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THOMAS JEFFERSON RESEARCH CENTER

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October 26, 1976

Dear Perry:

Thank you for your letter of September 27th.

Henry Hazlitt's address is 65 Drum Hill Road, Wilton, Ct. 06897. I would prefer that you do not mention my name in regard to the Henry George School at this time. It is my understanding that he has turned up his nose at Georgist theory.

Thank you for sending the Schalkenbach papers.

Sincerely,

Frank Goble

Perry Prentice
Time, Incorporated
Time & Life Building
Rockefeller Center
New York, N. Y. 10020

June 3, 1977

+ 6/14

Mr. Henry Hazlett
65 Drum Hill Road
Wilton, Conn. 06897

Dear Mr. Hazlett:

I have just received from one of my fellow workers for property tax reform a copy of the excellent Newsweek article published in 1949 by Mr. Henry Hazlett, telling of the starving time in Plymouth colony that resulted from the Pilgrim's disastrous venture in the common ownership of land.

I'm never quite sure whether you or some other Hazlett was the author, but anyhow I could not agree more completely with whichever Hazlett wrote that piece.

More importantly, this letter could not deplore more sadly the wording Henry George used when he suggested that land "should be made common property". For those misleading words of Henry George may be the reason why you are so careful to withhold your own much needed support for property tax reform.

My own economic creed is at least as conservative as yours, so it seems to me that as fellow conservatives we should be working together instead of at cross-purposes on the problem of better land use.

I agree with you that the Communist solution to the land problem is as disastrous a failure in Russia today as it was in Plymouth colony 355 years ago, but I would hope you, in turn, would agree that the present workings of the private ownership of land leave much to be desired. Today the biggest profit in land ownership does not come from putting the land you own to good use. On the contrary, in the words of John Stuart Mill, too many landowners are "getting rich in their sleep without toiling, risking, or economizing", and too often in the words of Winston Churchill, "The profit in land is in direct proportion to the disservice the landowner has done the community by withholding his land from use when it was needed for orderly urban growth and developments".

F
Jim writing Point
of Freeman for the
3 papers you see.
My brother in CA is
glad of Freedom School
+ disciple
Spencer Heath

Mr. Henry Hazlett

June 3, 1977

The result is sprawl and an enormous and very costly waste of land. Three hundred and fifty-five years after the failure of common ownership at Plymouth the Douglas Commission study of 106 big U.S. cities found that private ownership has still failed to put as much as two-thirds of the land to good use, i.e., 34% of all the land was still unimproved vacant and idle. Said the great-thinker economist John Locke 300 years ago: "When the landowner ceases to be the improver political economy has nothing to say in defense of private property."

The maldistribution of wealth made possible by the misuse of land ownership is what drove Russia to Communism and led England to Socialism. In Edwardian times there were non-working landowners in England with tax-free incomes of 2,000 pounds a week when the average working man had to work 56 hours to make two pounds!

Henry George's great contribution to economic thinking was the way he dramatized the potential of retaining the benefits of private ownership without letting landowners pile up enormous unearned increments from the enormous investment of other peoples' money and other taxpayers' money needed to make land in and around our cities reachable, livable, and richly saleable. His plan would double the landowners incentive to put his land to good use: 1) by putting heavy tax pressure on the owners of underused land, and 2) by rewarding landowners to improve their property by not taxing improvements instead of (as now) by taxing improvements - in many areas - more heavily than any other major product of American industry.

Surely you and I should be able to work together to that end.

Sincerely,

Perry Prentice

HENRY HAZLITT
65 DRUM HILL ROAD
WILTON, CONN. 06897

Read
F

June 7, 1977

Mr. Perry Prentice, President
Robert Schalkenbach Foundation
50 East 69th Street
New York, N. Y. 10021

Dear Mr. Prentice:

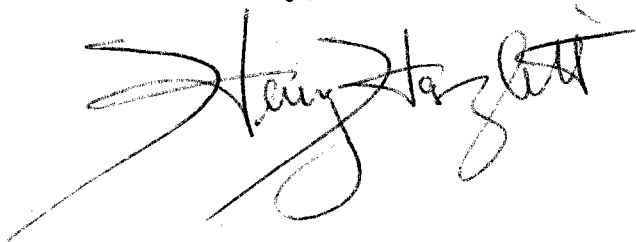
Thanks for your letter of June 3. Yes I am the Henry Hazlitt who wrote the piece that you saw on the Pilgrim Fathers. I admire Henry George in many ways, but I cannot go along with the Single Tax Proposal.

