

Henry George Ideas in Practice

By JOHN C. LINCOLN

[From the August "Lincoln Letter"—one of a series addressed to executives.]

A READER of these letters writes, "We have to remember that Henry George promoted this idea about seventy-five years ago and, even though he was a great man, he was not able to sell it to the country. I remember that the single tax idea caused much discussion and argument fifty years ago, and yet it was never adopted."

The truth is that there are now in operation in widely scattered localities programs based on the ideas of Henry George and involving increases in the proportion of ground rent collected for public purposes and corresponding decreases in taxes on labor products. These are to be found principally in Australia and New Zealand, in Denmark and in Canada, as well as in several communities in the United States.

What is known as The Grade Tax Law was enacted in Pennsylvania in 1913. Under its terms second-class cities in that state were authorized to decrease taxes on buildings and other improvements on land—taxes on machinery were eliminated entirely—and to increase, in offsetting amount, the proportion of ground rent collected for public purposes. The shift was to be gradual, with the objective that by 1925 the millage rate on improvements was to be but one-half that imposed on land values. The scheme involved no major departure from customary real estate tax procedure, and it had the advantage of simplicity and ease of application.

The law applied to the state's two second-class cities—Scranton and Pittsburgh. Results in Scranton are obscured by the fact that that city, once a thriving anthracite coal center, has been experiencing an industrial decline, with a drop of some 12,000 in population over the past decade. This has been due to the inroads of oil as a competitor to anthracite and to other factors not entirely disassociated with the activities of John L. Lewis. However in Pittsburgh, which once wore the dubious honor of having the most inequitable tax system in the state of Pennsylvania, results have been clear-cut and decisive.

Building has been sharply stimulated. Permits issued during the transition period were 25 per cent over comparable figures for New York, 52 per cent over St. Louis, 66 per cent over Philadelphia and Cleveland, and 238 per cent over Baltimore. The holding of large tracts of idle land has been made less profitable, and increased sales of land at lower prices have been recorded.

The present city tax rate on land value in Pittsburgh is \$28 per thousand against a rate of \$14 per thousand on buildings. Some three million dollars of the city's annual tax burden has been shifted from small homeowners and building operators to large landed estates and individuals and corporations speculating in land. A recent survey showed that "out of a total of 4252 assessments, there were 3250 wherein payments under the new Graded Tax Law were less than would have been paid under the former system, the savings ranging from five to thirty-five per cent."

The reduction of taxes on buildings, the discouragement to speculation in land, the encouragement of industry and the incentive to building operations—all clearly indicate the superiority of the new system over the old. And

these gains, it should be remembered, significant as they are seen to be, are the result of a shift in taxes of less than 25 per cent from buildings to land values. The benefits thus far realized are, of course, but a drop in the bucket as compared with what they will be when the full community-created value of ground rent is taken, as it should be, by the community for community purposes.

The Henry George School of Social Science, with headquarters in New York and branches in many of the larger cities in this country and Canada, offers free class instruction and correspondence courses in fundamental economics. That organization spearheads one of the most vigorous and promising movements in adult education in America today.