PART VI

LIVING LABORATORIES

THE POLICY CHANGES proposed in these pages are not abstract theories. They reflect concrete applications. Publicly-created land values are being collected in varying degrees in a range of localities. Each instance constitutes a kind of living laboratory that provides an opportunity to observe the impact of land value taxation.

The good news is that injurious tax systems that weaken the enterprise system, reduce real wages, and generate distrust of government can be overcome. Successful reforms in jurisdictions that have led the way paint an optimistic picture of what the future can hold. Healthier cities, ample job opportunities, more affordable housing, and reduced sprawl are attainable. As philosopher-educator John Dewey wrote:

> No permanent improvement in employment, and no genuine prosperity can be achieved, until state and local governments and particularly municipal governments, abandon their shortsighted taxing policies, and raise at least the major part of their budgets by taxing land values, so enabling them to exempt from taxation buildings, other labor products, machinery and stocks of goods, and personal property.[1]

The first chapter in this section describes a sample of land tax applications in the United States. The next chapter focuses on experiences with land value recapture in other countries. The final chapter in this section looks at the impact of taxation on resources, contrasting the different end results in places that vigorously tax the value of raw resources and in places that do not.

Note

1. Dewey called George "one of the world's great social philosophers, certainly the greatest which this country has produced." See G. Geiger, Foreword, *The Philosophy of Henry George*, Macmillan, New York, 1933.

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U.S. Success Stories

A NUMBER OF PLACES in the United States have chosen to test the healing power of taxing common property more and private property less. In so doing, they have reduced or overcome critical problems that have been troubling most regions and urban areas. Their experiences should engage the attention of economists, the media, and political leaders. The accounts are listed chronologically, based on when the land tax or land value recapture regimen was initiated.

Land Tax Applications Described in this Chapter

1887 California Irrigation Districts
1894 Fairhope, Alabama
1900 Arden, Delaware
1901 Cleveland, Ohio
1913 Pittsburgh, Pennsylvania
1918 New York City
1929 Miami (Ohio) Conservancy
1950 Rosslyn, Virginia
1960 Southfield, Michigan
1987 Peoria, Illinois

Other Pennsylvania Cities:

1975 Harrisburg
1977 Alliquippa
1982 New Castle
1985 Washington
1997 Allentown

Turning Water into Gold – *California Irrigation Districts*

After the Gold Rush, continental railroads and land hunger propelled waves of migrants westward to California. As population there grew, so did the pressure to bring precious water to the state's fertile but arid lands. Irrigation systems were built and it seemed rational to charge farmers according to how much water they used.

This turned out to be unfair for the following reason. Small farmers, to make a living, had no choice but to use great quantities of water to grow fruits and vegetables on most of their dry acres. Wealthy owners, on the other hand, let cattle and horses run over their large ranches and used minimal amounts of water because they did not use their lands intensively. Those in charge of financing the irrigation districts noticed that the poorer growers bore most of the cost of the dams and canals, whereas rich landowners paid little, all the while their holdings were growing more valuable by virtue of the presence of the irrigation systems.

To correct this inequity, California's Wright Act of 1887 specified that all properties within an irrigation district should be taxed according to their property value to support the projects. This applied not only to farmland but also to town sites on the premise that their value was enhanced by the greater productivity of irrigated farms surrounding them.

The Wright Act was amended in 1909 to *permit*, and again in 1917 to *require*, that the tax fall on land values only, not on homes, buildings, vineyards, crops, orchards, or other improvements. This not only proved equitable, but in 1922 it enabled the Modesto and Turlock irrigation districts to construct the Don Pedro Dam, at that time the world's tallest, and it did so without a penny of state or federal aid.

Land taxation turned water into gold in more ways than one. Owners of huge ranches, under pocketbook pressures from the new tax, began selling off their idle lands. The smaller tracts became among the most intensively used and productive farm operations in America.[1]

Land reformers around the world could have avoided failures and violence had they followed this Wright way to more fairly distribute land. The incentives inherent in the land tax tend to automatically make land more accessible. Land reformers who used police powers to confiscate and redistribute land to the landless stirred up social turmoil and rarely achieved durable land tenure systems to meet the needs of small farmers.

Even elsewhere in California, the Wright lessons were not followed. In the Central Valley and Feather River irrigation districts, landholders reaped the benefits but shifted the cost of dams and related infrastructure to state and federal taxpayers, who shelled out billions of dollars worth of subsidies to them.

Starting New Societies – *Fairhope and Arden*

Americans in the 19th Century founded intentional communities to fashion their own small societies in accord with their highest ideals. In this tradition, a number of Henry George followers tried to create land tax enclaves. These settlements, along with Utopian communities of other stripes, mostly fell by the wayside.[2]

Fairhope, Alabama, founded in 1894, long operated as a successful enclave on 4,000 acres. It grew from 25 people initially to some 17,000 by the year 2000. The Fairhope Single Tax Corporation leased land to residents and businesses, charging them only for their land value. This brought in enough revenue for the corporation to pay the taxes levied by Baldwin County, which were based on the conventional combined value of buildings plus land. Leftover surplus revenues were sufficient to enable the corporation to build excellent amenities – among them, a boat pier on Mobile Bay, water works, parks, schools, and a public library.

In the late 1900s population growth burgeoned alongside the colony. Many Fairhope residents envied new neighbors who were enriched by the area's booming land values. As a result, Fairhope officials, no longer imbued with the economic understanding or fervor of the founders, started to base leases on building values as well as land values. A minority of dedicated Georgists have been waging an uphill struggle to restore the original scheme.

Arden, founded north of Wilmington, Delaware in 1900, remains truer to its founding land tax principles. A popular haven for writers, artists and actors, the town added Ardentown and Ardencroft to accommodate more people. Residents with 99-year leases pay taxes to the community corporation based only on their individual land values and with no charges for the value of their homes. As in Fairhope, the community then pays conventional property taxes to the overlapping New Castle County, a necessary contortion to conform to state law. A popular dinner theater attracts visitors and residents enjoy a unique community spirit and neighborliness. The Ardens are attractive and persist as a demonstration that George's ideas work.[3]

Civic Revival – *Cleveland*

Tom L. Johnson, Cleveland's mayor from 1901 to 1909, made his city an exemplar of clean government and equality of opportunity at a time when cities across the nation were marked by corruption, favoritism, and bossism. *Progress and Poverty* convinced Johnson that special privileges and anti-competitive businesses were undermining cities. A former steel and railway monopolist himself, his inside knowledge made him an effective foe of monopolies.[4]

Once in office, Johnson instituted reforms that gave property owners fair and accurate assessments. His appraisal expert, John A. Zangerle, set what remains the gold standard for modern assessment administration. Johnson and Zangerle showed Clevelanders humongous assessment maps in public tent meetings to let all property owners see that they were being treated on the same basis as their neighbors.

