

Taxpayers Digest

Specializing in News on Taxation and Advocating Sensible Tax Reform

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LAND PRICES SKYROCKET AND THE PEOPLE SUFFER!!

"Our food comes from land. Our fuel comes from land. Every complex operation of our modern society is rooted in land....farms, factories, office buildings, stores, resorts. That's why there is money in land---BIG money!"

So reads an opening paragraph in a booklet entitled "21 Ways to Make Money in Florida Land," published by a promotional organization calling itself Prudential Research Corp., Hollywood, Fla. The booklet does a skilled job of appealing to those who want to reap unearned profits from others' need for land.

Whatever real estate you buy in Florida, the booklet says, "your goal is MONEY, and you want land which will GROW it for you. Think of Florida as a land mint. Land values have soared. Land is costly in the midst of a crowd and is going higher with the population explosion."

Among other examples, it cites some land which formerly "could be had for 14 cents an acre, but now brings \$10,000 an acre."

"You wouldn't mind waiting a bit for something like that," it says, "and no law says you'll have to wait long. Florida land prices have doubled, tripled and quintupled, and then some---within weeks or months!"

* * * * *

It doesn't pay to take such glittering promises too seriously. Countless victims all over the country, particularly older folks seeking retirement homes, have been trimmed by land sharks. However, the statements in the booklet spectacularly illustrate a situation which has often been discussed in LABOR.

As the railroad workers' old friend, the late Congressman "Bob" Crosser of Ohio used to say, the land and all other natural resources of a country are God's gifts to all the people, and no one has a moral right to make an unearned profit out of them. Crosser agreed with what Henry George, the "Prophet of San Francisco," said in his famous book "Progress and Poverty."

George's view was that the people, whose presence, growing numbers and need for land create its rising value, should get the benefit through higher taxes on land. This, George and Crosser maintained, would discourage speculation in land and make it cheaper for those who want to use it for homes and other productive purposes.

Instead of following that prescription, Florida taxes land values lightly and puts the burden on the common people by one of the highest state sales taxes in the country. Other states, in varying degrees, commit this same kind of economic and moral error.

Crosser and George, if they were here today, would say that this disparity is a root cause of poverty and unemployment in a country blessed with great gifts of land and natural resources.

As the booklet truly says, "every complex operation of our modern society is rooted in land."

A recent article in Fortune magazine adds this: "Since wages and salaries have not kept pace with land prices, more and more Americans are paying more and more of their income for the privilege of living on earth."

(This editorial was written by Albert H. Jenkins, associate editor of LABOR, who is also the author of "Man and Mother Earth," a speech delivered at the Davies Memorial Unitarian Church in Washington, D.C.)

READERS' DEPARTMENT

Dear Friends:

The individuals whose names appear below are among the great majority of the citizenry of our State who feel a great sense of gratitude toward J. Francyl Howard. As you know, it was the result of Mr. Howard's efforts that made it possible for us to express our views upon the recently enacted and improvident tax statute which was repudiated in the recent election.

Mr. Howard, as you know, has devoted a great deal of time to this project and has incurred considerable expense. We feel, as we are sure you do, that he should not be required to sustain the entire financial burden which this project entailed. We also think that a personal letter of appreciation to Mr. Howard would be treasured by him during his declining years. If you are able to make an enclosure with such a letter, we are sure that, too, would be appreciated.

This is just a friendly reminder that Mr. Howard, like ourselves, is human and deserves recognition for what he has accomplished. His address is 124 Ferry Street, Albany, Oregon.

Sincerely yours,

Wiley W. Smith
E. C. Malo
L. P. Holloran
A. P. "Jack" Roark
K. C. Tanner

To the Editor:

I should like to take issue with (or perhaps to see clarified) Prof. Paul A. Samuelson's statement (article in November--December, 1963, issue) that, if a 50% tax is introduced applying to all land rents, the market price of land must still be the same because the introduction of the tax does not change the supply of and the demand for land.

Looking at land from the standpoint of its net income to its owner paid to him by a user and as being valued marketwise on this basis, the market price of land must fall correspondingly with the increase of the tax, just as the price of a stock declines when a dividend cut is declared. (We may assume that the owner of the land was getting all the rent the market would bear.)

Looking at land from the standpoint of physical supply and demand (as though it were a commodity, which, of course, it is not), a tax on rent will tend to increase the effective supply of land on the market and so tend to lower the market price. This is so because owners of valuable but idle land will be influenced to sell --- not having been holders for use --- because they are not in a position or are unwilling to offset the tax by putting the land to use.

