

# Understanding our Political Economy



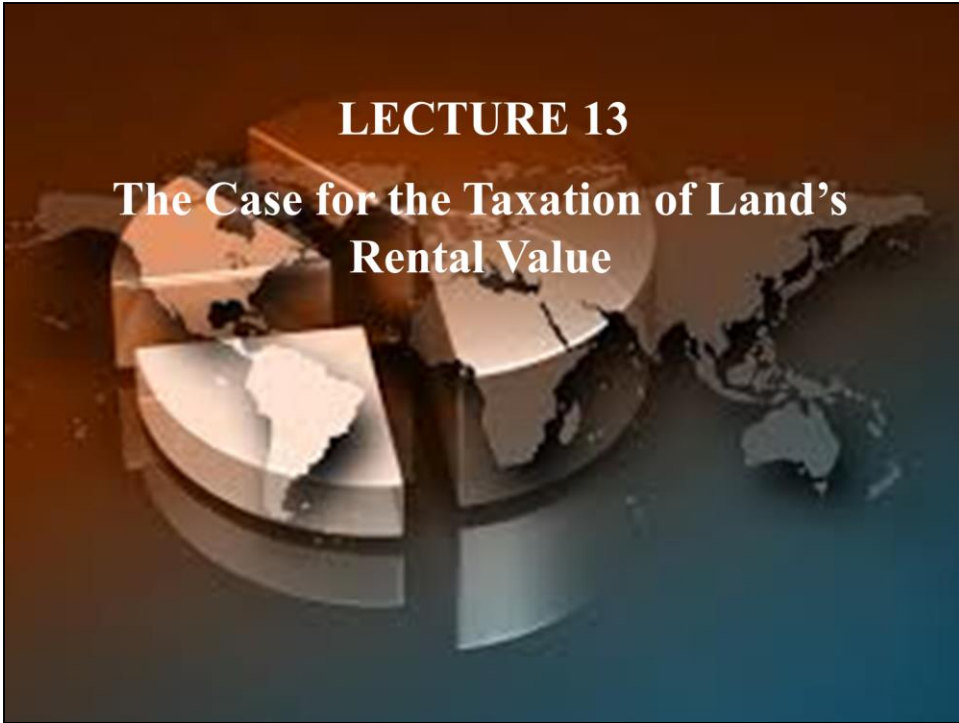
A 3D pie chart with a world map overlay. The pie chart is divided into several segments, with one segment highlighted in a lighter color. The world map is shown in a dark, semi-transparent style, with the continents visible. The background is a gradient of dark brown and blue.

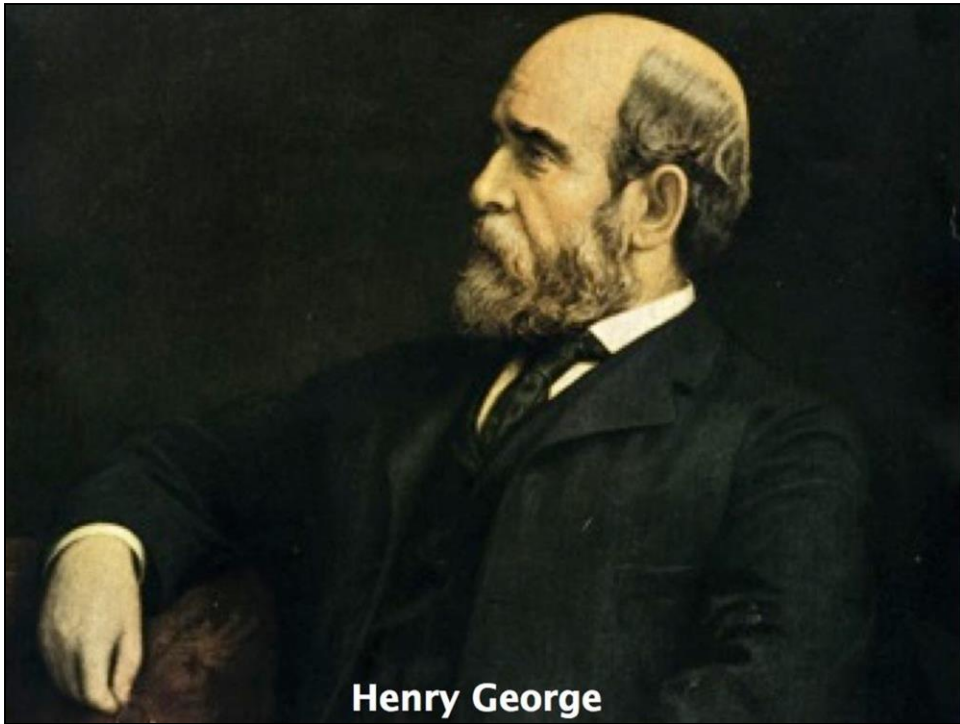
**INSTRUCTOR**  
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## **LECTURE 13**