At a time when cities were plagued by piles of stinking garbage that private firms were slow to pick up, Johnson gave Cleveland the nation's first city-owned trash collection unit. He put electric plants under city ownership as well. He took on the street railway owners and instituted a popular three-cent fare. He ordered humane treatment rather than imprisonment of vagrants. Unlike politicians who denounced liquor, saloons, and petty vice, Johnson worked to change the miserable conditions, like those Upton Sinclair portrayed in *The Jungle,* that drove people to drink or worse.

Lincoln Steffens, a noted social critic, singled out Cleveland as one of the rare exceptions to the corruption, cronyism, and mismanagement that characterized large cities. Johnson attracted and developed co-workers of integrity and ability who rose to national prominence – among them, Newton D. Baker, Frederick C. Howe, Brand Whitlock, Herbert S. Bigelow, and Peter Witt. Together that team of practical idealists demonstrated that cities can achieve greatness by freeing citizens and business from the clutches of special privilege.

Johnson's successors let his reforms fall by the wayside. Cleveland is now struggling. It was hit especially hard by the recession because of an excessive amount of "flipping". This was the practice by mortgage lenders to encourage realtors, including some with few assets, to buy properties and immediately sell them at higher prices. The flippers got cover for this kind of gambling as long as land values continued to rise, but their house of cards collapsed when the land bubble burst.

Cleveland's political and civic leaders would do well to reconsider Johnson's practices and principles to ignite a revitalization of their city.

Pioneering a Gradual Tax Shift – *Pittsburgh*

A method of gradually changing the conventional property tax to a modified land tax began in Pittsburgh in 1913. Republican Mayor William A. Magee, the prime mover, was inspired by Henry George. He won permission from the State Legislature to tax land and buildings at different rates. Each year the city slightly reduced its building tax rate and simultaneously slightly increased its tax rate on land values. After ten years, land was taxed at double the rate on homes and other improvements.

This reform spurred impressive new construction that continued even during the Depression. The tax change also touched off the post-World War II renaissance of the Golden Triangle, the downtown area wedged between the confluence of the Allegheny and Monongahela Rivers. David Lawrence,[5] mayor from 1946 to 1959, stressed the "stick" of the two-rate tax – the higher land tax pressured people to use sites to their full potential. Joseph M. Barr, mayor from 1959 to 1970, stressed the "carrot" – very low taxes on improvements encouraged construction and rehab.

When federal officials in the 1960s were designing a program to revive cities, they often cited Pittsburgh as their model. Those officials looked at the results but not at the carrot-and-stick of local tax reform that facilitated Pittsburgh's success. The federal urban renewal program fell far short of its high ambitions because it ignored tax incentives and relied instead on public subsidies, a prime example of economists whose mis-education blinded them to the critical role of land policy.

Allegheny County and the countywide school district both levied taxes on Pittsburgh properties. But these overlapping jurisdictions used the conventional form with no differential tax rates on land and buildings. Because of this, at the time of our Douglas Commission hearings there, Pittsburghers' *total* property tax (city, county, and school tax combined) had been whittled down from a 2-to-1 land-to-building ratio to a 5-to-4 ratio.

In 1979 the city, under the leadership of Councilman William J. Coyne, increased its differential to 3-to-l, then 4-to-1, and 6-to-1. Opponents predicted this would drive businesses away and hurt homeowners. They were mistaken. The change actually sparked what became known as Renaissance II. Corporate headquarters proliferated and handsome skyscrapers replaced outmoded structures and surface parking lots. Health and educational facilities expanded rapidly, softening the loss of the waning steel industry. National surveys put Pittsburgh in the top rank of cities with affordable housing. In the decade after adopting the 6-to-1 ratio, the dollar value of city building permits rose 70 percent while thirteen similar Rust Belt cities saw declines (see Table 2). Local newspaper editorials applauded the fact that the higher the land-to-building ratio of the tax rates, the more fine developments graced the city.

These good things came to a halt in 2000. An outside appraisal firm, hired to update assessments, focused only on *total* property values and so completely ignored land and improvement distinctions with the result that site values of identical adjacent parcels were valued miles apart. This upset taxpayers and threw a monkey wrench into the land tax. Confused city officials threw up their hands and reverted to the conventional property tax. For the best part of a century, Pittsburgh was America's prime demonstration of the practical benefits of shifting taxes off buildings and on to land. Letting property assessments become outdated and inaccurate brought this demonstration to an abrupt halt.

Pittsburgh's Business Improvement District, serving the central downtown area, continues to finance its projects by charging all properties within the district on the basis of their land values only. This remnant of the Georgist approach remains. Land tax proponents are working to restore the touchstone of Pittsburgh's former prominence on the urban stage.

TABLE 2

Growth and Decline in Rust Belt Cities Comparing Pittsburgh and 14 Other Midwest Cities

Pittsburgh in 1979 significantly lowered taxes on buildings and increased them on land values. Rates on assessed building values were reduced to one-sixth the rates on assessed land values. All other cities in this study used the conventional property tax – one rate on the total building and land value. University of Maryland economists Wallace E. Oates and Robert M. Schwab tracked annual changes in new construction during the 1980s as compared with the prior two decades.

AVERAGE ANNUAL VALUE OF BUILDING PERMITS

Data for Central Cities, Values in Millions of Constant 1982 Dollars

	1960-79	1980-89	% Change
PITTSBURGH	**$181.734**	**$309.727**	**+70.43%**
Akron	$134.026	$87.907	-34.41%
Allentown	$48.124	$28.801	-40.15%
Buffalo	$93.749	$82.930	-11.54%
Canton	$40.235	$24.251	-39.73%
Cincinnati	$318.248	$231.561	-27.24%
Cleveland	$329.511	$224.587	-31.84%
Columbus	$456.580	$527.026	+15.43%
Dayton	$107.798	$92.249	-14.42%
Detroit	$368.894	$277.783	-24.70%
Erie	$48.353	$22.761	-52.93%
Rochester	$118.726	$82.411	-30.59%
Syracuse	$94.503	$53.673	-43.21%
Toledo	$138.384	$93.495	-32.44%
Youngstown	$33.688	$11.120	-66.99%
15-CITY AVERAGE	**$167.504**	**$143.352**	**-14.42%**

DATA: From Dun and Bradstreet. Based on Table 3 from Oates and Schwab, *The Impact of Urban Land Taxation: The Pittsburgh Experience*, Lincoln Institute for Land Policy, Cambridge, MA, 1992.

