the Henry George News

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Cure For Cities

TO ASK, as members of the Claremont Round Table Conference did, whether property taxes are obsolete, is to suggest, in fact to prove, that they are, and that a change is long overdue. A selected group of tax and municipal experts from the U.S. and abroad met at Claremont College, Claremont, California, to explore this question with special reference to local taxes; and found definitive causes and cures for decaying cities.

The alarming concentration of the federal government during the last generation drew attention away from a straight look at local government. Cities, meanwhile, have broken out at the seams, and state governments try vainly to control their problem children as they grow embarrassingly large.

Representatives from Time, Life and Fortune joined the National League of Cities, the Urban Land institute and the National Council for Good Cities in helping the Lincoln School of Public Finance sponsor the conference, to see what programs they could recommend for adoption by the Council of State Governments and the National League of Cities.

They questioned not merely how to raise more money from local taxes but how to raise taxes in a way that would help rather than hinder urban development. The term property tax, which was used through the discussions and in the printed report, is one which Georgists will read as land value tax.

Perry Prentice, Vice President of Time, Inc., was the presiding chairman of the Claremont conference. His report was published in Nation's Cities, and reprints entitled "Are Property Taxes Obsolete," are available at 15¢ from the Henry George News, 50 East 69th Street, New York, N. Y. 10021.

A condensed version of this report in the March issue of Fortune, titled "The Great Urban Tangle," was read into the Congressional Record by Congressman Eugene J. Keogh of New York.

The cost of local government could reach $108 billion by 1975 and the urban population may double within a generation. With all that this implies the panelists were less concerned with finding taxes that would produce bigger revenues than with finding taxes that produce better cities, for most of them saw a clear connection between what is wrong in the cities and what is wrong with their tax systems.

We have a three-level tax system, with the federal government getting most of its revenue from taxes on what people and businesses earn; the state collecting mostly on what they spend (sales); and local government benefiting from an almost unchallenged monopoly on the property tax.

(*Continued on page 14*)

A Word With You

DEMOCRACY, it is said, is not a good form of government; it is simply that every other form is so much worse.

It is understandable why many thoughtful people should be impatient with democracy—it is slow and clumsy in its processes; the people are too apathetic most of the time and too intense at other times; they are often swayed by glib meaningless phrases; they frequently think they can vote themselves benefits without paying for them; and in social life, democracy seems to breed vulgarity. And so one longs for the sturdy hand of a benevolent ruler, a well-ordered hierarchy and the good taste and good manners of an aristocracy.

However, we've been through all that, and we know it doesn't work. Benevolent rulers go mad with pride, or die and are succeeded by worthless tyrants; chaos succeeds order; aristocrats can become vulgar too, and in any case, their culture costs too much. And the people are trodden down.

So we might as well face democracy and see if it can be improved.

There was a Scottish laird who expressed what many of his class thought when he said that landless commoners were shiftless and rootless and had no interest in improving the nation; they could at any time pull out and move to another country; it was the landed proprietors who stayed on and looked after things with a sense of duty.

There was some truth in this unsavory observation. A stake in the land does sharpen one's interest in how things are run. But the laird was off base when he blamed landless people for being born into wrong families.

A lot of these landless people came to America and, lo, they became landed. While there was enough good land to go around, things worked out pretty well. If we want to refer to a model of democracy at its best, we generally think of the early New England town meetings. We should not forget that they were composed mostly of landed proprietors. These formerly landless people now had a stake in the community and were very careful about what should and should not be done.

If we want to see democracy at its worst, any of our large cities will do. The fruits of "democracy" seem to be corruption, bureaucracy, inefficiency, waste, slums, poverty, crime, vice and traffic jams. But of course this isn't real democracy. The landless proletariat rightly feel they haven't much stake in the community.

Political democracy cannot work without economic democracy. It is actually the latter that gives birth to the former. Without it, political democracy becomes an empty form. (Henry George said it better.) The ideal of democracy would be to make everyone a landed proprietor, giving everyone a stake in the common heritage of land.

— Robert Clancy

Vol. 28, No. 5 **May, 1965**

The Henry George News, published monthly by the Henry George School of Social Science, 50 E. 69th Street, New York, N.Y. 10021, supports the following principle:

The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community — known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth.

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Free Speech? Why?

by ROBERT TIDEMAN

This is an abbreviation of a talk on station KPFA, Berkeley by the Executive Secretary of the Henry George School in San Francisco, who will be host to the annual school conference in July. Complete transcripts of Mr. Tideman's address are available from his office, 833 Market Street, San Francisco 3, California at 25¢ a copy.

THE free-speech fracas on the Berkeley campus reminds me of what Carlyle said when his friends waved a newspaper at him on a London street and asked him what he thought of the news. "What news?" he said. "Why the cable to India! It's finished! Isn't it wonderful!" Carlyle growled, "What have we to say to India?"

Cables and radios and free speech are indispensable – but insufficient. When the cable is open, when free speech is won, what have we to say?

