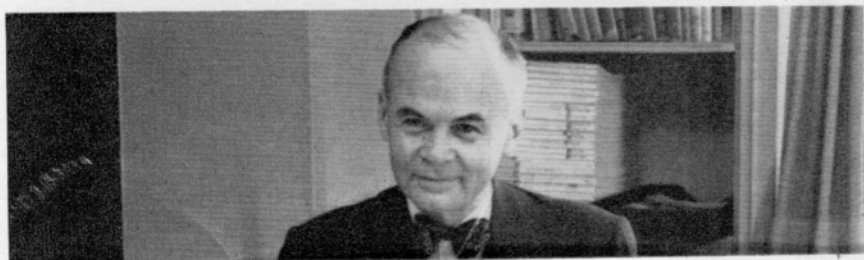


the Henry George News

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The \$640 Billion Question by PERRY PRENTICE

NOW that city planners have learned so many ways to make city life so much pleasanter, how come that despite all efforts, most of our big cities seem to be getting worse instead of better? This is the 64 or 640 billion dollar question I would like to ask every planner, architect, builder, developer, government official, urban economist and educator at this interdisciplinary conference.

How come two-thirds of the most valuable downtown land in almost every city is pre-empted by obsolete buildings that should have been torn down and replaced long ago? The replacement rate on housing still averages less than once in a hundred years. The heart of every big city is ringed round with miles of slums left standing in choice residential locations as central cities are being abandoned. With nearly half of the city land wasted, millions of close-in acres needed for orderly urban expansion are being held off the market.

The second part of my question is,

how come city planning is still so completely dependent on government action, regulation and subsidy, and why is private enterprise so often obstructing plans instead of translating them into actual construction?

Until the answer is found I'm afraid too many efforts will continue to be almost fruitless, and too many cities will continue to get worse and worse. There must be many different answers, but if a complicated problem can be restated simply it may be easier to solve. In Rotterdam, Dr. Van Ettinger, director of the International Housing Center, restated it simply when he said, "it is impossible to make good planning effective in the face of land speculation if the landowner finds it more profitable to misuse or underuse his land."

Perhaps the shortest, best and only answer to that basic problem was suggested by Charles Abrams when he said, "we have never coupled the taxing power with the planning power."

(Continued on Page 15)

A Word With You

TWO things about human beings never cease to astonish me — one is the extraordinary possibilities and potentialities within the human mind and constitution; and the other is the ridiculously little use made of them. This has been noted before — but nevertheless I am struck by it.

One of the newer developments that emphasize the wonderful work that is man is the study of his make-up on a microscopic scale. As we are able to penetrate to smaller and smaller dimensions, a dazzling universe of complex harmony is opened up to us. The co-operation of molecular compounds, the practically atomic scale of hereditary conductors, the incredible performance of the nervous system, are among the facets we can appreciate more and more as we plunge deeper and deeper.

A little of this was suggested in the book and film, "Fantastic Voyage" — and micro-photography of any detail of the human body offers a sight unmatched by any LSD experience.

And the human brain! A stupendous computer beside which our most advanced Univacs are clumsy toys. Every human being has this superior power-house — the Bowery bum, the Asian peasant, the neglected cast-offs — while money and care are lavished on mechanical computers.

Everything we do, all the grubby things of this world for which we

claw one another and deaden our brains, are so pitiful compared to our marvelous possibilities. Truly, we sell ourselves short.

There is an old Chinese story about an emperor who built a beautiful house for his favorite sage, who acknowledged it indifferently. Nettled, the emperor built an even more beautiful house, but the sage was still unimpressed. Finally, the emperor built the most magnificent house imaginable, decorated with precious metals, gems and works of art, and surrounded by an exquisite garden. The sage at last admitted that it was fair, and then he invited the emperor into his own realm — the world of mind and spirit — and when the emperor beheld the wondrous beauty there, he was ashamed of his baubles.

There is another Chinese lesson in the written character for "philosopher," which is represented by a man with his belly full. So here is the clue. The human computer does need to be oiled. And while his living is a primary concern that preoccupies man — this and insecurity about the future — his wonderful computer gets in a tangle or rusts unused.

Could we but get this straightened out, we would then be in a fair way of witnessing a human development the like of which the world has never seen.

—Robert Clancy

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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 the community purposes and abolish the taxation of wealth.

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Poverty and Old Gold

by SYDNEY MAYERS

THE incredible fortunes made in California when gold was discovered at Sutter's Mill are an intriguing part of the history and the legend of that fabulous state. But all of the gold in "them thar hills" does not consist of the actual precious metal. Even without lodes of glistening ore, much of the land itself—the soil, the earth, the location—has proved a considerable bonanza, as golden to the touch as anything King Midas ever handled.