NOTE: Columbus is the only central city in this study besides Pittsburgh that showed a construction gain during the decade. Officials, in conversation with W. Rybeck, attributed this to the extensive annexations by Columbus during the 1980s. That city's data thus reflect building expansion in former suburbs surrounding the central city.

Easing a Housing Crisis – *New York City*

New York City faced an acute housing shortage after World War I. Sensing that high building taxes were impeding development, the city won permission from the State Legislature to exempt taxes on new apartment buildings for ten years. Land beneath the buildings continued to be taxed. This reform immediately touched off a building boom, erasing the shortage of dwelling units and boosting municipal revenue. The $83 million worth of exempted housing the first year kept growing to over $900 million by the sixth year, for a cumulative total of $3.4 billion worth of new construction.

The housing supply crisis had ended. Builders understandably catered at first to the up-scale market. It was anticipated that continued exemptions would add to the supply of housing for middle and lower income tenants, bringing rents down. However, in 1926, powerful real estate speculators who were prevented by the land tax from cashing in on rising values persuaded the state and city to phase out the exemption program.

Instead of learning from that successful example, the city's subsequent housing specialists took the path of rent controls, subsidies to lenders and landlords, and public housing. Whatever the merits of these alternative approaches, long a matter of controversy, their results have not begun to match the impressive achievements of New York City's all-too-short land tax venture.[6]

Paying for Infrastructure – *Miami Conservancy of Ohio*

To pay for the system of dams built to prevent future floods in the Miami Valley of Ohio, Conservancy Director Arthur Morgan ordered a massive appraisal operation. The 77,000 properties along 110 miles of river valley were to be taxed on the basis of how much damage protection each parcel was receiving.[7] Damage protection was a proxy for each property's land value gain. It was politically palatable because it was easily recognized as a charge for the benefit being provided to each location. People who had suffered terrible flood losses readily agreed to bear the cost of avoiding a repetition of that disaster. The tax brought in more than enough revenue to pay for the dams and levees. Without federal, state, or local subsidy, site owners directly benefiting paid for the construction and operation of this major infrastructure project.

Unlike most taxes that deter or slow down development, Morgan's land tax scheme hastened an outstanding industrial and commercial revival throughout the Dayton region. This revenue device affirmed the theory that taxing the value of land encourages owners to make optimal use of the potential of their holdings.

Obeying the Law – *Rosslyn, Virginia, and Southfield, Michigan*

Exciting things happened when two local governments stopped under-assessing land and over-assessing the value of buildings. American assessors were typically assessing land and improvements improperly, documented in New York City and Dayton (see Chapter 15). Later studies by the Census of Governments, the Committee for Economic Development, and the Advisory Committee for Intergovernmental Relations all confirmed that this departure from market value evaluations was widespread.

Rosslyn, across the Potomac River from Washington, D.C., and Southfield, which shared a border with Detroit, began assessing land at its full current market value, a novel approach although it was nothing more than what the law specifies. The corrected assessments reduced taxes on buildings and raised them on land values, touching off impressive development in both communities.

Rosslyn instituted its reform when the area was an unsightly residential, commercial, and industrial slum, a jumble of pawn shops, lumber yards, warehouses, and junk yards. To picture the jolt landowners got from the reassessment, one five-acre commercial tract saw its appraised value rise from $3,000 to $196,000 an acre. A 154-acre industrial tract, formerly appraised at $300 an acre, saw an increase to $2,300 an acre. Owners, despite the derelict appearance of their sites, got a wake-up call that they were sitting on gold-plated locations. Confronted with an annual tax based on that fact, the owners promptly began using their sites appropriately or sold to others who were eager to locate there.

Within a few years of bringing land value assessments up to current market value, Rosslyn was transformed into a skyscraper city. It became filled with a wide range of enterprises and public agencies that provided employment to tens of thousands.[8]

Crossing the street from Detroit to Southfield, locals said, was like going from night to day. Before Southfield corrected its assessments, land was assessed at only 10 percent of its value while buildings were assessed at 70 to 85 percent of value. After the city initiated a robust taxation of land values, new buildings and new enterprises began to appear. Despite higher land taxes, average homeowners enjoyed a 22 percent reduction in their property taxes. Reduced taxes on their buildings more than compensated for their higher site taxes.[9]

In contrast, Detroit, next door to Southfield, barely taxed land values and put the weight of the property tax on structures. As Southfield prospered, Detroit went into an economic tailspin.

For cities with property assessments that deviate from the legal requirements, the moral of the Rosslyn and Southfield stories is clear. *Simply obeying the law* is an easily accomplished and important first reform of the property tax. It is not a land tax, but it is a beneficial change in the right direction.

A further lesson can be drawn from Detroit's malaise. Like Cleveland in the Progressive era, Detroit had a Georgist mayor, Hazen Pingree. He raised land taxes, which played no small part in enabling Detroit to become the auto-making capital of the world.[10] Detroit outpaced the growth rate of all American cities, becoming the nation's fourth largest by 1950. Subsequent governors, however, began instituting income, business, and corporate taxes in the name of "property tax relief". In 1995 Michigan hastened the decline of Detroit, Flint, and other cities by deciding to use sales taxes instead of property taxes to finance public education. Taxing enterprise helped kill Detroit's golden goose.[11]

Still Going Strong – *Pennsylvania*

Before Pittsburgh's reassessment debacle led the city to abandon its two-rate tax, many other cities in the state had gotten aboard the land tax bandwagon. Much credit goes to Stephen Cord, a professor in Pennsylvania's Indiana University, the Johnny Appleseed of the reform movement. He traveled the state, giving local officials nuts-and-bolts recipes for making property taxes more equitable. Joshua Vincent, who succeeded Cord as director of the Center for the Study of Economics, continues to provide technical help to localities that are modernizing their property taxes.

Pennsylvania cities that adopted the two-rate tax kept housing prices stable while they soared elsewhere in the state and nation. Most home and apartment owners enjoyed property tax reductions. New construction and rehab expanded while they declined in comparable nearby cities. The tax change attracted private development, revitalizing central business districts. Tapping previously under-taxed land values increased municipal revenues. As idle lots and derelict buildings in the city were put back into use, sprawl was minimized.

Some skeptics attributed these good results to other local and national policy changes that occurred at the same time. Certainly, the land tax was only one of a kit of tools these cities used. Nevertheless, every city using the two-rate tax recorded positive results while their similar neighboring cities *that used those other tools but not the land tax*, stagnated. It strains credulity to dismiss the consistent tax reform benefits as coincidental. The land tax proved to be not only a constructive measure, but also a device that helped other urban strategies to become more effective.