One of the things we have to say, I am told, is that every man has a right to vote and a right to assemble with others. But again we can ask with Carlyle, what does he have to vote for? And what will we all say or do when we assemble?

Let me be understood. I do not say that the right to speak and assemble and vote are unimportant. What I do say is that the good, earnest people who struggle for these political rights, if they do not acquire a better comprehension of what to do with them, will destroy what they aim to build and in time lose the political rights themselves.

For behind political questions lie always the questions of economics, the questions of property. Who shall own what? Who shall keep what? Who shall take what? These are the crucial questions. Suppose half the people in the country had all the political rights and the other half had all the economic or property rights, and each group was bound not to invade the other's sphere. One group would have nothing to say but could exercise their property rights fully. The other would do all the talking and voting and assembling—if they could find a spot of land on which to assemble—but would avoid all questions economic. Which group would be more powerful? Would not those who held the economic rights exercise complete domination? For they alone could own property—that is to say, ships and homes and land, not to mention clothing and food, which are property too.

It would be a mistake to say that civil rights enthusiasts confine themselves entirely to political questions. They do indeed have various economic ideas. But their economic programs are generally confused, superficial, and worst of all, inconsistent with the ideals of liberty and equal rights which they proclaim so well in the field of politics.

Their economic programs—talk with them and you will see – come down almost universally to this: the government should spend money (not the local government, of course, but the national government).

As to how the government should *get* the money, that is seen as an impertinent if not reactionary question. The assumption seems to be that it already has the money but is spending it on the wrong things. How does the federal government get the money it spends? Does not five-sixths of the income tax revenue come from people who earn less than $6000 a year? Does it not come almost entirely from the wages of working people?

It will be said that governments are

necessary to the survival of society, and governments cannot exist without money . . . but governments have their own proper earnings. Whenever a new bridge is built or highway laid, whenever a school is improved or a fire department strengthened, whenever an area is better served in all the ways that government serves it, that area becomes more desirable to live in and work in, and the value of the land goes up. This increase in the value of the land is due to nothing the landholder does. The land commands a rent because of government services and general community growth. We can get our necessary public revenue from that socially created fund and stop what people earn. We already tax land a little. We can readily tax it more . . . A survey based on a study of 716 properties, showed that if idle land and slums were assessed as the law requires, an additional $812 million a year would be available to local governments in California, with no increase in tax rates.

While we are fighting for civil rights, could we not mention—at least every fourth Wednesday—that the economic rights of California citizens are invaded by this illegal undervaluation [of land], engaged in by all 58 assessors in the state? And it *is* an invasion of rights. The undervaluation of land increases the burden of tax that men must pay on the labor they put into their homes and other improvements. It makes land speculation so profitable that land prices are driven up beyond the reach of those who need it for homes and shops and farms. It enables those who hold land to collect higher and higher rents not for any productive contribution but just for allowing others to use their tax-favored holdings. Most of our newly rich in California made it not by working but by speculating in undertaxed land.

What will be the use of free speech—what the use of any civil right—if more and more of what men earn is taken from them, more and more taxes removed from land so that in the end we have political equality in a society of gross economic inequality?

We who believe in civil rights and civil liberties must learn the whole meaning of freedom lest we win our battles and lose the war. Liberty will have no half service.

Georgists and the Race Issue

by STEVEN CORD

HOW do Georgists stand in the fight for equal rights for Negroes? An inquiring stranger might correctly infer that we oppose race discrimination because of our interest in natural rights, but he would also be entitled to feel that we are not much interested in the problem because we don't concern ourselves with it.

Some Georgists I know think we should talk only about land value taxation, although George himself spoke and wrote often about liberty, equality and even the rights of ethnic minorities. Admittedly, land value taxation might always be our central concern, but we narrow down our audience unnecessarily if we talk only about LVT and disregard current issues and the fight for human rights.

Others think that once we have land value taxation, race discrimination will fade away, and until we get LVT nothing can be done on the race issue. George himself never maintained that LVT was a panacea; he said liberty was, full well realizing that liberty was much more than an economic matter. LVT and race discrimination can indeed co-exist; Johannesburg and other cities in the Union of South Africa are proof enough of that.

Others argue that we should concern ourselves about economic issues only, but I don't know by what logic we should ignore the voting rights issue. Besides, what could be more economic than equal job or housing rights? Doesn't school segregation have its economic overtones? It makes no sense to tell Negroes that if this large automobile manufacturing concern or that telephone monopoly won't hire them they should start manufacturing their own cars or establishing their own telephone service. Such advice ignores economic realities.

Still other Georgists—a minority, probably—objected to the Civil Rights Act of 1964 on the grounds that it was a violation of the right of private property. A restaurant owner, they maintain, ought to be able to use his property and his labor to serve whomever he wishes. I can understand this point of view, but I disagree with it because the government has the undoubted right to regulate unsocial uses of property; hence, we have gun licenses and traffic laws.