A fascinating example of how great quantities of "gold" can be obtained, without digging a single mine-shaft, is the 83,000-acre Irvine Ranch of southern California. About eighty years ago, a gentleman named James Irvine acquired title to this enormous spread by buying up a number of old Spanish land-grants. However, unlike many impatient speculators who sold their holdings as soon as a profit could be realized, he rejected all offers for his; and the vast expanse, virtually intact, remains the property of his son and heir.

The ranch, first used for sheep and cattle raising, was gradually converted to agriculture, ultimately becoming a large-scale producer of fruit and produce. Then (as *Time* magazine blandly observes) "the real crop began coming in only a decade or so ago, with the steady outward creep of urban Los Angeles." As a result, a tremendous land-development program is now in progress, undoubtedly destined to bring millions of dollars a year to the land-owning family.

How much the land cost in the 1880's is not revealed, but presumably it was pennies per acre. Today it is estimated to be worth more than a billion dollars — a value created by the population of the community, who must nevertheless pay handsomely for

the privilege of living or working or just being there!

If the reader will journey in spirit southeastward, another tale will unfold, again demonstrating that land in one's possession and money in one's pocket are curiously synonymous phenomena. In Houston, Texas, will be found a highly successful millionaire-businessman named Hobart T. Taylor, Sr. A variety of financial interests have brought great riches and great personal prestige to Mr. Taylor, among them being the ownership of business properties, farms, and oil-wells.

It is interesting to note that Mr. Taylor is the grandson of a slave. When the grandfather was freed, he had the then princely sum of six hundred dollars, which he had earned through "private" labor. Counseled to invest the money in "some raw fresh land," he did so—and by the time he died in 1895, he and his son owned over 2000 acres of excellent farmland. The son added more, and prospered, so that when *his* son, Hobart, started out in life, it was with a foundation of a generous nest-egg and a lot of land on which to build the sizable fortune he has amassed.

Hobart Taylor has never forgotten the advice his father gave him when he set out: "... Keep our land. The Lord is making more people every day, but He's not making any more land. Wherever you go, keep your land. I've followed my dad's advice, and kept that land." Inevitably, it was good advice, and Mr. Taylor took it. That's one reason why he is a multimillionaire.

But let us go a bit further, and inspect the other side of the coin. Again we will see that, with prosperity such as has been described, always appears its constant companion — poverty. De-

spite today's highly-publicized "war against poverty," which clearly presumes the existence of this tragic condition, there still prevails a strange proclivity to disregard the fact. Poverty to many is merely a theoretical concept; a symbol almost as abstract as the X in an algebraic equation. How often one hears, "Of course there are poor people. Always have been and always will be. But, really, poverty is a comparative term—it simply distinguishes haves from have-nots. You know, no one has ever actually starved to death in the United States!"

I am sure those who utter such views are not lacking in personal compassion. But they seem habitually to equate poverty, *qua* poverty, only with large-scale calamity, like famine (India, China) or endemic hunger (Africa, South America). Since such extreme horrors are unknown here, they smuggly assert there "really" is no actual poverty — not in America.

Let these complacent ones be disabused by a painstakingly researched "roundup" which recently appeared in *The Wall Street Journal*. In it, under the headline "Living in Poverty," reporters all over the country record their accounts of "How Some Americans Scrape By at Bottom of Economic Ladder." It is a heart-rending portrayal of the struggle for existence suffered by Negroes in Mississippi, southern whites in Chicago, Indians in Arizona, Eskimos in Alaska, and other inhabitants of a nation that "has no real poverty."

Shall we have a few examples? A family of five in Mississippi enjoys a total income of \$88 a month — in the form of food stamps. A seven-by-

twelve foot flophouse cubicle is the residence of a 76-year old Philadelphian, who sadly observes, "The living isn't so good; sometimes I just sit down and cry." A migrant worker at a sleazy California labor camp seldom earns more than expenses, even when the tomato crop comes in. A poverty worker in Texas, describing the plight of Mexican-American farmhands, says, "... people are literally starving to death here." A Tennessean who emigrated to Chicago made \$35 the first week — \$20 went for rent, leaving \$15 to support a family of eight. An ex-coal miner in Kentucky, who has not worked since 1965, remarks, "I'm just a dead man walking." Enough?

These are individual cases, to be sure, but their misery has a lot of company. As the *Journal* points out, "... there still exist pockets of poverty scarcely noticed by society, let alone attacked, although the 'war' on poverty is three years old. For some families in these localities, the \$3,000 annual income generally recognized as breaching the poverty barrier would be a fortune." The mayor of La Joya, Texas, exclaims, "If ever there was poverty, these people have it. My God, something should be done."

President Herbert Hoover described prohibition as an "experiment noble in motive." So, too, is the war on poverty — but it is doomed to failure just as surely as was the earlier "noble experiment." Poverty can be eradicated only by striking at its cause: the ignominious system of private land exploitation which inevitably drives wages to the point of mere subsistence. That is the "something" to be done.

A new edition of the HGS booklet is available on request and copies are being mailed to all members of the school. It contains such late reports and information as the address of the Costa Rican extension, with Carlos A. Riveros as Executive Director. Though less than a year old this extension is already publishing its own periodical, *Ideas Economicas*.