### **The Case for the Taxation of Land's Rental Value**

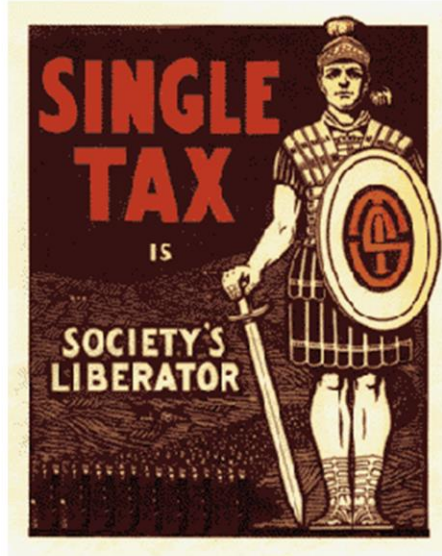




**Henry George's great contribution to moral philosophy is his defense of the principle that the earth is the equal birthright of all persons. He then had to address the practical matter of how best to achieve equal access – that is, equality of opportunity -- under the laws of a society.**



**To Henry George and the many people who embraced the same principle, the solution was deceptively simple. The rental value of land increased over time as population grew and freely-accessible land disappeared. All society had to do – through the instrument of government – was to collect this rent fund to pay for the costs of government, for public goods and services and – potentially – distribute a residual to citizens as an income supplement.**



To George, the solution was nothing more than common sense. And, as Henry George and some of his allies argued, what was being called by many as the “Single Tax” was not a tax all but a common fund the collection of which justice required.





**Of course, to those who controlled most of the land and natural resources around the globe, the proposal went to the heart of their longstanding privileges and had to be discredited and opposed.**

For a Free Earth and Equal Opportunity  
To End the Cause of War

## NATIONAL GREAT ADVENTURE FOR SINGLE TAX

For immediate political action to secure at once the primary condition of human freedom:  
That the land and its resources shall be open to all on equal terms.  
By taking ground rent for public purposes, thus the Single Tax on land value.

WILLIAM J. WALSH, President; ROBERT H. LEE, Vice President; Los Angeles, Cal.; (Charles H. Thompson, Treasurer, New York City; JAMES H. DILL, Secretary, Robert C. McAllister, Chas. F. Foster, Com., James A. Buchanan, Treasurer, Philadelphia).  
Office of the National Secretary 618 Land Title Building, Philadelphia

### The People's War Measure in California

**T**HE GREAT ADVENTURE is the Militant Majority of the radical world, organized in Atlantic City April 13-15, 1916. Its single purpose is to secure by immediate political action the Freedom of the earth to the People—equal access of all to the natural opportunities.

In this hour of Christendom's struggle for political democracy The Great Adventure points to the obvious fact that the political form is but the reflection of the economic fact; that we will hardly kill autocracy abroad while its essence remains at home; that we cannot have political democracy without establishing among ourselves economic (tangible, actual) democracy—the right of all to the use of the earth, the denial of anyone to hold the earth idle for his own enrichment.

