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The Vermont Land Gains Tax

Experience With It Provides a Useful Lesson in the Design of Modern Land Policy

By THOMAS L. DANIELS, ROBERT H. DANIELS *and* MARK B. LAPPING*

ABSTRACT. *Vermont* is currently the only state which employs a special *capital gains tax* on certain *land sales.* A comparison between the *Vermont land gains tax* and *Henry George's* Single Tax provides a useful lesson in the design of *modern land policy.* The Vermont tax is aimed at discouraging short run *land speculation,* while the *Single Tax* seeks to discourage the *long term quasi-monopoly of land ownership.* The Single Tax would capture unearned increments to *land value* while the Vermont tax applies only to realized *capital gains* and tends to reward *long term speculators.* An empirical analysis of the Vermont tax reveals that tax *revenues* have been small, and that the tax has not prevented a rise in land values. In fact, the Vermont tax may have increased *land prices* by restricting available *land supply.* Although the Vermont tax intended to curb speculation and reduce land *subdivision activity,* it is not a substitute for *land use planning* and carefully designed *growth control ordinances and regulations.*

I

Two Concepts of Land Speculation

THE COMPARISON of a proposed measure to improve social welfare and the performance of an actual program provides valuable insight into the modifications that are made when theory is put into practice. Such a comparison can be made between Henry George's famous Single Tax and the State of Vermont's 12-year-old tax on profits from the sale of land.[1] The two taxes share the assumption that the increase in private land values created by public action is an unearned increment and should accrue to the community-at-large rather than the landowner. Additionally, both taxes are aimed at discouraging land speculation, controlling land prices, and promoting a more efficient use of land. But each tax seeks to achieve these goals by somewhat different means, and basic to each

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tax is a different perception of the needs of society and of the concept of speculation.

Henry George devised the Single Tax as a sweeping national land reform that would break the quasi-monopoly of land in the current system of land-ownership, enable a broader access to natural resources, and work toward equalizing the maldistribution of wealth in society. The Single Tax would capture all or nearly all the economic rent of land, or as some call it the differential rent, and eliminate all or much of the monopoly rent (the "absolute" rent), while providing governments with significant revenues to finance its socially beneficial services. The tax would not fall on wages and interest so that laborers and owners of capital would not be penalized. Only those seeking to profit from unearned increments or windfalls in rising land values would be taxed. Moreover, such a tax could not be passed from landowners to land renters or buyers, as all pure rents would be collected from the landowner or seller.

Although the Single Tax was aimed at discouraging land speculation, George believed that two kinds of speculators existed: 1) the short-term, "transactions" speculator who provides liquidity and stabilizes land prices; and 2) the longer-term, "lock-up" speculator who holds land in less than its highest and best use as he waits for land values to rise through public action.[2] It is the lock-up speculator that George saw as attempting to capture economic rents and as distorting land markets.

Strong theoretical justification exists for taxing away economic rent.[3] Economic theory holds that profits taxes placed on pure economic rent have no effect on private decisions concerning saving or output. Thus, the Single Tax is perfectly neutral, causing no distortions in the efficient allocation of resources, including land. Martin Feldstein has noted that:

> One of the reasons that economists have long been interested in the tax on pure economic rental income is that it is a tax without excess burden. Because the owners of land cannot alter the supply of land, the tax induces no distortions and therefore no welfare loss.[4]

The Single Tax, as envisioned by George, applied to unearned increments in land values. The component of rising land values attributed to investments of capital and labor by the landowner would not be taxed. A tax on unearned increments would tend to force a landowner to make additional investments in capital and labor to develop his property more intensively, or the landowner would be forced to sell his land to someone who would make additional investments in labor and capital. Thus, landowners are allowed a fair return on their capital and labor, but cannot capture the unearned increment in land value. Thus, George's land value tax was *not* a capital gains tax but a wealth tax. The Single Tax, in most cases, would be based on an annualized market value, sci-

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entifically assessed, which would reflect actual value in current uses and any potential value in higher uses.