A tax on land value or land rent is the only tax that can easily be avoided by putting land on the market, yet the payment of which is actually beneficial to a land user, since it spares him the need to make a "capital" investment in land or to burden himself with debt in order to get access to land. A tax on land values also makes possible the reduction or elimination of taxes on true capital, earned incomes, and consumption.

Richard T. Hall, Boston, Mass.

BOOM AND BUST

In the 1920's real estate speculation in Florida was carried on in a manner similar to what appears to be occurring today with ever higher and higher prices being asked. Then it all blew up quite spectacularly a relatively short time before the great depression started in the 1930's. It may be well to watch the situation in real estate speculation today, as it may be the harbinger of a similar debacle as in the 1920's.

SPECIAL REPORT TO CLERGYMEN AND RELIGIOUS LEADERS

by Rev. Wylie Young

(Rev. Young is the executive director of the Erie, Pa., Land Tax Association; retired Presbyterian minister; Th.B., Princeton Theological Seminary)

Religious Leadership and Tax Policy

Almost any religious leader today would be inclined to the opinion that an effort to change the base of the real estate tax from buildings and improvements to land value would scarcely place any compulsion on him or his conscience as a religious leader. But in this conclusion he would be almost unimaginably wrong.

For some strange reason it seems to have escaped general notice that most of the fierce and desperate poverty of the world springs from the policy of taxing land low or not at all. Where poverty is most intense, land is never taxed. Why not check it out?

Land Overlooked as Basic Factor

Almost all discussions pertaining to the critical issues of our times omit any and all reference to land as a basic factor in the problems involved. This is a wicked oversight.

This lack of specific understanding of the nature of land in our economy is also at the bottom of the poverty and unemployment which still plagues us as a people. Our cities suffer from obsolescence and decay. Slums act as breeding grounds for crime.

The Law of Rent

Our puzzlement over these issues will never be resolved until we understand why we got into trouble in the first place. It is through our failure to comprehend the "Law of Rent", which has a peculiar and powerful effect on our lives.

It is hard for most people today to define and explain the Law of

Rent, but the failure to understand it, and control it for the benefit of the human race has produced more poverty, bred more crime, stirred up more hatred and caused more wars than any other external factor affecting man's behavior.

If there is such a law --- and it can be proven easily --- and if it has been so effective in bedeviling the lives of men, would it not be our duty to find out all we can about it?

Land in U.S.A. Once Plentiful

A person who has never learned how the law of rent functions is in no position to appreciate how much of an effect it has on our own economy. In America, land once was to be had in great abundance. Because it was there, to be had without price, we have not felt the pressures of the law of rent so much as have other, thickly populated countries. But now, things are getting more critical. The person who is familiar with the law of rent can see all sorts of pressure developing. The price of land everywhere is too high, so that the incentive for improvement on this costly land is stifled. Besides, the tax on the improvements is a ridiculous penalty on industry, precisely because of these conditions.

Sprawling City Developments

This is also the cause of sprawling city developments. Vacant high-priced land is interspersed everywhere, making utility services more costly. Badly improved properties are left to decay. Downtown areas are often virtual slums, and the perimeter of the downtown sections are being held out of use by the expectation of owners to sell at fabulous prices.

Liquor and Land, Problems of

Civilization

Ruskin once said: "Sooner or later every civilization comes face to face with its liquor problem and its land problem." For us, solutions in both areas are long overdue. As far

as land is concerned, many astute thinkers had been closing in on the problem, but it remained for Henry George, one of the world's most original thinkers, to clinch the argument in one of the greatest books ever written: "Progress and Poverty."

Solution Rejected

But his solution proved so obnoxious to the power cliques of his days that all the subtle influences available to men of wealth and power were employed to smother the theory under a blanket of silence. And with the rejection of an economic philosophy that might have led to real freedom and individualism, we were obliged to repair the body politic with nostrums that have eroded the liberties we once enjoyed.

There have been certain kinds of civilizations that never experienced the effects of the law of rent. There have been many societies whose members could see no particular advantage in claiming individual ownership of land.

Landownership Predatory

But where it prevailed it tends to produce an "aristocracy", which gathers its peculiar power by virtue of its rights of ownership of land. In such a society the "Law of Rent" goes to work with a vengeance.

Such societies invariably become predatory, and the processes of decadence are continuous and persistent from the beginning. Our civilization is running true to the usual form. One thing, and one thing only, can arrest the process: We will have to deal intelligently and under moral responsibility with the "Law of Rent".