Having entered the world war to uphold an ideal (and play a manly part in the world's affairs) it is now quite apparent that the success of the war depends upon the quick production of food and supplies!

Obviously, the idle acres must be opened to cultivation, the natural resources to development, at once.

There is no time to temporize or argue about the matter—the world's need is food, and the world looks to the United States to supply the bulk of it.

California, the richest state in the Union, has Twenty Million Idle Acres, and mines and oil wells held out of use for speculation, enough to equip the American troops and feed the people without resort to wasteful and needless days which, if the land is not speedily opened to production, will have to be greatly increased.

California last year registered a third of its electorate in favor of the single tax on land values to open the earth to use.

Now, with the nation's pressing war need, "The People's War Measure to open the California Idle Acres to the raising of food and supplies for the army and the people," will be voted in at the election this year (it seems a foregone conclusion) by a tremendous majority. The measure reads:

To secure to every adult the power to own his own home and direct his own life and work; to abolish land monopoly, wage slavery, unemployment and pauperism, by applying the Golden Rule at the base of life—  
*The People of the State of California do enact as follows:*  
A new section to be known as Section 12 is hereby added to Article XIII of the Constitution, to read:  
On and after January 1, 1919, all public revenues, state, county, municipal and district, shall be raised by taxation of the value of land irrespective of improvements thereon; provided, that the war veterans, college and church exemptions in Sections 154, 155 and 156 Article XIII of the Constitution, are not affected hereby.  
The intent of this Single Tax amendment is to prevent the holding of land out of use for speculation and to apply the land values which the community creates to community purposes.  
All constitutional provisions and laws in conflict herewith are hereby repealed.

The California headquarters are at Los Angeles, 203 Tajo building, First and Broadway.

When you send your check add a dollar for Express.

# PRIVATE LAND EMPIRES

California's Private Land Empires stand invulnerable under the present tax system.—State Immigration Commission.  
Private monopoly is indefensible and undesirable our program is founded upon that conviction.—President Wilson.



FOUR "PRIVATE LAND EMPIRES" A SAMPLE COUNTY

## Who Owns California?

The Southern Pacific holds Five Million acres in California.—U. S. Com. Immigration  
Miller & Lux own most of San Joaquin River; they hold 14,539,200 acres.—Times  
In Sacramento Valley one hundred men own 17,000,000 acres.—U. S. Report  
Miller & Lux, Spreckles, and Weyerhaeuser interests own more acres than there are in the German empire. On such private land empires rests the Prussian Junker caste. Autocracy grows out of Land Monopoly.

# 19

## Land Values Taxation

Yes	<b>X</b>
No	

Will Give Everybody a Chance to Own Land

Photo reduction of a land (1914-15) taken printed in two colors, used effectively in the 1918 campaign, but only a few hundred were printed, for lack of space.

In the years prior to the First World War, Californians committed to adoption of the Single Tax on land's rental values succeeded in getting the measure on the ballot several years in succession. California's large landowners vigorously opposed the effort and managed to put enough fear in the minds of voters to defeat the reform measure.





Following the war, some surviving activists who inherited Henry George's cause as their own decided the best chance of success was to move incrementally. As the second decade of the twentieth century began, a good deal of effort was shifted to working with local governments, and, as an example, to restructure the local taxation of real estate. One place where the effort achieved success was in the City of Pittsburgh, Pennsylvania.



