

Town Adopts LVT as Key to its Future

HIGHER LEVY ON LAND THAN BUILDINGS SEEN AS INCENTIVE TO DEVELOP UNUSED PROPERTY reads a recent headline of *The Patriot-News*. The headline banners a recent change in the tax assessment laws of Steelton, Pa., which switches the tax burden from improvements to the land itself, in a move to what is popularly called a "two-rate" system.

"It's an important issue in a borough that is unable to expand geographically," says the article, "but has a great deal of under-used land. A land value tax, which would tax idle property at a higher rate than buildings, would provide an incentive for landowners to develop vacant property..." The story goes on to cite a report to the Borough Council compiled and presented by Josh Vincent, Executive Director of the Center for the Study of Economics Tax Policy and Research. The story quotes from Vincent's report which states that 70% of home owners would pay less tax under LVT. "The homeowners who would pay more would see their bills increase only a few dollars per year." Vincent's report, which took Harrisburg, Pa., as its model, cited that town's positive land-use changes since it went two-rate.

Since going two-rate, Harrisburg reduced its number of vacant structures from 4,200 in 1992 to "fewer than 500 today." Vincent went on to say that the new tax structure would "give a tax break to almost all the homeowners and working business in Steelton at no loss to the borough, and it would put more of the tax burden on vacant land." The largest increase would be on land that has idle structures or buildings that had been demolished. The hardest hit by the new changes would be Bethlehem Steel, which is the largest landowner in the city.

The tax has just been implemented with the year 2000 budget following which the precise tax rates will be determined. Borough officials plan to gradually phase in the higher tax rates on land over the next five years.

"I think this is a critical step for Steelton," Mayor George Hartwick was quoted as saying. "Obviously, we have made plans for development and diversification of our industry, and this is going to be our tool."

We thank Alanna Hartzok, NGO delegate to the UN, for bringing this story to our attention.

From the Archives

by Vesa Nelson

In last issue's article, I shared some of the research I have been doing into the role of land ownership and speculation in the development of what became the United States of America. In this article, I'd like to delve a little deeper into our country's past, seeing what can be dug up researching earlier struggles over frontier land in the Americas.

In the last article I quoted the historian Stewart H. Holbrook to the effect that the romantic view of our country's history, as it is presented in most school books, in the movies and on television, is far from an accurate history. To refresh our memory, the quote stated, "For generations we have cherished the romantic idea that in colonial times, and early days of the republic, all a man who wanted land had to do was to strike out in any direction into the wilderness to cut himself a clearing, build a cabin, then lay a fence..." Holbrook went on to say that "the pleasant myth of the solitary squatter" had little substance in fact for usually "the land sharks had got there ahead of him... in the form of a grantee-lord of whom he's never heard, or of a corporation he did not know existed."

Let's meet some of the grantee-lords and corporations of whom the early settler in the Americas never heard. First, General James Oglethorpe of the British Army. He and a group of trustees received, in 1732, a grant of land between the Savannah and Altamaha rivers from George II. Ownership of the area was already contested by the major European powers: Britain, Spain and France.

It seems that Spain had laid claim to the land as far north as present day South Carolina as part of what they called 'la Florida.' They based this claim on expeditions led by

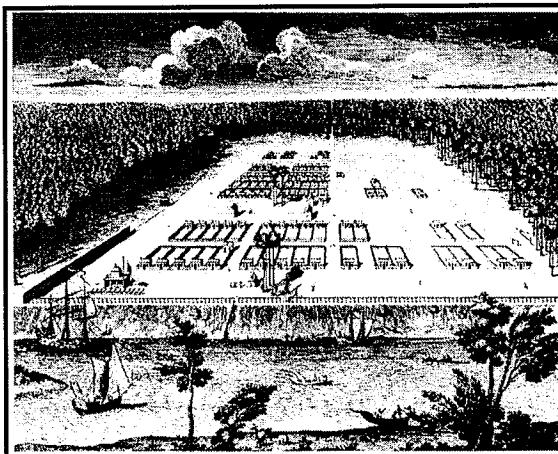
Hernando de Soto in 1540 and Juan Pardo twenty-six years later. In 1686, Spain commanded her troops to destroy isolated outlying British settlements in southernmost Carolina, as a way of enforcing their claim. And later, in 1701, Spanish authorities incited the Yamasee Indians to make raids across the Savannah River against the British. Both outbreaks of hostilities mirrored the geopolitical struggles in the European theater, between Britain, Spain and France.

