

The Pennsylvania Story

The following statements were made by Percy R. Williams, Executive Secretary of the Henry George Foundation, with headquarters in Pittsburgh, at a conference held in Detroit in July, 1960:

THE immediate future is of vital interest to all Georgists and I am convinced that we have paved the way for a great opportunity if we will only seize it.

"With the current we may glide fast and far," said Henry George, and if we can find a current flowing in our direction, perhaps we may discover a road to victory. We have indeed had some victories in Pennsylvania over a period of years, and the latest advance was made as recently as November of 1959, when we obtained another very desirable amendment to our third class city act.

What our movement needs above all else is a demonstration of land value taxation in practical operation in some American city. It seems impossible to win on any wide scale until we succeed in proving the advantages of land value taxation by actual experience. The demonstration will be effective if even one city gives our proposition a full and fair trial, and the first city selected for this experiment may indeed count itself fortunate.

It is to be hoped that some public officials will provide leadership, but it is not to be expected that they will undertake the sweeping program of tax reform we propose without having at least a very substantial number of people who are in full sympathy with the undertaking. Such a group would serve as something of a guarantee that when the plan was adopted by council, it would not soon, if ever, be repealed.

It is important to understand the difference between the act of 1913 and that of 1951 as revised in 1959.

In 1913, under the administration of Republican Governor John K. Tener, the state legislature passed the Graded Tax law (which gradually shifted a very substantial part of the municipal tax burden from buildings to land). It applied only to the second class cities of Pittsburgh and Scranton, and became known as the Pittsburgh tax plan. This favorable legislation (which was mandatory) resulted from a long and active educational campaign carried on by the early Georgists in a manner that was both aggressive and skillful. They were mostly young business and professional men (many of them lawyers) active in Democratic, Republican and independent political circles. But at no time was land value taxation made a partisan issue.

The act of 1951 is a home rule or local option measure and resulted from another period of intensive effort. It gave our 47 third class cities the right to adopt a system of land value taxation but did not follow the pattern of the second class city act which requires that at all times the building tax rate shall be no more and no less than exactly half the rate levied on land. The new optional act leaves the fixing of rates entirely to the city councils, and requires only that land and building valuations be separately assessed and reported to the councils for their guidance in adopting a budget and the necessary revenue measures to provide the funds needed.

This act was passed by an overwhelming majority of the state legislators in both houses despite the fact that not a single third class city had actively sought its passage. The initiative came largely from single tax advo-

cates in Pittsburgh, such as State Senator Bernard B. McGinnis, so it is easy to understand why there was no rush on the part of third class city councils to adopt it. They knew little or nothing about it in advance and the fact had to be brought to their attention that a new opportunity had been opened to them. However in two cities, Easton and Clairton, the mayors were very friendly and promptly joined in the effort to interest their councils.

David L. Lawrence, the only man ever elected to a third term of four years as mayor of Pittsburgh, and later to a fourth term, is a practical and successful politician and a charter member of the Henry George Foundation. In November, 1958, he was elected Governor of Pennsylvania, so it was he who signed the second McGinnis act, an amendment to the third class city code of 1951, also sponsored by this Senator.

The new act of 1959 will give city officials much greater freedom and will permit the complete shifting of municipal taxes from improvements to land values should any city, through its council, so decide. It stipulates that "higher rates may be levied on land if the respective rates on land and buildings are so fixed as not to constitute a greater levy in the aggregate" than the real estate levy that is now authorized in cities of the third class.

The strong endorsement of the Graded Tax law by Governor Law-

rence has recently received attention in California and Michigan, where land value tax measures are pending. It is also encouraging to note that over the years, and more frequently of late, inquiries and comments concerning it have increased. Delegations from time to time move into Pittsburgh to observe operation of its urban redevelopment program and to study the incentives offered for industrial development.

Since the enactment of the original third class city act in 1951, Dr. Harry Gunnison Brown, author of a number of works on economics, has addressed numerous clubs and other organizations in the state under auspices of the Henry George Foundation. He now plans to devote his entire time to lecturing and writing in that area, following his retirement from a distinguished career as educator in the University of Missouri. I have addressed three annual conventions of the League of Cities in York, Easton and Reading, and have attended a number of city council meetings.

The Economic Education League sponsored a valuable survey in the City of Bethlehem, and in Easton, Professor George Sause of Lafayette College made a similar survey in cooperation with the Henry George Foundation. All efforts at creating an informed public opinion are useful and all have their place in the long, patient city recovery program.

"Our Opportunity in Pennsylvania"—a report by Harry Gunnison Brown, who, with Mrs. Brown, has freely offered his services to the Henry George Foundation.

TODAY there seems to be more hope of influencing public opinion and legislation in our direction than there has been for decades. There have been increasing signs of editorial interest and even support for our proposal, especially as it relates to slum clearance.

In Pennsylvania we now have the most forward-looking legislation on tax policy that we have had in almost two generations, and in more ways than one it presents opportunities for us to make our case understood.

First, people are impressed when they learn that their own legislature

has endorsed the plan; and the fact that the necessary steps for implementing it are simple and easy to understand makes citizens more interested and ready to listen to us.

Secondly, this particular legislation is calculated to appeal to many property owners because it does not contemplate increasing the total taxation imposed on real estate. Instead it enables third class cities to increase taxation on land and reduce, even abolish, taxation of buildings.

The experience in various Australian and New Zealand cities has shown that property owners are sometimes overwhelmingly favorable to such a revision. This may therefore be the way for us to make a successful beginning in a truly fundamental reform.

Furthermore, we have the reassuring example in Australasia, of an increase in building and industry in general, when land value taxation is adopted. Surely this experience insures confidence that if two or three cities, or perhaps only one, can be persuaded to demonstrate such an increase, others can be induced to follow.

This legislation makes possible the introduction of the new tax system in one limited area at a time. Hence it offers an excellent chance of persuading an owner of vacant land that his long-run loss from the change will be slight, or even that he may reap a substantial gain.

By starting in a single small city in Pennsylvania, we can call the attention of a vacant lot owner to the fact that taking taxes off real estate improvements will at once increase the net return which he can enjoy from any improvements he may make. We can also call attention to the probability that most people in surrounding areas which have so far shown no interest in making such a change in tax policy, do not understand this. He may,



therefore, be able to borrow from them at as low an interest charge as previously, investing what he thus borrows in making the new improvements (buildings, etc.) on his land. Thus he can make money for himself with the money he has borrowed from others. Owners of land which, though not vacant, is nevertheless underimproved, can do likewise.

We can also remind him that cities which adopt this sort of tax reform usually grow more rapidly than others, and there is likely to be an increased demand in his city for dwellings and other buildings. We can remind him too, that if his city does *not* adopt land value taxation, and most others in the same general area do adopt it, there will be a distinct tendency for industry—and, therefore, labor—to go elsewhere. His city may then grow little if at all, and perhaps lose some of the industry and population it already has. In that case, his persistent holding of a vacant lot or lots will gain him nothing. And for him to borrow from outside, where improvements (buildings, etc.) are *not* taxed, and use the borrowed money for the construction of buildings in his own city where improvements *are* taxed, will probably be a losing proposition—*not* a gainful one.