LAND and LIBERTY

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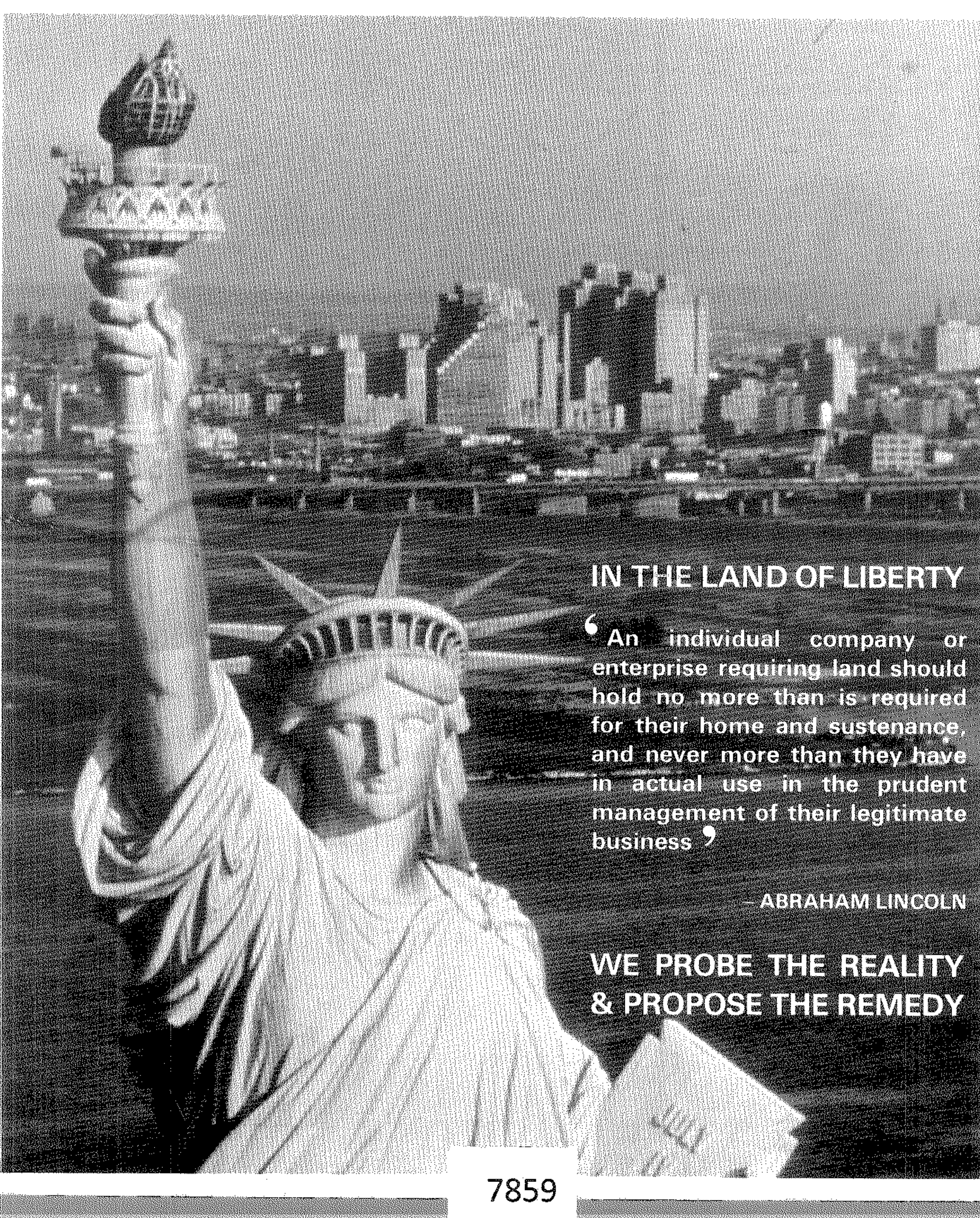
PROPERTY TAX U.S.A.
A special issue



LAND and LIBERTY

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LESSONS FROM PHILADELPHIA

IN THE next issue of Land and Liberty, **GEORGE COLLINS** reports on the bid to introduce a heavier property tax on land values in Philadelphia.

● A lower tax on buildings, he will argue, would encourage new development – and create more jobs in the construction industry.

● Fiscal reform would be a return to the principles of the city's founders: 300 years ago, the first tax ever instituted in Philadelphia was on land.

A dedication

PROPERTY TAXES yield a significant slice of revenue for America's local governments.

Of the 22 cities that took at least $500m a year, three relied on property taxes for over 20% of their income.

Boston's $406.6m (for 1982, the latest year for which figures are available) heads the list at 39%, according to the Census Bureau in Washington.

But while league tables hold some fascination for statisticians, they tell us nothing about the wider costs and benefits of property taxes on social and economic welfare.

Yet it is vital that the nation enters into such a debate, if sensible solutions are to be developed to address some of the major problems of the 1980s.

For as Americans prepare to vote in the Presidential election this fall, as they wade through an Orwellian nightmare of political prose and electronic hyperbole, little will be said about the fundamental reason for high unemployment: a tax system that discourages growth at every turn.

How else, can you describe the impact on those who defy the odds and launch a successful business? Does it make sense to slap a monstrous property tax bill on firms that build factories – while virtually ignoring speculators who quietly grow rich on unused land?

The richest nation in the world has to generate more jobs and higher wages for its citizens: fiscal policies provide all governments – from the federal down – with weapons to achieve these goals.

Yet even among tax reformers, there is a strange silence in 1984.

Proposals to alter the structure of taxation trigger off the alarm bells for vote-seeking politicians.

Reluctant to supply opponents with even the slightest artillery, most American legislators wait until odd-numbered years to address the issue – and even then, they invariably approach the problem from the rear end.

Fortunately, there are some clear-sighted politicians who have discovered the merits of what the *New York Times* calls "enlightened taxation".

Encouraged by the success of land value taxation in five Pennsylvania cities, they have taken the first steps toward *decreasing* taxes on buildings and *increasing* it on the market value of land.

In New York, Missouri, New Hampshire, Wisconsin, California, Utah and other states, legislators are being asked to restore common sense to the property tax system.

Land and Liberty applauds this long-awaited effort and, in this special issue, offers a perspective on the implications of a land tax for different sections of the United States.

● From New York we explore the ongoing struggle to lure new development. Mayor Koch and his economic team have found the right path, but are tip-toeing where they should be sprinting.

● From the Midwest and New England, we examine the impact that a tax on land values would have on farmers. Representatives from rural districts might be surprised by the long-term benefits their constituents would realize.

● From the West Coast we look at recent unsuccessful attempts at property tax reform. Californians know *something* is wrong; they just haven't put their finger on it.

● Reports from Washington and Pennsylvania offer glimpses of how land value taxation *can* work.

In 1984, America's heightened political awareness offers a ripe opportunity to make significant and lasting changes in its tax structure. To those legislators who have undertaken this task, and to their colleagues who care about restoring equity and economic efficiency to the system, this issue of *Land and Liberty* is dedicated.

Land is the key to economic recovery

By Henry S. Reuss and Walter Rybeck

● Henry Reuss retired from the Senate after a distinguished Congressional career as one of the Democrats' senior Representatives in Washington. He was Chairman of the House Committee on Banking, Finance and Urban Affairs, and then Chairman of the Joint Economic Committee, before retiring in 1982. Walter Rybeck served as special assistant to Henry Reuss and is the author of *Property Taxation, Housing and Urban Growth.*

LAND, after playing a key role in the settlement and development of what is now the United States, has been widely ignored by our 20th century policy makers. *It is a strange turn of history.*

Free, abundant and rich land did much to shape our people.

● To the landless Europeans who flocked to our shores, land spelled the hope and opportunity that had been denied to them in the Old World.

● Land helped foster our sense of independence. The frontier ever beckoned to those who felt oppressed, restless, or eager to carve out their own destiny.

● Land nurtured the work ethnic: whatever one's status, access to the soil, forests, minerals and other resources of this vast continent assured a degree of well-being to all who were willing to labor.

Our form of land tenure, with its emphasis on small holdings and with taxation initially based largely on one's land value, enabled North America to develop as a vibrant, open, democratic society.

By contrast, the mammoth land holdings of Latin America spawned rigid, closed and highly stratified societies.

Yet, once our land was all fenced in and the ownership of our critical surface and subsurface resources had become more concentrated, mainstream economists confronting the resulting problems searched almost everywhere for solutions – except the land.

In fact, the economics literature of our times could lead one to think that land as a factor of production had been spirited out of existence.

A MORE balanced view does not require us to claim that land questions hold all the answers to the universe. But it seems fair to insist that how land is owned, how it is taxed, how it is conserved, and how its productive capacities are made accessible are highly pertinent to much of what is ailing society these days.