It is naive to believe that the Single Tax could solve all land use problems. George certainly did not; only the religious Single Taxers, who believed that God invented the Single Tax and inspired George, did. George led the minority that opposed stating the Single Tax as a panacea in the 1880s. Although George championed the socialization of land rent and, when appropriate, public land possession, he also believed in private land ownership. Yet George also felt that the earth and its resources in the United States were the common property of the American people.[5]

It is uncertain whether George anticipated land use planning and its implementation by zoning, other regulations, and fiscal devices. The Single Tax does not address the issues of the location and intensity of different land uses except to encourage a more intensive use of land. For this reason, the Single Tax appears more appropriate to an urban setting.[6] In numerous American cities, many buildings and tracts of land sit underused or vacant while the owners wait for real estate values to rise and do not invest in their properties for fear of higher property taxes. Here, the Single Tax would place a burden on inefficient property owners and would lead to more intensive use of land. Still, the Single Tax does not appear capable of resolving the external costs of conflicting adjacent land uses and other land matters relating to public health, safety, and welfare.

George also wanted to discourage rural land monopoly through the Single Tax. Yet few farmers in the United States have been won over to land value taxation as an economic reform.[7] However, a number of states have adopted severance taxes on the cutting of timber and the extraction of minerals which are a form of land value taxation. While the debate about the impact of the Single Tax on rural land use has not been resolved, it appears that the Single Tax might encourage more intensive land use and subdivision activity just as in an urban setting. If so, then, in the absence of development impact fees and special assessments, the Single Tax could lead to premature development of farm and forest lands and cause a sharp increase in local public service costs.

II

The Vermont Land Gains Tax

THE STATE OF VERMONT covers 5.6 million acres of northwest New England. According to the Census, Vermont is the most rural state in the nation with only one-third of its 525,000 people living in urban areas. In the late 1960s, the completion of interstate highways to the New York and Boston metropolitan

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areas coincided with a sharp increase in the popularity of skiing. And, with skiing came the "discovery" of Vermont as a weekend getaway and vacationing area. As a result, statewide real estate activity shot up from just over 5,000 transfers in 1967 to over 16,000 in 1968.

As originally conceived by Governor Thomas Salmon, who proposed the gains tax as a key element of his successful election bid in 1972, the Vermont tax would achieve two goals. Its primary purpose was to reduce short-term land speculation and rapid subdivision activity, much of which was attributed to out-of-state interests.[8] Even after the passage in 1970 of Act 250, Vermont's pioneering Land Use and Development Law, land speculation was perceived to be a major cause of subdivision and development activity which threatened environmental quality and the containment of public service costs. In addition, land prices

Table 1

Vermont Land Gains Tax Rates

Years land held by Transferrer	Increase in Value (%) 0 - 99	100 - 199	200 or more
	Rate of tax on gain (%)		
Less than one year	30	45	60
One year, but less than two	25	37.5	50
Two years, but less than three	20	30	40
Three years, but less than four	15	22.5	30
Four years, but less than five	10	15	20
Five years, but less than six	5	7.5	10

were increasing beyond the ability to pay of many Vermonters.[9] Second, the gains tax was expected to raise $3.5 million a year to fund the state property tax relief program for owners of primary residences.

After the tax was enacted, Governor Salmon claimed, "(the tax exists) not so much to raise money, but to substantially slow down rapid subdivision growth in Vermont."[10] The structure of the gains tax tends to support Governor Salmon's opinion (see Table 1). The tax is levied according to a sliding scale, based on the seller's length of ownership and size of profit; and no tax is imposed on land held more than six years.[11] The tax severely penalizes owners who sell land within two years of purchase. However, the sliding scale rate structure creates an incentive for owners to hold land longer before resale to reduce tax

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liability or avoid the tax altogether. Thus, the tax structure tends to discourage the quick re-sale of land, but it is uncertain how much revenue the tax will raise.