My opposition to it is of long standing. It would be impossible for either of us to convince the other in a normal-length letter, so I will simply refer you to a few books and articles that substantially state my own position:

Murray N. Rothbard, MAN, ECONOMY, & STATE, Vol. II, pp. 813-14. There was a 20 page article by Dr. Rothbard: "The Single Tax: ECONOMIC & MORAL IMPLICATIONS" published by the Foundation For Economic Education at Irvington-on-Hudson in 1957. (I think you could still get a copy from them.) In addition there are two articles, one from the late economist, Professor Frank H. Knight, "The Fallacies in the Single Tax" published in the FREEMAN of August 10, 1953, pp. 810-11 and also an article by Spencer Heath (an ex-Georgist) "Progress & Poverty Reviewed" published in the FREEMAN of 1952. (Both of these articles were published when I was Editor of the FREEMAN.)

With best personal regards.

Sincerely,



HH/cm

F

June 23, 1977

Mr. Henry Hazlitt
65 Drum Hill Road
Wilton, Connecticut 06897

Dear Mr. Hazlitt:

The articles I asked Paul Poirot to send me at your suggestion have not reached me yet, but in the meantime I have given a lot of thought to the somewhat baffling question of how can it be possible for two people who agree so closely on other questions to disagree so discouragingly on the need and wisdom for taxing private investment in improvements much less and taxing the location value of unimproved land much more.

Most specifically, I have been giving a lot of thought to what Murray N. Rothbard meant when he said: "The landowner earns his profit by assigning his land to its best use." And the more I ponder that sentence the more obvious it seems to me that Rothbard used the wrong words to express a truth with which I would be in full agreement, just as Henry George used words that misrepresented what he really meant when he said: "Land should be common property."

Henry George knew history quite well enough to know that the settlers tried common ownership the first year at Plymouth and Jamestown and in both places the result was the "starving time", because under common ownership no one had any personal incentive to go out and work in the fields.

So when he said: "Land should be common property" I am sure that he was just using the questionable words to restate what Blackstone, Tom Paine, Thomas Jefferson, Herbert Spencer, John Stuart Mill, and Abraham Lincoln had all said before him.

I myself think it was best said three hundred years ago by John Locke: "Whenever the proprietor ceases to be the improver political economy has nothing to say in defense of landed property."

Likewise, when I look around me and see how badly land in and around every city is being used, I find it hard to

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believe Mr. Rothbard was so blind to reality that he actually thought its owners were earning their enormous land price increments by "putting their land to its best use".

Could you and I agree that what Mr. Rothbard really meant was, not that all landowners were earning their profits by assigning their land to its best use, but that "landowners should make their profit by putting their land to its best use"?

If so, you and I and Mr. Rothbard and Henry George would all be in full agreement.

For in today's terms what Henry George proposed was that our cities and suburbs should:

- 1) stop penalizing private investment in improvements by taxing it more heavily than any other major product of American industry except hard liquor, cigarettes, and perhaps gasoline; and
- 2) put effective tax pressure on landowners to put their land to a use commensurate with its value as indicated by its market price.

Sincerely,

Perry Prentice

P.S. The only landowners who would stand to lose by shifting the weight of the property tax off improvement values onto the value of unimproved land would be landowners who persist in not putting their land to good use, for land on which you can erect a tax-free improvement is worth a lot more than land on which most of the profit will be taxed away by the improvement tax.

For the long pull landowners in troubled cities like New York stand to be the biggest losers by the way the present property tax is driving taxpayers and employers out of the city, for land is the only taxable that can't move out as the city decays.

July 26, 1977

Mr. Henry Hazlitt
65 Drum Hill Road
Wilton, Connecticut 06897

Dear Mr. Hazlitt:

I have now had a chance to read, reread, and ponder the papers by Spencer Heath and Murray Rothbard you urged me to get from the Freeman.

And now I hope you will not take it amiss if I, in turn, suggest that you yourself should give them a fresh reading.

For however timely and pertinent they may have been when you published them back in 1952 I think you will quickly see that they are now out of date and have little relevance to today's critical urban and suburban problems.

I

No property tax reform I know takes the "single tax" proposal seriously, for the cost of government has multiplied by more than 150 since Henry George wrote Progress and Poverty. Back in 1879 a single tax on land could indeed have brought in all the needed tax dollars; as late as 1890, in fact the stated (though far from true) purpose of the McKinley Tariff was "to reduce the federal revenue." But today piling the growing state and local taxes on top of the enormous federal income tax on top of all our state and local sales taxes on top of the tariff on top of the gasoline tax on top of all our corporation taxes on top of all the "sin taxes" cannot come within \$50 billion a year of bringing in enough revenue to pay the preposterously swollen cost of government!