Pennsylvania's two-rate taxing cities are not devoid of problems. Notably, most continue to impose onerous taxes on businesses and workers. Their small doses of land taxation nevertheless have achieved measurable gains – results that earn this reform the right to be labeled high-potency medicine. The army of urbanologists who have had minimal success in halting chronic city problems should ask: How much healthier would America's ailing cities be if they stopped taxing privately created values and relied to a much greater extent on recapturing publicly-created land values?

Harrisburg Before the state capital initiated the two-rate tax, the U.S. Department of Housing and Urban Development listed Harrisburg (population 48,950) as the nation's second most distressed city of its size class. The city was in big trouble, having lost 800 businesses and a third of its population in the prior two decades.

The two-rate tax launched by Mayor Stephen Reed reversed the city's downward slide. All but a handful of its 5,200 stores and housing units that were boarded up when he took office were replaced or rehabilitated and put back into use within a decade. New construction up to the time of Reed's retirement in 2010 increased the city's taxable real estate from $212 million to over $1.6 billion. Businesses on the tax rolls rose from 1,908 to more than 2,100 by the year 2009.

The tax rate on land was first set at 2.6 times higher than the rate on buildings. As the City Council and citizens saw positive effects, they gradually increased the land rate to 6 times higher than the rate on improvements.

Mayor Reed explained the anti-sprawl effect of the reform as follows: "Unused urban land is what pushes development into open spaces. Many states try to save farmland by buying development rights. That's expensive. Without spending a dime, we achieved the same goal with our two-tier tax."

Aliquippa When the LTV steel mill shut down, Aliquippa (population 13,400) lost its main industry and 15,000 jobs. The mill owners took their annual property tax bill of $1 million to court and got it reduced to $200,000. Aliquippa then moved to tax land values at a rate 16 times higher than on buildings. This shift of tax burdens onto land values rather than on improvements brought LTV's tax bill up to $450,000, a charge that gave the corporation an incentive to find new uses for its plant, which it accomplished quickly.

Within a couple years, Aliquippa's building permits increased 200 percent, four-fifths of its residents got tax reductions, city revenues increased 10 percent, and the town had a budget surplus.

New Castle This western Pennsylvania city (population 28,300), during its first three years with a two-rate tax, saw 75 percent of its homeowners get property tax reductions. Seniors on fixed incomes, squeezed by steadily rising taxes, previously were being forced to leave their homes, friends, and familiar surroundings. With the two-rate tax they could afford to stay and their neighborhoods were stabilized. Even in the midst of a sharp recession, new downtown development occurred.

Washington A short distance south of Pittsburgh, Washington (population 15,800) adopted the two-rate tax in 1985 in response to a court-ordered reassessment. Under the conventional U.S. property tax, the new assessments would have spelled tax increases for most homeowners. Under the two-rate tax, 85 percent paid lower taxes.

Mayor Anthony Spossey said the reform reversed three decades of decline, induced new construction, and turned the city's budget

TABLE 3

Two-Rate Taxing Jurisdictions in Pennsylvania as of 2009

TAX RATES ON LAND AND BUILDINGS

Compared to Rates under Conventional Property Tax to Raise the Same Revenue

Jurisdiction	Land Tax Rate (in mills)[1]	Building Tax Rate (in mills)[2]	Tax Ratio[3]	Property Tax Rate (in mills)[4]	Year adopted
Aliquippa School District	188.000	29.500	6.4	60.530	1993
Aliquippa City	81.000	11.400	7.1	24.900	1988
Allentown City	50.380	10.720	4.7	17.520	1997
Altoona City	185.860	6.890	27.0	30.000	2002
Clairton City	28.000	2.220	12.6	7.500	1989
Clairton School District	75.000	3.100	24.2	22.000	2006
DuBois City	89.000	3.000	29.7	1870	1991
Duquesne City	19.000	13.470	1.4	8.050	1985
Ebensburg Borough	27.500	7.500	3.7	10.500	2000
Harrisburg City	28.670	4.780	6.0	9.630	1975
Lock Haven City	16.260	2.950	5.5	6.289	1991
McKeesport City	16.500	4.260	3.9	11.260	1980
New Castle City	27.791	7.856	3.5	11.726	1982
Pittsburgh Improvement District	4.374	N/A	N/A	N/A	1997
Scranton City	103.145	22.432	4.6	28.500	1913
Titusville City	53.510	13.35	4.0	18.333	1990
Washington City	100.630	3.500	28.8	21.620	1985

NOTES

1 Information provided by the Center for the Study of Economics, Philadelphia, Pa.

2 In Pennsylvania, tax rates are expressed in mills. A mill is 1/1000th of a dollar.

3 Column 3, the tax ratio is column 1 divided by column 2. In the Aliquippa School District, for instance, the figure means that the land tax rate is over 6 times higher than the rate on buildings. This column shows that Altoona and three other jurisdictions get most property tax revenue from land, with only token amounts from buildings.

4 Column 4 indicates what the conventional property tax rate would need to be to raise the identical total revenue generated by the two-rate tax.

from red to black. Building permits from 1987 through 1995 totaled a hefty $22 million – roughly one-third for residential structures, and two-thirds for commercial and industrial buildings.

Allentown Few large landholders speak out against land taxes. They prefer to persuade folks like old ladies in tennis shoes to front for them and make it appear "little people" will suffer from tax reform. Allentown (population 107,000) had an outspoken promoter of land speculation who was the exception to this rule.

The late Donald Miller, publisher of the *Allentown Call*, was also a parking mogul. His surface lots had some ten thousand car spaces. So many buildings in the central business district were torn down for his lots that it was hard to find businesses. Miller was powerful enough to persuade the mayor to veto two-rate tax ordinances year after year, although City Council persevered and finally won in 1997.

Miller's forthright arguments illustrated a mind set against reform. When Councilman Ben Howells began pushing the land tax in 1982, here is a sample of what Miller wrote in his newspaper: "*Land speculation has been an American practice since the Pilgrims came to the New World in 1620. Laws will not change this practice because every American dreams of a quick kill on real estate if he has the foresight to buy land at locations that will command a profit.*"

Miller deserved a prize for candor. But his praise of "quick kills" by speculators at society's expense should motivate champions of urban progress to oppose that tactic.

Implications of the Numbers

Walking through examples of the tax rates in Table 3 as they apply to four different types of property in Washington, Pennsylvania, clarifies how the two-rate tax differs from the typical property tax.

Note that the following examples illustrate how the old conventional property tax favors poor land use – or no use – while the two-rate tax favors homeowners and business owners who make good use of their properties. When most of the tax falls on the land value, as in Washington, Clairton, Altoona, and Dubois, the sizeable percentage increases in the annual tax on idle lands gives owners of those sites a considerable wake-up call to put their holdings to better use.

