

## New Diagnosis

A novel, if not original, diagnosis of the nation's economic ills has been offered by New Jersey physician Geoffrey Esty. He suggests we are suffering from an "iatrogenic disease." Appearing before the New Jersey Tax Policy Committee, Dr. Esty explained iatrogenic disease as a "physician induced condition, which arises when an inappropriate treatment, given perhaps for a misdiagnosed illness, is continued and even stubbornly escalated. When such treatment gives rise to symptoms of its own, it is called 'iatrogenic disease.' Unless the error is appreciated, the treatment stopped, and therapeutic direction shifted, the patient ultimately dies."

President of the Economics Education Institute of East Orange New Jersey and a board member of the Schalkenbach Foundation, Dr. Esty is interested in the psychology of taxation. "It has become abundantly clear," he asserted, "that our present forms of taxation tend to be arbitrary and penalizing, evoking a natural resistance and hostility to authority, resulting often in evasion and a flagrant disregard for the law, and a double standard for our children to cope with." Inasmuch as our tax systems as well as so much of our economic manipulation by government arises from the prescriptions offered by the economics profession, Dr. Esty may have drawn an interesting parallel. Ask an economist, however, and he's likely to tell you his academic colleagues have the right answers but the politicians are always making the wrong applications of them.

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## Court on Landlords

The other law in question is the 1928 Boulder Canyon Act, which Judge Turrentine found to have the effect of wiping out the acreage limitation. Here, too, the Justice Department was on the losing side of the argument.

The court actions are part of a long campaign waged against the large Imperial Valley landowners by Dr. Benjamin Yellen, a Brawley, Calif. physician, who has been joined by other residents of the area.

Should the appellate court decide in

## Papa's Advice Pays Off Big

"Never sell the land!" This is an old injunction that rarely fails to pay off.

Lancaster Greene submits the following case history which, although it deals with a "sale," is testimony to the wisdom of this advice.

Back in the days when Europe was going to World War for the first time, 1914 to be exact, the owner of the American Banker, Charles Otis, bought the corner of Broad and Pearl Streets under the Second Avenue Elevated to locate his daily newspaper serving the banking fraternity. He paid about \$100,000 for the lot and building.

This building, he told his sons, will depreciate, but the location will increase greatly in value. He admonished them never to let the site, in the heart of the Wall Street financial district, out of their hands for less than a million dollars.

In 1969 when the printing operation could be moved to a less valuable location, the Otis sons were offered \$700,000 cash for their corner property. They remembered their father's advice, however, and rejected the sum. Calculating the effects of inflation and keeping their father's "million" in mind, they estimated their property as being worth \$1.7 million.

The assessed value was very low because the building was worth little, and the tax base considered only the present use to which the site was being put. Had the land been valued on the tax rolls at its

## City Hits Exempt Sites

The "sleigh ride" is about to come to an end for some organizations. Nearly 200 pieces of property, owned by such organizations as the Boy and Girl Scouts, the American Bible Society and the Council on Foreign Relations, are about to lose their tax exemption and have been "tentatively" placed on New York City's tax rolls.

The city stands to get close to \$8 million a year in additional tax revenues from these parcels, according to Philip Click, deputy finance administrator.

Finance officials are acting under legislation passed last June that calls for limiting real estate tax exemptions to organizations that use their property exclusively for religious, educational, hospital, charitable and cemetery purposes.

No doubt there will be challenges from some of the organizations now faced with unfamiliar tax bills. It will be interesting to see what arguments are put forth by those petitioners who will seek reinstatement of their exemptions. Will any of them offer to pay the ground rent for their locations and plead that the buildings are not a proper subject of taxation?

full economic potential, taxes on the parcel would have been much higher. The net rent on the land would have been smaller and the potential net rent consequently lower. Hence, the huge windfall profit would not have resulted. But things being what they are, landowners can profit regardless of what they do.

favor of either the acreage restriction or the residency requirement, the matter is certain to go to the Supreme Court. For the enforcement of either of these provisions would affect large tracts—some blocks of as much as 12,000 acres—controlled by corporations, among them Dow Chemical, United Fruit, Purex, Kenneco and Kaiser Aluminum & Chemical.

While the effort to protect the small land user from the speculator and the monopolist is laudatory, there is a question of whether 180-acre operations are more economical than larger ones. It is also questionable whether small operators can command the capital investment necessary to operate efficiently. It would

seem that an effort to collect the ground rent accruing from these large operations, rather than simply attack them because of their size would be more worth while.

Both these rulings will probably be combined in an appeal before the Court of Appeals for the Ninth Circuit in San Francisco. The situation is complicated by two laws passed subsequent to 1902. An amendment voted in 1926 discontinued the Government's practice of selling irrigation water directly to landowners and provided for contractual arrangements with regional irrigation districts instead. Judge Murray ruled against the Justice Department's contention that this provision made the residency requirement inoperative.