

July-August 1975

Busy schedule set for fall

A busy schedule of classes has been planned for the fall term. In addition to the standard fare of *Progress and Poverty*, the subjects of land value taxation, urban land use and the thrust toward equality of opportunity will be presented from several contemporary viewpoints. Also an historical perspective will be used to view George's approach to man and his environment.

There will be further experiments with game simulations. An attempt will be made to attract those who have already studied P & P in the expectation of giving them a firmer feel of the concepts involved through their participation in Community Land Use Game (CLUG).

For those interested in delving more deeply, a course in Money and Banking will be available. Also there will be an opportunity to study the History of Economic Thought.

Studies are being made of various subjects relative to land use and property taxation with a view to conducting seminars on these and related topics as they appear in the public press. The goal is a series of separate sessions that will appeal to a wide public.

The customary business courses will be offered. Two classes will deal with securities markets; Personal Financial Planning and Financial Analysis; one class will study Small Business Management.

A tale of two cities

Busy schedule set for fall

Meet the presidents

San Diego conference

San Diego conference puts it all together

A lively exchange of views among a variety of students of Henry George characterized the School's 1975 Conference in San Diego, California, July 1 through 3. Working sessions — with time out for an afternoon in Mexico — were capped by a dinner on the last evening, featuring an address by Prof. Arthur Becker, economist from the University of Wisconsin-Milwaukee. The Annual Award for outstanding contribution to the cause of economic justice was presented to Robert Tideman, long-time director of the San Francisco School and now co-ordinator of Land Equality and Freedom (LEAF).

Opening the Conference, Tuesday morning (July 1), the Reverend Joels Addington developed his invocation on the theme of George's "Ode to Liberty." An official welcome by San Diego's Mayor Pete Wilson, who took time out of a busy schedule to greet the Conference personally, was augmented by an address by Councilman Floyd Morrow. Morrow, who is also chairman of the board of LEAF, expressed his belief that we ought not to talk about property taxes, but about nature and how man is abusing economic system that improperly allocates resources. Asserting, "action is the core of life," he counseled the School to develop an active alumni to strive toward the "good life." This happy state he described as having health, friendship and happiness

along with a modicum of wealth, which could be obtained if nature were available to all.

Catherine Covell, executive secretary of the School of Northern California headquartered in San Francisco, talked about the School's concentration on classroom work in *Progress and Poverty*, *Protection or Free Trade*, *Social Problems*, *Science of Political Economy*, *Democracy vs. Socialism* and a treatise on money by Robert DeFremery, as well as a tax course given by an assessor. In addition she reported the School's participation in seminars on metropolitan affairs.

William Truehart expressed his dismay at the lack of classes in San Diego and his interest in reviving such activities there.

Tideman described LEAF as a democratic organization, "independently financed and independently motivated." The organization's immediate goal, he said, is 30 chapters in the state of California; then it will seek to branch out in other areas. The best way to begin, he suggested, was not to seek numbers, but to convene a steering committee to set local objectives — all pointed, of course, toward reform of the property tax through proper assessment. "Who can call you revolutionary," he asked, "if you're insisting that the assessor obey the law?" Successful political action, he said, "is just another form of education."

Noah Alper talked briefly about his activities in St. Louis, reiterating his metaphorical approach to a tax as a "pump." We argue the wrong point when we discuss what tax to use, he said, we should talk about what source to tap.

Harry Pollard, head of the Los Angeles School, discussed his continuing development of "Mini-Course" presentations in the local high schools. New courses, he said, deal with production and distribution and return to capital based on time preference and treat land as location value.

Lancaster Greene, as vice president of the Schalkenbach Foundation, reported on groups in several states being reached by the Foundation and aided in efforts to remove, or at least reduce, the tax on improvements and increase it on land values. Recently, he noted, Schalkenbach has printed and is distributing two pieces: one, an excerpt report of a conference on the financial crises of our cities co-sponsored by the Foundation, the other, an abridgement of C. Lowell Harriss' article on the property tax written for the current (1974) edition of the *Encyclopedia Britannica*. Also in work, he said, are new printings of *Progress and Poverty* and *Protection or Free Trade*.

Greene praised the work and enthusiasm of Idaho State Representative William Onweiler who has submitted two

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For the past year I have been looking at two cities linked by geography and history and separated by politics and a body of water. No, not Paris and London, yet, the cities' unfolding tragedy offers insights to our times and concerns.