1. A fine, well maintained residence. Land assessed at $10,000, house at $90,000

		column in $s	
TYPICAL OLD PROPERTY TAX	total assessed value	= 100,000	
Tax rate, 21.62 mills,	tax bill, $100,000 x .02162		= 2,162
UNDER TWO-RATE TAX	land tax, $10,000 x .10063		= 1,006
	building tax, $90.000 x .0035		= 315
	total tax bill	= 1,321	
Owner's SAVING	*38.9% a year LESS or*		= *841*

2. A boarded-up, blighted apartment. Land assessed at $120,000, building at $50,000

UNDER OLD PROPERTY TAX	total assessed value	=170,000	
Tax rate, 21.62 mills,	tax bill, $170,000 x .02162		= 3,675
UNDER TWO-RATE TAX	land tax, $120,000 x .10063		= 12,076
	building tax, $50.000 x .0035		= 175
	total tax bill	= 12,251	
Owner's INCREASE	*233% a year MORE or*		= *8,576*

3. A highly-developed business site. Land assessed at $300,000, building at $1,800,000

UNDER OLD PROPERTY TAX	total assessed value	=2,100,000	
Tax rate, 21.62 mills,	tax bill, $2,100,000 x .02162		= 45,402
UNDER TWO-RATE TAX	land tax, $300,000 x .10063		= 30,189
	building tax, $1,800,000 x .0035		= 6,300
	total tax bill	= 36.489	
Owner's SAVING	*19.6% a year LESS or*		= *8,913*

4. An empty lot in central business district. Land assessed at $250,000, no improvements

UNDER OLD PROPERTY TAX	total assessed value	=250,000	
Tax rate, 21.62 mills,	tax bill, $250,000 x .02162		= 5,405
UNDER TWO-RATE TAX	land tax, $250,000 x .10063		= 25,158
	building tax (no building)		= 0
	total tax bill	= 25,158	
Owner's INCREASE	*365% a year MORE or*		= *19,753*

How Did Reform Play – *Peoria*

Peoria won a reputation as the prototypical Middle American small city, so much so that firms testing new products and politicians airing new policies would ask, "How will it play in Peoria?"

Land value taxation played well in Peoria's run-down industrial area along the Illinois River. A derelict seven-mile-long strip of obsolete factories and warehouses was so blighted that a plan to simply bulldoze everything was seriously proposed. The area employed only 2,000 people in the 1980s, down from 50,000 in its heyday six decades earlier.

Under the Illinois Enterprise Zone law, taxes on new improvements were reduced 75 percent for five years, 50 percent for the next five. These reductions applied only to the value of new or renovated buildings, not to the land under them. Taxes on each parcel increased as its site value rose. After this plan was adopted, activity in the area mushroomed. Within a few years the dollar value of industrial-commercial building permits within the zone rose dramatically from 8 percent to 29 percent of the citywide total.[12]

The private market works when conditions are favorable. Many city leaders fail to see that failure to create a favorable tax climate saps enterprise or drives it away. As their cities suffer a downward spiral, officials and city planners then try to act like developers, putting together real estate deals, either on their own or via private-public partnerships. When officials launch arenas and large commercial centers, often of a showy nature, they are lauded for giving cities a boost, but these projects rarely turn the local economy around. Cities also entice new ventures to locate there, using as bait costly concessions and grants (paid for by taxing older local enterprises and putting them at a competitive disadvantage). Not infrequently the subsidized newcomers use up their grants and then disappear into the night.

The enlightened business people who devised Peoria's land tax observed that some local officials and planners opposed the plan because it gave them no goodies to bargain with, no new powers, and no ability to pick economic winners and losers. According to proponents, city leaders finally approved the tax reform, not because they thought it would work but because they were fairly sure it would not.

NOTES

1. This did not happen without opposition. Big landowners, banks, and utilities viciously fought the Wright Act through the courts, labeling it "communism ... under the guise of law". The U.S. Supreme Court, disagreeing, upheld the act.
2. Among enclaves founded by land tax promoters but that failed to install or retain a land tax system were Tahanto, Shakerton, and Trapelo in Massachusetts, Halidon in Maine, and Free Acres in New Jersey.
3. Henry Wiencek called Arden "an oasis of idiosyncrasy", *Smithsonian Magazine*, May 1992.
4. Johnson's autobiography, *My Story*, New York, 1911. He writes that Henry George persuaded him to fight for economic justice. Johnson's statue in Cleveland's center square shows him holding George's famous book.
5. Lawrence became Pennsylvania Governor, 1959-63, and chaired the Equal Housing Opportunity Committee under Presidents Kennedy and Johnson.
6. "How Tax Exemption Broke the Housing Deadlock in New York City", preface by W. Rybeck, Citizens' Housing and Planning Council of New York, New York City, 1960.
7. For more about Morgan and his Ohio flood protection system, see Chapter 10.
8. Lyle C. Bryant, "Rosslyn: A Case Study in Urban Renewal", American University, D.C., 1967.
9. Southfield Mayor James Clarkson, "Hearing Before the National Commission on Urban Problems", Vol. 5, Government Printing Office, Washington, D.C., 1967, pp.36-45.
10. Later, as Michigan's governor, Pingree centralized the state's assessment administration. His staff found so much untaxed land that Michigan was able to reduce tax rates and bring in increased revenues at the same time.
11. A detailed account of this sorry tale is given by Mason Gaffney, "What's the Matter with Michigan: Rise and Collapse of an Economic Wonder", in *GroundSwell*, Beloit, WI, December 2008.
12. The county, city, school district, park district, transit district and other entities that had to sign off on the plan did not let the new tax regimen apply to either residential or retail uses.

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Overseas Success Stories

"The land tax as the only means of supporting the government is an infinitely just, reasonable, and equitably distributed tax."
— Sun Yat Sen,
founder of modern, pre-Communist China

WHILE HENRY GEORGE'S proposals were being belittled in his native country, other nations put his prescription for social justice to the test with excellent results. The reliance on land-based revenue sources by Hong Kong and New Zealand actually predated George, showing that he had no patent on this approach. It is associated with him because his explanations and justifications for it were far more extensive than those of other economists or political scientists before or since.

To sample foreign examples of land value collection, we look at the following countries, listed by the year they adopted that policy:

1843 Hong Kong
1878 New Zealand
1912 Denmark
1916 South Africa
1949 Taiwan

Half-Told Story – *Hong Kong*

The late Milton Friedman and the late Jack Kemp frequently cited Hong Kong as an example of the good results stemming from the low-tax policies they advocated.