"Under All Is the Land"

TED GWARTNEY of Evergreen Road (City of Southfield, Mich.) has extended his activities beyond the office of city assessor. Weekly articles are appearing in the Southfield Record, usually on the front page.

In the October 18th issue he explains the difference between land and buildings and why they are listed separately on an appraisal. Readers are told each week that if they have a question for the assessor they may write to him at 2600 Evergreen Road.

"Under all is the land," says Assessor Gwartney, quoting from the preamble of the code of ethics of the National Association of Real Estate Boards. Use of the land is necessary to survival. Even if we don't own any we make use of it and pay rent for it, not only in our direct payments to the landlord, but in the price of food and clothing, and when we visit the movies or church.

While land itself is immobile, it is indestructible. Its geographic location is rigidly fixed, and yet all locations differ. Land value can be destroyed but the land cannot. "There is no scarcity of land as such," wrote Mr. Gwartney. "Only land of a certain quality and location are in comparative short supply. Land becomes relatively less scarce each year due to both American inventive skill and more intensive use. Buildings, however, are mobile, destructive and not fixed in quantity.

In another recent article the assessor proclaimed that "the property tax is here to stay. While we cannot eliminate it, we must do all we can to re-

form it so that local government costs will be shared equitably by those who benefit." He traces the historical precedent from the 17th century to the 20th for use of property taxation to supply most revenue for local and even national revenue, until the advent of income and sales taxes. No one enjoys paying taxes but we all must, and the demand for services has increased faster than revenues.

If taxes are spread, and if we can see tangible results in community improvements on a basis of benefits received, the tax is less painful.

Criticism of the practice of penalizing people for minor improvements to their homes, the assessor believes, is justified; as when it is shown that people who fail to maintain their property creditably escape with a lower tax. Failure to tax land at its full cash value has contributed to excessive waste in providing community services, urban sprawl, excessively high land prices, frustration of city planning and zoning . . . the key fact in valuation of property is flexibility, he said.

Henry George classes in Michigan have resumed for the 17th year, with headquarters at 4134 West Thirteen Mile Road, Royal Oak, under directorship of Robert D. Benton. Ted Gwartney referred to them in a newspaper release, stating that "Henry George is perhaps the best known American economist. His ideas are not well understood. Many believe that all he wrote about was a tax on land values, but his book's theme is liberty and how it can be maintained."

Alex J. Duris of Hendersonville, North Carolina, has been active in trying to clarify the issues regarding a gigantic dam building program purportedly for flood control. He says that recently he did what Mr. Gwartney suggested — raised an issue to create thinking among people regarding current problems. He sat down and wrote a long letter to the editor in which he quoted extensively from Ted Gwartney's remarks at the Montreal conference of the Henry George School in July. The letter was published in the Hendersonville (N.C.) Times-News of October 11th, with only one line omitted.

The sand is land, and the water too, at Miami Beach where Georgists will splash through an idyllic holiday and conference next July 3-7, at this modern hotel, the Barcelona.



Two From Wisconsin

THE University of Wisconsin is publishing two new books bearing on land and its taxation. One is *Property Taxation—USA*, edited by Richard W. Lindholm, and the other is *Extractive Resources and Taxation*, edited by Mason Gaffney. Both developed out of symposiums sponsored by the Committee on Taxation, Resources and Development (TRED), the Gaffney symposium having been held in 1964 and the Lindholm symposium in 1965. TRED is an outcome of college exploratory work initiated by the Robert Schalkenbach Foundation, and is composed of professors and economists from various colleges, governmental offices and private agencies.

Property Taxation—USA, a colloquy of 25 economists, covers a historical survey of the property tax, the problems of assessments, the current standing of the property tax and its potentialities for the future, and proposed reforms.

Emphasis is given to land. It is noted that the property tax was once primarily a tax on land, evolved into a general property tax, and may develop back into a land tax again.

A chapter on Henry George by Reed

R. Hansen gives a fair account of George's analysis and single-tax proposal — and then unaccountably starts criticizing public ownership and control of land, as though this is what George wanted! But Professor Hansen at least winds up by citing land value taxation as worthy of serious attention in urban renewal and other problems.

Many other aspects of the property tax—including special situations such as natural resources, railroad property, etc.—combine to make this a valuable, informative, and encouraging book. Priced at \$7.95, it is being offered as part of a special sale by the Henry George School (see next page).

The Gaffney book is more technical and dwells on a particular aspect of land and its taxation—that is, natural resources, such as oil, minerals and timber. The questions of maximizing incentives, obtaining adequate public revenue from these sources, and yet maintaining sound policies of conservation, are explored in a series of studies by fifteen economists. The editor, Professor Gaffney, expresses gratification that this difficult and inadequately explored subject yielded a considerable amount of agreement—and he focuses

attention on the issue of recouping for the public the rent of lands superior to the margin. An interesting appendix is a reprint of a 1914 article, "Rent Under the Assumption of Exhaustibility,"

by Lewis H. Gray. This book, published at \$8, being somewhat specialized and technical, is not included with the specially priced items, although individual orders will be taken.