The goals of the gains tax together with the structure of the tax reveal several contradictions which cast doubt on the wisdom of using a single policy instrument to achieve more than one goal. The most obvious contradiction appears between the purpose of reducing speculation and raising revenue for property tax relief: land speculation was needed to raise revenue, but land speculation was to be discouraged. Furthermore, rather than reduce rapid subdivision activity, the expected effect of a tax on land values is to encourage more intensive use; and property tax relief for owners of primary residences and up to ten acres of surrounding land could in effect reduce the cost of holding land for subdivision at some future date. Finally, because the Vermont tax applies to land only, the tax was not aimed at constricting the Vermont building industry, especially home building; yet, the tax was expected to limit vacation-related development. However, because the sale of buildings is not taxed, the gains tax would tend to encourage speculation in buildings rather than land along with a more intensive use of land. Because new development tends to be discouraged, demand is shifted to existing buildings, which then enjoy a monopoly price.

Certain provisions of the gains tax appear arbitrary and serve to cloud the predictability of the effects of the tax. The separation of gains attributed to land and gains attributed to buildings has created an element of uncertainty and negotiation to the administration of the gains tax.[12] Moreover, the law arbitrarily determined that people who hold land less than six years are speculators—people who hold it for more than six years are not. Although the tax clearly was not aimed at reducing the gains of long-term landowners (who tended to be Vermonters), the possibility remains that long-term landowners could generate as much subdivision activity as short-term landowners, if not more. Finally, it was unknown whether the tax rates would be sufficiently high to discourage short-term speculation and earn the expected revenues. The Vermont tax might have occasioned a one-time-only delay in subdivision activity as the Vermont land market incorporated the tax into land prices.

The Vermont Land Gains Tax combines some elements of the Single Tax with other unique features. It is a hybrid between a land tax and the income tax on realized capital gains. Like the Single Tax, the Vermont tax applies only to land; like the income tax, it applies only to realized gains. But unlike the Single Tax, the Vermont tax does not discriminate between increases in land value caused by applications of labor and capital, and unearned increments resulting from public action or inflation. Nor does the Vermont tax generally tax away any substantial amount of pure economic rent because tax rates are set on a sliding scale over a six-year time horizon. The sliding tax scale with

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less than confiscatory rates on pure economic rent has two important implications for social welfare. First, the decisions of land buyers and sellers may be distorted from a social optimum as they attempt to minimize or avoid the impact of the tax. Second, sellers may be able to shift the burden of the tax onto buyers; if this occurs throughout a land market, speculation may not be discouraged.

In general, a tax on land profits will tend to reduce the amount of land demanded and supplied below what they would have been at any point in time without a tax. However, the Vermont tax is not a neutral tax since it creates two classes of land: gains: taxable (sold within six years of purchase), and non-taxable (sold more than six years after purchase or when a sale includes up to ten acres of the seller's or buyer's primary residence). Thus, substitution possibilities may exist between taxable and non-taxable land. This increases the likelihood of distortions in the efficient allocation of land resources; the market demand for non-taxable land may rise, thus producing a windfall for non-taxable sellers. If this were widespread throughout the land market, then subdivision activity might not be curbed nor would rising land prices.

One key difference between the Vermont Land Gains tax and George's Single Tax is the type of conduct which is to be discouraged by taxation. There is a semantic problem: the word "speculator" has two meanings. It may refer to purchasers for short-term holding and resale. Alternatively, land speculators may be those who: "hold land for a higher price than it would otherwise bring," or who "insist on holding land, which they themselves cannot use, at prices at which no one else can profitably use it."[13] The two meanings may be distinguished by calling the first the "transaction speculator", and the second the "lock-up" speculator.

The Vermont gains tax is aimed exclusively at the transaction speculator. As the State Supreme Court explained in ruling the tax constitutional:

> Speculation in land may be adequately here defined as the purchase of land in the expectation of deriving a profit from its later sale at a higher price. Both high gain and a relatively short holding period are essential for such speculation . . .[14]

Contrary to the decision of the Vermont Supreme Court, neither a high gain nor a relatively short holding period is essential for speculation, as the real estate markets in Florida and California have shown.[15] George's Single Tax was aimed at land speculation of the second or lock-up variety. George distinguished the transaction speculator from the lock-up speculator on the basis of the goods in which each dealt, the former in the products of labor, the latter in land. The Vermont law makes no such distinction. George apparently agreed with his contemporary economists that the transaction speculator was a stabilizing influence:

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> The effect of speculation in such things (products of labor), as is well shown in current treatises that spare me the necessity of illustration, is simply to equalize supply and demand, and to steady the interplay of production and consumption by an action analogous to that of a flywheel in a machine.[16]

For George, the lock-up speculator was the villain who pushed the margin of cultivation beyond its "natural" limit, leading to a speculative advance in economic rent, the squeezing of returns to labor and capital, and ensuing industrial depression. The problem lay in owners who, "believing that land values must ultimately advance, hold on as long as they can."[17] One object of the Single Tax was to push the dogs out of the manger: to ensure that land was used and improved as soon as there was need for its use and improvement.

While George's proposals were aimed at discouraging the lock-up speculator, the Vermont land gains tax encourages the lock-up speculator and crushes the transaction speculator. Under the structure of the gains tax, if land is held for five months and resold, the seller is hit with a transfer tax of 30 percent to 60 percent of the profit, in addition to Federal Income Tax on short term capital gains, which ranged up to 70 percent until 1981 and still can reach 50 percent of the gain. By contrast, the patient lock-up speculator can avoid the land gains tax entirely by waiting out the six year holding period, and in addition will be blessed by long-term capital gains income tax treatment, with a maximum of 20 percent for individuals and 28 percent for corporations.

III

The Performance of the Vermont Gains Tax in Rural Vermont

THE TWO GOALS of the Vermont tax provide standards against which to judge the performance of the tax. On the one hand, the tax was enacted to reduce short term land speculation and subdivision activity. On the other, the tax was expected to raise $3.5 million a year to fund the state property tax relief program. In analyzing the impact of the land gains tax in the rural Vermont land markets, one must note that several other influences may have affected land markets between 1973 and 1983. In late 1973, the Arab oil embargo caused gasoline shortages which restricted movement, and access to Vermont may have been reduced. In 1974, a credit crunch initiated a brief but deep recession. From 1978 to 1980, inflation reached double digit levels; since mid-1979, interest rates for mortgages have remained above the 10 percent level. And since 1970, Vermont's Act 250 has regulated the subdivision of ten or more lots. What effect each or a combination of these influences had on the rural Vermont land markets is impossible to estimate. Although a causal relationship between the tax and

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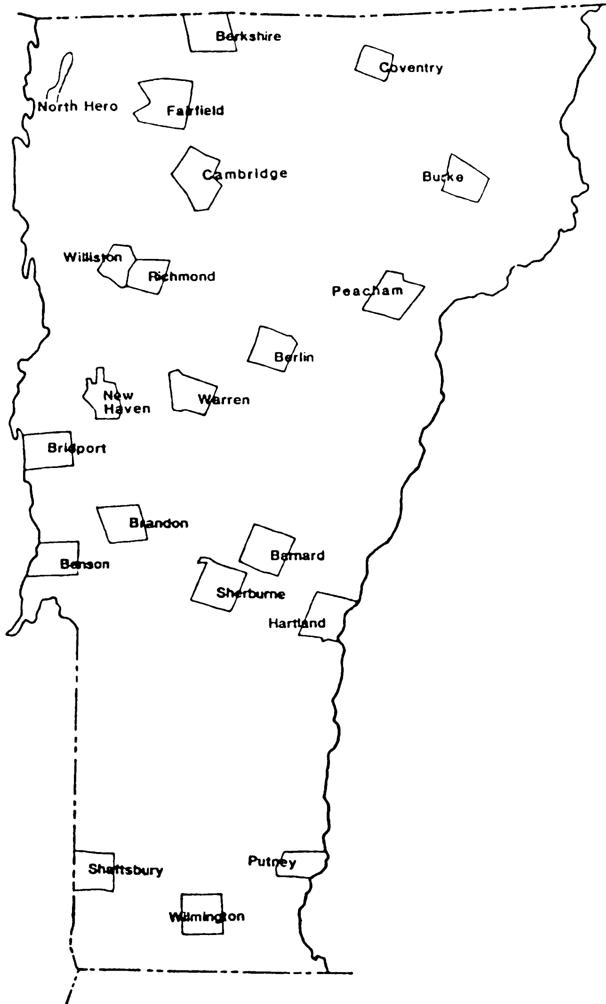

Figure 1. Sample Towns

Agricultural towns:	Benson, Berkshire, Bridport, Coventry, Fairfield, New Haven;
Residential towns:	Berlin, Brandon, Hartland, Putney, Richmond, Shaftsbury, Williston;
Vacation towns:	Barnard, Burke, Cambridge, North Hero, Peacham, Sherburne, Warren, Wilmington.