Negroes in the small town where I live have to travel thirty miles to get a haircut and until recently eighteen miles for a restaurant meal. Their community is too small to support a barber shop or restaurant. Does anyone say that if they don't like living in my town they should go elsewhere? Are they not saying that these Negroes have no equal right to live on the land my home town occupies? Their argument falls to pieces, for every civil rights question is also a land question.

There is another argument against race segregation. To distinguish among people on grounds of individual ability makes sense; it accords with the concepts of liberty and equality. But to separate people on the irrational grounds of skin color can only result in race hatred. Is this the kind of society we want to live in?

To fail to protest against racial injustice is, in effect, to condone it. The civil rights movement is capable of taking great strides toward the goal of liberty and equality for all, but it has a dangerous potential, too: in using extra-legal methods to combat unjust laws and governmental actions it can encourage a general disrespect for law and order. Georgists should speak out and show that civil rights and land rights point in the same direction.

Noah D. Alper's Brief Cases

ANOTHER UNEARNED LAND FORTUNE

"In 1943, W. F. Jenkins and his wife bought 15 acres of land west of St. Petersburg for $100 an acre. Then they moved to another part of Florida and did nothing until the state, at public expense, built a highway beside it." That made the land accessible and boosted its price. Now the owners have sold it "less street right-of-way," for $350,000. That is $25,000 an acre for the "net" land sold, of 250 times the price they paid for it.

This was reported in a Labor Newspaper editorial with the comment "higher taxes on land values would discourage such obstructive speculation and make land available at lower prices for productive use."

A TOOL TO FIGHT LAND SPECULATION

The most serious shortage foreseeable, according to a Resources for Future report, is "elbow room" for a population expected to reach 331,000,000 by the year 2000. "The average price of land on the outskirts of 25 major cities in the U.S. and Canada has multiplied ten times in the past seven years. In Canada suburban lots near big cities which have soared 128 per cent, are now skyrocketing, especially around Montreal, official World's Fair city for 1967." The value of land in the U.S. has nearly tripled since 1945.

Some researcher and writer could provide a tool of great importance in the fight against land speculation and robbery of the rent-of-land by using evidence taken from textbooks on real estate and other sources as to what gives value to land. This, plus cogent economic science and moral tax facts would prove the importance of ending this evil practice.

GOLDEN ON GEORGE

"My Georgism has been up and down," said Harry Golden in his popular newspaper, The Carolina Israelite. "I was first a devoted follower of Henry George, then later held an abiding affection for his memory; but 'the method' itself, I said, was not practical. Now I'm returning to my original feelings. I'm beginning to think that the 'method' is worth serious examination. Every man in government — executive, legislative and judicial, every man in every bureau — should own a copy of *Progress and Poverty*, by Henry George.

"Poverty in the midst of abundance. Henry George spent his entire life pondering this amazing evil. And he made a prediction about it. 'A great wrong always dies hard.'"

DROUTH AND LAND VALUE

Soaring land values encourage farmers and ranchers to wait out the drouth. Speculators and land-hungry city people bid up western land prices to as much as $1,000 an acre for irrigated property, according to an article in The Wall Street Journal on the "Waterless Plains." As values rise farmers can hang on longer because they can borrow more from banks, based on their inflated collateral. Land prices have doubled in the past ten years and in some cases in five years.

DO GEORGISTS KNOW THE ANSWER TO THIS?

Secretary of the Treasury Fowler, in his first speech since taking office, stressed tax reduction and economic growth as being fundamental to the balance-of-payments problem, and endorsed the administration's request for voluntary restraints on capital outflow. But the permanent solution, he said, lies in making "our own economy more competitive in world markets," and in encouraging the flow of capital into the U.S.

"Give them my greetings. . . ."

"GIVE all the wonderful people I met in America my greetings, and tell them I am keeping the faith."

This was the message Kul Bhushan Sharma entrusted to me on my recent short visit to Nairobi. Kul, many will recall, was the handsome young graduate of the Henry George School's correspondence course who attended the International Conference last August. His impassioned pledge to "bring Henry George to Kenya" won a standing ovation, and it was largely the desire to see how he was working things out that caused me to include Nairobi in my African trip. I was glad I did.

Just down from Nairobi's largest hotel, a dignified sign running across the front of a five-story white building, introduces you to New Era College, home of the Henry George School in Kenya. The College, which occupies the entire second floor, has nine or ten classrooms, a well-appointed office, and the newly dedicated John F. Kennedy Memorial Library. Biographies, books on literature, mathematics, history, geography, science and economics, are now being solicited to fill the shelves of this library. If you can help, the address is, Post Box 6854, Nairobi, Kenya.

New Era College is divided into two sections, the business school teaching shorthand, typewriting, bookkeeping and salesmanship, and the secondary school. The students are native Kenyans, many of whom walk miles each day from the outlying villages, and Indians. Indians represent a considerable segment of Kenya's total population, and are also numerous in other parts of Africa.

It is in the business college that New Era gives the Henry George course, and the first class of eight young girls was graduated the week I was there. Asked whether they enjoyed the study, they replied with enthusiasm, "Oh yes," and when I quoted from *Progress and Poverty* they nodded approval. The course had been the usual ten weeks, using the unabridged book, with lesson sheets revised to provide examples meaningful to Kenyans. Future courses will use the abridged book, which is published in England.