Something Is Stirring

Here are two significant books that show the growing influence of Georgist ideas in the academic and business worlds.

ECONOMICS OF THE PROPERTY TAX by Dick Netzer. An important survey made for the Brookings Institution by a New York University professor, who concludes that an increase in land value taxation is called for as a significant improvement, and its beneficial effects are cited. Paperback, 326 pp. Price \$2.50.

PROPERTY TAXATION — USA edited by Richard W. Lindholm, published by the University of Wisconsin. The findings of a symposium which included Professor Mason Gaffney and Paul Alyea, who wrote a book on the single tax colony of Fairhope, Alabama. It contains valuable data, a chapter on Henry George, and special subjects such as assessment figures, natural resources, railroad property, tax exemptions, etc. Clothbound, 315 pp. Price \$7.95.

Special Price \$10 for

< Both Books

Plus This Super-Bonus

MY LIFE IN TWO WORLDS by Francis Neilson. A two-volume epic of a remarkably versatile man who lived in England and America, and who distinguished himself in the theater, in politics and in journalism. Among famous personalities mentioned are Winston Churchill, Albert Einstein, Nellie Melba, and a magazine, the first Freeman, which is still remembered in literary circles. Little known information about the Georgist movement makes this literary masterpiece of special appeal to Georgists. This \$10 value free with your \$10 purchase of the two new books.

Send your check, with your name and address and zip code, to the Henry George School, 50 East 69th Street, New York, N. Y. 10021, and request the three titles listed for the special price of \$10. (The Netzer and Lindholm books may be ordered separately at the list price).

URQUHART ADAMS

It is with regret that I have to announce the passing of a long time Georgist, Urquhart Adams of Peace River, Alberta, who died in his sleep on September 26th. He will be remembered by most readers of The Henry George News for his letters and his "Alice in Wonderland" stories.

He was a tireless worker for the Henry George principles. He taught courses in Edmonton and started the school in Jamaica. He wrote thousands of letters to newspapers and friends, and corresponded with people all over the world. To them he brought the word — the word of justice and humanity. Small talk was unknown to him. He talked only of great ideas.

Urquhart was born in Moscow, Idaho and came to Alberta as a young man because this province at that time was a single tax province. His loss will be deeply felt by all of us.

—J. Wilbur Freeland

Philip Wallace, director of the Jamaica, W.I. extension at Kingston, will be married on December 9th to Miss Joyce Laird.

Noah D. Alper's Brief Cases

UNDER THE WATER TOWER

If the City of Hayward ever doubted that there is money to be made in real estate, is in doubt no longer. In 1933 the city bought a fifth of an acre for \$10 to erect a water tower. Now the once familiar landmark is gone and the giant tower has been hauled away. The city auctioned off the land for \$50,000. The Hayward (California) News Dispatch took significant notice of the fact.

HOW TO GET RICH WITHOUT TRYING

Wendell Phillips, an attractive 45-year old archeologist, was the guest of the Sultan of Oman on one of his expeditions, and received a gift from the monarch of an oil concession. It was considered worthless or of negligible value. Would you care to hazard a guess as to what its value is today? A conservative \$100 million!

TAX ON POTENTIAL VALUE

A Republican Alderman, Joseph Badaracco, has advocated two revolutionary changes in assessing real estate for tax purposes in St. Louis: first enactment of a law that would permit property owners to make improvements on their homes, such as a garage or a bathroom, without having their assessments increased, second revision of the method of assessing real property "possibly in the form of site valuation under which land would be taxed according to its highest potential regardless of whether or not the property has been developed."

He said this valuation system would benefit the property owner or developer who improves his property and would not penalize him for enhancement of his property, however substantial. He added that he intends to introduce a bill in the Board of Aldermen that may serve this purpose, and if it goes beyond the city's powers legislation should be submitted to the State Legislature giving the city the proper authority to act.

Both morning and evening newspapers in St. Louis, the Globe-Democrat and Post-Dispatch, reported on this statement and noted that the plan is somewhat similar to the single tax theory advocated by Henry George in the 1880's, where no taxes would be levied against improvements such as buildings.

RAPID TRANSIT ON TWO LEVELS

Everyone who has had the experience of riding on Toronto's new and colorful subway will concur most heartily with remarks of G. Warren Heenen, past president of the Toronto Real Estate Board, when he addressed the Cleveland Real Estate Board in July.

"For any major urban area like Toronto with a population of around two million, mass rapid transit as the main base of a balanced transportation system creates and enhances property values like nothing else on earth. If an urban rapid transit system never earned a dime it would still pay for itself a thousand times over through its beneficial impact on real estate values and increased assessments. The greatest cities in the world have that essential common facility—an efficient transit complex.