Specifically, we call attention to half a dozen high priority problem areas that would seem to benefit greatly from some fresh work on land policy issues.

● Unemployment and Human Misery:

The persistence of poverty, hunger and homelessness in the world's richest nation has caused some to harden themselves to these social problems. They rationalize that misfortunes are largely the fault of the victims. They also suggest that social disruptions are the "price of progress".

On the contrary, we believe there are enough unmet human needs here and throughout the world to keep all kinds of useful production humming at full speed. We believe that virtually all who are able and willing to work will find employment in a well-ordered society.

If we viewed a small rural society and found widespread starvation while some of the most fertile lands were fenced off and held out of production, we would find it self-evident that the hungry should be allowed to grow food on such lands.

In our urban and industrial settings, however, too many of us have lost our sensitivity to the connection between idle land and idle hands.

Economists should be measuring the extent of these lands that are held speculatively out of production. When high speculative prices drive employers and workers to inferior sites that are less suited to their work, how many jobs are lost? How much productivity is eroded? How much of our natural advantages are sacrificed to the benefit of our international competitors?

● Disintegrating Cities:

Cities are vital not only for their role in integrating the many facets of production. Cities are also the seedbeds of the arts and learning, the stimulants of culture, the caretakers of the good and beautiful in civilization. At least, that is what cities often have been and can be. Yet the very word "city" now conjures up an image not of what is best and noblest in society, but of slums and decay, crime and degradation, declining tax bases, and of places from which commerce, industry and the middle class are fleeing to the countryside.

Those who have given careful study to land taxes feel confident they could help restore fiscal vitality to local governments.

A shift of taxes off productive activities and structures and on to land values would help enterprise overcome land speculation. More compact residential and commercial land use patterns would again be the norm.

Land economists do not accept the inevitability of the high land price syndrome that drives large and small businesses from downtown to outlying shopping centers and that causes city workers to settle in sterile suburbs far from the places they work. Neither do we find a lack of sound alternatives to the current tax policies that enrich slumlords while making it difficult for legitimate providers of shelter to earn fair profits.

● Farmland Conservation:

The premature urbanization of farmland is the other side of the coin of urban sprawl. Conservationists need to examine the urban tax and land policies that keep splattering cities across the landscape.

The past generation marked a turning point in public awareness of the ecological reasons for saving and husbanding our land resources. Perhaps the current generation can be awakened to some of the economic factors behind our distorted land use

PROPERTY TAX: THE TOP 24 CITIES EARN $7·53 BILLION

● THESE are the cities that earned the most from property tax revenues in fiscal 1982. According to the Census Bureau, the two dozen top cities earned $7.53 billion, or about 38% of all property tax revenues collected by municipalities.

	City	$m
1.	New York	3,636.3
2.	Boston	406.6
3.	Chicago	341.0
4.	Washington	339.1
5.	Los Angeles	295.4
6.	Houston	245.9
7.	Baltimore	235.6
8.	Philadelphia	208.0
9.	San Francisco	204.6
10.	Honolulu	189.8
11.	Detroit	182.3
12.	Dallas	135.5
13.	Nashville	126.5
14.	Memphis	100.1
15.	Stamford, Conn.	100.0
16.	Rochester, N.Y.	99.9
17.	Providence, R.I.	95.8
18.	Buffalo, N.Y.	93.5
19.	Milwaukee, Wisc.	89.8
20.	Hartford, Conn.	86.9
21.	Richmond, Va.	85.6
22.	Yonkers, N.Y.	79.6
23.	Newark, N.J.	77.6
24.	Denver	74.7

SOURCE: Census Bureau

patterns that underlie so much of the waste and abuse of our lands.

● Recessions, Inflation and Public Debt:

The inexorable rise of land values is often perceived from bits and pieces of information, but the full story is hidden from view.

Several years ago, through the House Banking, Finance and Urban Affairs Committee, we began an effort to quantify land values. We undertook the initial steps toward the creation of a national Land Price Index. Like the CPI (Consumer Price Index), we felt the LPI would give the nation a periodic overview of land values.

Would it not be illuminating to know how land values per capita differ from state to state and city to city? With such data we could begin to discover whether high or low land values correlate with healthy communities. We could start to distinguish which state and local policies generate favorable results.

The LPI project, unfortunately, was sidetracked by the Reagan administration. Those of us who had a hand in it are keeping the notion alive so we can move forward again when times are more propitious.

Meanwhile, is it not amazing that, despite the mountains of data collected by government about so many facets of our existence, relatively little can be found about land values and the behavior of land markets?

One suspects that inflation, business cycles and the levels of public debt are more closely related to land value trends than conventional analysts admit. It is difficult to move from theory to firm conclusions, however, in the absence of extensive and reliable land value information.

● Infrastructure Finance:

Public officials and citizens are agonizing over America's deteriorating highways, bridges, railroads, dams and other public works. Yet, one of the prime certainties of economics is that infrastructure provides its own source of revenue. That is, public works leave a trail of land values in their path.

These values can be and should be recaptured by the public to maintain and operate existing infrastructure and to build necessary extensions.

Typically, however, publicly-created land values are left to enrich private landholders who are clever or lucky enough to own the strategic sites adjacent to public works.

There are various ways to recapture the land values generated by infrastructure. Land value taxation is one way. Special assessment district financing is another. Excess condemnation and public land ownership, with leasing at full market rents, is another.

Until we begin collecting these values one way or another, we are doomed to fail in what could be one of our most easily resolved problems.

Many of the same people who seem overawed by the multi-billion dollar costs of providing public works remain blinded to the multi-billion dollar land value bonanzas their governments are constantly creating and giving away.

'Land taxation will in principle produce desirable economic effects in two stages: an initial effect, followed by current stimuli to production during each year in which the tax is well administered'

– United Nations

● Tax Inequities:

Not long ago, U.S citizens were proud of paying their taxes honestly. They could hardly believe how pervasive tax evasion was in other countries. Sadly, the distinction no longer exists. America's underground economy of tax escapers has grown to major proportions, with no end in sight.

Our federal income tax is so intertwined with special exemptions, exceptions, gimmicks and loopholes that it has become an object of scorn.

Land taxation appears to be one way of tapping the benefits of special privilege without imposing harmful burdens on labor and production. To what extent an increase in land taxation could help bring sanity and respect to the national tax system seems premature to speculate; only a handful of our communities have inched toward greater taxation of land than of buildings, and the property tax – which of course includes some land taxation – is declining as a source of public revenue.

That greater land value taxation would be a step in the right direction, especially at the state and local levels, is a conclusion justified by all experience so far.

This is not to say that it will be easy to achieve breakthroughs in this direction. Demonstrations to date have been modest. One must hope for adoption in several locations of a truly bold land value tax, sufficient to dramatize the justice and economic efficacy of this reform for all who are seeking new directions in tax policy.

IN SUM, these examples indicate that neglect of land issues has been a barrier to resolving serious socio-economic problems confronting America.

Land economists with insight into these issues have the opportunity and the responsibility to inject some new ideas into the political forum.

The climate for this may be more favorable now than it has been for decades. It does not seem intemperate to suggest that a "rediscovery" of the land and its role in economic affairs could give our nation, and the rest of the world as well, new reasons for optimism in the final decade and a half of this century.

PENNSYLVANIA

Land tax – or blight?

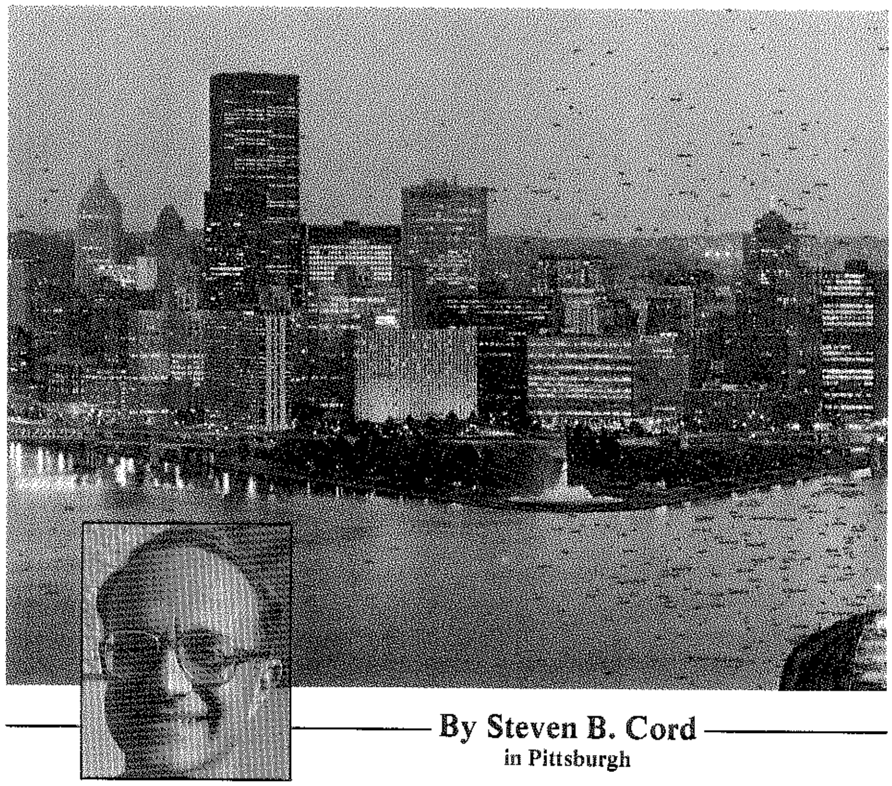
FOR DECADES, fiscal reformers have urged that all taxes should be shifted off wages and productive capital and on to land values, but they had no test cases to support their advocacy in the United States. They could only appeal to logic.