New Era was established three years ago by Kul's father, the scholarly Mr. V. P. Sharma, to meet a need he felt was not being satisfied by the government schools. The tuition rates are purposely low, and students are obtained by advertising in newspapers and through posters displayed in the native villages. One cannot help but be impressed by the sincerity of the students, and their desire to learn. But for the education they are struggling so hard to get, they could hope for no brighter future than toil on the coffee, sisal and tea plantations that flourish in these fertile highlands, so close to the equator yet, because of their elevation, blessed with the climate of "perpetual spring."

The slogan of Kenya, as stated by their President, the well-loved Kenyatta, is "Harambee," meaning, "Let us work together." It is in the spirit of "Harambee" that New Era is working today, and it was in this spirit that the Henry George School was established there. Kenya can prosper —even stay alive—only as the meaning of "Harambee" is fulfilled. This requires enlightened and dedicated leadership by men who are willing to bury the old hatreds rising out of class rule.

May such leaders go forth from this newest extension of the Henry George School. **—V. G. Peterson**

The Gold in Them Thar Bills

by SYDNEY MAYERS

FRANCE'S President De Gaulle has recently been waging a vigorous campaign to put the world's monetary systems back on the gold standard. Though the reaction of other nations has been rather non-committal, considerable consternation is evident in Washington and London, since *le Grand Charlot's* flamboyant crusade is clearly directed at the dollar and the pound sterling, both already under heavy international pressure. Whether the United States and Britain will be able to prevent the further softening of their not-so-hard currencies will depend greatly on their ability to withstand De Gaulle's challenge.

Unfortunately, in the course of ignoring the natural laws of political economy, the U.S.A. and the United Kingdom, with the rest of the world, have tacitly disregarded two important considerations: the essential nature of money, and the fact that gold (like any other form of economic wealth) is basically a commodity. Closing their eyes to these phenomena, they consistently impose artificial restraints on the free exchange of currency, in an effort to strengthen their metallic reserves. Inevitably, as in every case where economic laws are violated, economic turmoil (if not chaos) results. Then lights glow late at the White House and at 10 Downing Street, while busy brains try to devise new plans, ingenuously (and quite hopelessly) designed to forestall further financial disaster.

There is nothing wrong with gold *qua* gold. It makes excellent fillings for teeth, it provides attractive personal adornment, and it serves useful industrial functions. Moreover, its comparative rarity constitutes it a convenient medium of exchange. This would be all to the good—if the yellow metal were freely traded, and thus allowed to reflect its true value in the market. Instead, its "value" is arbitrarily "pegged," its movement is proscribed, and its ownership and use are controlled. Worst of all, it is so manipulated by governments in their monetary machinations that gold seems nowadays to be not an economic commodity, but a pawn on an international chessboard.

For ages, men have used money in various forms to expedite exchange. But whatever its form, whether cattle, stones, wampum, metal or paper, all money must possess one special quality, i.e.: general acceptability as a medium of exchange and as a measure of value within the area of its use. In *The Science of Political Economy*, Henry George says: "Government may largely affect the use of money, as it may largely affect the use of language. . . . But it can no more prescribe what shall be used as the common medium of exchange between man and man in transactions that depend on mutual consent than it can prescribe in what tongue mothers shall teach their babies to lisp." Whatever it may look like or be called, if it fails to meet the test of acceptance, it is *not* money.

If money were honestly issued, representing wealth and productive power, instead of fiat on the one hand and arbitrarily-priced metal on the other; and if precious metal, like other commodities, were freely permitted to attain its real intrinsic value, there could be no monetary crisis—and no need to crucify the world upon "a cross of gold."

The next few pages reflect an unusual interest in money this month. The last word on this popular subject has not yet been written!

The Cross of Silver

by OSCAR B. JOHANNSEN

"YOU shall not press down upon the brow of labor this crown of thorns: you shall not crucify mankind upon a cross of gold." So roared William Jennings Bryan, in his famous "Cross of Gold" speech which swept the delegates at the national Democratic convention off their feet in 1896 and awarded him the nomination as candidate for the presidency of the United States. Today, 69 years later, there is evidence that our freedom may be crucified on a cross of silver.

The inexorable workings of Gresham's law—bad money displacing good—have precipitated a coin shortage. Bad paper money is pushing gold and silver out of the country. But silver is not merely flowing abroad, it is flowing into teapots and safes all over the country. Thousands of half dollars are going into safe deposit boxes, as owners await the day when the price of silver will rise above $1.2929. Cartwheels, those silver dollars that have been with us since the founding of the Republic, shattered the aplomb of our treasury officials last year, for people actually camped overnight at the treasury building in Washington to be among the first in line to redeem their silver certificates for these rare coins.

