaign for mayor of New York City by a narrow margin, preceded a brief his-

[69] New York, William Sloane Associates, 1950, pp. 461–5.
[70] Boston, Houghton Mifflin, 1959, p. viii (unnumbered page).

torical sketch and discussion of the "single tax." Professor Ulmer thought that in theory the idea could have worked but

> fortunately it was never tried; practically, the administrative difficulties would have been mountainous . . . How could one separate that portion of rent which goes for capital improvements, management, and the maintenance of property? To tax these away would be disastrous . . .[71]

According to Dr. Ulmer, this proposal "would be hard to justify on any basis," since one who invests in land

> is no better or worse, morally, than an investor in a factory or a barber shop. Nor, generally, can he be any more certain of a profit . . . the payment of rent does perform a useful social purpose; for when landlords hold out for the highest returns they can get, they force land into its most valuables uses.[72]

VIII

THE PURPOSE of this survey, as stated at the beginning, was to discover what college textbooks presented on land value taxation. But since no mention was found in the indexes under that heading, it was necessary to check under such related headings as: Henry George, the "single tax," etc. The chapter or section on taxation, as such, excluded even the "single tax" except in only a few texts in which there was the barest incidental reference. All this points to the fact that only a very few textbook writers view Henry George's proposal as something which *could* be built upon, developed and perfected. Indeed, even the most sympathetic presentation—of the texts examined—made no mention of *any* application, however limited, of this system of taxation.

Students of the airplane would not be shown only models of the *Kitty Hawk* designed by Orville and Wilbur Wright, and told that "since this plane had many defects, we ought never to manufacture airplanes." This illustration may appear to the reader as far-fetched! But here is the point. In most matters we look at history, seek to draw useful conclusions and improve on the past by applying what has been learned to the present situation. But this survey shows that textbooks in economics, with almost no exceptions, stop with Henry George and the "single tax." The authors appear to see no bearing of land value taxation on present-day problems such as: the waste of holding substantial amounts of good land out of use for decades, the high cost of housing, slums, urban obsolescence and redevelopment. No attempt is made to inform the student

[71] *Ibid.*, p. 512.
[72] *Loc. cit.*

of the growing experience with land value taxation in Australia, New Zealand, South Africa, Denmark and elsewhere.

In contrast to the general pattern of textbooks in economics are two by Raymond T. Bye and William W. Hewett.[73] This discussion will be concerned primarily with the later of the two, *The Economic Process.*

Referring to the contention that land is "a gift of nature which rightfully belongs to society at large, and not to any privileged land owning class,"[74] the authors continue:

> Properly understood, this argument is substantially sound . . . we will see that land rent is unearned by the landlord. Land performs a great service in production, to be sure; but the landowner, merely as an owner, does not. He is not responsible for the existence of the land. It would be there, with all its natural advantages, no matter what became of him. It would have been there if he had never been born. Nor is the value of the land the result of any action performed by him. Some lands naturally possess better qualities than others, and he who owns them can profit by those qualities. As population grows and the land becomes scarce, it simply acquires a value which the landowner can take.

The authors class the rent of land (*not* return from improvements) as *unearned increment.* They contend that many fortunes have been acquired in this manner and express the opinion that private receipt of *unearned increment* should be prevented by appropriate means.[75] In regard to owners of land, the authors say that they should receive interest and wages from all they have done to improve it. "More than this they cannot fairly claim. But such interest and such wages are not, strictly speaking, a part of land rent."[76]

They then refer to objections some have made to this view, such as that "land rent is justified by the risks which are run by the landowner." Also that the landowner "is entitled to the reward that results from his cleverness," *i.e.,* because he has sufficient foresight "to anticipate the growth of a community, and is willing to risk his judgment by acquiring a piece of land which he believes likely to improve in value.

[73] *Applied Economics; the Application of Economic Principles to the Problems of Economic Life,* 3rd ed. rev., New York, F. S. Crofts, 1938, and *The Economic Process, its Principles and Problems,* New York, Appleton-Century-Crofts, 1952.