**Proponents approached local officials with a specific plan:**

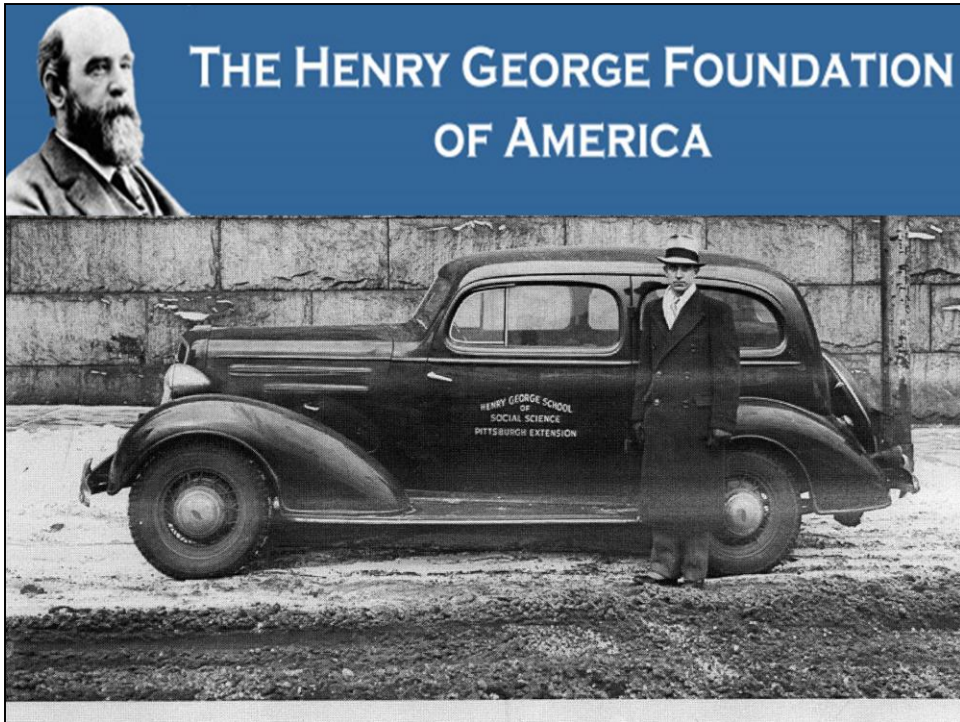
- ☐ **Introduce a gradual increase in the rate of taxation applied to assessed land values**
- ☐ **Simultaneously reducing the rate applied to assessed improvement values**
- ☐ **Introduce the changes, if possible, in each taxing jurisdiction (i.e., municipal, county and school district)**
- ☐ **Either revenue neutral or to raise additional needed revenue**
- ☐ **Keep assessments updated based on current market data**

**Introduce a gradual increase in the rate of taxation applied to assessed land values, simultaneously reducing the rate applied to assessed improvement values. Introduce the changes, if possible, in each taxing jurisdiction (i.e., municipal, county and school district), either revenue neutral or to raise additional needed revenue. Keep assessments updated based on current market data.**

**John K. Tener**



**The Pennsylvania state legislature passed enabling legislation for this shift in tax rates in 1913, signed into law by Governor John Tener, and activists did what they could to convince local officials to adopt what was to be called the “two-rate property tax.”**



**To more effectively work with local government, proponents of the taxation of land values established the Henry George Foundation of America in 1926, with headquarters in Pittsburgh, Pennsylvania. A Henry George School was also started in an effort to educate the public on the merits of the reform.**



Here is an example of how adoption of a two-rate property tax would change the tax burden of properties with the same total market value. Each of the sites -- that is, the land parcels -- shown has an assessed value of \$10,000, but they are used very differently. The conventional property tax system levies a tax of 3% on the **total** value of the real estate -- land and buildings -- on each parcel. The resulting tax obligations are indicated.