To be sure, the logic was impressive: by untaxing wages, take-home pay would be increased; by untaxing buildings, operating costs would be lower and new construction would be encouraged.

If, on the other hand, land values were to be taxed more, inefficient land use would be discouraged because it would become too expensive. Landowners would be encouraged to put sites to their most appropriate use, but they would not be taxed on their wages or the profits from capital investments.

A tax on labor, or the products of labor, results in fewer of those desirable things. But a high tax on land values does *not* reduce the supply of land: in fact, it would increase the available supply, since it would discourage land speculation and underuse.

A tax on land values would key the use of land to demand; a failure to tax it results in sprawl, blight, and unemployment. There is also an ethical dimension to the logical argument: the locational value of land is produced by society. Hence society should collect through land-value taxation what it has created, rather than tax individually-produced labor and capital.



By Steven B. Cord
in Pittsburgh

IN 1913, the Pennsylvania Legislature passed a law requiring Pittsburgh and Scranton to increase their property-tax rates on land and decrease their rates on buildings in five steps so that, by 1925 and thereafter, their tax rates on land would be double their tax rates on buildings.

In 1977, both of these cities received home rule charters, which meant they could fix their own

Something . . .for nothing!

ABOUT twelve years ago, in Allentown, Pennsylvania, a land speculator bought an 83-acre tract of vacant land on the edge of town for $120,000. It is still vacant.

Some years ago he got a "Clean and Green" agricultural-use assessment so that he paid practically no taxes at all to the local taxing bodies, *writes Steve Cord.*

Recently, Allentown passed an ordinance granting tax abatement on new commercial and industrial improvements, and the speculator jumped his asking price considerably.

The adjacent Western Electric plant expanded and had some excavated dirt to dispose of. They arranged to dump it in a sunken part of our speculator's acreage, whereupon he upped his asking price to a still-higher figure.

Several times the city tried to buy the acreage, first at $12,000 an acre, then at $14,000 and most recently at $27,000 an acre for about half the acreage. Our land speculator refused those offers.

● Conclusion: he bought the 83 acres at $1,445 an acre. It is assessed for tax purposes at less than $300 an acre. It has been independently appraised at forty times that amount.

His fellow citizens have enriched him by providing roads, schools, hospitals, nearness to jobs and shopping, etc., while he has provided nothing in return – no jobs, no factories, nothing – just expense.

No landowner as landowner per se ever does anything for the community (in his capacity as farmer or builder he does something, to be sure); here is a striking example of this important truth.

It is also a striking example of the obtuseness of our taxpayers in allowing our governments to under-assess and under-tax our land. They provide costly government services to landowners, the value of which is reflected in escalated land prices; yet the tax bill for these services goes to the workers and businessmen who made these services possible in the first place.

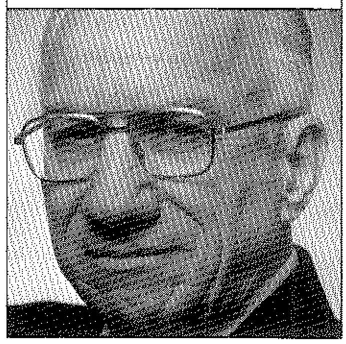
Someday they will see the light, probably sooner in Allentown than elsewhere.

AGRICULTURE

Site value taxation...

By Stan Frederiksen

in Missouri



SITE VALUE taxation, as the only "right" source of public revenue, is applauded and fostered by all who understand it.

Promoted in the 19th century by Henry George, its popularity continues today, gaining momentum as understanding of the concept increases. More states (Missouri, Illinois, Utah, Oregon and others) are following Pennsylvania's lead, seeking legislation to enable separate (higher) tax rates on sites from those on buildings, improvements and other products of labor.

All, however, focus mainly on *urban* sites. Why? Because locations in cities are most valuable. Up-taxing those sites and down-taxing buildings and improvements produces the most obvious and dramatic benefits, such as more buildings, better buildings, reduced unemployment, and rewards (rather than penalties) to producers-earners.

In cities it is easily seen that a site's value arises not because of who owns it – or what's on it, under it, above it, in it, or what it will produce. Rather, it depends essentially upon where it is, and what's around it.

Fred Young (Chicago), former Harris Trust officer, in his book, *How to get rich and stay rich*, cites "land" as a prime investment opportunity. He says the three major factors making land valuable are (1) location; (2) location; and (3) location! Right!

But humans did not produce land; they did not create good title to it. Therefore, no person can get good title, as none of his predecessors ever had good title to pass along to him.

AS LAND values are highest in cities (only a fool would trade his 30 acres in downtown Houston for 30,000 acres in the Sahara), we usually target *urban* sites. Overlooked is the great value of the vast *farmland* areas. For this reason, site value taxation advocates often ignore the positive impact this public revenue source can have upon the working farmer, whose economic lot has been gradually deteriorating. Why? Because tax systems force more and more farmers out of business, while further enriching already wealthy non-farmers, who use their land for speculative non-productive gain and as tax shelters.

The term "land value taxation", alone, "turns off" the working farmer. Hearing "land" and "taxation" in the same three-word phrase suggests that someone is out to tax his land away from him. "Site value charge", or "location value charge", would more accurately state the concept. For the site value charge is, indeed, just that – a legitimate charge for value received (the exclusive possession of a location). And that charge is paid to those who actually create the site's value – the community around that location.

'A tax on land values would key the use of land to demand; a failure to tax it results in sprawl, blight and unemployment'
– Professor Steven Cord

It is not a "tax" at all. A "tax" normally denotes an unwarranted penalty for doing good, for producing, for conducting an honest business prudently. Penalties should be reserved as punishments for illegal/criminal acts.

But who is a "farmer"? Specifically, who is the "farmer" who would benefit from a site value charge?

The true working farmer (there are no other kinds) is one who earns his living by producing economic crops or livestock through engaging in agriculture – by exerting honest labor upon an arable area of the Earth's surface. This working farmer we seek to help – and will help – through invoking the site value charge, alone as the source of needed (repeat, *needed*) public revenue.

Under this definition, we exclude from consideration all non-farmers – those who do little or nothing to produce wealth, but, instead, build fortunes by confiscating the hard-earned wealth produced by others.

Such *non*-farmers include (but are not limited to):

- Huge land-holding corporations, bankers, lawyers, doctors, executives and others (including absentee landlords) who pay minimal or no taxes on their acreages, and who produce nothing themselves. They rent out parcels to true working farmers, who must pay exhorbitant fees (rents) for the privilege of working the land, as well as taxes on the income (if any) from what they may produce.
- Wealthy landlords who leave rich farmlands idle and untilled – producing nothing at all, not even through the sweat of working farmers who would like to rent the land from them. Their one objective is to watch that land's price escalate, through the encroachment of urban developers into the areas around them, chased out of nearby cities by not only unacceptably-high prices of land there, but also by prohibitive taxes on city buildings, improvements and other developments they may have planned.
- Farmland title-holders whose only goal is to keep land out of use, to claim losses on these properties, thus making them "tax shelters".

COLUMNIST R. C. Longworth, in a farmland series (*Chicago Tribune*, March 2, 1980, ff.) spelled out the grave problems facing our farmers. Fewer and fewer farmers actually own their land. In north-eastern Iowa, absentee landlords own

Landlords watch as prices escalate . . .

...the farmer's salvation

two-thirds of the farms, meaning that two-thirds of the farmers are tenants – "hired hands", if you please, working for someone else.

Longworth reported that:

- The eight largest energy companies owned over 64 million acres of American land.
- Eighty percent of Maine is owned by absentee landlords.
- Railroads hold questionable title to 25 million acres.
- The 25 biggest land-owners in California (mostly corporations) hold title to 58 percent of the state's land.
- Missouri's farms numbered some 147,000 about ten years ago. In 1983 their number had decreased to around 135,000.