When Hong Kong was still a British colony and before mainland China took control, anti-taxers credited the economic miracle of this bustling outpost in Asia to several facts: dividends, capital gains, and sales were not taxed; progressive salary taxes ranged from only 2 to 25 percent, but with a ceiling of 15 percent of gross income; and, as of 1996, generous personal allowances kept 44 percent of the labor force from paying any income taxes at all.

This account was true, as far as it went. However, low-tax proponents failed to wonder or ask how Hong Kong avoided onerous taxes on wage earners and businesses and yet afforded to continuously upgrade roads, transit, harbor, airports, parks, and so forth. Anyone who has read to this point will guess correctly that Hong Kong generated the bulk of its revenue from land values. The colony did this in spades, recapturing 40 percent of Hong Kong's rapidly expanding land values during the two decades after 1970 when these values soared to unprecedented heights.[1]

Hong Kong owned virtually all its land and the colony leased these "crown lands". Lease contracts did not keep pace with sky-rocketing land values, so it became profitable for leaseholders to sublease. In response, Hong Kong imposed a high profits tax on these subleases.

It is important to note that there is no *economic* difference between paying the government *rent* for a lease on *publicly owned land* and paying the government a *tax* on *privately owned land.* There are many *political* differences, however, and to my mind there are many advantages in the private ownership system that predominates in America.

Should Hong Kong be defined as a low-tax or high-tax example? Both. It imposes low taxes of the type that tend to suppress an economy – on income, dividends, and sales. It has prospered by imposing high charges in the form of rents and taxes on land values. In sum, it may be said that Hong Kong has high and low taxes of the right kinds.

Postcard and Pocketbook Politics – *New Zealand*

To acquaint Americans with flourishing land tax governments abroad, V.G. Peterson, executive director of the Schalkenbach Foundation, arranged national tours of prominent foreign spokesmen from those countries.[2] I helped arrange some of their speaking engagements and thus became acquainted with Rolland O'Regan of New Zealand, Viggo Starcke of Denmark, and Frank A.W. Lucas of South Africa.

Dr Rolland O'Regan, besides being a land tax reformer, was one of New Zealand's leading surgeons, an executive of his nation's Labour Party, a Wellington City Councilman who chaired the Town Planning Committee, and Deputy President of the Royal Forest and Bird Protection Society.

Addressing a George Washington University faculty meeting in Washington, he reported that 293 of New Zealand's 367 cities, boroughs, and counties had adopted a property tax based on land values alone, with no tax on homes or other structures. How, he was asked, was such an extensive change engineered?

He said reformers first generated support among citizens to petition their jurisdictions to hold polls on whether to adopt a land tax. Next they collected the official data on land and improvement assessments for every parcel. From this data they calculated the taxes due under both the old and the proposed systems and sent this information on a postcard to each owner. Only property owners were entitled to vote in these polls. Because a majority saw they would pay less when homes and other buildings were no longer taxed, favorable votes occurred time and again around the country.[3]

A lesson from the New Zealand experience is that success in the political arena requires paying close attention to the pocketbook impacts of the reform. Ethical considerations and careful economic analyses were instrumental in motivating leaders of the reform. However, they took pains to translate their proposals so all taxpayers could answer the question that inevitably arises when a major change is being debated: "If this reform passes, how will it affect *me*?"

Folk Schools and Land Taxes – *Denmark*

Viggo Starcke, Danish author and historian, was a Member of Parliament in the Justice Party, a party dedicated to land taxation, free markets, and free trade. When the Justice Party became part of a ruling coalition, Starcke as party leader served as minister without portfolio in the Danish Government from 1957 to 1960. It was during that period that he made his U.S. tour.

According to Starcke, George's *Progress and Poverty* struck a familiar chord with Danes because Valdemar the Great in the 12th Century instituted a land tax that led to several centuries of good times and progress for Denmark. However, by the 1800s many Danes were reduced to near serfdom on huge baronial estates.

The Danish Folk School movement, founded by Bishop Severin Grundtvig, taught Henry George's ideas to landless farmers. In the early 1900s Danish peasant farmers were having bad times. They marched on Copenhagen and puzzled officials by saying they wanted no charity, no protective tariffs, no relief or special privileges – only land value taxation. Parliament first tried some different tax policies that worked poorly, but in 1912 they adopted a national land tax.

Owners of large estates, to avoid the higher taxes, started selling off land they were not using. Within a generation, Starcke said, Denmark had become a country of intensively used and highly productive smaller farms, winning fame for the little nation as "the breadbasket of Europe".

Speaking in American churches, Starcke gave a memorable sermon on "Our Daily Bread". He took out tiny bread loaves from his pocket, creatively using them to illustrate different economic systems and to reveal why property is sometimes rightfully *mine*, at other times *yours*, and in still other circumstances *ours*.[4]

Land Tax and Apartheid – *South Africa*

Frank A.W. Lucas, a justice of South Africa's high court, reported that a 1916 law enabled cities in his country to tax property according to site value alone. Johannesburg and nearly a hundred other cities adopted this reform. Surveys by Godfrey Dunkley, an internationally esteemed appraiser in South Africa, found that over a twenty-year period the site value cities attracted double the capital growth of cities using their old system, which is comparable to the typical U.S. property tax.

For those inclined to be pessimistic about the prospects for social change in general, or land tax reform in particular, another aspect of Lucas's visit is pertinent. He came to an America where segregation was widespread and when lynching of blacks still occurred. Lucas wore a black armband in mourning for the blacks in his country who had just been expelled from "white areas" and jammed into special enclaves under the *apartheid* policy. The judge pronounced it apart-*hate*.

At that time people who were considered authorities on South Africa did not debate whether that nation was headed for a bloodbath. They only disagreed on how soon it would happen. Anyone surely would have been accused of living in a fantasy world if he or she had predicted then that Nelson Mandela, a black man about to be imprisoned, would emerge 27 years later to resolve South Africa's racial divide in a peaceful and healing manner. It would have sounded even more preposterous if someone had predicted at that time that Lucas's U.S. audiences, half a century later, would help elect a black president.

Unlikely outcomes such as these should give hope to those working for a more just society.

Georgist Constitution – *Taiwan*

Sun Yat Sen, leader of the new China republic in the early 1900s, proclaimed that profits arising from increased land values should accrue to all the people, not a privileged few. Discussing his plans with American journalists, he said, "The teaching of your single taxer, Henry George, will be the basis of our program of reform."[5]

Chiang Kai-shek, who assumed leadership in the 1920s, did not pursue Sun Yat Sen's policy. He chose not to buck the powerful landowners of his own Kuomintang party. In addition, he was busy fighting Communist rivals. But the wars – China's civil war and World War II – led to a strange turn of events.