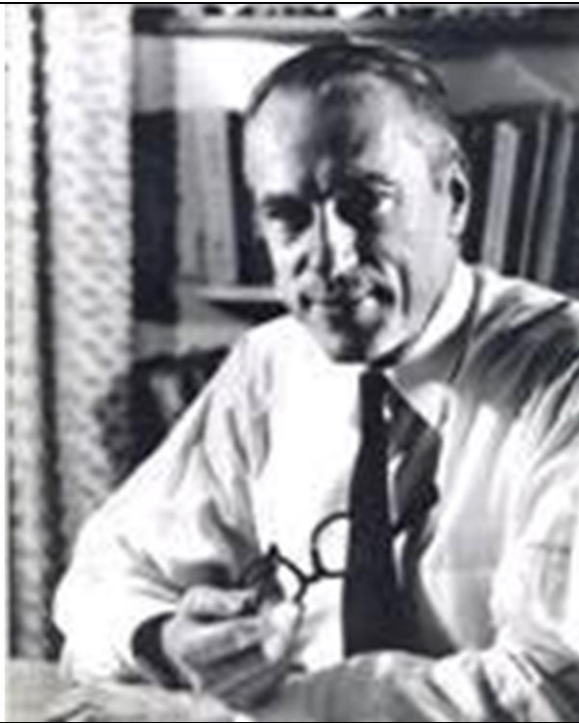


Suppose, instead, a levy of 6% on the assessed land value alone, *with no taxes on improvements*. Each parcel has the same land value, so the tax would be the same: \$600, regardless of the use to which the land is put. The vacant lot is easily recognized as an underutilization of a valuable location. But, so is the small residential building in a part of the community where highest, best use of the location is a much larger residential structure (or, if permitted, higher density development of the land parcel).



**Despite the fact that economists, generally, ignored the connection between periodic cycles of boom-to-bust and the operation of property markets, there has always been recognition that a high effective rate of taxation on location rental values was theoretically beneficial, if difficult to implement politically.**

**C. Lowell Harriss**



**One professor of economics who quietly promoted this reform was C. Lowell Harriss, who taught for many years at Columbia University. In a lecture delivered in 1970, Harriss stated:**

**“Heavy taxation of new buildings must stand as a tragically apt example of mankind creating needless obstacles for itself. Cities which urgently need to replace obsolete, decayed, degrading buildings nevertheless put powerful tax impediments in the way of progress. ...”**



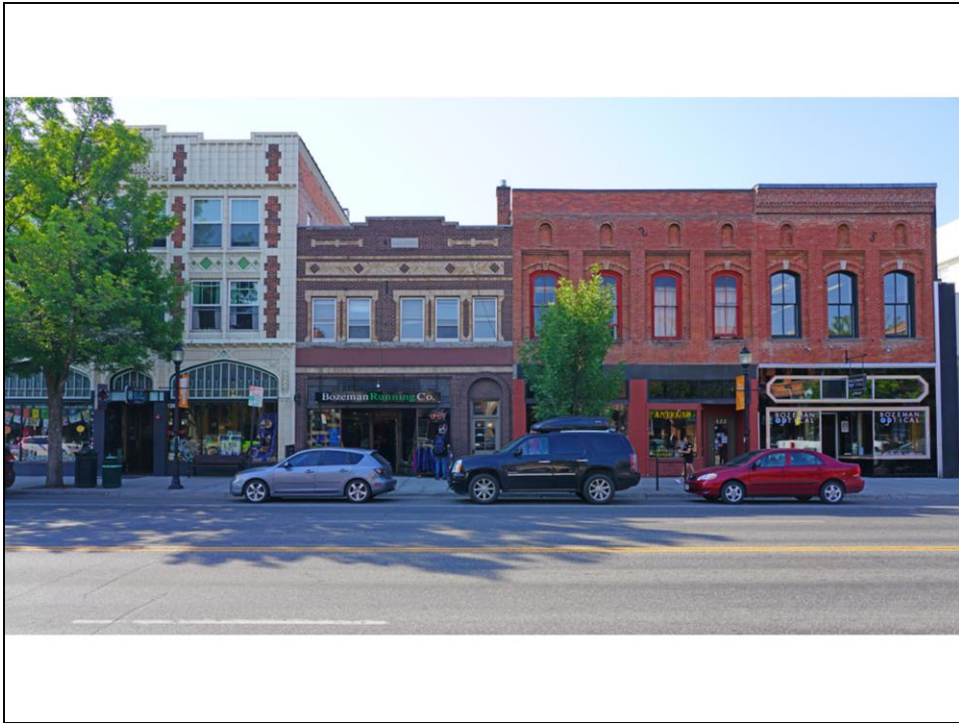
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**C. Lowell Harriss. “Property Tax Reform: More Progress, Less Poverty,” a lecture delivered at DePauw University, Greencastle, Indiana, 1970**