When a very few own all valuable land (as is clearly the case), the vast majority of people must pay tribute to the few title-holders for the privilege of living upon and from the land. Those who own the land literally "own" the people thereon, as those people must have access to the land, or die!

Just as site value taxation pushes idle or underused sites into their ultimate best use in *cities*, so will it release, for best use, to true working farmers, vast *rural* lands now undertaxed or held out of use for speculative gain.

The site value charge is levied only against the title-holder – not against the farmer (be he tenant, sharecropper, or whatever), unless he owns the land he farms, in which case he is mighty glad to pay the modest charge, as the "taxes" on his wages and farm inputs are reduced or eliminated.

HERE'S a scenario to show the result if man-made products, including buildings, improvements, etc. were *un*-taxed and farmland title-holders obliged to pay a charge to possess their lands. Assume, please, a "taxing jurisdiction" in a rural setting. The steps would proceed something like this:

1. The jurisdiction (let's say 500,000 acres, largely farmland, but with some small towns and villages) first establishes its annual budget of, say, $500,000 for projected government services (roads, streets, utilities, a sheriff, a staff, some schools, etc.). A site charge (tax) on the value of land is set to average $1 per acre. Thus, the budget would be met (and balanced) entirely by public revenue from the site value charge.

2. The "average" charge per acre ($1) would be made up of high charges per acre on the high value sites in the towns and villages (where government services would be most intensive) and very low charges per acre in outlying rural areas, with few people and few government services.

3. The site value charge on any land parcel would be determined, as now, by the assessor. Where government services are greatest (the town centers, etc.) the annual charge might be, for example, $1,000 per acre. In outlying areas, it might be $0 per acre. In any event, the assessor's job is simple, as he need assess only the land values – nothing else! (Nothing else would be subject to a tax or charge.)

4. Note the precise fairness of this assessment procedure. The proper land value for any parcel would be determined automatically, shortly after the assessor's initial judgement.

'Site values have characteristics that lend themselves to special taxation. Not least among the reasons is the expenditure of governments on streets and other facilities that enhance the worth of land'

– Professor Lowell Harris

Any parcel assessed too high would "go begging" – no one would pay the annual charge for it. If it were assessed too low, competition to own it (in return for the charge levied) would be keen to the point of igniting hassles among those struggling to possess it. The "too-high" assessments would be reduced until someone was willing to pay the adjusted lower charges. Assessments on undervalued land would be increased to offset the reduced assessments on those assessed too high. Eventually, a complete assessment pattern would emerge which was acceptable to all title-holders. Each would get exactly the value he pays for.

5. The important feature of this policy is that *the only persons who would pay public revenue charges would be those who hold title to land!* And since they are in the tiny minority, the great majority of people in the jurisdiction would pay no direct taxes (charges) at all! Anything wrong with that? Certainly not. In all other phases of our lives, we pay to own and maintain things to which we have title: tractors, combines, cars, TV sets, household goods, good, clothes – in fact, everything. Why should we not pay to possess and maintain the land parcels we choose to own? And pay the legitimate charges to those who create those values – the community round about us? In other words, to our "government"?

6. As those who own the countryside must pay for it and maintain it, they will have to *produce* from those lands to retain them profitably – or hire people to produce from them – or relinquish ownership to people who will.

7. Those owning land would hold only the number of acres they could employ profitably in producing goods and services, the value of which would be far above the legitimate charges they pay for the land itself.

8. The working farmer would be a tremendous beneficiary. As the site value charge rises (on the really valuable land), the price of such land goes down! Present sharecroppers and/or tenant farmers would be able to buy land and become independent of the "landlord". Young would-be farm families would find it easier to start farms of their own.

9. In farming, "bigger" is not necessarily "better"! Longworth cites studies to show that the most productive farm, on a per-acre basis, is about 320 acres (or, it *would* be if government tax policies weren't tilted so strongly toward big land-owners). With the site value charge supplanting

● Turn to P.57

... a site value charge would hit speculators

Land value tax – a true incentive for New York

FOR $24 and a handshake, Manhattan Island was transferred to the Dutch, thus beginning a remarkable transformation. During the following 360 years, the island blossomed into a great commercial, banking and manufacturing center. It now stands as a tribute to man's ability to create a metropolis that is stubbornly diverse in population, cultural activity, business opportunity and architecture.

Yet, during much of this development, business and industry received scant encouragement to call New York their home.

It became a mecca of opportunity because it offered the basic ingredients which nourish development – transportation, access to waterways and a viable work force. But these attributes, coupled with high taxes and labor costs, aren't enough anymore.

New York is now having to fight hard to lure businesses and spur development.

DURING the 1970s, the Big Apple became enmeshed in a sea of financial difficulties, the result of years of decline.

- Population slipped from eight million to slightly more than seven million.
- Big chunks of the middle-class took to the suburbs, replaced largely by unskilled, low-income residents.
- Manufacturing, once a prime employer, lost more than 250,000 jobs.
- The famed New York garment industry and a vital printing trade were also in decline.
- And the trend continued, forcing the city to explore the need to foster employment and development.

The boom which followed the initial attempts to attract business was limited almost exclusively to the area of Manhattan between the Battery and 59th Street. Out of this effort a disturbing picture emerged.

Official policies were creating two New Yorks – one prosperous, growing out of the ashes of the '70s, the other poverty-wracked, populated by thousands of jobless and homeless.

How the city resolves this schizophrenia may well determine its future economic health.

NEW YORK'S irrepressible mayor, Edward I. Koch, is fond of taking credit for restoring the city to financial viability. Recognizing seven years ago that jobs and development were vital to this task, he launched a program that would encourage, on a selective basis, the growth of the business community.

"Economic development," he said, "is essential to encourage the growth of jobs and to maintain our position as a financial and industrial capitol."

Further refinement of the Koch philosophy was the job of Kenneth Lipper, deputy mayor for finance and economic development.

"We will define which out-of-state corporations would benefit from a presence in New York City," Lipper explained, unveiling a new agency. "Mayor Koch and I, along with leaders of the business community, will collectively review the city's efforts to identify and persuade businesses from elsewhere to relocate in New York."

The result was called the Industrial and Commercial Incentive Board. Created in 1977, the ICIB was designed to selectively offer companies incentives and rewards to do business in the city. It encouraged expansion, new construction and the renovation of substandard and underutilized commercial properties within the city's five boroughs.

Revised in 1982, the board turned its attention toward selected areas of Manhattan, ignoring the outer four.

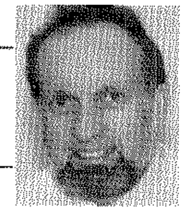
Unlike other agencies, which focused on obtaining federal grants, providing financial aid and financing through the use of tax-exempt bonds, the board encouraged development through property tax abatements and exemptions. These were based on a differential – the added increase due to construction – from the original assessment.

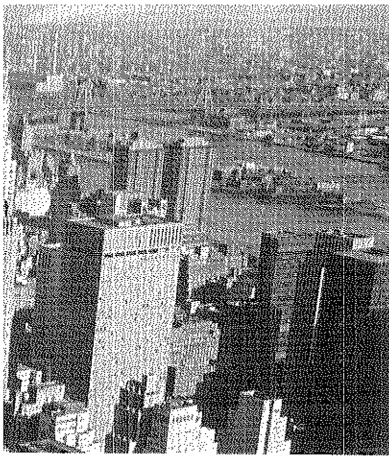
In other words, a business enterprise received an exemption based upon the increased assessment.

Incentives varied based upon the type of construction; new commercial construction receiving a 50% exemption of the increased assessed value of

● The familiar view of New York – and the grim reality of some of the city's neighborhoods.

Report by Stan Rubenstein





the property, decreasing 10% each year for a period of five years. A comparable formula applied to commercial reconstruction.

Since halting a decline in manufacturing jobs was an important objective, industrial construction or reconstruction received better inducements – 95% exemption of the increased assessed value of the property, with a decrease of 5% each year for nineteen years.

ANY PROGRAM that becomes selective in its implementation is bound to meet criticism – the incentive program of ICIB being no exception. When the findings of the city's Department of Investigation were released, it started a chain of negative public reaction.

Recognizing the importance of the property tax as a tool to encourage, the report stated: "Property taxes play a role, and in a particular instance can play a determining role, in management decisions to locate, relocate or invest in New York. New York continues to need a property tax incentive program as part of its integrated efforts to encourage industrial and commercial development".

The report concluded, however, that the Board was not accomplishing its purpose and called for wider opportunities for incentives.