France based her claim to the territory on Jean Ribaut's 1562 (failed) settlement attempt at Port Royal Sound. France also made threatening gestures by manning Fort Toulouse (in modern Alabama) from 1715 onwards. George II resorted to the standard prescribed strategy — plant a buffer colony

that would be obliged to defend itself in the path of any rivals. This was a colony to be composed of the London poor, who were supposedly to be given a chance at a new life in a new land. They were, however, expected to provide for their own defense against any counter claims to the territory. A careful reading of the charter granted by George II confirms this:

Whereas we are credibly informed, that many of our poor subjects [in England], through misfortunes and want of employment... would be glad to settle in any of our provinces in America... we think it highly becoming our crown and royal dignity, to protect all our loving subjects... by reason of the smallness of their numbers [settlers in Carolina]... to extend our fatherly compassion... accomplishing those ends, that a regular colony of the said poor people [in England] be settled and established in the southern territories of Carolina...

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A view of Savannah, Georgia in the early 1700s

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ally believe that Georgists with an activist bent might do well to become involved with the green movement, if only to offer these groups a more systematic appreciation of the rich legacy of the land-value tax idea.

Next, Josh Vincent of the *Center for the Study of Economics* told us of the tragic story of the ways in which 18 Western Pennsylvania communities were ravaged 20 years ago by the wholesale closing of factories and the inevitable consequence of rising unemployment rates and population losses. These communities, including Pittsburg, were revived by a subsequent adoption of a two-rate tax system, shifting the burden of taxation away from buildings and onto land values.

The CSE has amply documented the dramatic rise in productive economic activity in those communities that went two-rate compared to those communities that did not. Thanks to the success of this Pennsylvania experiment, five state legislatures are presently considering similar shifts in their tax policies.

Next up was Ted Gwartney of the *Schalkenbach Foundation*. Ted capped the previous presentations by painting a picture of a world in which all public finance proceeded from Georgist principles.

In such a world, far different from our own, low inflation and high employment could co-exist; private incentives could be pursued within the general context of social equity; improved public services and lower taxes would not be ideas in contradiction. Public spending on infrastructure, such as bridges and subways, would no longer create a public-debt burden. User fees and rent collected from the increased land values that would be created by such improvements in transportation could cover the entire cost of these services. Infrastructure could easily be made to pay for itself.

Ted then expanded the scope of this picture by including the beneficial effects of land value taxation for other countries. However poor, any country could become self-sufficient in providing private investment capital from its own internal resources — simply by removing taxes on productive capital, income and savings and shifting them to land values.

Ted, who has been to Russia several times as a consultant, concluded by recounting the results of trips there and the chances of that country adopting Geo-fiscal land policies. His assessment: the chances of that happening are the best they've been since Leo Tolstoy hailed Henry George as the guiding spirit of his age!



Stained Glass Window, 1901
at the house of William Trueman, President of the Single Tax Club, New Haven.



Official Badge, 1916
of the New Zealand Single Tax League for an international conference.

Archival Illustrations

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A list of prior failed attempts to develop Georgia includes Sir Robert Heath (a 1629 grant from Charles I), eight wealthy Lords Proprietors of the Carolinas (a 1663 grant from Charles II), and Sir Robert Montgomery (a 1717 grant from the Lords Proprietors). This was *contested* land, indeed.

Now... James Oglethorpe and a group of trustees would manage a chartered corporation-but not for profit. Their revenues would come from contributions, subscriptions and their own personal fortunes. None could own any land in the new colony named after the king.



Engraving of Oglethorpe

Despite the standard histories which characterize Georgia as a debtors colony, only eleven such families ever were released from debtors prisons to settle there. The first one hundred and twenty-five settlers were English and Scot artisans and tradesmen, who possessed the desperately needed colonizing temperament and skills. They were soon followed by persecuted European protestants, Saltburgers and Moravians. Significantly, the emigres came in groups,

not as individuals striking out on their own. And they settled on tracts of land already selected and laid out for them.