Our Spiritual Ancestors

It is well to remember that the nomads of yesteryear, who did not adhere to the "aristocratic" way of life, were our spiritual ancestors. Justice was a normal and natural reality to them, and their God was a God of justice. These were the people who gave the world a social conscience to begin with.

Sanctions of Religion

Most of the peoples of the world have fallen into the practice of employing religion as a sanction for injustices. Baal worship was, and still is, the worship of the "owner". The Baal of a city was the owner of the city, and he was projected as the object of worship. When you can convince people that it is God's will that you should be the owner of everything in sight, then brother, you "have it made". This has been the practice of strong and willful men from time immemorial. It was only yesterday that we interred the doctrine of the Divine Right of Kings.

How Ethical Monotheism Arose

The Hebrew people were amazingly articulate in carving out a philosophy of Ethical Monotheism which ultimately won universal acclaim and changed the course of history.

Upon taking up life in Canaan, they adopted the policy of buying and selling land. This brought the law of rent into play, and all sorts of evils began to plague them. It is our firm conviction that the discerning Hebrew prophets were jolted into making these observations because of the contrast between the "before Canaan" and "after Canaan" experience.

One can watch the prophets as they reacted to the injustices and the inequities which seemed to have fastened themselves on their way of life. These modes of behavior were an affront to their spirits. They cried out bitterly against the lust for land exemplified in the practice of adding field to field.

They saw a strange and terrible change coming over their countrymen and in an effort to put a stop to the processes which seemed to be pitting class against class, they challenged their countrymen to recall that their God was a God of Justice (Mishpat) and that He would never tolerate such a violation of the

principles of righteousness and justice in His people. They played it as men of faith.

Modern Ways Must Be Different

What disturbs us today is that religious leaders are still playing this as men of faith. We have no excuse for trying to rely on moral suasion alone in our effort to see justice prevail. One would think the law of rent had never been explained or that a scientific procedure had never been worked out. For us there is no excuse. If we do not understand the law of rent and imagine we can hold the line against selfishness by moral suasion alone, then we are in mortal danger. If we have been tricked into believing there is no such law and that a democratic government can play fast and loose with its taxing authority, arbitrarily taking money here and leaving it there, as if it were impossible to find any set of principles for guidance, then we can expect to become hopelessly entangled in our own web of sticky mistakes.

If we think that we can disregard the law of rent and that our churches can turn out such impeccable characters that good Christians everywhere will disregard the law and pay high wages when the going rate for labor has fallen everywhere, then we need some primer lessons in economics. No businessman, Christian or not, can pay twice as much to labor as his competitors and stay in business. The law is inexorable. And when the government thinks it can step in and arbitrarily establish a minimum wage in utter disregard of the laws of rent and wages, then another crimp has been put into the free enterprise system.

Most clergymen who pride themselves on their social compassion, have adopted positions left of center. We may sympathize with the intent, which is to relieve want and to give a sense of security to our fellowmen in the face of hard reali-

ties of the economic processes. But we must realize how all this is related to the socializing process.

leave others so hard pressed that they cannot even find a place to stand or work.

Much has been left unsaid and unexplained. What is the "Law of Rent"? That must be left for another time. If we have made the reader suspect that there is such a law, that is all we can hope for now.

However, one must clearly distinguish between socialism as a state function of organizing the economy, and social institutions which men must set up to make their society an image of the ethical and moral values of its members. And it is here that we come upon the scientific basis for such social institutions.

There are some values which have been socially created, and these should be socially collected and socially distributed. All we have to do is to observe what values naturally attach themselves to land and then see that those values, and only those values are appropriated by the state. As things are now, we confuse the entire picture. The state allows landholders to keep socially created values for themselves, and then it turns upon everyone and takes away in taxes billions of dollars worth of individually created values. We allow some people to enjoy very special privileges and we

Notice To Our Readers: The change-over from printing to mimeographing will assure continued publication for an indefinite time. We hope that our friends will put up with the new appearance until such time when increased interest and support from among Oregon taxpayers will make a more attractive format possible.

The opinions of contributors are not necessarily our own.

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The real trouble with most of those fine new homes is that they are located on the outskirts of one's income.

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Publisher: Harvey O. Akesson

Editor: H. James Hotaling

Bus. Mgr.: Erick S. Hansch



Robert Clancy, Director,
Henry George School
50 East 69th St.
New York 21, N.Y.