And why? Because the price of silver had risen to the point where it would soon be profitable to melt the dollars which are composed of 90 per cent silver and 10 per cent copper. The price at which it has sold formerly has been so low that the silver content was kept intentionally at much less than the price specified on the face of the coin. When the price hit $1.2929 the .77 ounce of silver in a cartwheel was worth $1, and the hoarding began.

The lines besieging the treasury were so long and objectionable, and the drain on its supply so great, that in March 1964 the Secretary of the Treasury drove out the money changers. He could not legally prevent the redemption of silver certificates, so he directed that anyone desiring silver would have to get it either at the New York or San Francisco mint. There they would be given .77 of an ounce of silver "crystals" sifted into a plain envelope. This halted the demands since few people wanted silver dust, but the drain was so great that the treasury has only about $3 million left in silver dollars, most of them probably from a mint which existed at Carson City around 1900. These dollars have "special numismatic value."

Until the treasury can issue a new type of subsidiary coinage it cannot let the price of silver go above $1.2929, for it does not want the 480 million concealed cartwheels to be melted down. To prevent this it has been selling silver from its stockpile at the rate of 400 million ounces a year. But it has only 1.2 billion ounces left—enough for four years. It cannot deplete the stockpile for the defense department is likely to insist on a reserve of about 600 million ounces for possible military use—this would further reduce the supply by half. Even if the treasury discontinued the cartwheels it could not let the other silver denominations wind up in the melting pot. The price at which their silver content is equal to their face amount is $1.3824, not quite 10c above the present price. Thus something must be done soon.

Subsidiary coins are tokens that are accepted when the government stands ready to redeem them at their face amount, but money in the United States is still based on gold. Before the rise in the price of silver, a cartwheel could be exchanged for a dollar's worth of goods because 35 cartwheels represented an ounce of gold. (Presumably the price of gold is $35 an ounce. The fact that the government prohibits the ownership of gold, other than in certain forms such as jewelry, makes the redemption theoretical.)

In order to retire as many silver certificates as possible without the necessity of redeeming them in silver, the treasury in 1963 had Congress enact legislation replacing the $1 silver certificates with $1 Federal Reserve Notes. If you examine a $1 FR Note you will find it merely states "One Dollar," and that it is legal tender. Contrast this with a $5 FR Note which is clearly an IOU—but what is the $1 FR Note? It is pure fiat money and is concrete evidence of the gradual deterioration of our monetary system.

The treasury study is expected to recommend either the issuance of silver coins with a silver content so small as to obviate the likelihood of the price of silver reaching a point where coins would be melted down, or the substitution of different materials. Copper and nickel alloys have been suggested; but vending machines, toll collectors and telephones are geared to silver coins, and conversion of all such devices would be costly.

This silver crisis is important chiefly because it may trigger loss of confidence in the dollar. As the government has adopted the Keynesian policy of creating full employment by piling one deficit on another, the amount of credit created by this process has been fantastic. While this has resulted in prices creeping up, as in the case of silver, they are not nearly as high as they would be if all the credit was being used. As long as new credit is hoarded no serious price rise is imminent. However, once people become alarmed over the purchasing power of their paper dollars, they will spend like mad.

This is a constant worry to the monetary authorities. So fearful are they that when Congress passed the law repealing the requirements that demand deposits be backed by gold, they rushed it through with as little publicity as possible. At the same time they reassured the public by retaining the gold backing of Federal Reserve Notes. Most people never see gold coins, and are not aware that the gold backing of demand deposits has been withdrawn, but the case of silver is quite different. People handle silver coins every day, testing them occasionally to make sure they are not counterfeit. They like the feel and the ring of sound coins.

Most students of George recognize that goods and services are purchased with other goods and services and money acts primarily as a medium to facilitate that process. They regard it merely as the oil which lubricates the economic machine but not as part of the machine itself. This is not strictly true but true enough to allay their immediate concern.

Georgists make freedom their first objective, and the solution of the land problem is the indispensable prerequisite for securing this freedom. But if their preoccupations lead them to exclude such things as the question of a proper monetary system, they may find some day that freedom has been lost along with the vain attempt to solve the other problem.

If people rush out on a buying spree, the government will respond by adding one restrictive measure after another, such as price controls and rationing—in the effort to halt price rises. The silver crisis may presage loss of freedom for America, not on Bryan's cross of gold, but on a cross of silver.

In his review of Sidney Homer's book *A History of Interest Rates* (March HGN), Charles F. Leonard, after giving some data on interest rates for various types of money loans, concludes that "the question of the 'real' rates of interest . . . on real capital remains unanswered here."

Of course it remains unanswered and for the very good reason that it is unanswerable. Money interest (the only real interest) is determined by supply and demand; but the returns to real capital used in productive enterprises are determined, not by supply and demand, but by the skill and ability of the producers.

Much of the confusion about interest stems from considering capital as a factor of production, which it is not. It is only a factor or instrumentality of labor. The return is to labor and to nothing else; in other words it is wages and not interest. Capital without labor could produce nothing, and labor without capital would produce next to nothing. Interest is only a return to a money loan, therefore it has no place in distribution. There is no such thing as a natural law of interest.