● Turn to P.53

★ ★ ★ NEW YORK

Boom! Now it's the countdown to bust

By Michael Gavaghen

APPROACHING New York Harbor in the early evening – orange tinted, glowing with thousands of lights, framed by the endlessly-graceful slope of the Verrazano Bridge – potential descends like summer smog. To those native New Yorkers not completely jaded by the underside of city life, the skyline at twilight conjures a sense of what must have lured thousands of newcomers: even the sky seemed a surmountable limit.

These days, the skyline is dotted with another kind of light. Naked bulbs hang starkly within the frames of future buildings. Construction sites spring up in the space of several weeks; ironworkers walk steel beams instead of unemployment lines.

New York is once again in the midst of a construction boom. Like most which have come before, it is a selective boom at best – certain areas reap the benefits, others wait unnoticed.

And the countdown to the inevitable bust has already begun.

NOWHERE in this selective upsurge more evident than along the waters of the East River, the Hudson River and the Atlantic Ocean.

The twin towers of Manhattan's World Trade Center have served as, among other things, a journalistic cliché. For years city editors beefed up slow-news days by writing about how many of the center's 10 million square feet of rentable office space remained vacant.

The phenomenon was not without irony: office space downtown has always been astronomically priced. The Trade Center vacancies were the result of rents which even that market couldn't bear.

But this has changed. Today, all but a piddling 20,000 square feet of Trade Center office space is rented. And the demand is such that the state government recently vacated three floors which were immediately snapped up by private companies for more than $25 per square yard.

The primacy of downtown commercial space has spurred American Express to launch a world headquarters across the street from the twin towers – a skyscraper planned to open in 1985. Rising alongside, also slated for 1985 occupancy, is Battery Park City, soon to be *the* place to live in lower Manhattan.

These projects, among a dozen now underway, represent the current "boom". Among those benefitting are the members of the local ironworkers union. And among the members is Gerry Kenny, a 30-year veteran of the building cycle.

"It's feast or famine," he says. "It's been that way for the past ten years. I'll work seven-day weeks for six months, then lay off for six months. I don't know how to figure it out anymore."

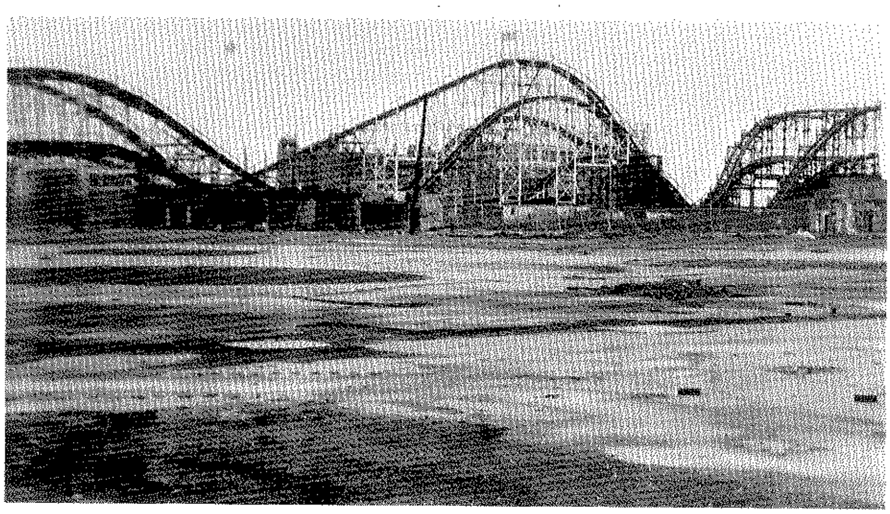
The boom-and-bust cycle affects more than just the men who walk on high steel. Those who pay them are equally perplexed.

"Who's to say when the time is ripe?" asks an executive from Helmsley Spear, Inc., one of New York's major developers, who also asks to remain anonymous. "What are the growth factors, the interest rates, the tax picture? Developers have to have good answers to all these questions before they'll even consider building.

"When you look at the big picture, the cyclical nature of the industry is easily explained."

Perhaps – but it is not easily accepted.

● Turn to P.52



● Coney Island – "turned off by crime and decay, tourists stayed away".

● COUNTDOWN: From P.57

From P.57

NEW YORK City has been tinkering with various incentives to attract developers during the "down-side" of the cycle. Unfortunately, by dangling carrots only in certain neighborhoods, these tend to reinforce the selective nature of construction booms.

As a result, the rich get richer, the poor move to welfare hotels.

Drive past the Staten Island Ferry at Manhattan's southern tip, past the new South Street Seaport Museum. Get off the East River Drive at Houston Street, drive one block to Avenue D, make a right and brace yourself.

Less than five minutes from Wall Street, with its $20,000 per month offices, is the Lower East Side. Here the streets and buildings are less congested – the streets, because many New Yorkers avoid the neighborhood entirely, and the buildings, because many are not suited for habitation. Which is not to say they are vacant.

While researching this article, several pictures were taken of what appeared to be a burned-out shell of an apartment house. Most windowframes were barren – those that weren't had been nailed shut with wooden planks. Suddenly a young man emerged carrying his bicycle. Whether others remained, sharing these squalid quarters, could not be determined.

Though less congested, neighborhood streets were far from empty. Men and women stood on corners and sat in front of apartment buildings, talking, listening to music, reading newspapers. Children played in a vacant lot at the corner of East 9th Street and Avenue C. There were many such empty spaces.

Five minutes from Wall Street, across from Stuyvesant Town (a private development with a three-to-five-year waiting list for apartments); one block from the East River. Despite its location, the Lower East Side is not likely to benefit from the latest incentive plans emanating from City Hall.

Brooklyn's shorefront communities have invisible barriers every bit as strong as those separating Stuyvesant Town from the residents across the street. Sheepshead Bay and Manhattan Beach meet on West End Avenue, but are distinctively different: the former boasts of its "small-town" ambiance and still-vital commercial fishing trade; the latter features beachfront homes which sell for nearly $500,000.

At Corbin Place, Manhattan beach becomes Brighton Beach, otherwise known as Little Odessa. An influx of Russian immigrants has given Brighton Beach Avenue a tri-lingual atmosphere in which English, Spanish, Russian-speaking merchants vie for elderly-shoppers.

Coney Island begins as you cross Ocean Parkway. Famed in song and on postcards, the community is fighting arson, prostitution and street crime as it tries against steep odds to attract tourists.

At the far end of the peninsula exists another barrier – one that separates Coney Island from Sea Gate. It is literally four feet high and made of brick, topped by a six-foot fence. To enter Sea Gate, one must display to a uniformed guard proof of residence in Sea Gate. It is rumored that to refer to a Sea Gate resident as a Coney Islander is to make an enemy for life.

● Lower East Side – less than five minutes from Wall Street.

CONEY ISLANDERS deserve better. Longtime residents have witnessed a disheartening change – not only in their neighborhood, but in others' perception of that neighborhood. Where sweltering Bronx residents used to flock a generation ago, only locals themselves now cool off. Turned off by mounting crime and decay, tourists began staying away in droves, straining an already-pressured local economy.

Despite the efforts of community watchdogs, arson-for-profit and prostitution became underground fixtures in that economy. Charred skeletons began dotting the narrow landscape, surrounded by vast, empty stretches of land.

But the local chambers of commerce, development associations and community councils thought they found a solution to much of what ailed them in a proposal for casino gambling.

Impressed by the revenue harvested in New Jersey's Atlantic City, New York State began entertaining thoughts of their own casino industry several years ago. The proposals bandied about all agreed that legalized gaming should be restricted to one resort area – either the Catskill Mountain region, Rockaway Beach or Coney Island.

Many community leaders embraced the idea as manna from above. Others warned of the influx of an "undesirable element" bent on making fast bucks at Coney's expense.

None seemed to realize that, as they argued, unusual things were already happening to their land.

New York City, because of aborted late-'60s attempts at urban renewal, owned plenty of vacant Coney Island property. When the casino issue first arose, much of that land, which had gone begging for over a decade, was promptly purchased. And the sales continued, even as the legalized gambling question remained unsolved.

Yet despite these transactions, the broken-down structures and vacant lots which had characterized the land when owned by the city remains. The new landlords have done little to improve their properties, even though federal housing money has caused a rebirth of sorts in small sections of the community.

Lifetime resident Pat Auletta explains it:

"We had urban blight here in the sixties, so the city started urban renewal. The renewal was worse than the blight. They started building houses, ran out of money and abandoned them.

"So these properties sit there for ten, twelve years, joined by others the city takes over. And now we start talking about casinos and the sites start to sell. No one's building on them or anything, just buying and waiting – waiting for Sinatra or somebody to show interest in a casino.

"Of course there's speculation going on, but as for who is doing it, I don't know.