So what good can come today of whipping the dead horse of "the single tax"?

Today the advocates of property tax reform are urging "incentive taxation", i.e., that the property tax should be so applied that it will give landowners a stronger incentive

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to put their land to good use, instead of (as now) discouraging unsubsidized private investment in improvements by overtaxation and then subsidizing the inflation in land prices (6.19 times as fast as the rest of the price level, according to the Douglas Commission report) by undertaxation.

It seems to me that such an "incentive" application of the property tax deserves the support of all believers in private enterprise like you and me except a few extremists like Rothbard and Spencer Heath and my Freedom-School graduate brother who insists that all taxes are evil.

II

✓ The Rothbard and Spencer Heath papers are much more seriously dated because they were written some fifteen years before the economists began to recognize the obvious truth of what is now called "the Gaffney effect" (so called because it was first documented in a Milwaukee tax study by Professor Mason Gaffney when he was Chairman of the Economics Department of the University of Wisconsin there).

Said Professor Gaffney's report first published in 1967 in the magazine of the National League of Cities:

"Contrary to common belief, tripling the tax on land would not be bad for landowners if at the same time the tax is taken off improvements. A three-times-as-heavy tax on land would indeed be almost confiscatory if the owner of unused or underused land persisted in leaving it that way, but untaxing improvements would enable him to triple his profits if he improved his property and put his land to its highest and best use. This smaller tax on the improved package would be capitalized into a higher price for the land, so the landowner would find himself better off instead of worse.

"Perhaps surprisingly, first to benefit from the shift might be the owners of valuable idle land, for they could be first to take advantage of the tax exemption on improvements.

"The only landowners who would stand to lose by the tax shift are the owners of fringe land that now derives a fictitious value because the owners of so much closer-in land can now afford to hold it off the market waiting for still higher prices."

This is so obvious that I find it hard to understand why critics of Henry George were so slow to recognize its truth and still harder to understand how as late as 1952 Rothbard

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could blindly write such repetitious nonsense as the second paragraph on page 4 of his Single Tax article, which says:

"A 100% tax on rent would cause the value of all land to fall promptly to zero. Since owners could not obtain any net rent the sites would become valueless in the market. From that point on sites would be free. Further, since all rent would be siphoned off to the government there would be no incentive for owners to charge any rent at all." !!!!!

Today's property tax reformers believe that the profit from owning land should derive from the owner's exclusive right to profit by putting his land to good use; it should not come (as too often now) from just holding his land unused or underused waiting for an enormous investment of other people's money and other taxpayers' money to multiply the price for which the owner can sell it.

And once again it seems to me that all good believers in free enterprise like you and me should be in full agreement.

III

✓ The Rothbard and Heath papers are further dated because they were written before there was any general recognition of the enormous investment of other taxpayers' money that is now needed to make land in and around our cities reachable and suitable for today's way of living. In Henry George's time this other-taxpayer investment was insignificant; as late as 1912 in the quite prosperous village of Kinderhook near Albany where my grandmother lived there was no village water supply; so there were no hydrants for fire fighting; there was no village sewer system; there were no paved streets or roads outside the two-block village center; there was no school beyond eighth grade, etc., etc., etc. But since then community costs have soared so fast that in 1962 the New York Regional Plan Association added up to \$16,650 of 1962 purchasing power the costs other taxpayers have to pay to make the land for one more home in the spread city in and around New York livable. On the other side of the country the Southern California Real Estate Research Council added them up to about a \$1,000 less in and around Los Angeles. Since then development costs have inflated so fast that the Regional Plan Association President John Keith says the present figure would be well over \$30,000 per added residence, (or say \$60,000 per acre.) And I'm sure you will agree that an other-taxpayer investment of \$60,000 to enable the landowner to sell for say \$20,000 an acre land he may well have bought for less than \$2,000 gives land speculation in the growth areas around our cities a mighty juicy subsidy!

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✓ This is one big reason why Professor Lowell Harriss, the Tax Foundation economist who was 1975 President of the National Tax Foundation, says the basic message of Henry George that land should be heavily taxed is more urgent today than it was when Henry George was writing Progress & Poverty.