"The total cost of the subway, including right-of-way, rails, electrical distribution system, signal system and rolling stock, was \$67 million," he said. "This small investment ignited a \$10 billion development explosion along the route. The appraised value of all the land and facilities in Metropolitan Toronto is now \$50 billion; \$15 billion of this appreciation in physical value has been added in the last ten years and two-thirds is attributable to the existence of the Yonge Street subway.

"Properties doubled and tripled and sometimes increased as much as tenfold in value. Land prices would have increased anyway, but sales at \$125 to \$150 per square foot near the downtown stations have become commonplace." On the basis of increased assessments it was stated that the Yonge subway has earned enough new tax dollars to pay its annual amortization costs.

The Land of Iran

by ALAN ST. DENIS

MOHAMMED REZA PAHLEVI, Shah of Iran, ascended the throne of his ancient realm in 1941, but only recently (26 years later) did he consent to a formal coronation. He had frankly explained his long refusal to take part in such a ceremony: "It is not a source of pride to become king of a poor people."

The Shah's words reflected royal vanity, to be sure; but they were also discerning and refreshingly honest. His people *were* impoverished—and unbelievably backward. In fact, they remained so until the early 1950's, when a political upheaval threatened Pahlavi's shaky kingdom. He took firm command, and established two major goals: to modernize Iran, and to free its masses from the blight of poverty that had afflicted them for centuries.

The first step to be taken, obviously, was to ascertain the cause of Iran's social and economic ills. To his credit, the Shah recognized that they stemmed primarily from a deeply entrenched system of private land-ownership. Practically every acre of land was owned by a comparatively limited, and immensely wealthy group known as "the Thousand Families." Protected by a private army, and aided by a venal bureaucracy, these dynastic landlords greedily mulcted the peasantry, exacting huge rents from tenant-farmers who were ostensibly sharecroppers, but actually were no better than serfs.

The Shah sponsored education, granted women equal rights, encouraged industry, and otherwise sought to bring Iran into the Twentieth Century—but he realized that no advance would mean anything as long as landlordism

prevailed. So he concurrently decreed a far-reaching land-reform program. The vast estates were broken up and distributed among their former tenants at very low cost. (It is noteworthy that the Shah's own royal lands were included in the process, and were the first to be parceled out.) As a result, the general populace now enjoys a prosperity they and their ancestors had never known.

Again, all credit to the Shah for his vision and his efforts. But unhappily his well-intended reforms, even if temporarily beneficial, in the long run are doomed to failure, for they are economically unsound. For one thing, landowners were compensated for the land taken from them, receiving shares in numerous industrial enterprises the government has nationalized. Secondly, taxation continues as before. Thus out of Iran's production a goodly share must be devoted to the payment of taxes and to the reimbursement of the land-monopolists.

Even worse, though for a time the *fellabeen* may glory in the possession of their little plots of earth, tilling them will not be economically rewarding in the light of today's agricultural modes. Inevitably the tiny farms will be sold to willing buyers, and ultimately the title to large areas will vest once more in the hands of private exploiters. And the noble endeavor of the Shah will come to naught, unless by then (hopefully!) he will have had occasion to study the principles of Henry George. Perhaps one day a monarch as powerful and as benevolent as he will decree the true remedy for the problem of poverty.

Kul Bhushan, executive editor of New Era Associates, and director of the Henry George extension in Nairobi, Kenya, has named his second son Neeum (law), reflecting his interest in the letter N (New Era College and New York, where he says he met "wonderful people" three years ago at the international conference). An older son is named Nyay, which means justice.

Analytical Approach to LVT

by EARL A. HANSON

THE method used by Mitchell S. Lurio in the August HGN for estimating groundrent is interesting and helpful in focusing attention to the problem of shifting the incidence of property taxation to land value. Such an analysis, however, does not come to grips with the need for new definitions in tax laws to permit a proper application of land value tax theory.

Critics of land value taxation will argue that a \$3,000 annual tax on land with a market value of zero is not consistent with tax laws. Murray N. Rothbard in an essay on "The Single Tax" published by the Foundation for Economic Education states that: "A 100 percent tax on rent would cause the capital value of all land to fall promptly to zero. The first consequence of the single tax, then, is that no revenue would accrue from it."

We might dismiss the Rothbard objection on the basis that he has confused economic value with sale price of land, believing that the declining sale price of land (with an increasing tax) is accompanied by a declining economic value. Here is where the analytical approach suggested by Mr. Lurio can be used to good advantage to clearly establish the effect of heavier land value taxes with diminishing taxes on improvements.

Economic value as I will use it is the annual total yield or potential yield of a site or improvement. Two components make up the economic value, the

tax accruing to government and the equity accruing to the owner.