GASTON HAXO
St. Petersburg, Florida

In response to Dr. Harrington's letter (April HGN), the notion that is connected with banknotes issued by government, or by a central bank under charter from a government, namely the "promise to pay," or the attribute "redeemable," is somewhat misconceived. Only the producer of wealth or the supplier of services can "redeem" the note or the credit which the note represents.

Government can only decree by fiat that such notes be accepted in payment of debt or redemption of credit, but not being itself a producer (at least, it ought not to be) cannot promise payment in the form of wealth of any kind, not even gold. If it does so, it acts against the true nature of money.

As for redemption in gold, the monetary facts are these; government issues money as certificates of credit and hands these out to producers (or sellers) of gold. But instead of letting the gold then be sold on the market, and the proceeds from such sales be used to repay the outstanding amount of credit so that the money can be withdrawn and the books cleared, government hoards the gold and lets the money which was created to pay for this gold, circulate in the economy, even though the equivalent wealth represented by this money is withheld from the market. This procedure is itself strictly inflationary, the opinions of O. B. Johannsen, Colonel E. C. Harwood, Henry Hazlitt, et al. notwithstanding.

ERICK S. HANSCH
Portland, Oregon

Dr. William J. Harrington rightly disparages the expression "supply of money." But what is money (he indicates it is not necessarily "currency"). Henry George's concept that money is anything acceptable as a measure of value and medium of exchange seems satisfactory.

RICHARD T. HALL
Boston, Massachusetts

There was an erroneous alteration in my letter in the April HGN. The next to last line should read, "the term, money, should be used only in reference to money itself and not to mere evidence of the existence of money."

WILLIAM J. HARRINGTON, M.D.
Appleton, Wisconsin

SEX AND THE SINGLE TAX

The above headline in the April Foreign Service Journal was followed by this comment: "With the success of such books as 'Sex and the Single Girl' and 'Sex and the Single Man' (and somebody surely must be working on 'Sex and the Single Track Mind'), we can soon expect the appearance of a tome entitled 'Sex and the Single Tax.' In it an economic specialist will promote the cause of his favorite theory. It will probably not be a sexy treatment, and the single tax school of thought will come in for no more than passing reference. The title will, however, assure the book's success and, at the same time, illustrate a basic tenet of the New Political Science: Every government or regime of consequence and every important development, in order to be of consequence or importance, must have a catchy label . . ."

Single taxers are resourceful people — pioneering, too — and long before the fad of sexy titles, Oscar H. Geiger wrote a paper on "The Sex Problem and its Solution." The single tax came in for more than passing reference. (This remarkable paper is printed in "A Seed Was Sown" by Robert Clancy, available from The Henry George News for $1).

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From the will of the late George Robert White of Boston:

"As it is probable that said [trust] Fund will consist in greater part of real estate centrally situated in the City of Boston which is reasonably sure to increase in value, I urgently recommend that such real estate be not sold for a period of at least one hundred (100) years, that leases of the same shall be subject to revaluations as a basis of rentals every ten (10) years and where necessary shall provide for rebuilding by the lessees, that the real estate shall not be mortgaged, and the buildings thereon shall be kept fully insured."

M. S. Lurio, director of the Henry George extension in Boston noticed this paragraph in small print among the legal notices in The Christian Science Monitor.

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Those long-time Georgists in Wilmington, Delaware, the Frank T. Stirliths, noticed this remarkably clear statement in their Evening Journal on March 30th. Seldom has the land value principle been so explicitly described in a news item, but Wilmington has had a slight exposure to the LVT principle in nearby Arden.

The board chairman and president of the Bank of Delaware, Edwin P. Neilan, addressing the Greater Wilmington Board of Realtors, said land should be taxed on the basis of its value and potential, instead of on the buildings. Placing the tax emphasis on ground would be a natural stimulus to property owners to make the improvements we want, he said, since a man owning ground in a high tax area would soon build or improve his properties in a way that would help him recoup his taxes.

Where else than from Henry George could he have gleaned this wisdom? He told realtors that many property owners hold back on making improvements to their land because they are immediately saddled with increased taxes.

What this country needs is more bank presidents like Mr. Neilan!

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Readers were invited by the bi-monthly review *L'Informateur* of Lyon, France, to submit samples of "current economic jargon," and our friend Pavlos Giannelias of the same city sent the following:

"I agree with the English economist Ralph Harris that 'plan' is a combination on paper of discordant objectives.

"In the English term 'planned economy,' as well as in the French term, 'l'économie planifiée,' the Greek root 'Oikonomia' is mixed, through an etymological abuse, with the Latin root 'planum.' But if one stays strictly with Greek roots, 'planë' would give to the economy of our times the quality of error, seduction or imposture."

—R. C.

The Henry George School in the News

LOS ANGELES will feature at its May 7th Friday at Eight, Dr. Caroline Dinegar, former member of the U.S. mission to the U.N. and a delegate to the General Assembly in Paris.