And the post-1962 recognition of these enormous costs now borne by taxpayers other than the owner is a third big reason why the 1952 papers by Rothbard and Spencer Heath seem sadly out-of-date.

So much for why the Rothbard and Spencer Heath papers now seem much less relevant than they may have been twenty-five years ago.

Now I hope you will take a moment to consider a still more serious blindness manifest in the Heath and Rothbard papers.

Rothbard starts out by saying that whereas "most present day economists ignore the land question altogether, there is a land question and ignoring it does not lay the matter to rest."

So far so good, but after that one sentence Rothbard closes his eyes completely to the disastrous misuse of land almost everywhere, cheerfully asserts (page 4) that today's landowners are all "allocating their land to its most productive use", and blythely proceeds on the assumption that our only land problem is how to discredit the "single taxers"! There is not one word in all the rest of the Rothbard paper about any other aspect of the land problem!

I don't see how any economist could be so blind to reality and go on page after page saying things whose untruth he could see at a glance if he would just open his eyes and look out the window.

For example:

On page 3, paragraph 2, he says that "even assessors would not attempt the task of separating the value of the original ground from the present value of the cleared, prepared, and tilled soil", i.e., the value added by the owner. But the truth is that assessors in Australia and New Zealand have been required to do just that for more than 75 years and almost all competent observers who have been there are agreed that assessments there are much better than they are in this country!

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For another example:

In the first paragraph of the same page Rothbard suggests the government would have to "hire an army of assessors" to separate the land value from the improvement value", but the fact is that today's assessors in this country spend more than 80% of their time assessing improvements and less than 20% assessing land values. In New South Wales and Queensland in Australia all land is quickly and inexpensively assessed from cadastral maps that are kept up to the market by posting on them the latest sales price of every parcel of land in the mapped area.

Or consider another Rothbard blind spot.

On page 2 he says: "Any attempt to force all land into production would bring economic disaster." Who wants to "bring all land into production"? One of the worst aspects of today's misuse of land is the way so many thousands of acres that should be left open country for farming and recreation until well into the next century are being suburbanized because so many thousands of undertaxed closer-in that should be urbanized first are being held off the market by owners holding out for tomorrow's prices today. Around most cities the net cost of thus holding land unused has seldom exceeded 1% a year while land prices have been doubling and tripling, i.e., soaring 200 or even 300 times as much!

The essential difference between the Henry George approach and the Heath-Rothbard approach is that Henry George set out to study a tragic reality. Living in California he saw the landowners getting richer and richer while too many of his neighbors were sinking into poverty. He went to Ireland and found the big landowners living like kings while the workers on their land lived in such poverty that their diet was mostly potatoes. He went to England and saw some 25,000 families holding most of the land and some non-working landowners enjoying tax-free incomes from their land of \$10,000 a week while the average working man had to toil 56 hours to earn \$10. He went to Australia and found the same problem there.

Maybe the solution Henry George offered to these tragic problems was not the whole answer. I don't think every word in the Bible is true either. But at any rate Henry George was facing reality.

Why can't thinkers like Heath and Rothbard apply their thinking to how to solve today's land problems of urban blight, slum formation, sprawl, and the exodus of jobs and taxpayers instead of

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devoting their efforts to a blind and often nit-picking attack on the solution Henry George offered in the very different world of 1879?

And why can't you and I who agree so completely on almost everything else likewise work together towards a better solution of the land problem?

Sincerely,

Perry Prentice

P.S. Just one more example of what is wrong today.

Your friend Meldrin Thompson has played a good part in holding down government costs in New Hampshire and keeping per capita taxes in New Hampshire lower than in any state, except two backward states.

And the first result of Governor Thompson's success in holding taxes down is that land prices in New Hampshire have been shooting up nearly half a billion dollars a year - i.e., faster than in any other state in the East!

cc: Dr. C. Lowell Harriss

F

August 2, 1977

Mr. Henry Hazlitt
65 Drum Hill Road
Wilton, Conn. 06897

Dear Mr. Hazlitt:

Once again let me assure you that the last thing I would want would be to get into an "extended controversy" with you about anything.

On the contrary, I am in such full agreement with you on almost every public policy that I want very much to achieve a constructive agreement about property taxation too.

Tonight I'm taking off on a 31 day cruise for my first vacation in years. When I get back in September I hope your rush will have eased up so we can get together and see if we can't quite quickly broaden our agreement to include the property tax reforms. I think needed to harness the profit motive to urban betterment.

Sincerely,

Perry Prentice