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Assessing for Progress

MORE realistic assessing methods, even under existing tax laws, according to Benjamin F. Smith, a professional engineer from Grand Rapids, Michigan, would result in natural urban renewal and increased building, without help from the government. In an address given in Toronto, at the 19th annual conference of the Henry George School, he analyzed the technical problems facing city assessors, suggesting new techniques for evaluating occupied urban residential land. He said we must eliminate white and non-white slums by use of present civil laws and a "new law" which he brings to the attention of civic groups and local city officials whenever the opportunity arises.

Mr. Smith is a native of New York City. He took the Henry George School's correspondence course in Fundamental Economics, and has taught classes in Grand Rapids. He has called for a clear directive by city officials for assessing land uniformly at the same rate as buildings and improvements, and for the use of a scientific method, not presently understood in the field of economics. Briefly this consists of a classification of factors, the develop-

ment of laws and formulas, and their application. All applied science, he noted, begins with classification. For example, the electrical and electronics industries are based on clearly distinguished current, voltage and resistance. Land, labor, wealth and capital are defined as separate factors in economic textbooks, but they are kept separate in business transactions or bookkeeping procedures. The following chart shows why.



	LAND	WEALTH AND CAPITAL*
Value	Created by society	Created by individuals
Income	Created by society (Economic rent)	Created by individuals (Interest*)
Taxes	Cannot be passed on	Can be passed on - in Higher prices Higher rents
Taxes	Lower selling price	Raise selling price

In Grand Rapids, as in many other cities, the property tax base is composed of two subdivisions unscientifically classified as personal property and real estate. By breaking down these factors Mr. Smith estimated the value

(Continued on page 14)

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(Continued from page 1)

of capital in Grand Rapids at just under \$500,000,000; wealth (mostly homes) at \$550,000,000; and land at \$500,000,000 or more. In Grand Rapids, and probably in similar industrial cities, the value of land is even greater than that of capital.

Through the use of a statistical work-sheet the engineer was able to calculate the values of occupied residential land in 24 blocks representing one of the best residential sections, also some white and non-white areas. Data were obtained from three sources:

1. city engineer's maps; 2. a government publication entitled "U.S. Census of Housing, City Blocks, Series HC" for Grand Rapids; and 3. actual inspection of the blocks.

By using this information and applying statistical methods, figures were arrived at for the number of people per acre in each of the 24 blocks. The value of land per acre in each block was also calculated, by capitalizing that part of the total "rent" which was paid for the use of the land (economic rent).

The relationship between population density and land values in the 24 blocks of the survey was shown in a graph (see A, page 15). The result of plotting these two factors against each other is a straight line, as the illustration shows. Mr. Smith stated that this straight line is no coincidence. He believes that it is, rather, the graphic evidence of a natural law in operation. This law can be stated as follows: "The value of occupied urban residential land varies directly as population density." For Grand Rapids, the value of occupied residential land per acre is \$890 times the number of people per acre.

A formula of this type, based on data from reliable sources, can be de-

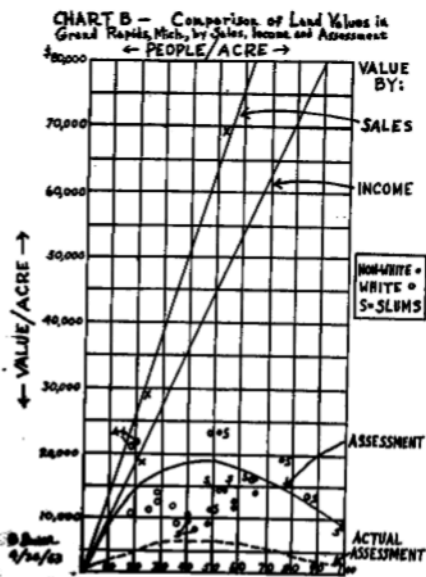
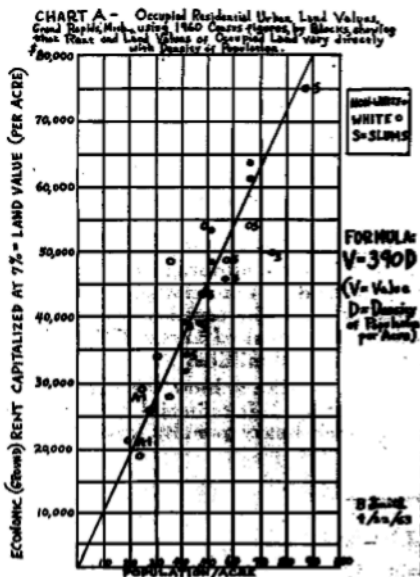
termined for any urban area in the world. The Grand Rapids figures were found to be applicable also in Lansing, Michigan.

Mr. Smith pointed out that there is no color prejudice in economics. The best white housing is located on the least expensive (and of course least populated) area. Land in the fairly heavily populated Negro section is twice as valuable. However, the highest land values are in white slums, where they are four times those of the best areas.

Some people might think these calculated results unrealistic, but they were verified by actual dollar values of parcels of land sold in some of the blocks in the survey. Plotting these values against population densities, a steeper straight line than before resulted (see B, page 15). This showed that original calculations were on the conservative side.

Two other lines also appear on this graph. The curved lines near the bottom were made by using values assigned by the Grand Rapids city assessor to the land in the survey blocks. The dotted curve was drawn from actual assessments. Since these are supposed to represent one-third of true value, the solid curve was drawn to show the "true" values according to the assessor. These two curves are approximations only, as the plotted points did not form a smooth curve. However, they indicate the range into which the assessor's values fall.

It is apparent from these graphs, according to Mr. Smith, that assessing procedures in Grand Rapids are inadequate. He pointed out that the assessor's appraisals are fairly accurate in the newer areas, but are more and more inaccurate as the decaying core of the city is approached. The worst slum land, which ranks with the most valuable residential land in the city, is assessed at less than 4 per cent of its



value, and is taxed at 4 per cent of that amount. This tax is thus less than 1/6 of 1 per cent of the value of the land. These assessments are the same as they were 10 years ago, and even then they were too low.

In Grand Rapids today, only \$3,-200,000 a year is being collected in taxes on land. This is less than 2/3 of 1 per cent of its total value of \$500,-000,000, and this local tax is the *only* tax on this community-created value. The tax take amounts to only about 9 1/2 per cent of the community-created economic rent. Consequently, land is monopolized, land prices are high, slums exist, and it is easy to keep land from the people who need it.

Land in Grand Rapids ought to be assessed according to rigid, scientific, free-enterprise principles, the speaker said. Taxes on land value, under present laws, could support over half of the city budget instead of one-sixth, while taxes on capital and wealth (homes) could be cut in half. The following sequence would result:

1. Economic pressure and incentive would fall on landowners to use or sell vacant land, and to better use other land
2. Land prices would fall
3. New buildings would be constructed
4. Old buildings would be modernized
5. Rents would drop
6. Non-white buyers and renters would be welcome all over the city
7. There would be 60 per cent integration of housing
8. Two-thirds of the slums would be eliminated

If state and local laws were changed the entire city budget for Grand Rapids could be supported by a land value tax. Then land prices would be only half of what they are now, and there would be complete integration of housing.