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**As shown above, how a shift to the taxation of land values only would affect owners of a residential or commercial property depends on the value of whatever building exists as against the value of the underlying land parcel.**





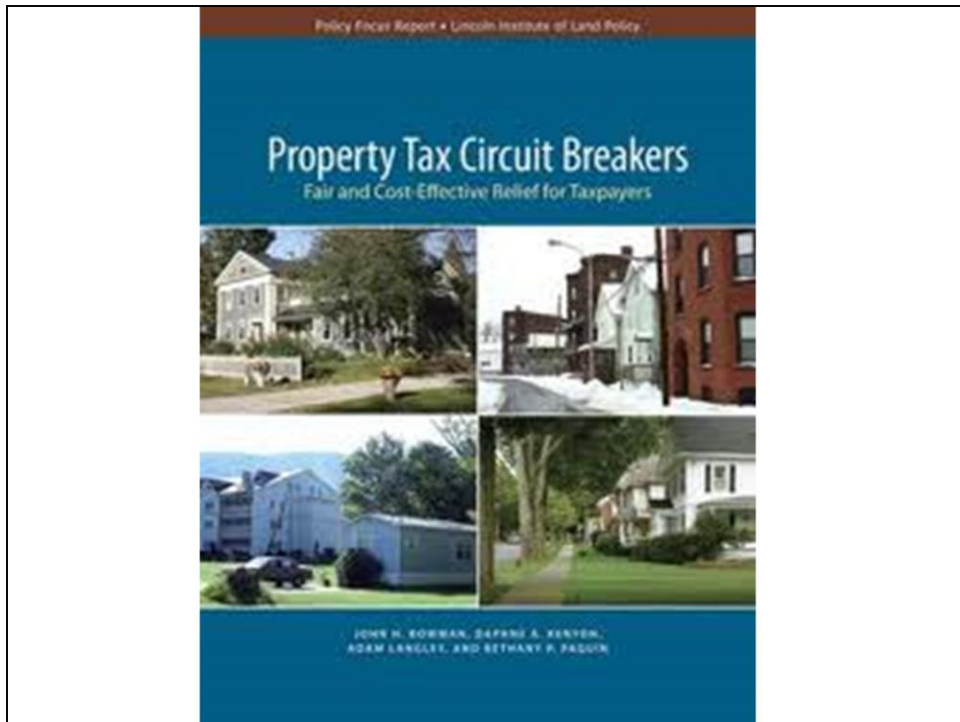
**Next to vacant land in the city, the next worst land use is a surface parking lot for automobiles. A move to a land-value only property tax would dramatically increase the cost of ownership for vacant and under-utilized land.**



**It is also worth noting that as the effective rate of taxation on location rental values increases, the selling price of land parcels will fall. Theoretically, a 100 percent tax on rental value will bring the price of land parcels down to zero. Thus, at some point the community must begin to rely on location rental values and discard selling prices as the basis for determining a property owner's annual tax obligation.**



**Such a dramatic change in how property is taxed does raise concerns that some lower income households might be adversely affected. Many elected officials express concern over tax fairness without a very good understanding of the economics of taxation.**