After his defeat by the Communists in 1949, Chiang fled with remnants of his followers to set up an alternative Republic of China on the island of Taiwan. Landlords there were no longer *his* landlords, and Chiang conveniently recalled Sun Yat Sen's ideas about land. More than simply remembering, he and his regime spelled out the land ethic in Article 143 of Taiwan's constitution, to provide the following:

- Privately owned land shall be liable to taxation according to its value.
- Government may buy land according to its assessed value. (Taiwanese owners declare the value of their own land; the government's right to purchase at that value keeps people from setting self-assessments too low.)
- If the value of a parcel is increased, not due to the exertion of labor or use of capital, that increase shall be subject to an increment tax, the proceeds of which shall be enjoyed by the people in common.

The land tax generated four times more revenue for Taiwan than its separate tax on homes. Rates for the *graduated* tax levied on land value increments went up in multiples. If the land value of a parcel increased 100 percent, the government taxed 40 percent of that. For increases between 100 and 200 percent, the tax was 50 percent. Increases from 200 to 300 percent were taxed at 60 percent. Over thirty years, the revenue generated by land taxes increased more than 600,000 percent. (Not a misprint!)

Impacts of the land tax on this small poverty-stricken island less than the size of West Virginia were impressive. From 1950 to 1990, the country changed from a net importer to a net exporter. Taiwan attained world power status. Its gross national product or GNP during that period rose from $1.2 billion to $150 billion, expressed in U.S. dollars. While the farming sector prospered, industrial growth so greatly outpaced it that, in this same time period, agriculture declined from 33 percent to half of 1 percent of GNP.

Meanwhile, urban buildings increased 230 percent. In conjunction with other policies, the land tax helped keep development and industry within the confines of cities, saving scarce prime flatlands for agriculture.[6]

Et Cetera

Other examples that could be cited include many Australian cities, Singapore, parts of Canada, and Abu Dhabi.[7] A fair conclusion from a review of land tax implementation efforts is that their socio-economic impacts are beneficial. These benefits increase in direct proportion to the degree of reliance on taxing land values and, equally important, to the degree that the fruits of labor and production are relieved from taxation.

NOTES

1. Yu-Hung Hong, *Does Public Land Leasing Pay? Managing Public Land through Land Contracting in Hong Kong*, Lincoln Institute of Land Policy, Cambridge, MA, 1994.
2. The Robert Schalkenbach Foundation, formed in New York in 1926 to promote the works and ideas of Henry George, funds research and public education on land economics.
3. O'Regan's book, *Rating in New Zealand*, Barunduin Publishers, Wainuiomata, NZ, 1973, offers rare insights into appraisal technicalities and the framing of property tax laws. "Rating" is the term used for property taxation in New Zealand, Australia, and Britain.
4. Some main points of Starcke's sermon are excerpted in Appendix D.
5. Quoted in *The Republic*, Chicago, April 12, 1912.
6. Sein Lin, "Taiwan's Formula..." in W. Rybeck, ed., *From Poverty to Prosperity by 2000*, Center for Public Dialogue, Kensington, MD, 1992; and Arch Woodruff, president emeritus, University of Hartford, "Lessons from Taiwan", speech to International Conference at Woudschoten, Holland, July 1982.
7. Bookshelves of material on the history of these reforms are available. Robert V. Andelson, ed., *Land Value Taxation Around the World,* 3rd edition, Blackwell, Malden, Me., 2000, includes many references.

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Taxing Natural Resources

BECAUSE THE VALUES OF RESOURCES in the ground are more mysterious to most of us than the values of surface lands on which our homes and businesses are located, it is useful to look briefly at some aspects of these natural resources.

The People's Share – *Alaska vs Appalachia*

Widely advertised is the fact that every Alaskan man, woman, and child gets a sizeable annual dividend – amounting over a decade to tens of thousands of dollars for a family – from the state's Permanent Fund. The Fund, financed by oil, was established in 1976 and its rules, enshrined in the State Constitution, recognize the distinctions between private and common property. As petroleum economist Chuck Logsdon with the Department of Natural Resources explained to me, "Private companies own the gas and oil they extract; the Alaskan people get the land rent."

Private energy firms, far from being deterred by this policy, eagerly compete for leases to tap the Alaska-owned petroleum reserves. In return, they pay royalties, corporate taxes, severance taxes, and property taxes. Citizens enjoy both monetary dividends and low tax burdens because oil revenues cover a large portion of state and local budgets.

Alaska presents a stark contrast with Appalachian states. They too are well endowed with natural resources – oil, gas, coal, timber, quarries. These states let corporations pocket not only their legitimate earnings from their extraction activities, but also the common land values that belong to citizens of Appalachia. Lest the uninitiated think these land values are picayune, one Pennsylvania coal company sold its twelve Somerset County mines for $1.3 billion in 2008.

The failure to distinguish what belongs to the people and what belongs to the producers is a major cause of the chronic poverty which seems ludicrous in resource-rich states. Those states desperately need to take a lesson from Alaska's book.

Taxing Coal into Use

"I've got a prize for whoever tells me why a major coal operator asked the Ohio Legislature to raise his taxes."

My brother Art often opened talks about reviving West Virginia's economy with that question, noting that "Tax me, please," is not what the typical industrialist pleads for.

To start at the beginning of this story: in central West Virginia, Fayette County officials had prepared a modest bond issue to upgrade their schools. They were shocked when the issue was stricken from the ballot on grounds that local property values were insufficient to underwrite the bonds. They approached me to ask how this was possible since rich seams of coal underlay almost the entire county.

My inquiry began with a query to the assessor in Wheeling, my home town, about how he valued the coal of a local mining firm. "I go by what the company reports," was his unexpected reply. Off I went to the manager of that company, Valley Coal, to ask just what he reports to the assessor.

"Each year," he said, "we report how many acres of coal we extracted" to reduce the property being taxed. That seemed only fair. Coal that no longer exists should not be taxed. But I asked how he sets the value of the remaining inventory of coal still in the ground.

"Oh, we just don't challenge the rate that's been set," he replied.

The rate that's been set got to the crux of the issue. Mining almost ceased during the Great Depression. Simply to keep mine properties on the books, assessments were dropped to a token rate of around $5 an acre of coal. World War II and then the nation's hunger for the electricity produced from coal revived demand for "black gold". While production and profits soared, however, assessments remained static. It was obvious why coal owners did not challenge "the rate that's been set".

One operator, James Hyslop, who happened to be a dental patient of my brother's, did challenge "the rate that's been set". He managed coal operations in southeast Ohio for the Hanna Corporation. Coal in the ground, he told me, was worth "hundreds of times more" than the assessed value. "I decided to ask legislators in Columbus to raise taxes on my coal," he added.