Facing each other across the southern end of the Hudson River are the downtown skyscrapers of New York City and the wharves, lofts, and what appears to be acres of empty space in Jersey City, New Jersey. It might seem foolish to compare a municipality of 270,000 (the second largest city of one of the smallest states) with the dramatic skyline of our biggest city and one of the great urban centers in history. Yet, what happens to and in Jersey City and New York has immediate effects on both and their interdependence (largely ignored by the larger metropolis — often feared by the smaller municipality) may have as much to do with their respective fates as the separateness of their jurisdictions.

Big, powerful and rich as it may be, New York City and its fiscal, governmental, and social crises have dominated the news. The inability to pay for services and the extraordinary reliance on borrowing against the future, has forced the big city to its breaking point. By contrast, Jersey City, with much less fanfare, has had to impose new taxes and cut services just to stay alive, without even pretending to do an adequate job of service for its overwhelmingly poor and working class population. Unemployment in New York City has reached dramatic double digit levels. Public assistance, in its various forms is now paid to one out of eight New Yorkers. Yet, dismal as these statistics may sound, they would be welcome in Jersey City where unemployment and indigence have been the basic facts of life in the modern era.

Raped simultaneously, and some say conspiratorially, by the legendary corruption of its late Mayor Hague and the greed of the railroads that took vast chunks of the city out of productive use, Jersey City never really enjoyed any prosperity to speak of. The residential building boom that created new luxury apartments in the 1920's on Manhattan's East and West Sides and on the parkways and boulevards of Brooklyn, The Bronx, and Queens had but faint echo on a short strip of Hudson Boulevard in Jersey City, still the best-looking street in town. The office building boom of the 50's and 60's that helped New York in its transition from seaport and manufacturing center to headquarters city, never really happened at all across the river. By the time a few office buildings went up in Jersey City, the boom had

burst, so that today there is plenty of vacant office space on both sides of the Hudson. And while brownstones and other turn-of-the-century homes are restored at extravagant cost in some of the inner city neighborhoods in Manhattan and Brooklyn, townhouses within five minute ride of Wall Street go begging in downtown Jersey City. The most spectacular view of the twin towers of the World Trade Center is commanded by a stretch of nearly vacant waterfront property in Jersey City, an abandoned pier of railroad yards or a tract slated for an urban renewal that may never take place in our lifetime. Even the Statue of Liberty faces the harbor with her back to Jersey City.

Despite these appearances of contrast between poverty and wealth, super development and underutilization, both Jersey City and lower Manhattan are at the very heart of the biggest, most lucrative human market in the western world. Transportation by air, water, rail, and road in this center of the northeast corridor is almost unexcelled. And land values are substantial, even for the vacant parcels of Jersey City. But while it is more expensive to buy and own a piece of New York, it is relatively more expensive to build and maintain a piece of Jersey City. Land value taxation of course does not exist in either jurisdiction. In both New York and New Jersey improvements are assessed at something like three times the rate for land as a percentage of market value. And while the rate is uniform on land and improvements in both jurisdictions, the total tax rate in Jersey City has been above eight per cent for a decade or more, a level New York will reach only this fiscal year as a consequence of its budgetary crisis. One might fairly predict that with a tax rate of over eight dollars of assessed valuations and with some thirty million square feet of office space vacant, New York City will now experience as little new building as Jersey City has suffered almost this entire century. For the hard truth is that the total amount and not the equities of taxation is what influences the economic decision to invest, to develop, to improve and to locate.

The Advisory Committee on Intergovernmental Relations, which has probably done more work on the property tax nationally than any other organization, has been trying for some time to promote some reforms. John Shannon, the Assistant Director of ACIR, has pointed out that where the effective rate (the percentage of annual tax paid to true or market value) exceeds two per cent — which over the lifetime of a building may mean a

Geza C. Szmak died May 3 of this year. A long-time supporter of land value taxation, he was a construction surveyor with offices in New York for 52 years and had been engaged by most of the leading architects in this country and abroad. His publications, such as "Specification for a Better World," were devoted to freedom and economic opportunity. Born in Hungary, he would have been 79 next month.

fifty-sixty per cent sales tax — the most important reform is really relief. No investment is possible at confiscatory rates of taxation. I have reluctantly come to share this view. Much as I believe the burden of the property tax must be shifted off improvements and on to the site value, I cannot envision reform in this or any other direction taking place until and unless the property tax, in those jurisdictions that rely on it heavily or exclusively, bears no more of a burden than the people can willingly afford. Already we are seeing limitations placed on property taxation either through constitutional debt limits, statutory circuit breakers, preferential assessments and local abatements and exemptions that seem to multiply as the need for rateables grows. Every one of these partial relief measures serves only to increase the property tax burden of those who do not enjoy the particular benefit. Even the well-motivated desire to equalize educational opportunity by removing the school finance burden from the property tax has the unfortunate consequence of redistributing that burden of inequality in the other areas of public service and private wealth, in health, housing, law enforcement and recreation for example, all of which may have as much to do with education as school itself.