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the land market resists precise evaluation, certain trends exist which shed light on the performance of the Vermont gains tax.

Since 1973, the Vermont land gains tax has raised an average of only $1 million per year—far below the anticipated annual revenues of $3.5 million.[18] Part of the reason for the revenue shortfall is the fact that the annual volume of real estate sales in Vermont fell from an average of 18,500 sales during 1968–1972 to 17,000 from 1973–1979 and 14,500 in 1980–1983.[19] That is, from 3,700 a year to 2,071. Another reason is that for each year between 1973 and 1977 the average

Table 2

Land Market Trends in Sample Towns

Class of Town	Mean Real Price per Acre, 1970 Constant Dollars	Mean Annual Acres Sold (Aggregate of sample towns in each class)	Mean Parcel Size in Acres	Mean Annual Parcels Sold
Agricultural				
Pre-tax (1971-1972)	$ 263	11,399	73.5	156
Post-tax I (1974-1979	$ 456	5,254	55.7	95
Post-tax II (1980-1983)	$ 372	2,168	34.4	63
Residential				
Pre-tax	$ 471	3,482	19.8	176
Post-tax I	$ 690	3,919	18.1	217
Post-tax II	$ 976	2,165	9.6	225
Vacation				
Pre-tax	$ 553	5,142	19.1	264
Post-tax I	$1,131	3,515	14.6	241
Post-tax II	$1,521	2,629	11.5	230

Source: Vermont Property Transfer Forms, Vermont Department of Taxes.

tax per sale was about $700, reflecting more a nuisance tax than a deterrent against sales, which declined steadily from 23 percent in 1973 to 10 percent in 1977. This indicates that the relative frequency of speculative sales has been declining over time, and suggests that more land sellers are holding land for at least six years to escape the Vermont gains tax. The 4,700 bare land transactions of 21 towns between 1975 and 1983 support this inference. The ratio of taxable to total bare land sales fell from 29 percent in the 1975–1979 period to 26 percent in 1980–1983. How much of the decline in speculative activity and land

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turnover can be attributed to the Vermont gains tax and how much to other factors cannot be accurately determined. Still, the gains tax clearly has failed to achieve its anticipated revenue goal.

To examine trends in subdivision activity, a comparison can be made between pre- and post-tax sales of bare land in three kinds of sample towns: agricultural, residential, and vacation, as defined by leading economic activity.[21] (See Figure 1.) Observations on bare land sales were taken from Vermont Property Transfer Forms which included information on sale price, acreage, proposed use (not enforced), and, after 1974, whether the sale was subject to the gains tax.[22] Al-

Table 3

Pre- and Post-Tax Real Per-Acre Prices in Constant 1970 Dollars

Land Use	All Sales	Taxable	Non-Taxable
Agricultural			
Pre-tax	$ 280		
Post-tax I	$ 371	$ 471	$ 340
Post-tax II	$ 442	$ 605	$ 332
Residential			
Pre-tax	$2,183		
Post-tax I	$3,404	$ 6,022	$2,658
Post-tax II	$5,534	$12,832	$3,792
Vacation			
Pre-tax	$4,325		
Post-tax I	$5,782	$ 5,659	$5,847
Post-tax II	$4,006	$ 4,325	$3,879

Source: Vermont Property Transfer Forms, Vermont Department of Taxes

though the exact number of subdivisions is available only at the town level, sales of bare land provide a reasonable indication of subdivision activity. A comparison of pre- and post-tax trends in annual acres sold, mean real price, mean number of parcels sold, and average parcel size sold in each kind of town is summarized in Table 2. The post-tax era is divided into two periods: 1975–1979 and 1980–1983, to account for potential changes in land market activity caused by the severe recession and high interest rates of the early 1980s.