Students are deep in the second basic course, Applied Economics, in seven Southern California locations. A fee of $8.50 includes all lesson materials and the textbooks *Protection or Free Trade* and *Social Problems.*

ST. LOUIS winter term graduates—the largest number in years—met in a St. Louis County library to hear an address by Robert Tideman, Executive Secretary of the Northern California extension.

Spring term classes, basic and advanced, are in process in the city and county. Special emphasis is being placed on two Science of Political Economy classes led by Director Loral D. Swofford and Director Emeritus Noah D. Alper, respectively. The downtown Georgist group continues to meet on Mondays for lunch at 1 p.m. where a table is reserved at the Maryland Cafeteria.

DETROIT students and friends enjoyed a panel discussion in which five teachers presented "Poverty and the Single Tax" at the winter term completion dinner meeting. The panelists were Granville Anderson, Robert Benton, Edmund Darson, Leonard Huckabone and Harold Tapert. "Land—And Space to Grow," the film produced by the Robert Schalkenbach Foundation, was shown, and refreshments were served.

PHILADELPHIA friends and graduates, enjoying the impressive urban renewal plans that are upgrading the neighborhood and changing its face, assembled at the birthplace of Henry George in historic Tenth Street on April 8th for graduation exercises. William Camargo of New York was the guest speaker on "Latin American Problems."

Graduates of a basic class joined with those from a class in Applied Economics—a subject which was taught there for the first time in many years. Spring term classes are being offered in several locations in the city, as this extension gains impetus under Director George Collins.

NEW YORK graduation evenings present "three minute" class representative speakers who are seldom able to keep within this limit. Since they are free to agree or disagree, the talks are sometimes a surprise for all. On March 30th there were expressions of appreciation for teacher effort and the role of the school. One said, "we have a small light, an idea; our duty is to continue to follow this light." Another read *Progress and Poverty* because he had to—now he will read it because he wants to.

A. V. Natale of Brooklyn said "the use of education in a firm, persistent and continuous stream seems to us to be the only solution. The one adopted by this school and its branches in many countries." Most class members were convinced it was possible to remove the causes of poverty with LVT. They were against socialism and communism, and against force in any form.

Friday Evening programs will include A Salute to Ireland in poetry and song on May 7th; "The Sea" and other films on May 14th; and for the final offering a musical exploration by Robert Clancy, entitled "Who's Afraid of Richard Wagner?"

Cure For Cities

(*Continued from page 1*)

This exclusive tax base was estimated at $1.3 trillion in 1958 and has increased by more than $100 billion a year to the present total estimated at $1.8 trillion. It is being tapped for just under $20 billion a year, a little less than one per cent. But the one per cent covers so many inequities that it is almost meaningless. Large portions of land are not taxed at all, while some property taxes average from three to twenty times as much as others. The property tax produces more revenue than any other local, state or federal levy except the income tax. It brings in four times as much revenue today as in 1946, and it could be producing a lot more if assessments were leveled off at the same average ratio that now prevails for good new homes and buildings, and if today's lowest rates were at least brought up to the prevailing average. It is conceded that the property tax as now conceived and administered may be a bad tax and an unpopular one, but it is not inadequate and it is far from being exhausted. But if it is the biggest it is also the most misguided of all local levies. Fifty years ago land carried half of our total tax load — local, state and national. Today the land carries only 1/20th of the total and exerts almost no braking pressure on land prices.

Most taxes raise prices and this tends to discourage production — but taxing the site value of land without taxing its improvements can't discourage production, because no production is involved. Its value derives from the community other people have built around it and from an enormous investment of money and effort. Higher taxes on unimproved land values are almost sure to induce lower prices because the long term value of land reflects the capitalized margin between the anticipated ground rent it can earn and the only cost that land as land has to carry — the land tax. Today's high land prices are caused largely by speculators who hold millions of acres off the market and so create an illusion of scarcity.

High prices for under-used land are bad for everybody except the landowner and land speculators . . . under-used land can be made dearer to hold and therefore cheaper to buy by taxing it more heavily. Conversely, some land values might well be increased by reducing the tax on improvements and so increasing the incentive to buy the land and improve it. The biggest increase in land value would be in the central city — the decline would be mostly in the outlying areas.

Lower taxes on improvements would stimulate more demand for land to improve, and this in turn would tend to bid up the price of strategically located land. Heavy taxes do not necessarily stifle enterprise; sometimes they can compel it. Heavier taxes on under-used land would actually stimulate enterprise by putting heavier pressure on the owner to get busy and improve it.

Valuable data has been forthcoming from The Urban Land Institute research in Milwaukee financed by the Lincoln Foundation and directed by Professor Mason Gaffney. Untaxing improvements and shifting the property tax to unimproved land values on many good locations in Milwaukee would just about double the investment that would be profitable in a good location. It was found that "a 20-story office building could be made profitable on prime sites where 12 stories now represent the point of diminishing returns. It was also found that exempting buildings would not necessarily reduce the tax base, for the value of building exemptions would be capitalized into the value of the underlying land. Then increasing the tax rate on land could just bring the value of well developed strategic land back to where it is now."