The relationship may be stated as

$$E = O + T$$

Annual economic value is E

Owner's annual yield is O

Annual tax is T

It is obvious in the above formula that if O became zero it would not follow that E and T would become zero. This, however, does not explain away the Rothbard proposition that as the sale price, which is the owner's equity capitalized, diminished, the tax would diminish and therefore the tax, Mr. Rothbard's reasoning is consistent with present tax laws. Before there can be a really substantial shift in property taxes from improvements to land values, it would appear necessary that some term such as "economic value" should replace or be used in addition to "market value" in property tax laws.

I would like to develop the problem presented by Mr. Lurio using a site valued at \$25,000 and a building valued at \$100,000, which values would be present market values (owner's annual equities capitalized) under present tax rates. Rather than an overnight transition to full land value taxation a uniform transition will be made over a five-year period. I believe this will more clearly develop the relationship between market value, economic value and taxes.

In Table I it is assumed that the economic factors contributing to the economic value of the site have remained constant through the five-year period. A more typical pattern, in a healthy economy, would show an increasing economic value and consequently an increasing revenue for governmental services

Market price in initial year	\$25,000
E - annual economic value, 12% of market price	3,000
Initial tax, 3% of market price or 25% of E	750

TABLE I — LAND

Year	Tax % of E	T Annual Tax	O — Owner's Annual Yield	E — Annual Economic Value
Initial	25%	\$ 750	\$ 2,250	\$ 3,000
1	40%	1,200	1,800	3,000
2	55%	1,650	1,350	3,000
3	70%	2,100	900	3,000
4	85%	2,550	450	3,000
5	100%	3,000	0	3,000

TABLE II — BUILDING

Market price in initial year	\$100,000
E — annual economic value 12% of initial market price	12,000
Initial tax, 3% of market price or 25% of E	3,000

Year	Tax % of E	T Annual Tax	O — Owner's Annual Yield	E — Annual Economic Value
Initial	25%	\$ 3,000	\$ 9,000	\$12,000
1	20%	2,400	9,600	12,000
2	15%	1,800	10,200	12,000
3	10%	1,200	10,800	12,000
4	5%	600	11,400	12,000
5	0	0	12,000	12,000

TABLE III (I and II combined)

Initial market values: Land \$25,000, Building \$100,000

Year	Total Tax	Yield to Owner	Annual Economic Value
Initial	\$ 3,750	\$11,250	\$15,000
1	3,600	11,400	15,000
2	3,450	11,550	15,000
3	3,300	11,700	15,000
4	3,150	11,850	15,000
5	3,000	12,000	15,000

TABLE IV

Initial market values: Land \$100,000, Building \$25,000

Year	Total Tax	Yield to Owner	Annual Economic Value
Initial	\$ 3,750	\$11,250	\$15,000
1	5,400	9,600	15,000
2	7,050	7,950	15,000
3	8,700	6,300	15,000
4	10,350	4,650	15,000
5	12,000	3,000	15,000

By a similar analysis we may show the result of a transition to full land taxation and building tax exemption from an initial year land market value of \$100,000 and building market value of \$25,000. This would be more typical of a slum property.

Obviously slum ownership would become unprofitable early in the transition. This discouragement of slum ownership and land speculation combined with tax exemption for all improvements could produce the incentive for home and apartment building on a scale never before realized.

I am grateful to Mr. Lurio for his suggestion that an analytical method should be used to show the advantages to be gained by land value taxation. When the theory of land value taxation finally gets public acceptance we must be ready with precise proposals to show what laws are needed to implement the theory.

In another comment on Mr. Lurio's "Method For Determining Ground-rent," James Hair of Cincinnati asks if it is not probable that the tax savings will be reflected in higher land value, since for instance, in California even the climate is reflected in the value of the land or site. Mr. Lurio says that in his example he assumed that other things remain the same. If the tax saving on buildings is reflected in higher land values then the city should collect the additional rent so brought into being.

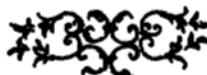
Mitchell S. Lurio replies:

I was glad to read Mr. Hanson's article because he knows exactly what I was getting at and his figures show the effects over a five-year term. Instead of using the letter "o" to represent the owner's yield I think he ought to use the letter "y" since "o" could be confused with a zero.

Mr. Hanson defines "economic value" as the "annual yield or potential yield of a site or improvement." Thus the words "economic value" may be confusing, and when used, require that we state whether we are referring to a site or to an improvement or both.

As far as Mr. Rothbard is concerned, Mr. Hanson has already pointed out his error, namely his failure to see that a declining sale price of land due to an increasing tax does not change the rental value of the land, other things being equal. As most of us know, land should be assessed on the basis of its annual value or rental value, in which case the necessity of multiplying a higher and higher tax rate by a lower and lower market value is obviated.

It is good to know that a few people have studied the figures and have given them serious thought.



