

EQUAL RIGHTS

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" ALL PEOPLE HAVE EQUAL RIGHTS TO THE USE OF THE EARTH "

Our Origins and Goals

[This is a reprint of Steven Cord's Editorial from the inaugural issue of Equal Rights, Autumn 1969]

What Unites Us

In my discussions with Georgists, I am constantly surprised how our opinions on many issues differ. Some of us are liberals, others conservatives, some Republicans, others Democrats; some want the land-tax as the Single Tax now, others want to work towards it, others oppose it; some accept *Progress & Poverty's* economic analysis, others reject it; some of us stress the ethical approach, others not.

But there is one common bond that unites us all: we all want more taxation of land values. We may differ as to reasons and analysis, but when it comes to *action*, we all stand together.

Let us, then, discuss our differences, because that will clarify our own land-tax thinking and make us stronger land-tax advocates. Besides, the pursuit of truth is an end of life in itself. It is for this reason that *EQUAL RIGHTS* will spotlight controversial pro-and-con discussions of Georgist issues and will be tolerant of differing land-tax views. And we will welcome comments, both critical and laudatory, from our readers.

But let us not forget to conduct these discussions in the spirit of Georgist tolerance of the other man's point of

view. Dogmatism in manner is out. Let us remember that when it comes to *action*, we stand together.

Why The Henry George Foundation?

The Henry George Foundation of America was established as a permanent national institution in honor of the great philosopher, economist, and exponent of freedom and justice and for the purpose of popularizing his great idea which had come to be known as "The Single Tax." The Foundation was chartered by the Commonwealth of Pennsylvania and was formally launched at a memorial celebration at the birthplace of Henry George in Philadelphia on September 2, 1926.

(Continued on page 3)

CHAMPIONS OF TAX REFORM

THE 25TH NORTH AMERICAN CONFERENCE OF THE COUNCIL OF GEORGIST ORGANIZATIONS
AUGUST 3-7, 2005
PHILADELPHIA, PENNSYLVANIA

Conference plans are moving apace and the agenda is being finalized. Visit www.progress.org/cgo/cgo05.html for updates.

Among the confirmed speakers are **Dave Wetzel**, London Transport Funding Initiative; **Jonathan Sidel**, Philadelphia City Controller, and **Cay Hehner**, Director of Education, Henry George School, -NY.

Registration packets are scheduled to be mailed by May. *Equal Rights* and *Incentive Taxation* will continue to publish information.



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THE DEEPENING WEDGE PART 2

The United States is entering a very dangerous period. The population is rapidly aging. Many will need to convert home equity into cash to pay for

medical care, but the pressure on government to absorb the costs of medical care for perhaps one-third of the nation's elderly is

(Continued on page 2)

THE DEEPENING WEDGE PART 2

(Continued from page 1)

very real. Unless the "supply-side" gamble pays off, the national debt will escalate, putting upward pressure on interest rates and (if the Federal Reserve succumbs to pressure to print currency for debt) an escalation of inflation.

No one in a position of authority will dare implement fundamental solutions. This tendency will likely hold for changes to proceed along a well-worn path of "disjointed incrementalism." In this environment, we ought to see some harder times ahead. When? Hard to say.

The paper net worth in land values held by existing homeowners is part of the equation, however. Here are some crucial factoids of homeownership in the United States:

There are 110.4 million households in the United States. Some 75 million households (68% of the total) are homeowners — meaning they hold the deed to the property and are the beneficiaries of the equity created by a combination of loan amortization and rising land values. One in twelve of these properties contains between one and five rental units.

Most homeowners have lived in their properties (or have been homeowners and moved from one or more properties) for a decade or longer. However, special financing programs, as well as government

grants, make it possible for a significant number of households to achieve homeownership every year.

The average price paid in 2003 for a new home was \$246,300. The average price for existing homes is a good deal less than this. Yet, the proportion of land value to total value for existing housing is often greater than for new housing. Builders who have the financial reserves to land bank for long periods are able to take advantage of the fact that other builders must construct larger and amenity-rich homes — or gain permission from resistant local planning and zoning boards to construct large numbers of units per acre of land.

In 2001, the average homeowner's equity above outstanding mortgage debt was 54%. Yet, this represented a decline from 60% in 1991 during a period of almost continuous increases in land values. One reason is that millions of households borrowed against their equity to pay off debt, make significant home improvements, or obtain cash for their children's education.

Now, let's take a look at estimating how much land value is attached to residential property.

The average price for all housing in 2003 was around \$176,000. Using the 75 million homeowners, the total market value of this housing is \$13.2 trillion. A conservative average land-to-total value ratio of

30% suggests these properties include \$3.96 trillion in capitalized land value. (Note: if the market capitalization rate is 5% per annum, the imputed annualized rent fund available

for community use and distribution would be \$19.8 billion.)

The Federal Reserve reported that as of 30 September 2003, the total mortgage debt held on one- to four-family residential properties had reached \$7.1 trillion, leaving property owners with \$6.1 trillion of total equity. Of course, this tells us nothing about the distribution of land-related equity among property owners. For that, we need to look at detailed statistics on the housing stock.

We know, for example, that in many small, remote towns, a large home on an acre or more of land might cost less than a condominium unit located in a suburb of any major city. In the latter case, much more than 30% of the total value is in the land, while in the former case, much less than 30% of the total value is likely to be in the land. In many markets, leasing the second or more units will generate sufficient cash flow to cover the costs. Purchasers will often pay much more for these properties than for a single unit property with the same square footage on the same parcel of land. In other circumstances, these income-producing properties are acquired for conversion into single-family properties.

All this means is that the housing market is extremely complex and very dynamic. Yet, for those of more modest means, land ownership (thru homeownership) and positive net worth are directly related. By virtue of all of the special programs and tax incentives associated with owning a home, the policies of disjointed incrementalism have managed to return just enough of the total rent fund to the middle 60% of the population to make them feel they are in the game. The bottom 20% -- low income renters and the homeless — share none of the rent fund and very little of the wealth pie.

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