Between the pre- and post-tax periods, less land has been supplied on the market relative to demand; annual land turnover has slowed and prices have risen. However, the fall in average parcel size sold casts some doubt on the

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ability of the gains tax to control subdivision activity. In fact the gains tax might even encourage subdivision activity as sellers market land in smaller parcels with higher per acre prices to increase after tax profits. This interpretation is supported by the increase in mean annual parcels sold in residential towns, but is rendered moot by the decline in mean annual parcels sold in agricultural and vacation towns.

Next, pre- and post-tax land market trends are analyzed according to the type of town in which a land use is dominant (*e.g.*, residential land sold in residential towns). Table 3 demonstrates that post-tax prices were generally greater than

Table 4

Annual Acres Sold by Land Use in Its Dominant Town

Land Use	Annual Acres Sold	Percentage of All Bare Land Sold in Dominant Town
Agricultural		
Pre-tax	4,105	36%
Post-tax I	3,087	59%
Post-tax II	1.435	66%
Residential		
Pre-tax	1,284	37%
Post-tax I	1,926	50%
Post-tax II	1,614	74%
Vacation		
Pre-tax	1,064	21%
Post-tax I	1,223	35%
Post-tax II	1,159	44%

Source: Vermont Property Transfer Forms, Vermont Department of Taxes.

pre-tax prices, after accounting for inflation. This suggests that the gains tax has not induced lower land prices. In addition, taxable land has on average sold for higher per acre prices than non-taxable land. This raises the possibility that taxable sellers capitalized the cost of the gains tax into higher land prices and were able to shift the burden of the tax onto buyers. If this is indeed the case, then the gains tax may be less effective in discouraging speculation than originally hoped.

Table 4 indicates that the annual acreage sold of each type of land in its dominant town has increased for proposed residential and vacation uses but has fallen for proposed agricultural uses since the implementation of the gains

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tax. This implies that intensive land uses have become more popular in residential and vacation towns, and that subdivision activity may continue to be a cause for concern.

Whether the gains tax has achieved its primary goal of slowing down subdivision activity remains in doubt. Although the annual number of bareland parcels sold fell after the tax was enacted, the average parcel size sold also declined and real price per acre rose indicating a move toward more intensive land uses. But an important flaw in the tax may be that it does not touch subdividers who hold land longer than six years. For example, even though slightly more than one-quarter of all sample bare land sellers were subject to the gains tax, the mean annual number of bare land parcels sold in the sample towns fell by only 10 percent between the pre-tax period and the combined post-tax eras. Still, the only way to isolate the effect of the gains tax would be to compare the creation of new land parcels between 1975–1983 both with and without the tax; usable data for such a comparison are not available.

IV

Summary and Conclusions

THE VERMONT CAPITAL GAINS TAX on land sales has apparently had mixed results. On the one hand, the tax has not raised much revenue and during the post-tax era real land prices generally increased and average parcel sizes continued to decline. On the other hand, the amount of land supplied to the market at any one point in time appears to have decreased during the post-tax era, and the percentage of land sales occurring within six years of purchase has fallen. But the exact effect of the gains tax resists evaluation because of several other influences on the Vermont land market. Moreover, a major accomplishment of the tax may not be quantifiable in that a number of speculators—particularly large out-of-state interests—may have been discouraged from operating in Vermont in favor of less regulated land markets.

Differences between the Vermont gains tax and Henry George's Single Tax in its present form, the land value tax, can be attributed to political acceptability and spatial context. Although the Single Tax has not won broad political support, variations of the tax have been employed in some Pennsylvania cities, most notably Pittsburgh.[23] Because the Single Tax would tend to promote more intensive development and in-fill development, the tax is well suited to an urban setting. In rural areas, the Single Tax may translate into a move away from extensive uses, such as agriculture and forestry, toward rural residential and second home recreation uses. More intensive uses may be more highly valued

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on a free market basis, but then it may not be socially desirable nor economically efficient to have farm and forest land permanently divided into housing tracts. Still, further empirical evidence on the impact of land value taxation in rural areas is needed.