The standard histories do, however, correctly cite the fact that a dear friend of Oglethorpe had died in debtors prison and Oglethorpe subsequently called for an investigation into conditions within British jails. The histories also mention that Parliament appointed Oglethorpe to investigate two prisons, Fleet and Marchelsea in England.

The corporation paid for the transportation and establishment of the first settlers. Soon General Oglethorpe found it wise to establish Fort Frederica and fight Spanish troops at the Battle of Bloody Marsh — using his personal fortune to fund the campaign — in order to secure the settlement for the British Empire. As a result, Spain abandoned its ambitions north of St. Mary's river (which had become the de facto northern boundary for Spanish Florida). Thus after 1742, the Crown had achieved its strategic goal at no expense to its own treasury.

Before the Trustee period the grant changed hands as successive schemes failed.

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And this was always so because the proprietor(s) failed to find willing settlers. Large land grants that lacked the labor to work them would only make the proprietor "land poor" - with lots of acreage but no income flow. The Trustees competently overcame the barriers to the supply of labor - by their recruitment policies and vital transport aid received from the Crown - but did not fare so well in developing the colony economically.

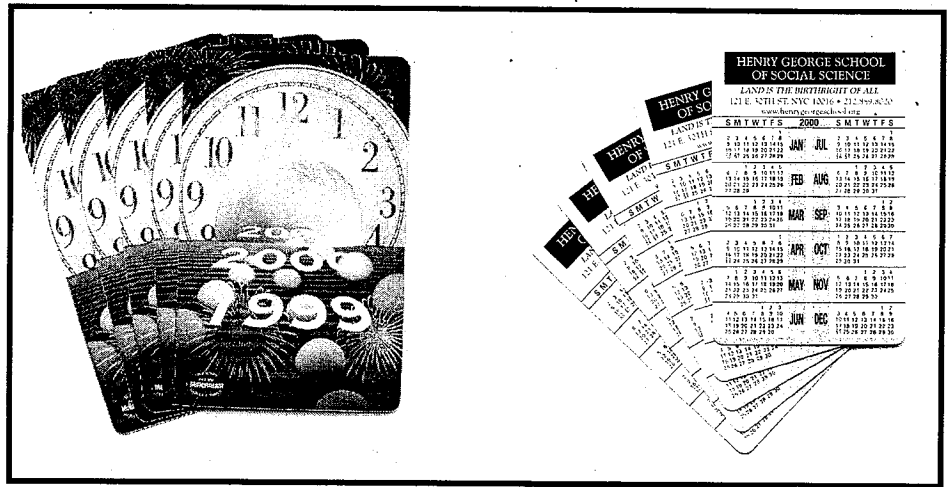
By policy there was a limit to landholding to discourage speculation or selling out to move out. Blacks (free and slave) and Catholics were prohibited - to prevent wartime insurrection or collusion with a rival contender for "the debatable lands." Indian trade was rigidly monitored, with rum trade being prohibited to avoid "incidents."

The produce of the small farms was not competitive. Indigo, for instance, grown on plantation scale was more profitable because of British subsidies through bounties. And the idea of importing mulberry trees for the silk market turned out to be wishful thinking when the anticipated "rich" export trade never materialized.

Instead, aspiring planters from southern Carolina surreptitiously established plantations within the Georgia Charter. Land jobbers accumulated large tracts through illegal buyouts of Georgia settlers and sold them to those ambitiously seeking to enter the "minor aristocracy" status of planters. Less scrupulous jobbers resorted to accumulating fraudulent headrights for sale.

Without policing and law enforcement of the Trusteeship policy, a spreading plantation economy became a *fait accompli*. The colonists soon demanded the right to buy and sell land - and slaves. They won on the land issue. But they were denied "the one things needful" that they cited in their petition - Black slaves, the source of labor 'necessary' to the success of any colony in those days. They had to wait until 1751 to gain that 'right.' Finally the Trustees had enough and turned Georgia over to the King in 1752.

As can be seen from this scenario, the struggle for ownership of land in the early years of what would become America took place in the upper echelons of the European powers. Land charters were granted and revoked at the whim of the State and there were few "solitary squatters" striking out to forge a clearing for themselves in the sylvan wilderness of the New World.



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