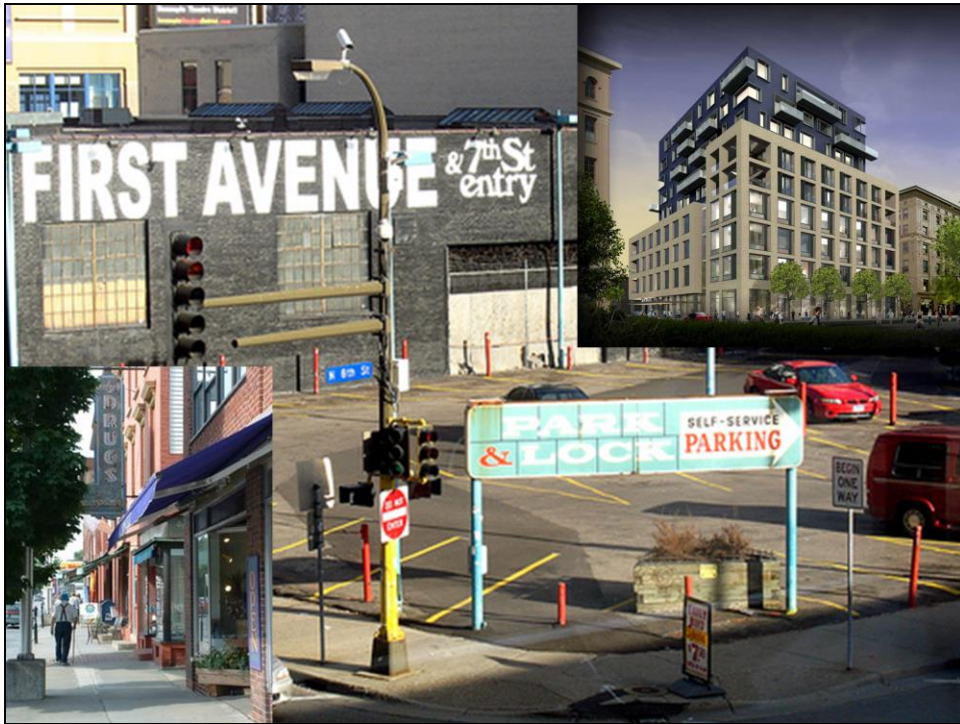


**As an interim measure, communities may want to adopt what are called circuit breakers to lessen displacement of long-term residents living on fixed incomes – but without imposing an undue burden on other property owners.**



**Under this type of program, the property owner would be required to make an annual property tax payment based on household income and an affordability formula. The amount owed that is not paid would accrue as a lien on the property (possibly subject to an interest charge). The total accrued amount of unpaid property taxes would be paid to the community at the time the property is sold or when transferred to heirs.**



