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By George, tax the land, not the buildings

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Henry George, a social reformer and economist, espoused the theory that the public should get the benefit of land value through a tax on land, not improvements. He died in 1897. Eleven years later, Howard Thomson was born. Thomson, now a retired engineer who lives in North Andover, believes Henry George was right. Joseph Hermann, the Democratic state legislator from North Andover, doesn't have much to say about Henry George, but every year for the past six years, Hermann has sponsored a bill to change the Massachusetts property tax system in line with George's philosophy.

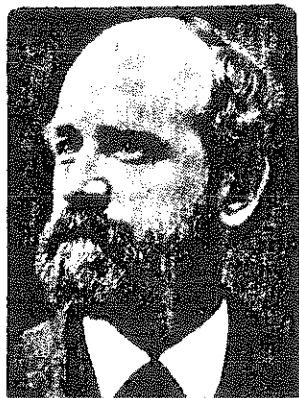
Those are the bare facts. Now, some embellishment: After Henry George died of apoplexy in New York City on the eve a mayoral election in which he was a candidate, his ideas were kept alive in "Henry George schools" established in cities throughout the country. Thomson attended such a school in 1938 in New

Jersey, taking a night class once a week for 10 years. Thomson, who worked as a design engineer for Bell Laboratories in New Jersey, had been through college, but the Henry George school

galvanized him. "I could see this was answering a lot of questions I'd had for many years," Thomson recalled. "I was never satisfied with the 'isms' I'd studied in college." So Thomson became a Georgist, which is what followers of Henry George call themselves.

But although he taught in Henry George schools, Thomson did nothing for 40 years to put Georgist philosophy

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into practice. But in 1978, then retired and living in North Andover, "I got the idea that we should have the ball rolling in the Legislature," he said. So he sent off a letter to his legislator, Representative Hermann, proposing a bill to establish a legislative commission to study George's idea of a single tax on the value of the land, not improvements. George believed that only land value should be taxed because, he argued, the value of land is determined by its surroundings, its location in the community. Since land value is enhanced by the community's labor and capital, the public—not the property owner—should get the benefit of that value, George said. Hence, a tax on land value, but not on land improvements.

Blighted land held, not used

Even though Hermann had never heard of Henry George, the idea of a land value tax made sense to him. "I had a gut feeling it was a good idea," said Hermann, who also serves as a tax assessor in North Andover. "I could see blighted land being held by people. They can hold this land and sell it at a tremendous profit with no benefit to anyone but them." So, every year since 1978, Hermann has spon-

sored a bill to tax land at a higher rate than improvements. Every year, the bill has gotten nowhere.

Which brings us to Mitchell Chanelis. Chanelis, a 41-year-old artist who also was converted to Georgism through taking a class at a Henry George school, runs a highly unusual, if not unique, lobbying operation. Specifically, Chanelis lobbies at the State House and even in Boston City Hall on behalf of Georgist principles. From the office of the Incentive Tax League at Temple Place in downtown Boston, Chanelis has gone to the State House to testify for Hermann's bills and buttonhole other legislators for support. With the help of Boston City Councillor Robert Travaglini, who represents the North End, where Chanelis lives, Chanelis has met with city tax officials.

Modern Georgists like Chanelis argue that the land value tax is a practical way, even 87 years after George's death, to solve urban problems. Taxing land with a heavier hand will drive down land prices, giving cities room for expansion, Chanelis says. It will also discourage land speculation and encourage owners to improve their property, since improvements won't be taxed as heavily, according to Chanelis. "Most capital-intensive businesses, and homeowners, would benefit," said Chanelis. Who would be hurt by a land-value tax? Slumlords and "people who own a lot of unutilized, valuable land," he said.

(OVER)

Henry George

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Mitchell Chanellis (above), a supporter of the land tax proposed by Henry George (left), says, "People are looking for answers."

In Pennsylvania—the state where George was born in 1839—five cities have adopted variations on the land value tax. Pittsburgh and Scranton have taxed land at a higher rate than buildings since 1913, and Harrisburg, McKeesport and New Castle have had split rates since the 1970s. Although the state has problems with equitable assessments, and school taxes aren't subject to the split rate, the land tax has reportedly fostered new construction and development.

But in Massachusetts, officials aren't rushing to jump onto the bandwagon of land value tax. Boston assessing officials would like to see a study of the impacts of a switch to land taxes before they make any decisions. Chanellis admits that the city, which is now in the midst of a development boom downtown, may present special cases, but he still thinks George's tax theories would work here. As for the real estate industry, Ken Morrison of the Greater Boston Real Estate Board vaguely remembered getting literature from Chanellis' group. Morrison said he would find someone to talk about land value taxes from the perspective of the industry, but he never did.

Not ruled out but no priority

At the state level, 25 legislators have signed onto Hermann's bill this year, and last year, the bill got as far as a second reading. But even Hermann admits that his bill isn't likely to go anywhere this year. "I'll admit to the fact that it's radical," he said, "but not so radical that it shouldn't be looked at." One person who is willing to look at it is Greg Watson, a staffer in Secretary of Economic Affairs Evelyn Murphy's office. In a memorandum to Murphy in January, Watson suggested that the office consider a land value tax and a tax on capital gains from the sale of the land. "I'm not suggesting . . . that land value and land gains taxation represent cure-alls that will by themselves address all of the economic concerns in Massachusetts," Watson wrote. "What I am suggesting is that the concepts merit consideration as components of a comprehensive economic development package for the Commonwealth." A spokesman for Murphy said the ideas don't have a high priority right now, but they haven't been ruled out. And at the Department of Revenue, spokesman Harry Durning admitted to some familiarity with Henry George, from a college class. "[Georgists] keep coming back every once in a while," Durning said. Revenue Commissioner Ira Jackson, invited to discuss the issue, declined.

For a Democrat . . .

But George's followers and their friends aren't fazed. "Holyoke, Lawrence, Grove Hall, Mattapan, Roxbury, Hyde Park—these are the places that would benefit from [a land value tax]," said Hermann. "It's very meaningful to the building trades, to developers." Chanellis said that once he tells people about the idea, they like it. "People are looking for answers," he said. And Travaglini bears that out. "My sense is that he's got a good idea," the North End councillor said.

Still, the Georgist's lobbying operation has some rough spots. For example, Thomson was asked if he voted for Hermann, his man in the Legislature. "No, I never did," he replied. "I'm a Republican. He's a Democrat. For a Democrat, though, he's pretty good." □