Perhaps the best indicator of the political acceptability of the Vermont tax is that it has not been repealed or substantially altered twelve years after its inception.[24] On an emotional basis, the Vermont tax could reflect the state's inherent xenophobia along with a public distaste for speculators. From a practical standpoint, the revenue burden is small and is paid in large part by nonresidents who do not vote, and there are exemptions for primary residences and long-term holdings for people who do vote. Moreover, given the experience of rather low tax revenue per sale, the tax does not appear to place a heavy burden on sellers and thus there may be little agitation for repeal.

The Vermont tax affects a largely rural land market and is aimed at limiting the subdivision of land into smaller parcels, which portend harmful housing development that may be harmful both on environmental and on local public finance grounds. Still, the Vermont tax is far from ideal. First, the tax fails to control the intensity or location of development; nor, for that matter, in our personal opinions does the Single Tax. But the Vermont tax may shift development to less desirable land not subject to the gains tax. Second, the tax cannot prevent a rise in land values coming from a popular demand for more intensive land uses. In fact, the Vermont tax may have increased land values by inducing sellers to withhold land from the market and thus restrict the available supply of land. By contrast, the Single Tax would dampen land price increases from greater demand as these unearned increments would be confiscated. And third, basing the Vermont tax on a six year time horizon may be long enough to discourage transaction speculation in land; but the Vermont tax tends to reward long-term "lock-up" speculation which Henry George saw as the major threat to an equal distribution of wealth and an efficient land market. For example, in their study of rural land markets, Healy and Short comment:

> The principal land use problems—parcellation, poor land management, residential scatteration—had little to do with the length of time land was held. Many of those subdividing land had held it for several years.[25]

Although a boom in rural real estate is unlikely at present, given high interest rates, Americans may have begun to reverse the trend toward greater urbanization and are seeking to settle in small towns and rural settings.[26] If this trend continues, the demand for rural land will remain strong in the long run. A tax on realized gains cannot be seen as a comprehensive land use control; it is likely to be far less effective than carefully designed ordinances and regulations implementing

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well-researched land use planning on a community and regional basis with the goal of controlling the pace of development and the kind of development according to optimum socially desirable norms. In this way, those features of environmental quality which make rural life attractive, can be sustained in harmony with the aim of encouraging socially and economically valuable growth.

Notes

1. Special taxes on realized gains in land value have been employed in New Zealand and in the Canadian provinces of Ontario and Alberta. Taxes on unrealized gains have been employed in Britain and Australia. For a general description of these taxes, see D. Hagman and D. Misczynski, eds., *Windfalls for Wipeouts* (Chicago: American Society of Planning Officials (ASPO), 1978) pp. 441–478.

2. See Henry George, *Progress and Poverty* (New York: Robert Schalkenbach Foundation, 1975), pp. 267, 270.

3. See P. Samuelson, *Economics* (8th edition), p. 541.

4. M. Feldstein, "The Surprising Incidence of a Tax on Pure Rent: A New Answer to an Old Question," *Journal of Political Economy*, Vol. 85, 1977, p. 357.

5. See F. Petrella, "Henry George's Theory of State's Agenda," *American Journal of Economics and Sociology*, Vol. 43, No. 3, 1984, pp. 269–86.

6. For a discussion of empirical studies of a land value tax, see R. Conrad, "Suburban Encroachment on the Old North 40: Effective Ways to Preserve Agricultural Land," *American Journal of Economics and Sociology*, Vol. 42, No. 2, 1983, pp. 200–01.

7. *Ibid.* pp. 198–99. Some farmers have supported the Single Tax, namely, the farmer-laborer movement, some farm populists, and the rural sections of the Socialist Party.

8. Rapid and environmentally damaging development had led to the passage of Act 250, Vermont's development permit process, in 1970. See R. Healy and J. Rosenberg, *Land Use and the States* (Baltimore: Johns Hopkins Univ. Press, 1980).