[74] *Ibid.,* p. 683.

[75] See especially in this connection, *Applied Economics, op. cit.,* pp. 447–9, 466–7, 470. A briefer presentation—though expressing a similar viewpoint—appears in the 5th ed., 1960, pp. 209–12, 217.

[76] This and the following quoted passages, except for the two in footnote 77, are from pp. 683–5 of *The Economic Process, op. cit.,* For a view diametrically opposite to that of Bye and Hewett, see Ulmer, *op. cit.,* p. 512.

By an almost identical line of reasoning [Professors Bye and Hewett reply] we could defend the gains made by criminals in a payroll hold-up! But we should not pay people for running risks, unless this can be shown to contribute some useful service to the community. The mere holding and leasing of land contributes no such service; therefore it cannot be justified.

One objection to the "single tax," pointed out by these authors, is that

the expenses of government have risen so much in recent years that the appropriation of land rents by the state would not begin to cover these expenses, let alone provide for all the social reforms and abolish poverty, as visualized by the Single Taxers.

But, they maintain,

there is merit in the idea that the rent of land should go to the community, instead of to private landowners; and taxation seems to be the most suitable means for bringing this about.

The authors suggest a method of bringing about such a reform almost imperceptibly. It is

to begin now to separate the tax on land from the taxes on improvements. This is already done in some communities, and could easily be done everywhere. Then the tax on the improvements could gradually be reduced over a long period of years, while that on the bare land was correspondingly increased. In the course of time the land taxes could be raised to the point where the entire rental value of the land was paid by the tenants to the state.[77]

In essence, this is what was done by the graded tax for Pittsburgh and Scranton, Pennsylvania,[78] although that tax does not go as far. And this is what every third class city in Pennsylvania has been empowered to do through the enabling legislation passed in 1951 and in 1959.[79]

Until more than a very few texts are published—and are widely adopted—which present the land value tax policy as bearing on the solution of present-day problems and as a feasible and desirable reform, how can any appreciable number of students become interested in it? How can there be action by these students when later they are journalists, members of city councils, legislators or merely influential citizens?

[77] Bye and Hewett also mention (*op. cit.*, p. 686) and comment briefly on, other methods of "achieving the social appropriation of land rents" but say that "it is doubtful whether they would be politically as feasible as the method of gradually increasing land taxes."

[78] Williams, *op. cit.*

[79] Albert Pleydell, "New York City Tax Policies and the Housing Shortage," *Am. J. Econ. Sociol.*, 19 (April, 1960), pp. 228–9.

APPENDIX

THIS INVESTIGATION was confined to textbooks supplied by publishers, anxious to promote sales, to the chairman of the economics department in a state university and in a medium-sized college. A few of the earlier books had been transferred from such a collection to the college library serving that institution. These were books in Principles, Intermediate Economics, History of Economics and Agricultural Economics.

In addition to analyzing these books, publisher's catalogs and circulars were examined. Letters were sent to twenty-one publishers—concerning fifty books—to ascertain how many institutions have been, or are currently, using the books with which this study is mainly concerned. One publisher would give information only if their publications were being seriously considered for adoption. Another company regarded their data on adoptions as "confidential." Some firms were unable to furnish such a record, the implication being that the use of their texts did not justify preparing lists. Perhaps a publisher would not wish to reveal a lack of adoptions. One firm reported on orders from representative institutions during the past year, which could not in fairness be compared with lists of adoptions for other texts.

Lists of adoptions—or a list of representative institutions ordering recently—were obtained for twenty textbooks. But all such lists must be in flux. All lists indicate they are "A Partial List" or "A Representative List" and not a complete record of institutions using a particular book. Since all such lists are undated—though supposedly of fairly recent vintage—a text could be used for a year or more, be superseded by another, yet continue to remain on the publisher's list. A cross checking of the lists obtained revealed that many institutions are reportedly using in the "principles" course two or more different books. For such reasons, no precise figures for the number of adoptions of any text can be given.

Meadville, Pa.