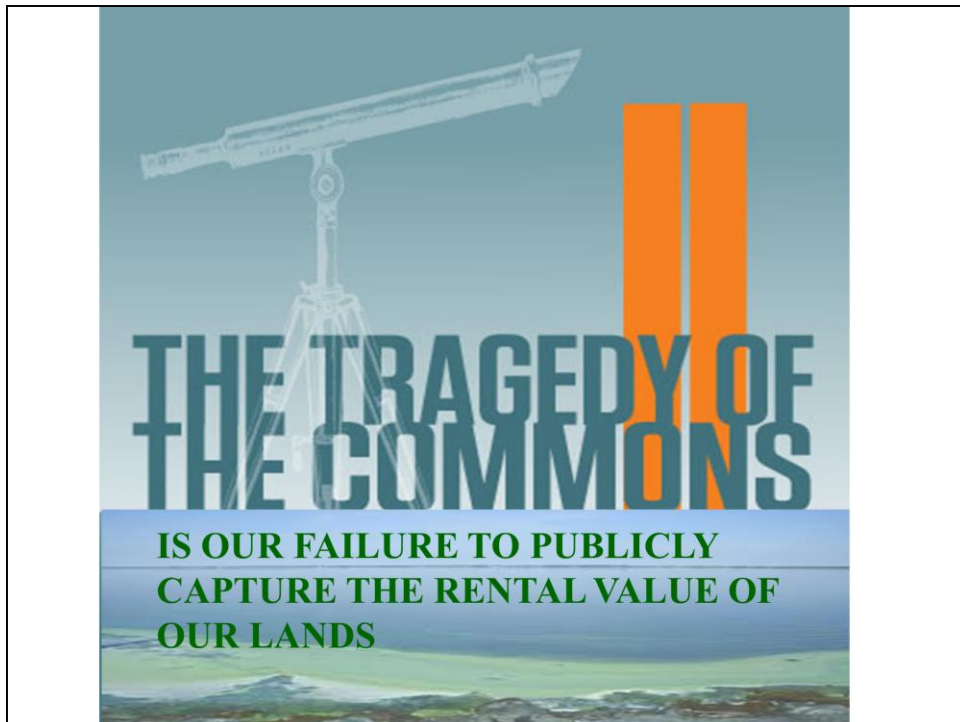


**Where commercial buildings are concerned, the impact of a move to the taxation of land values is similar :**



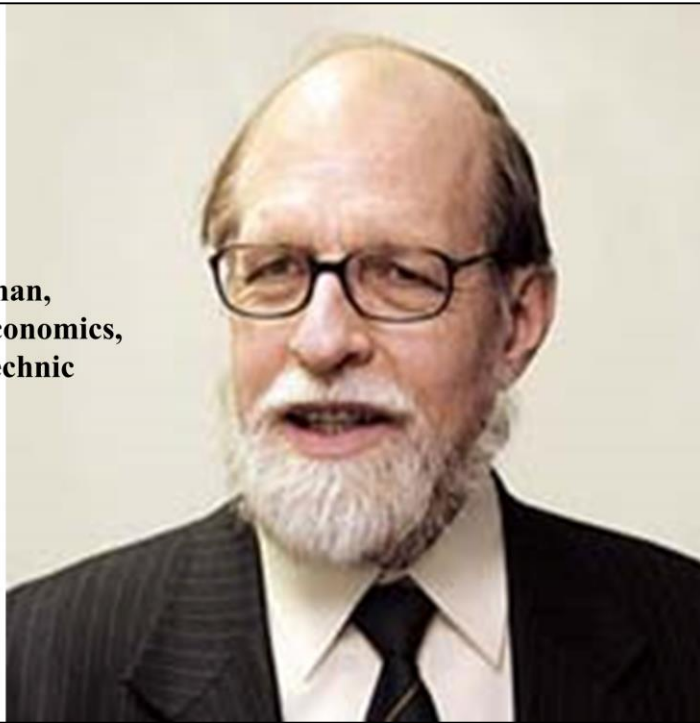


**Low-rise buildings on very valuable downtown locations will pay higher property taxes, as will vacant lots and surface parking lots. Properties that include significant excess land are also likely to pay more. Conversely, buildings that reflect the highest, best use of the location will often experience significant drops in their property tax bill.**



**Looking at our economic and social history, we conclude that the long referred to “tragedy of the commons” is our failure to publicly capture the rental value of our lands. I close this lesson with observations from two economics professors who throughout their entire academic careers have supported the full taxation of land’s rental value – Nicolaus Tideman, at Virginia Polytechnic Institute and Mason Gaffney, a long-time professor at the University of California Riverside.**

**Nicolaus Tideman,  
Professor of Economics,  
Virginia Polytechnic  
Institute**



**Professor Nicolaus Tideman makes the argument:**

**“A very important effect of taxing land is the opportunity it provides for removing non-neutral taxes such as those on improvements. This is highly stimulative of development. A related stimulative opportunity that is created by taxing land is the opportunity to provide services such as water, sewerage and electricity at marginal cost.”**



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**Mason Gaffney, Professor  
of Economics, University  
of California, Riverside**



**Mason Gaffney adds:**

**“The unique, remarkable quality of a property tax based on land ex buildings is that you may raise the rate with no fear of driving away business, construction, people, jobs, or capital! You certainly will not drive away the land. ...”**



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**“However high the tax rate, not one square foot of it will put on a track shoe and hop out of town. The only bad thing to say about this tax's incentive effects is that it stimulates revitalization, and makes jobs. If some people think that is bad, maybe this attitude is the problem.”**



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## END OF LECTURE 13