"Why in the world did you do that?" I asked to elicit his reasoning.

Hanna, he explained, was a highly diversified corporation with many sources of income and no need for current profits from its extensive coal holdings. In fact, with minimal taxes on these holdings, he said the firm could afford to sit on them for another century, after which they would be worth far more.[1]

Hyslop nevertheless felt his mission was to maximize mining. After Ohio took his advice and assessed coal more realistically, Hanna ramped up production to offset its tax costs, just as Hyslop predicted. That was not the end of his story. More coal on the market brought its price down, letting it out-compete other energy sources. Hyslop's coal division created many new jobs. Moreover – the answer I was looking for – cities and counties where the firm operated were able, with increased coal tax revenues, to provide decent schools, police protection, and roads.

With Hyslop's permission, I repeated his story in a deposition for Fayette County. John O. Behrens, one of the nation's specialists on property tax law, joined me to buttress the case. He emphasized that the law requires assessors to value coal on the same basis as residential and other business properties, that is, at current market value. That's common sense, but not common practice.

Poor Rich Appalachia

The U.S. Supreme Court took a turn that retarded fair assessments of coal in West Virginia.[2]

Sales revealing the true worth of coal lands are quite rare because their low assessments make it financially painless to hold on to them. So it was noteworthy when the Allegheny-Pittsburgh Coal Company paid $24 million in 1975 for a parcel in Webster County that contained an estimated 32 million tons of coal. The company sold it seven years later to East Kentucky Energy Corp. for $30 million.

County Assessor Stanis Morton, noting these prices, appraised the property accordingly.[3] The owners cried foul, saying they were assessed far higher than neighboring coal fields. West Virginia's high court did not dispute the disparity but supported Morton for using a market value test as the law required. The state court defended him from a charge of discrimination by pointing to three years in which he raised assessments on other coal holdings.

When the case landed in the U.S. Supreme Court, Chief Justice Charles Rehnquist countered that, at the rate these adjustments were being made, it would take 500 years before the neighbors' assessments were brought up to a par with the Allegheny/East Kentucky valuations.

Did the court therefore rule that West Virginia obey its law and bring *all* coal valuations up to a fair level? No, instead of holding assessors' feet to the fire, the Supreme Court in a unanimous decision required Webster County to repay the coal company for its excess tax payments. Did the governor or state legislature then do what the justices may have felt was beyond their purview and correct the system? Again, no. Morton's successor, Assessor Dana Lynch, said the state then took coal evaluation from counties and gave the job to the state assessing office which, as of 2010, still had not gotten around to mapping and evaluating the rich coal remaining in the seams under Webster County.

Court testimony indicated the actual value of coal was 3,500 percent higher than it was being valued for tax purposes. One must wonder how many billions of dollars of tax revenue were forgone, billions that could have helped ease the severe poverty in West Virginia's cities, towns, and rural areas. These billions went instead to the absentee owners who control the state's natural resources.[4]

Where was West Virginia's next-generation James Hyslop when they needed him – a progressive manager who knew how to strengthen the mining industry and the public sector respectively?

THE 'CURSE' OF RESOURCES

Is it not puzzling and strange, I asked, that West Virginia, so rich in coal, natural gas, oil, and timber is so poverty-ridden?

"It's not strange," the late James Busey replied. A Colorado political science professor and Latin America specialist, he said, "This is the usual fate of places cursed with natural resources." He explained that resources lure exploiters who often go the next step and corrupt government, giving top officials a slice of their plunder in exchange for subjugating the mass of the population.

Busey, of course, used the word "cursed" ironically. He agreed that resources *should* be a blessing, and *could be* if subjected to a more equitable tax system. In Alaska, the public taps the value of resources in their natural state and leaves to enterprisers the values they add through extraction, refinement, and distribution – so both the industry and the general population thrive.

Strike Charade

Early in my reporting days in Fairmont, in 1947, the national press was relating that the coal miners under the fiery United Mine Workers chief, John L. Lewis in Washington, were locked in a bitter battle with the coal owners. The large concentration of bituminous coal miners were represented by UMW District 50 in Fairmont. Consolidated Coal, the largest coalfield operator, was also headquartered in Fairmont.

"Don't fall for this so-called coal war," said a man I interviewed. He claimed the leaders of District 50 and Consol were "lunch buddies" waging a sham fight. Just wait, he said, and you will see that they let the union claim victory with higher wages. The companies will use that as an excuse to raise coal prices. After a short time, he said, they will reduce the miners' weekly hours so, in the end, they will be no better off.

Unable to confirm that story, I did not report it. But the scenario played out almost precisely as predicted. My source, no wild-eyed radical, was A.C. Spurr, chairman of Monongahela Power and Light. The utility chief had little respect for the coal owners, union chiefs, or the coal-owning railroads. Instead of working against the public interest, he argued, they should be joining hands to develop economical ways to produce clean coal. Clean coal! That was over half a century ago.

What a missed opportunity. In the decades since, coal has earned such a negative reputation from air pollution, mine disasters, environmental abuse, and horrid mountaintop removal that the industry's current clean coal campaign tends to fall on deaf ears. The chance to make appropriate use of a storehouse of fuel that could serve the nation's crying need for energy for the next couple centuries may have been lost.

Old King Coal

Editor Smith invited me to try my hand at editorials for the *Fairmont Times*, so I wrote one complaining about coal trains being assembled in railyards adjacent to downtown Fairmont, raising clouds of dust and crashing all through the night. As Smith tore up my piece he said, "Enjoy that noise and breathe that coal dust, boy, they're the life blood of Appalachia." That attitude, by a local leader much admired for his civic spirit and intellect, is still common in the region. It lets absentee coal monopolists off the hook and helps explain why King Coal still reigns. Even when the rest of America prospers, depression persists in large sectors of the coal producing states and is likely to continue until the land rights message gains momentum.

NOTES

1. Hyslop's forecast about the future rise in the price of coal occurred before environmentalists began to argue for an end to dependence on fossil fuels. Yet coal remains the predominant source of electric power generation. Whether

its primacy as an energy source will persist for another century is difficult to predict.

2 Allegheny-Pittsburgh Coal Co. v County Comm'n, 488 US 336 (1989).

3 West Virginia properties were assessed for tax purposes at 50 percent of market value, so Morton actually valued the company's coal holdings at $12 million and then $15 million.

4 Robert Jerome Glennon, "Taxation and Equal Protection," in *George Washington University Law Review*, January 1990, recounts the government's comlicity with resource owners in denying the public its rights to some of nature's greatest gifts.