Just as we know there is no such thing as a free lunch, we must accept the fact that there is no such thing as a single, easy solution. Any tax must be measured on the basis of 1. adequacy to produce the revenue required to perform the public service; 2. the equity with which the burden is distributed among the taxpayers; and

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Erratum

The headline "Trustees and officers reaffirmed" was in error. The story merely stated that "the Board of Trustees will continue in office." This is in keeping with the by-laws which provide that "They (trustees) shall be elected at the annual meeting of members to serve for one year or until successors shall be elected and qualify."

Meet the presidents at the Henry George School

Some 60 high school students and their teachers spent a day in May at the School going through urban problems in simulations and then measuring what they had learned against the real-world experience offered by three corporate presidents.

The 60 students and eight teachers attended an all-day Urban Workshop. The morning was spent working through the simulations known as New Town and Community Land Use Game (CLUG). Each of six separate exercises were conducted by a high school student who had been trained at the School by Stan Rubenstein and Ted Ehrman to conduct the games and to lead the participants in evaluation of their experience.

In this workshop, the students had been

informed of the topics that were to be dealt with by corporate presidents in the afternoon. Thus, the simulations and their analyses could be pointed toward specific questions.

After a buffet lunch, all six groups met together in the auditorium where they spent the afternoon in discussion with the businessmen, all members of the Metropolitan Presidents Organization.

Bernard Eichwald, president of B. Eichwald and Company, spoke of the responsibility a corporation has to the community as well as to its stockholders.

Morris Getler, president of Nepco Forged Products, discussed the problems of locating a business, with particular

attention to the tax situation in New York, the cost of utilities, and the conditions of the labor market.

George Ratner, president of Paragon Paint and Varnish Corporation, dealt with the climate for business, taking into account the monetary and fiscal policies of the federal government and the environment created by Keynesian thinking.

The Workshop offered students an opportunity to learn economics not from textbooks but from participation in simulations that gave concrete expression to abstract ideas of production, distribution and taxation, and then to hear from businessmen how these matters are handled in the real marketplace.

CONFERENCE (continued from first page)

bills to the state's legislature. One would make land value taxation mandatory in the state; the other would give any county the option to adopt such taxation. Having read George in college, Onweiler's own observations in the real estate business and his reading of reports from the Urban Land Institute launched him on his present campaign. He uses the Foundation's "One Way to Better Cities" film and a slide presentation of his own, presenting local scenes as examples of his argument in favor of his legislative proposals.

Concluding the first session was a brief report by Gaye Shaw of Alberta, Canada, who described their class activities and their work in preparation of briefs presented before provincial Government agencies, such as the Land Use Commission.

Tuesday afternoon was given over to a report from New York. Dean Meridith led off with a discussion of the Learning Committee's efforts to improve understanding of George and the development of a non-fragmented approach to the presentation of his ideas and analysis.

Glenn Weeks reported on the progress being made in research. We seek, he explained, to synthesize George's message with the realities of today's world, using current data to make a contemporary presentation of the problems of land use and the shifting of the incidence of taxes to the land. He called on Mal McCarthy, who displayed a land value map of the heart of Toronto as an example of how research is used to present land value taxation as a viable recourse for hard-pressed local governments. McCarthy made the interesting observation that the studies he has made in Toronto and its suburbs indicate that the

total market value of the land in these jurisdictions would come close to equalling, if it didn't indeed exceed, the aggregate of current assessments of land and improvements together.

Commenting on the problems of communication, Stanley Sinclair noted that George, who was a journalist, gave us a clear directive in saying we may "assert the common right to the land by taking rent for the common use" and proposing "the simple yet sovereign remedy . . . to appropriate rent by taxation." It is incumbent upon us, therefore, he said that we use all the media we can reach with our limited resources to communicate the necessity of achieving this property tax reform.

These reports were summarized by Arnold Weinstein, president of the School, who cited the division of labor among the active trustees enabling them to cooperate as equals in running the New York School. Thus, in handling what is becoming an increasingly complex task, he explained, the School has the advantage of multiple professional skills brought to bear on its day-to-day operations and is relieved of the expense of hiring executive personnel.

Wednesday (July 2) was devoted to reports on George Schools' activities in the high schools of their various communities. Talking about New York, Stan Rubenstein explained the role of the "alternative high schools," those innovations in the system that operate outside the traditional classroom, and commented on the success of game simulations in this area. George Collins, from the Philadelphia birthplace of Henry George, demonstrated CLUG, the Community Land Use Game that figures most prominently in this program.

