

PROPOSAL IS AIMED AT SLUM OPERATORS

SOME SUBURBAN LAND is being used to produce new housing, some to produce food. And some is being held out of production. Advocates of "site-value tax-

ation" argue that speculators force land prices up by holding tracts off the market. They claim that higher taxes on land would make speculation unprofitable.

BY JOHN A. WOERPEL
Free Press Home Sections Editor

Have you heard about the proposals to remove local real estate taxes from buildings and just tax the land? Land in a particularly good location would be taxed at a high rate, regardless of whether it contained the Statler-Hilton hotel or a parking lot.

Advocates of this plan point out that too much good land is being wasted, often supporting slums, because the owners like the present low taxes and not-so-low rents.



Woerpel
If the assessors looked at the land alone, with no regard for what kind of buildings were on it, they might decide that some of this slum property was potentially quite valuable. The owner of a tenement would find that he was taxed even more, perhaps, than the owner of a well-designed and well-maintained apartment building.

In theory, then, the slum landlord would tear down his building and build a handsome apartment on that valuable land.

BUT SUPPOSE HE CAN'T afford to build the new apartment? The higher taxes would force him to sell out. He couldn't possibly continue to pay those taxes on the income from slum housing, substantial as that income might be. If he didn't sell, his property would be seized when he failed to pay the taxes.

Opponents of the plan point out that in this case the city would be virtually confiscating the man's property.

(This proposal has been put forward by some economists and housing industry representatives. It is not specifically being proposed for Detroit.)

Residential property in the suburbs or in outlying areas of the city would be assessed at a substantially lower rate than that in key locations. Since you would no longer be paying a tax on your house or garage, the tax on your land would be considerably larger than it is now. But your total property tax would probably be less, if you have a nice house in the suburbs.



If this proposal were to be adopted, you'd find few vacant lots in the city. Speculators would no longer buy land and hold it for years, waiting for the shortage of land to send prices soaring. Land would be put to use, not wasted.



A recent study of this problem, published by the Urban Land Institute, points out that the taxing of land rather than improvements would encourage building and capi-

tal investment and would reduce urban sprawl.

Under the present system, the owner of a good building has to pay a higher tax than the owner of a building which is poorly designed, cheaply built or in a state of decay. The less the poor property is taxed because of its blight, the more the good property must contribute as its share of taxes.

THINK WHAT THIS WOULD MEAN to the home owner who wants to improve his property. He can add a wing to the house, build a swimming pool or finish off a recreation room without worrying about an increase in his yearly tax bill.

This would also encourage owners of commercial property to make needed improvements.

Opponents of "site-value taxation" argue that it could lead to overdevelopment of land. In other words, people might build hastily and without caution just to keep from paying high taxes on unproductive land.

But this does not seem to have happened in the few areas where the land tax has been adopted. Parts of Australia and New Zealand have used this form of taxation for years. The state of Queensland in Australia exempted houses from local taxation by state law in 1890, according to a report in *House & Home*, professional magazine of the building industry. The idea spread to other states and several towns and cities have adopted it.

A conference of leading housing economists, mortgage lenders, builders and real estate brokers, sponsored by *House & Home* last year, wound up their session recommending that "a substantial part of the local tax burden now carried by improvements (like houses) should be shifted to the land itself.

"TAXES ARE THE ONLY important costs a land speculator must pay, so taxes are the only brake on the price of land, which reflects the capitalized margin between the rent the land can be expected to earn and the tax burden it can be expected to carry."

The conference report went on to say that: "Taxing land more heavily would reduce the taxes on good homes by increasing the taxes on vacant and underused land.

"The steepest price inflation of all has been the price inflation in land. But we have no land policy designed to bring the land needed for our population growth on the market when it is needed. On the contrary, we make it easy (by undertaxation) for land speculators to hold their land off the market in anticipation of still higher prices later."

OVER

DETROIT FREE PRESS

AUGUST 26, 1961

It All Goes Back To Henry George

THIS LETTER is in regard to a feature in your Real Estate section. You point out that too much land is being wasted and that if land taxes were higher slums would be replaced.

This statement is not the only reason for land value taxation. The real reason is to stop speculation in land so that money would be put into the hands of labor and capital and to make land common property. This statement can be substantiated by the Henry George School which is probably the largest proponent of land value taxation in the United States.

About five million books have been published on this subject by Henry George.

You give Australia as an example of land value taxation. Why did you fail to point out that in the states where they have land value taxation the people have to lease the land from the government, who in turn collects rent from the people and then again tax the people for using it. In Australia states where there is not a high land tax people can still afford to own land.

In the major book by Henry George, "Progress and Poverty," on land value taxation, he points out that it would lead to the ideal of

socialism and that land would become common property.

The tax on land would become as much as the tax on a house, and mostly likely, the government would end up owning the land because we couldn't afford to pay the tax on it.

I don't believe that this is in keeping with the views of the Free Press or of the United States, as I also believe that the Free Press was not aware of where this idea originated nor what the idea was behind the source of your information.

JAY T. ALEXANDER
Birmingham

SEPTEMBER 7, 1961

Henry George Sought Capitalistic System

JAY T. ALEXANDER sorely misconstrued the Free Press article on land taxation and the teaching of Henry George.

It may be well to remind Mr. Alexander that President Eisenhower voted to place Henry George on the list of the Hall of Fame at Columbia University.

Henry George and his teachings are opponents to socialism. His teachings show the way to a constructively co-operative capitalism; because he attaches moral concepts to it.

This is proven in Henry George's book, "Progress and

Poverty," under the heading, The Proposition Tried by the Canons of Taxation. . . .

The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:

1—That it bear as lightly as possible upon production and distribution—so as to least check the increase of the general fund from which taxes must be paid and the community maintained.

2—That it be easily and cheaply collected and fall as directly as may be upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the government. (In other words, support only efficient and proficient government.

3—That it be certain—so as to give the least opportunity to tyranny, corruption, or bureaucratic empire building on the part of government officials and the least temptation to lawbreaking and evasion on the part of the taxpayer.

4—That it bear equally—so as to give no citizen an advantage or put any at a disadvantage, as compared to others.

Taxation which lessens the reward of the producer necessarily lessens the incentive to production; taxation which is conditioned upon the act of production necessarily discourages production of wealth. Thus, taxation which

diminishes the earnings of the laborer, and the returns of the capitalist, tends to render the no less industrious and intelligent, the other less disposed to save and invest. Taxation which falls upon the processes of production, trade and commerce interposes an artificial obstacle to the creation and consumption of wealth.

The mode of taxation is, in fact, quite as important as the amount, or more important.

We have too long been conditioned to think that Uncle Sam in Washington, and Aunt Gilda in Lansing have money trees. They have not. All they have are money-suction-pumps.

They return to us inflated dollars, due to deficient spending, thus increasing government cost and the need for more taxes.

Stop, dear fellow citizens, improper taxation and inflation, the two fiscal bandits that will always increase our fiscal problems.

These are my beliefs and the teachings of Henry George.

JOSEPH J. PIETRUSKA

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