'The way to encourage construction without risking subsidy for luxury developments would be to tax all improvements at a much lower rate than land. If the progressive members of the Legislature are truly progressive, let them explore such a reform'

– New York Times

THE NAY-SAYERS who had warned of "fast buck artists" should have watched out for their slow-buck counterpart – the speculator.

Ending the boom and bust cycle, restoring deteriorated neighborhoods, discouraging land speculation – these are important objectives in any city's development strategy.

● New York City has approached the first objective hit-or-miss. Unsuccessful experiments are thrown on the scrap heap. New ones crop up regularly.

● It has abandoned the second objective for lack of funds. Urban renewal is costly – it's better to rely on federal housing money and community initiative for the time being, regardless of how well these measures restore decaying neighborhoods.

● The city hasn't even acknowledged the need to discourage speculation – other, more pressing problems demand its attention.

When New York City's government awakens and realizes that all three objectives address the same problem, it will have fought half the battle.

When it raises the tax on land values and removes it from buildings, it will win.

HOLDOUT!

By Bob Clancy
in New York

AS ONE WALKS along the streets of New York, one can easily be unmindful of a continual drama going on ... the arduous and competitive struggle to assemble plots of land in order to erect a large building, whether commercial or residential.

A developer usually proceeds with great secrecy because of the potential threat of "holdouts".

The process is impressively investigated in a book* by Andrew Alpern and Seymour Durst, and the situation is outlined by former New York mayor John V. Lindsay in a foreword to the book:

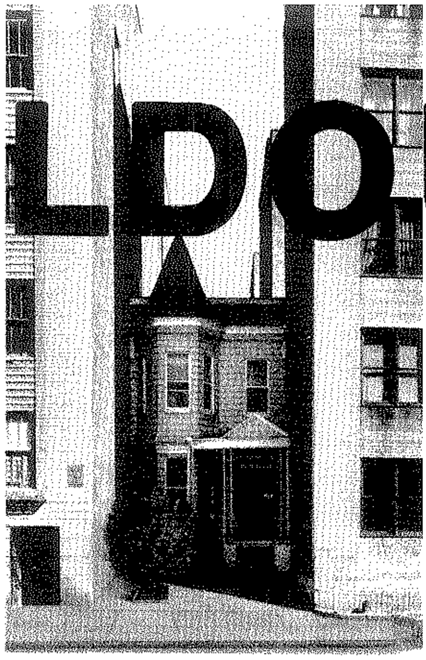
"On one side of the conflicts described in these pages is a developer who's gained possession of a plot of land almost large enough to be the site of an office tower or apartment house he wants to build; on the other side is the owner of the remaining parcel of property the developer needs to complete his planned project's site assemblage. The property owner who, for whatever reason, does not sell that remaining parcel is known in the real estate business as a 'holdout'."

The authors are knowledgeable on the subject. Mr. Alpern is an architect and Mr. Durst a real estate developer.

They had originally intended to research the problem throughout the U.S., but found so many examples in New York that it deserved a book by itself – and there is indeed a bookful of cases here.

Varieties of holdouts are cited by the authors.

- The "frightened holdout has lived in one place for many years and panics at the idea of being uprooted; but he can be managed "with tact, imagination and persistence."
- The "foolish holdout" refuses to sell just for spite and hurts himself as well as the builder and the city.
- More typical, the "greedy holdout" thinks no price is too high for his small property and frequently kills the project.
- The "professional holdout" purchases property where development may take place, especially corner properties, and then sits back to wait for a developer. He will sell usually at double the going rate, which of course increases the cost of the development.



● A holdout – wedged in.

This is why developers have to proceed with great caution in putting together a block of small properties. But word leaks out and typically the last holdout demands a fantastic price. If his price is too unrealistic, as it often is, either the project is abandoned or revised to build around the holdout property.

Plenty of examples can be seen around the city and this volume is profusely illustrated with them. A famous example is Macy's Department Store at one corner of which is a one-storey fast-food shop – a holdout from the time Macy's was first built.

BESIDES resulting in many cases of blight and inefficiency, the holdout problem is a serious obstacle to the provision of living space, working space and jobs in the city.

One sorry illustration of its effects is in the Times Square area. The old Astor Hotel was a handsome, solid building that merited preservation. But a developer seeking to build a large office building in the area found it easier to buy the hotel property which was on a large piece of land, then tear it down and build anew, rather than go through the awesome ordeal of approaching small properties round about – ugly little monuments to greed which are still standing on underutilized land, while a beautiful large building is gone.

But we had better go easy on "greed" knowing that it is only human to seek the best possible deal.

What is wrong is a system that permits this kind of obstruction to progress. As long as we allow landowners to privately appropriate the rent of land, we cannot blame them for trying to reap all they can.

One proposed remedy is condemnation – a cumbersome and uncertain proceeding. The city of Yonkers, just north of New York, has adopted this and the only big case it was applied to is still being dragged through the courts after much litigation.

The only sensible remedy is to increase the tax on land values and reduce – better, abolish – the tax on buildings. In this way, holdouts will no longer be profitable – the profit will be in building.

And in that activity, let there be profit!

******Holdouts!* **McGraw-Hill Book Co., 1984.**

● INCENTIVE

From P.51

Because of the report, and the public criticism which followed, the Administration changed its position. It admitted that there was little evidence to corroborate the city's growth with its tax incentives and no evidence to indicate how many jobs were created as a result of this multi-million dollar program.

Espousing a revised philosophy in late 1983, after abolishing the Incentive Board, Mayor Koch commented: "Now everybody who is going to build is going to get the same exempt treatment. There should be equal treatment."

Almost a complete turnabout for the city.

TO ENCOURAGE the building industry after World War I, a law was passed exempting all new construction from the payment of property taxes for a period of ten years.

● Mayor Koch

New York witnessed one of its greatest building splurges in history, with every borough sharing the rewards. Not selective, it did not create an unmanageable bureaucracy, doomed to failure. The market place became the vehicle to determine what was needed and avoided the pitfalls of many incentives – to react and not act.

How less cumbersome an incentive program would be if we accepted the wisdom gained from the 1920s and added this missing piece of the puzzle – picking up the revenue lost from exempting all buildings from taxation by placing it on the one factor that cannot inhibit growth: a tax on land values.

Tax boost for Granite State

THEY TRIED something new in New Hampshire this year, and it worked.

They called it "the first-ever New Hampshire Farm and Forest Exposition." It was held just two weeks before the first-in-the-nation Presidential Primary election which really puts the Granite State on the map every fourth year.

A team effort, it was co-sponsored by the Department of Agriculture, under Commissioner Stephen H. Taylor, and the Division of Forests and Lands.

Farms and forests, you see, are the two principal means by which nature's bounty is brought out of the land and put to good use to meet the needs of us people.

New Hampshire is essentially an industrial state. That may surprise some. We are a small state, up here in the northeast corner, and one of the original thirteen colonies, so the rest of the country is apt to think of us as rural.

The truth is, though, that with just under a million people living on our 9,304 square miles, we have a population density of about 100 people per square mile, not far from that of the country as a whole.

And measured by the percentage of people who earn their living in factories, we are near the top of the list, sharing that place with such more generally known industrial states as Michigan.

That's one reason they felt it was time for an Exposition: to give farms and forests more visibility within a state where a large share of the people live in cities along the Merrimack River as it makes its way to the sea, or in suburban homes just over the state line from Boston.

FARMERS and lumberjacks here are few and far between. The preliminary report of the 1982 Census of Agriculture reports that there are 2,759 farms in the state, but that could be misleading. A farm is defined as "any place from which $1,000 or more of agricultural products were sold, or normally would have been sold during the census year."

The 1982 Census reports only 907 places within New Hampshire with sales of $10,000 or more, and only 274 where sales were $100,000 or up.

So Commissioner Taylor and the foresters based their plans for the Exposition on a total attendance for the three days of about 8,000 people.

As it turned out, attendance was well over twice that number.

There is, you see, buried deep within the bosom of many a factory worker and many a merchant, a would-be farmer or lumberjack. It is part of human nature. People have a natural yearning to apply their labor to the soil.

The 1982 Farm Census reveals it. There were 2,508 farms here in 1978, and 2,759 farms four years later, a gain of almost exactly 10 percent.

But the land devoted to farming continued to shrink – from 484,631 acres in 1978 to only 478,607 in 1982. The trend is even clearer when you compare the average size of farms over the four year period. Those benchmarks: 193 acres in 1978 and only 173 acres after four years.

Report by Richard Noyes
in Salem

Commissioner Taylor had already noticed that trend when we drove up to Concord a week before the Exposition to talk with him about it.

"New Hampshire agriculture is strong and healthy, and it's growing," he said for the press only a few days before.

"The most exciting development of the past half year," he called the figures, adding: "We've stopped the decline which began after the Civil War and bottomed out about 1970."