Both ground rents and the ordinary rent of the land are a species of revenue, which the owner in many cases enjoys without any case or attention of his own. Though a part of this revenue should be taken from him, in order to defray the expense of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labor of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground rents and the ordinary rent of the land are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

Adam Smith, *The Wealth of Nations*

Henry George and the Welfare State

by T. A. ENDE

A FULL house of presumably convinced Georgists was present when I attended an address by Mr. Victor H. Blundell on Henry George last August at the Henry George School of London. During the question time afterwards it seemed to be generally accepted that the concept of the single tax on land as the sole means of raising all national and local revenue was no longer viable, and it seems to me that because of this belief the Georgists have been for years crying down the welfare state.

Britain has always had a welfare state. In the historic past the church held lands from the crown on the condition that it care for the welfare of the sick, the infirm, the aged and the poor. After the confiscation of the church lands at the Reformation a "poor rate" was levied on the property of private citizens to carry on this work.

Henry George sought to divide government into two parts: first, political government, and secondly, social government. He wanted to reduce political government to the absolute minimum, but to extend social government. Some of the things he wanted to have dealt with by social government, national and local, were mail, telephones, savings banks, utilities, schools, railways, public halls, theaters and playgrounds, also pensions for the weak, for widows and for the helpless and aged.

Without disapproving of them, Henry George said that soup kitchens would be unnecessary in the world he thought mankind would create, and I do not think he would have approved of family allowances for able-bodied people. He mentioned public health as being a function of government, but did not, as far as I know, enlarge upon it.

It has been suggested to me that

many undertakings which George named as being beyond the power of the individual to do for himself, and which should therefore be done by the state under the heading of social government, could be better done by private enterprise to introduce an element of competition. But such things as the building of trunk roads, railways, irrigation and drainage schemes, waterworks, canals, gas production, electricity production, harbor works, telephones, telegraph and to some extent airfields, can only be done by private companies under a special act which takes at least two years to get through Parliament and always eliminates competition because it must of necessity give a monopoly.

I now pose the question whether the single tax would be sufficient to maintain the welfare state as we know it today. Although undoubtedly Henry George visualized our present situation, and knew that national and local spending would reach the proportions it has reached, he said yes.

This brings me to the equation he gives in Book III, Chapter II, (page 171) of *Progress and Poverty* — "Produce (wealth) = rent + wages + interest." We have to face the fact that this equation showed things under primitive conditions where no tax was taken account of — but actually when we come to consider conditions in the United Kingdom as we find them today, the equation comes to be stated as, Produce (wealth) = rent and taxes + wages and taxes + interest and taxes.

In property rating* and taxation we assess both the land and the building and other improvements for rating and taxation, so that a certain amount of taxation, local and national, is derived

*Rating is the term used in England for local taxation.

from land values, but it is conditional upon "beneficial occupation." Certain properties, such as owner-occupied dwelling houses — both the sites and the buildings — are exempted from taxation.

If we assume that the total in taxation which we are raising in the United Kingdom is of the order of £11,000 million, this sum must be included in the equation given above, because all taxation must be drawn from the sources given. Even such things as sales tax and purchase tax are taxes on wages and interest. In my contention it must follow from the equation and the economic principles laid down by Henry George, that this enormous sum of £11,000 million represents the potential annual value of the land.

Having regard to the incidence of taxation on wages or income and interest, all that could be raised by taxation of land to its full annual value would be about £3,000 million, but this would allow some taxation to be removed from income and interest, and the equation would show up as, $\text{Produce} = \text{tax only} + \text{wages and taxes} + \text{interest and taxes}$.

The exchange value of land would thus be extinguished completely and nothing more than a nominal sum would be paid for a freehold in land. However, once again following the economic principles laid down by Henry George, rent would soon be issuing from land in addition to the tax, and freehold land would again acquire an increasing exchange value.

This could be corrected by quinquennial re-assessments of land values and an increase each time would be made in land-value taxation and a corresponding amount would have to be taken away from income and interest,

These remarks were made in an address to The Morpeth Club, Westminster, a social extension of the Henry George movement. Mr. Ende is an owner of property in five counties, and when he first heard a Henry George lecture in 1952 he objected that property rights were being attacked. On re-examination however he revised his views. The Morpeth Club invites interested visitors to meet with them when in London, and to make their presence known to the secretary, Miss Julia Bastian, 34 Dorset Square, N. W. 1, London.

until the final solution of the single tax on land would be reached and the equation would read, $\text{Produce} = \text{tax} + \text{wages} + \text{interest}$.

This simply means that all taxation would be derived from land values and there would be no income tax and no tax on interest and capital. Obviously income tax is a tax on labor, and as labor creates and maintains capital, any tax on interest is a tax on labor. The proper source of taxation is land values because these are said to be publicly created, and to return these values to the public in the form of public services is clearly an anti-inflationary measure — and it is the only anti-inflationary tax there is.

Whether you like it or not, if the taxation of land values is introduced in the United Kingdom, you will get the state of affairs set out in the last equation, and if you don't want this, you should get out of the Henry George movement. The process would, however, take 30 or 40 years.