Mal McCarthy of Toronto detailed how his School of Economic Science has been able to participate in local high school classroom work through the geography departments. With the aid of high school students, he said, the Toronto School has been compiling local realty maps that have been accepted by and paid for by the respective jurisdictions they depict.

William Filante, in the San Francisco Bay Area, told how he has been able to use his political clout to develop classes in "Environmental Economics" in local junior colleges.

Harry Pollard discussed his "Inter-student" program as directed toward cooperation in equality.

Wednesday afternoon featured a bus trip into Mexico.

Philip Finkelstein, director of the School's research program, presented a "Tale of Two Cities" as the theme of his remarks on Thursday morning (July 3). Proceeding with the assumption that problems are not the same in all places and at all times, he developed the idea of how theories we accept as valid apply to the problems we face in various jurisdictions today. (Finkelstein's paper on Jersey City and New York City is excerpted elsewhere in this issue.) In his analysis of Jersey City's plight, Finkelstein suggested that enough new revenue could be tapped from proper assessment of vacant and underused land to replace the recently-enacted payroll tax which is causing the city to lose businesses and is under attack.

Mal McCarthy also presented some of the findings developed by his research in Toronto and adjacent areas and discussed two articles by an associate that were writ-

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CONFERENCE (continued)

tute of Municipal Assessors of Ontario: "The Argument for Site Value Assessment" and "Basic Economic & Planning Reasons for Using Site Value Assessment" by R.W. Hewison.

The Thursday afternoon session was addressed by three professors, Bernard Siegan, law professor at the University of San Diego; Harry Scheiber, history professor of the University of California at San Diego, and Albert Segelhorst, senior economics professor of the California

State University at Long Beach. Siegan's topic was the "prospects for land use control by state and federal governments" and he appeared to favor legislative and administrative techniques for this purpose. Scheiber, talking on "historical perspectives" presented a fascinating review of the background against which George developed his approach to land and taxes and how he came to write *Progress and Poverty*; Segelhorst spoke about "some land use implications of urban transportation

policies" and suggested that the benefits that accrue to those who hold land along the way of transportation routes are so great that they can afford to foot the bill for the transportation improvements and more.

Speaking at the closing dinner, Becker recounted some of the familiar difficulties faced by the country's major cities and from which smaller jurisdictions are not immune and indicated that the time is ripe for application of the "sovereign remedy."

TWO CITIES (continued from second page)

3. the economic consequences of the imposition of the tax in terms of development and abandonment, growth, stagnation, deterioration or as we know it better, progress and poverty. Measured against these standards of adequacy, equity and economic consequences, none of the currently applied revenue systems meets all of the tests. The property tax on improvements has the distinction of missing the mark on every score. Even at its highest rates it fails to provide adequately for a desired level of public services. There is little equity between taxpayers, some of whom continue to pay little for doing less at the expense of others who carry the burden for doing more. Finally, we suffer the economic consequences of disinvestment, sprawl, environmental damage and economic disaster.

It will be a long and hard road to reform our tax system. It will mean different things in different jurisdictions. In some cases a good measure of adequacy, equity, and positive economic consequences might

be achieved by moving land assessments up to their true values, particularly where such assessments are much lower than those on buildings. In other jurisdictions it might mean working towards a differential rate in which land could be taxed many times higher than the improvements. In too many cases however, the only effective reform at this time might mean to cut back on the total property tax revenue by a combination of curbing our appetite for public services as well as the appetite of public officials at all levels to bestow them on us. It might also mean the consideration of other forms of revenues, user fees and special assessments, particularly where site values are enhanced by a particular service, as transportation. Above all, the property tax must stop bearing any of the costs of income redistribution whether in education, health services, or direct forms of public assistance. National, state, even local policies designed to ameliorate need cannot be served by revenues derived from and by a fixed tax base. Indeed, I might

make a fair argument that the only services the property tax base should support are those designed to enhance defend, and protect that base itself such as police, fire, sanitation, access, amenity, and desirability. Anything detracting from such qualities can be deemed to erode that base and should be compensated for, rather than paid for out of that base.

Cutting the property tax down to size, a size both manageable and reformable, may well be the best thing we can do for ourselves and our cause. Burdening it with the hopes of panacea for all of our social and economic ills may well be the worst thing that we can do for our problems and for our cause. And let us not be afraid to admit that land value taxation in any of its forms, or even the notion of a single tax, is not a panacea. Yet, it's a good idea. After all, as Mason Gaffney has well said, we're not in competition with any panacea of anyone else.

(Excerpted from a paper prepared for the 1975 Conference by Philip Finkelstein)

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