The dualism of property was recognized 160 years ago by Ricardo, who said, "the interest of the landowner is always opposed to the interest of every other class in the community." It is time to oppose this dualism in our local tax structure. But today the policy of almost every state forbids local governments to recognize that the property tax is really two different taxes. In most states improvements are assessed much more heavily than land, in this unequal duality.

Gross inequalities in assessing are wide-spread, universally recognized and taken for granted. Few officials feel obligated to enforce the tax laws as written. There are also state-imposed limits on city borrowing going back to post-Civil War days. Many states make local governments give favored classes of owners full or partial property tax exemption. This enables the state to subsidize the favored owners at the expense of the local government.

Meanwhile there are things the states *should* be doing. They should insist that local districts employ trained professional assessors, end the tax haven scandal, change laws that make tax appeals costly and futile, and end the too common practice of making the cities pay for county services performed only outside the city limits.

All property should be assessed at the same percentage of true value. This, the conference members agreed, could "have earthshaking consequences." Assessment ratio laws should be made realistic and then enforced. All assessors should be trained professionals appointed under the merit system instead of being elected. Their load should be lightened and methods should be modernized.

All competent assessors know the standard methods for determining the "residual value" of land under a building. Assessing buildings costs much more than assessing land, since each building has to be assessed separately and takes eight times as much of the assessor's time as would be required for appraising the lot. In the latter case base values can be recorded for comparable sites and appraisers can be relieved of most of the field work.

The "Self-Policing" Factor

The most significant advantage in shifting taxes from improvements to land seems to be the fact that the procedure can be almost self-policing. Inquiring landowners would know the assessments on all nearby land since full publicity could be given to both the local ratio findings and the assessment of each parcel. Each owner could compare his levy with those on similar property. This would make tax appeals much easier to handle and less likely to be needed.

One is convinced after reading the report of this conference that it is indeed time to bring out a new model to replace the antiquated methods for raising the city's revenue. The participants were unanimous in urging "that the present discrimination in assessment practice in favor of land and against improvements should be stopped," but opinions differed as to what remedial tax steps should be taken.

Some panelists favored penalty taxation on obsolete, dilapidated or inadequate buildings occupying strategic land; others thought the purpose could be achieved more simply by taxing land at rates that would make its under-use unprofitable. Many favored the "Pittsburgh Plan" of taxing land at twice as high a rate as improvements. Quite a few would go all the way and shift the whole burden of local property taxation to the site value alone, as is being done in most of Australia and New Zealand, with favorable results, and in many cities in South Africa.

READ ALL OF THIS — OR NONE!

Clarkson made it! He won a third term as Mayor of Southfield, Michigan, against an impressive adversary. The narrow margin of victory would not have been possible without the support of the city's homeowners whose votes prove they have awakened to some understanding of what Mayor James Clarkson's tax reform has done for them.

The Michigan Legislature will be hearing more about LVT too, as a bill has been introduced to amend the general property tax act. It provides for lower taxes on improvements than land — the rate on land to be uniform as authorized by the state constitution.

With the good news of a favorable score for the Michigan team, let's move over to Erie, Pennsylvania, where the ELTA's, battling against fierce odds, are in desperate need of every available resource at once.

Robert E. Caldwell, who believes in LVT, is willing to campaign for a seat in the City Council. This successful young business man says, "if the people want LVT they can vote for me!" How far can he go with a banner like that? It may depend on how much the team's morale can be built up by Georgists everywhere, for this could become the test case so vitally needed to substantiate claims of what land value taxation can do to rehabilitate cities.

"We must get our man through the primaries," writes Wylie Young of ELTA, but money is needed steadily, in monthly pledges — and none of it will go for salaries. ELTA fans, now is the time to toss your bundles of legal tender into the Erie campaign. Don't stop to ponder or you may blame yourself for doing less than your best. The Erie Land Tax Association is at 2217 Peninsula Drive, Erie, Pennsylvania.

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Reserve now for the annual banquet of the Henry George School which this year will celebrate the 40th anniversary of the Robert Schalkenbach Foundation. Carl McGuire, Professor of Economics at the University of Colorado, will speak on "The Georgist Revival on the Campus." Albert Pleydell, President of the Foundation, will preside. Miss V. G. Peterson, Executive Secretary, and Will Lissner, editor of The American Journal of Economics and Sociology, will speak; as will various of the board members, including Walt Rybeck, Washington correspondent for the Dayton Daily News. The date is June 9th, at the Sheraton Atlantic Hotel, New York. Dinner $6.

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July comes early this year! That's when Georgists will gather at the Asilomar Hotel in Pacific Grove, California (100 miles south of San Francisco), for the annual meeting. No Georgist could visit the West Coast under happier auspices. No Georgist who has attended these annuals would miss if he could help it. Mark the date, July 14th to 18th — the perfect time for a vacation.

Mr. Robert Clancy,
33-53 82nd St..
Jackson Heights, L.I.,N.Y.