He is close to the truth. People *are* going back to the land, and they are finding ways to use it more efficiently. While the size of farms continues to fall, the value of food and fiber produced on them climbs – even when corrected for inflation.

The market value of all agricultural products sold here went from just under $88 million to more than $103 million while farms were shrinking. That's an increase of nearly 15 percent.

STEVE Taylor and the foresters took that "back to the land" trend into account in planning the Exposition.

The first day was devoted to commercial agriculture and forestry, the second to what Commissioner Taylor sees as the heart of the farm turnaround: marketing and production. He says that is the way the farmer is going to fight his way out of the economic cellar. The same applies to forestry, in his view.

Agricultural colleges, soil scientists, geneticists and arborists have triggered a world revolution in productivity. That fact is famous. America is falling behind in car production and television sets, but we are feeding half the world.

Now, says Commissioner Taylor, the trick is to get smarter when it comes to marketing techniques.

He is right, in a way, but a careful study of these fresh Census figures leads to a trend which is substantially bigger and less often noticed.

It is *the price of land* – which has a direct bearing on that more fundamental factor: *access to land.*

- The value of the average farm's land and buildings went from $169,736 in 1978 to $202,059 four years later, a hike of about 16 percent – pretty close to the increase in crop value.
- The value of those shrinking acres, though, went from an average of $880 in 1978 to $1,158 in 1982, a jump of about 24 percent, despite the fact it was a four year period in which land prices nationally had levelled off.

The third day of the Exposition was called – and this is the salient point – "Family Farm and Forestry Day." It was devoted to a group of

'Henry George said site value tax frees the people . . .

● Families – encouraged by tax system – are returning to the farm

people who are making the real difference. They are the mainspring that continues to fight this escalation in land prices which is the biggest single factor in the whole picture.

They are hoeing their backyards, nursing lambs in their kitchens, weeding and thinning their postage-stamp woodlots, driven by the instinct for survival to get the most out of their shrinking parcels of land.

Commissioner Taylor and the forest people know about the trend in land prices, are concerned about it, and have been struggling to control it for years. The true economic return from an acre of woodlot is a tiny fraction of the potential speculative return, so long as urban sprawl continues. Farmers face the same set of figures.

Steve Taylor is quick to agree that nothing good comes from the soaring price of land for farming, as opposed to the individual prospects of an aging farmer who sees the market value of his land holdings escalate.

THE ACCEPTED answer in New Hampshire has been what is known as "current use assessment." It is a price control-type lid on land values, aimed not at the market price but at the property tax burden which rises with it.

It is politically popular among old-family farmers and major woodland owners because, for many of them, it has been temporary salvation. It is "peace in our day", and that is always the basic argument for any form of price control.

But the price trend continues, made worse than ever by current use taxation, the effect of which has been to pull an estimated 15 percent of New

● Turn to P.59

. . . we've seen it, we've felt it'

● AGRICULTURE

From P.49

the current "help-the-big-guy" land tax policies, we would have real land reform: the most productive farm land would become accessible to the many, instead of (as now) only to the favored few.

10. As the site value charge would also prevail in cities, and would have the greatest impact upon urban lands, owners of those city acres would be forced to use them productively. This would draw people back into urban areas. And it would reverse the disturbing current trend – that of city tax burdens chasing people out into the countryside, where valuable farmland is then used up for subdivisions, shopping malls and the like, and encroach upon the much desired "open green space" so dear to the environmentalists.

THE OVERRIDING consideration for establishing the site value system is the fact that if all people really knew and understood the concept, and could *vote* on its adoption, it would pass with at least a 10 to 1 majority! Why? Because only the *owners* of land would pay charges to defray government expenses – and land-owners are estimated to make up only 10 percent or less of our population. But farmers paying a site value charge would still end up making more profit out of their operation because the charge would be lighter than the present tax burden.

No study has ever been made of "who owns what land" across our nation, and how much wealth the title-holders pocket each year without exerting any effort. Estimates place their annual unearned income at up to $3 trillion! (That's three times our total national debt!)

Longworth urges that, using computer technology, a Federal Government department (perhaps Interior) should undertake such a nation-wide study.

It is true that the non-farmer – he who holds vast acreages for speculative gain alone – would not like the site value charge. Why not? Because while it would not "hurt" him, in the accepted sense of that word, it would require him to acquire his wealth like the rest of us do – by earning it!

However, remember that he is in a skinny minority; those of us who now pay him tribute for the privilege of living upon and from this Earth will out-vote him!

ROBERT SCHALKENBACH FOUNDATION

The Robert Schalkenbach Foundation has been the leading publisher of works on land value taxation since its founding in 1925. The following are among the books, pamphlets, journals, sheets, and films available from the foundation.

STUDIES:

Many studies of specific municipalities or regions are available for the cost of duplicating. They include: Alabama (Fairhope), California (Fresno; San Francisco), Connecticut (state; Hartford), Delaware (Arden), District of Columbia, Hawaii, Idaho, Indiana, Massachusetts (Boston), Michigan (Grand Rapids; Southfield), Missouri (state; Kansas City), New Hampshire, New Jersey (state; Newark); New York (state; New York City), Pennsylvania (state; Philadelphia; Pittsburgh; other cities), Nebraska (Omaha), Texas, Virginia (Rosslyn), and Wisconsin (Milwaukee). Foreign studies include Australia, Canada, England, Denmark, New Zealand, Singapore, South Africa, Taiwan, and others.

BOOKS:

Harry Gunnison Brown: *Selected Articles* – 32 journal reprints covering all aspects of land value taxation over 50 years. $12.50

Steven B. Cord: *Catalyst!* – excerpts from *Incentive Taxation*, edited by author, stressing legislative and fiscal news. $5.00

C. Lowell Harriss: *The Property Tax and Local Finance* – 19 essays from a 1982 land policy conference, citing both advantages and disadvantages of present tax, with suggestions and concern for future. $8.00

Aaron M. Sakolski: *Land Tenure and Land Taxation in America* – historical survey from colonial times. $2.00

Gilbert M. Tucker: *The Self-Supporting City* – illustrations of how cities could save money instead of giving it away. $1.00

Percy R. Williams: *The Pittsburgh Graded Tax Plan* – legislative history of how the first major U.S. city adopted land value taxation. $0.50

Wylie Young: *Antidote for Madness* – demonstration of how understanding the economic concept of the law of rent, and its application, can restore balance between the individual and the state. $2.00

The TRED series:

University of Wisconsin Press/Committee on Taxation, Resources and Economic Development (TRED) series of books based on periodic conferences.

TRED-11 *Land Value Taxation/The Progress and Poverty Centenary:* Richard W. Lindholm, ed. $15

TRED-10 *Taxation of Urban Property in Less Developed Countries:* Roy W. Bahl, ed. $12

TRED-9 *Metropolitan Financing and Growth Management Policies:* George F. Break, ed. $15

TRED-8 *Property Taxation. Land Use, and Public Policy:* Arthur D. Lynn, Jr., ed. $15

TRED-7 *Property Taxation and the Finance of Education:* Richard W. Lindholm, ed. $15

TRED-6 *Government Spending and Land Values: Public Money and Private Gain:* C. Lowell Harriss, ed. $12.50

TRED-5 *The Assessment of Land Value:* Daniel M. Holland, ed. $17.50

TRED-4 *Land and Building Taxes: Effect on Economic Development:* Arthur P. Becker: ed. $15

TRED-3 *The Property Tax and Its Administration:* Arthur D. Lynn, Jr., ed. $15

TRED-2 *Property Taxation – USA:* Richard W. Lindholm, ed. $6

TRED-1 *Extractive Resources and Taxation:* Mason Gaffney, ed.

NEW BOOKS:

THE POWER IN THE LAND
By Fred Harrison (Universe Books).

The power in the land lies at the heart of the present global recession and is the unrecognized cause of the booms and slumps of business cycles, according to the author, who is editor of the international periodical, *Land and Liberty.* He cites examples of immense increases in wealth due to land speculation and recommends a fair, democratic solution which would also create more jobs worldwide. The author estimates that, unless remedial action is taken, a depression might occur in the United States in 1984.

1983 — 318 pages, bib., index
0-87663-424-2 — $12

ALTERNATIVE AMERICA
By John L. Thomas (Harvard University Press: Belknap Press division).

The lives of the three most important American reformers of the 19th century (Henry George, Edward Bellamy, and Henry Demarest Lloyd) are interwoven in this study. The author also analyses the masterpieces each wrote (Progress and Poverty, Looking Backward, and Wealth against Commonwealth). The men are portrayed as prophets of social crisis who urged diversity and co-operation at a time when imperialism and survival of the fittest prevailed. Although their ideas failed to gain much acceptance then, writes the author, they laid the foundation for later reforms in this country.