The ultimate result of the taxation of land values would be that the government would find itself with an enormous sum of money to spend, and this could only be utilized to maintain the welfare state, for which Henry George intended it should be used.

From September 8 to 14, 1968, there will be an international conference at Caswell Bay, an enchanting resort near Swansea, Wales. Every few years members of the International Union for Land Value Taxation and Free Trade and the Henry George School meet for renewal and exchange.

It is absolutely essential to enlist the participation of private enterprise in the almost unbelievably costly task of building and rebuilding our cities twice as big and (we hope) twice as good — a task whose cost is estimated at more than 3 trillion 500 billion dollars (that's 3500 times a billion dollars, or 3-million 500 thousand times a million dollars).

According to the unanimous consensus of 33 urban experts in joint session, no such sums for urban betterment can or will be supplied by any government, federal, state or local. "If you want private enterprise to make its maximum contribution to rebuilding our cities," they said, "it is foolish to penalize and discourage that contribution by overtaxing improvements. As all bankers can figure, but too few planners seem to realize, a 3 percent-of-true-value tax on improvements actually costs improvers almost as much as a 50 percent sales tax would cost them if they were able to finance it and pay it off on the installment plan over 60 years at 5 percent interest. And it should be obvious to everybody that, in an economy where every business decision must first be checked against its tax consequences, the equivalent of a 50 percent sales tax can be a mighty powerful and effective deterrent. No other industry's product — except hard liquor and cigarettes — is taxed as heavily as the building industry's product.

Today, with federal government absorbing half the local land tax as an income-tax deduction and assessors assessing idle land at not more than 20 percent instead of the theoretical 100 percent, the effective yearly tax cost of holding a \$100,000 tract off the market is not the \$3,000 it is supposed to be, but a quite negligible \$300." In brief, say the experts, "there is hardly an urban development and urban planning problem that is not aggravated by

Perry Prentice, retired vice president of Time, Inc. and former publisher of Time, addressed the American Institute of Planners on October 5th in Washington, D. C. on the occasion of the Institute's Fiftieth Anniversary.

today's practice of undertaxing land and overtaxing improvements."

This practice gives landowners an almost free ride on the enormous community investment for the urban infrastructure of roads, schools, water supplies, sewage systems, fire protection, etc. needed to make their land accessible and livable — an infrastructure whose cost around New York the Regional Plan Association estimates at \$16,850 per added family. Worse still, it lets landowners capitalize into the price of their land everything the community has spent to make the neighborhood more desirable, so the community has to pay twice for every improvement. First it pays for the improvement; then it has to pay the nearby landowners for the same improvement in higher rents or higher sales prices.

Of this twice-over cost for better planning you can find a fine example in that widely-publicized center of better planning, Philadelphia, where the regional urban renewal director has said the situation is desperate. The capital budget had to be raised roughly 80 percent because prices for land were "a scandal." This crazy misapplication of the property tax is not the only reason why the performance of better planning is lagging so far behind its promise. There are others, such as a preposterous amount of official red tape.

No magic formula would achieve the miracle of effective planning overnight, but I will tell you that private enterprise is not going to put up all the billions of dollars needed to carry out your plans for urban betterment if the cities continue to penalize and dis-

courage private investment in improvements with the equivalent of a 50 percent sales tax. And our cities are not going to get rid of slums, blight, obsolescence and sprawl as long as they continue to subsidize slums, blight, obsolescence and sprawl by undertaxing underused and misused land and let landowners translate the enormous investment of other people's money into soaring prices for their land.

So if I were writing the report of this Fiftieth Anniversary Conference, the first and most urgent recommendation I would write would be that the American Institute of Planners should

line up four-square behind the tax reform needed to harness the profit motive forwards instead of backwards to better planning — the tax reform without which you cannot expect or even hope that private enterprise will supply thousands of billions of dollars.

This tax reform is a lot more important to the achievement of better planned cities than pushing for a few more billions of federal subsidy. Those subsidies will never be more than a drop in the bucket of the thirty-five hundred billion dollars that will be needed to rebuild our cities in this generation.

Philadelphia Anniversary

The Henry George Birthplace at 413 South 10th Street, in Philadelphia, celebrated the 10th anniversary of its acquisition by the Henry George School, on Sunday afternoon, October 29th. That date was also honored as the 70th anniversary of the death of Henry George in the historic mayoralty campaign.

Prophets are not often honored in their own cities, but the magazine Philadelphia, somewhat belatedly, discovered Henry George and his birthplace near the section of the city now undergoing reclamation. As a result an article illustrated with a handsome photograph of George, was written by Charles MacNamara, who spoke at the anniversary meeting. Other speakers were Julian Hickok, founder of the Henry George School in Philadelphia, and Robert Clancy, director of the HGS in New York. Professor Steven Cord of Indiana, Pennsylvania prepared an address but could not be present. It was read in his absence by the chairman, George Collins, director of the Philadelphia extension and curator of the birthplace.

Reflections from this memorable occasion will be in the December HGN.

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