9. *Ibid.*

10. Quoted in R. L. Baker, "Controlling Land Use and Prices by Using Special Gains Taxation to Intervene in the Land Market: The Vermont Experience," *Environmental Affairs*, Vol. 4, Summer 1975, p. 431. The originator of the Vermont land gains tax was Norris Hoyt, legal counsel to Governor Salmon. One exception to Governor Salmon's statement is that the subdivision of land for the construction of a primary residence is exempt from the gains tax.

11. The Vermont tax is not deductible for federal income tax purposes; and within 30 days of transfer, the buyer of a taxable property must deduct 10 percent of the sale price and send it to the Vermont Department of Taxes; the seller must then pay the remaining balance due or file for a refund. Penalties for noncompliance include up to one year in prison and a fine of $10,000 or five times the tax due, whichever is larger.

12. The Vermont Tax Department has issued guidelines to determine how much gain to attribute to the land element based on location, land use, and size of gain.

13. Henry George, *Progress and Poverty*, pp. 225, 258.

14. *Andrews v. Lathrop* 315 A. 2nd 863 (1974).

15. For example, see M. Sheehan, "Land Speculation in Southern California: Energy Monopoly,

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Fiscal Crisis and the Future," *American Journal of Economics and Sociology,* Vol. 42, No. 1, 1983, pp. 67-74.

16. *Progress and Poverty,* p. 267.
17. *Ibid.* p. 277.
18. Source: Vermont Department of Taxes, Land Gains Division.
19. Source: *Ibid.*
20. After 1977, funds for the statistical monitoring of the gains tax returns were discontinued.
21. Vermont consists of 251 towns which are the basic territorial jurisdiction. A town consists of about 20,000 acres and 500-2,000 people.
22. Land Gains tax returns are kept confidential by the Vermont Tax Department. Thus, actual gains taxes paid and rates of profit are not publicly available.
23. Since 1965, Pittsburgh has taxed land for property tax purposes more heavily than on buildings. As of 1983, tax rates on land were 6.6 times higher than rates on buildings. The preliminary results indicate that the sale of vacant tracts has occurred along with greater building activity. See F. Harrison, *The Power in the Land* (New York: Universe Books, 1983), pp. 215-17; and M. E. Edwards, "Site Value Taxation in Australia," *American Journal of Economics and Sociology,* Vol. 43, No. 4, 1984, p. 485.
24. The constitutionality of the Vermont gains tax was upheld by the Vermont Supreme Court in 1974. See *Andrews v. Lathrop,* 315A 2d 860.865 (Ve. 1974). In 1974, the amount of land exempt with a primary dwelling was increased from one to five acres, and from five to ten acres in 1978. See 32 VSA 10001-10.
25. R. Healy, and J. Short, *The Market for Rural Land: Issues, Trends, Policies* (Washington, D.C.: The Conservation Society, 1981), p. 285.
26. See, P. Hauser, "The Census of 1980," *Scientific American,* Vol. 245, No. 5, 1981, p. 51.

On 'Political Economy' as a New Discipline

ONLY RARELY DO FESTSCHRIFTEN turn out to be important and permanent additions to the literature of their discipline. One of those occasions occurred in 1984 when the University of Breman published *Beschäftigung, Verteilung und Konjunktur: Zur Politischen Ökonomik der Modernen Gesellschaft.* It was issued in honor of our colleague and lifelong friend, Adolph Lowe, to mark the occasion of his return to his native Germany (West Germany) from exile in England and the United States. (He will chide me for putting it that way, for he is now an American, proud of his citizenship and loyal to his adopted country; but I align myself with those Americans who consider themselves sovereign citizens of the U.S.A. primarily, and secondarily citizens of the world.)

The work entitled *Employment, Fiscal Policy and the Business Cycle: On the Political Economy of Modern Society,* is edited by Professors Harald Hagemann and Heinz D. Kurz, economists of the University of Bremen. Most of the contributions are, of course, in German but four of the most important are in English. An example of the important papers is Robert L. Heilbroner's, "The Nature and

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