1983 — 399 pages, pref., notes, index
0-674-1676-9 — $15

JOURNAL:

The American Journal of Economics and Sociology
Published quarterly in the interest of constructive synthesis in the social sciences, it contains articles on current developments in economics, sociology, philosophy, and other social sciences searching for the answer to man's most pressing need – a just social order.
$10 one year, $18 two years; foreign post $0.50 a year.

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BANKS GO BUST!

LAST YEAR 48 U.S. banks went bust, and many are expected to fail this year, because of imprudent loans – mainly to property developers and the energy industry.

This is the largest collapse of banks since the Depression of the 1930s. There are now 650 banks on the Government's problem-list.

PROPERTY VALUES

● *THE TAXABLE value of New York City property has been tentatively set at $48.933 billion, an increase of $3.222 billion over last year. Of about 858,000 properties in the city, assessment changes were made in 500,975.*

SINDONA FACES MURDER CHARGE

ITALY want to prosecute Michele Sindona, who was imprisoned by a New York court in 1980 on fraud charges stemming from the collapse of the Franklin National Bank.

Sindona's troubles stem from speculative land deals in the 1970s. Italian police want him to stand trial for the murder in Milan of a lawyer who was serving as bankruptcy trustee for another Sindona-controlled bank in Italy that had collapsed.

● NEW HAMPSHIRE: from P.57

Hampshire's usable area off the economic market – a shrinking supply in the face of an expanding demand.

The real vitality in farming and forestry is coming, ironically, from the opposite direction.

New Hampshire, as not enough people know, is the state which depends more heavily than any of the others on site value as the source of revenue for state and local government. We have neither a general sales nor an income tax. The property tax is, by a factor of six, the largest single source of money, and about one third of it comes from the value of site.

So the claims that site value taxation will stimulate an economy are nowhere better supported in practice than in New Hampshire, which also happens to be unique in another way.

We are the fastest growing state in the country, outside of the sunbelt. We are the only state in the east, except for Florida, where a majority of its residents were born elsewhere and came here by choice – voting with their feet.

It is this inflow of people, attracted in part by a tax climate that comes closer than any other state to site value taxation, which is revitalizing the farms and forests.

We mingled with them on that best-attended final "Family Farm and Forest" day of the Exposition. We joshed them, talked chain saws with them, and listened carefully to what they had to say.

And as a newspaper editor who has the same reason other editors have to use and reuse the words, "unemployment, hunger and slums," we kept thinking of something Thomas Jefferson said two centuries ago.

If in any country, he said, there are "uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural rights".

Jefferson thought that, given access to land, the American people would prosper. They did prosper, too, so long as the vast, stretching public domain held out. They were as nearly a "free people" as any who have ever lived on the earth, and while they had land, liberty was real.

Historian Frederick Jackson Turner explained all that years ago. But he warned that once the frontier was gone, and the free land was used up, America would have to turn to an "adjusted liberty".

Henry George, though, in whose works Turner found so many of his ideas, said that yearning within the human breast to create his own job, to produce his own food and build his own decent shelter, would be nurtured by site value taxation.

Well, the yearning is there. Even now, half a century after the public domain was closed. We've seen it. We've felt it.

Among the thousands at New Hampshire's first-ever Family Farm and Forest Exposition, we were engulfed in hard evidence that he was correct.

● TAX FIGHT: from back page

development.

"When I was the housing commissioner in Mayor Beame's administration, our problem was imminent bankruptcy," he said. "That took precedence over taxing land values."

Yet despite not having a chance to bring common sense tax policies out of the closet and into New York's consciousness while working at City Hall, Starr continues to fight taxes on improvements. And he has no illusions about its implications.

"Look, this concept is not going to solve mankind's problems, or even New York's problems. But the question remains: How in the hell are we going to get the maximum reasonable development of the land in this city?

"It seems to me that the land tax is the best answer."

Instead of trying so hard to identify expansions worthy of a tax concession, why not try taxing land at a significantly higher rate than improvements? Investors who obey the zoning and building laws would then all get the same stimulus to improve their properties and make their businesses grow. Public treasuries would not have to risk speculative concessions for undeterminable results. And the lower taxes on improvements would be regained with higher taxes on land.

– *The New York Times*, May 13, 1983.

The fight to secure effective tax policy

Michael Gavaghen
reports
from New York
on the work of
ROGER STARR

WITH the above words, *The New York Times* endorsed the concept of land-value taxation as a means of spurring development.

● For thousands of land-tax advocates, they offered both a shot in the arm and the hope that years of effort would not be wasted.

● For the man who wrote them, Roger Starr, they marked the first round in an ongoing battle for "common sense" taxation.

"It fascinates me that we go through all kinds of experiments in this city, appoint boards to determine what buildings should be awarded tax abatements, rather than relying on the market *itself* to do the job," he told *Land and Liberty*.

"It seems to me that we should stop penalizing businesses that want to improve their properties and base the property tax on *land*. It's perfectly obvious, isn't it?"

Perhaps not for everyone, as Starr himself admitted.

"I had dinner recently with [New York Mayor] Ed Koch and spoke for quite some time about this idea," he said with a laugh. "The next day I received a two-page letter from the mayor which completely missed the point. He thought I was talking about reducing taxes on *vacant* land.

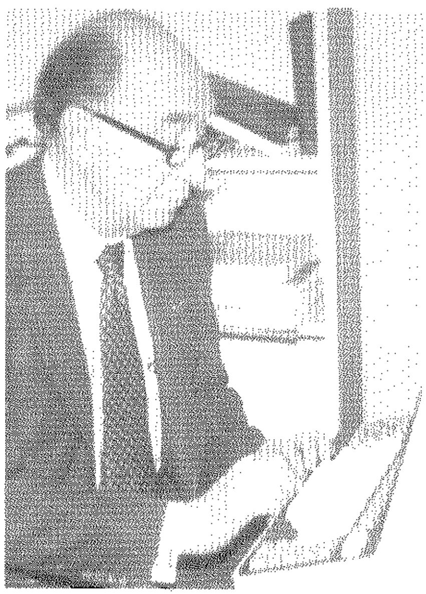
"Even my editor inserted the word 'vacant' gratuitously in my last editorial. Of course, I'm talking about increasing the tax on land, vacant or otherwise. Many people refuse to grasp that."

STARR'S fellow members on the *Times* editorial board grasped the idea immediately. Indeed, his first editorial met little resistance.

"I had no trouble getting the editorial board to come out for this idea. A colleague who is a very good economist vouched for its soundness. The common sense was apparent, even though most people fail to understand the negative impact taxes have on development."

Since that editorial in May 1983, the *Times* has endorsed land-value taxation five times, usually as a better alternative to city programs meant to deal with the development problem (such as the J-51 and 421-A programs, which freed landlords from tax increases for various improvements for nine- and ten-year periods).

"All these programs, the J-51, the 421, they are all partial solutions to the real problem," Starr said with ill-concealed impatience. "And they're all substitutes for its basic solution – that we should stop penalizing developers. The locational values of land, which society created, should bear the tax burden *all the time*. Not just in specific cases."



● Roger Starr

In recent years, tax concessions for new construction have been granted on a case-by-case basis by the Industrial and Commercial Incentive Board. The criteria were:

● Will the construction take place in the targetted area?

● How many new jobs will be created?

● Will the developer build even if they do not get the concession?

Inevitably, the ICIB came under fire for handing out unnecessary giveaways, allowing political pressure to shape decisions, and catering to particular developers.

Recent programs put forth by Mayor Koch and his deputy for economic development, Kenneth Lipper, would remove the discretionary nature of the process and award the concessions automatically. According to Starr, the mayor is "on the right track, but not going far enough."

"Doing away with the discretionary factor is a good step," he said. "But I wish they'd get rid of all discretion. There is no need to target areas which need development – the marketplace can handle making those distinctions without the mayor's help."

STARR does not put much stock in an often-posed alternative to LVT: gradually lowering assessments on improvements while raising them on land. He feels such attempts to "get around the basic issue" distort the true picture.

"You know, the idea of changing the valuations of sites, the idea of altering assessments, is flawed," he said. "I'd much rather change the rate of taxation for land and improvements than change specific valuations."

He believes the alternative would be prone to the kind of suspicion that doomed the ICIB.

However, he supported a Koch/Lipper proposal last November that would value for taxes all large commercial buildings at 45 percent of their discernible full value, thus restoring an element of fairness to the assessment process. Previously, office buildings were valued at 60 percent of their sales price whenever one was sold. Thus, rents in affected buildings rose, discouraging the influx of new businesses. Starr called the idea "the next best thing" to a two-tiered tax rate.

His support of such proposals is hard-won. As former commissioner of the New York City Housing and Development Administration, the problems he tackled were even more immediate than the need to foster

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