

The

Baroque



"A throat, mouthpiece, spout." Opinions expressed herein are those of the writers and not necessarily endorsed by the Henry George School.

HENRY GEORGE SCHOOL OF NEW JERSEY

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BEMARE OF VAT!

The VAT (Value Added Tax) which is under consideration by the Federal Government is - B A D !

HUMAN EVENTS has this to say about it:

"The supposed main purpose is to relieve the overburdened homeowner by eliminating that portion of his residential property tax that goes for public schools. The states, through federal subsidies raised via VAT, will then be encouraged to assume virtually all the responsibility for financing the public elementary and secondary schools.

"Under the plan outlined by HEW Secretary Elliot Richardson, the rate of the tax would be about 3 per cent. The value added tax is levied at each stage of production and distribution, from raw materials to the final retail sale. The yield from this new bonanza: about \$18 billion annually.

"Of the \$18 billion raised, the federal government would then channel back to the states the remaining \$12 to \$13 billion for the support of public schools. The \$5 to \$6 billion left over would then be used to underwrite a system of personal income tax credits and cash rebates, thereby offsetting the "regressive" nature of the tax. That is, those in the very low-income brackets are expected to receive from Washington approximately the full amount paid in value added taxes, while the rebates and credits would diminish as one's income rises.

"In brief, the privileged poor - those who will unquestionably qualify for the government's guaranteed annual income as well-will be the only people, at least initially, who won't get nicked by the new tax.

"The government's pitchmen are fundamentally promoting VAT as a way to ease the burden of the taxpayer. The property owner, rich or poor, will be relieved of paying local school taxes. Of those making \$20,000 a year or less, some will not only benefit from residential tax reductions, but all will receive rebates or tax credits geared to VAT.

"Thus VAT promoters are almost effervescent in arguing their case. But the truth is that the enactment of VAT will not provide a tax break for anyone. For it is clear that, overall, the average American - property owner or not - will continue to pay ever higher taxes so long as the federal, state and local governments refuse to lower expenditures. Though property owners may be temporarily relieved of paying school taxes under VAT, the legislatures and Congress will certainly find other ways to squeeze additional dollars from them.

"Moreover it is quite possible - indeed, it is probable - that even the property tax will again begin to rise once VAT is on the books. Under the Administration proposal, local property taxes on both residential and nonresidential property used to support the operating costs of elementary and secondary education must be eliminated in order for a state to

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qualify for federal VAT payments. But there is nothing in the administration proposal to prevent the states and local governments from increasing taxes on property so long as the taxes are not used to finance the public school.

"There is, of course, another catch to this whole business. Knowledgeable persons in Washington believe the Administration primarily desires enactment of the value added tax to raise more revenue for the deficit-ridden federal government.

"As a new and hidden tax, the spenders in Washington see a golden opportunity to exploit its potential. Predictions are already being made that, like Social Security and the income tax, VAT will also experience a phenomenal rise.

"Far from lessening the tax burden, then, all evidence suggests that imposition of the value added tax will increase it," at least in the long run.

"In addition to all this, VAT appears almost calculated to reduce local and state control over the schools.

"Commenting on this whole situation Rep. John Ashbrook (R-Ohio) recently stated:

"The Administration can offer American property owners and wage earners authentic relief from the crushing burden of taxation at the local, state and federal levels by getting federal spending under control, cutting its own swollen budget, and setting an example of fiscal prudence."

THE GARGOYLE suggests - any tax on production (and certainly that is exactly what VAT is) should be given extreme examination-any meddling with the PROPERTY TAX ought consider most carefully the effect on selling price of land and land speculation.

Perhaps it is too much to expect any consideration to be given to collection of the site-value of land for public revenue in the near future, but before sinking in the mire of VAT, perhaps the "Net Costs Tax System" outlined by The Canadian Research Committee on Taxation might be far better than VAT.

ANOTHER FINE REPRINT

PROGRESS AND POVERTY'S CONTINUING CHALLENGE, by James M. Roberts, J.D., LL.M., (Legal Services - Director, Office of Economic Opportunity, Denver, Col. Reprinted from American Journal of Economics and Sociology, July 1971. Available from Schalkenbach Foundation - 15 ¢

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Do you pass your copy of GARGOYLE along to someone else to read?

EDUCATION AND THE PROPERTY TAX

It is ironic, but possibly not really surprising, that one of the most important services of man -- education -- should be the instrument for vitiating, if not destroying some semblance of common sense in the treatment of land in America.

Because such well meaning men as Horace Mann sold America on the necessity for governmental interference in education, our educational system, particularly below the college level has been largely socialized. We call our schools, public schools, but a more accurate characterization would be state or socialized schools, as they are owned and operated by local and county governments, under state control. Mann was warned that all kinds of problems would arise; that education would become secular; that the quality of education would decline; and that related problems would develop. But to no avail. This generation is reaping the harvest.

With education as the excuse, government on the federal level has increasingly invaded not only such areas as civil rights but in economic and religious matters.

And now have come a spate of court decisions declaring that the system of financing our socialized schools is unconstitutional. For example, the Supreme Court of California said that the tax on property, which is the principal means of raising revenue for the schools, discriminates against the poor. This is because in the poorer areas, the amount of taxation which can be garnered by this method is less than in wealthier areas.

The decision apparently is based on the highly questionable assumption that the quality of education a child receives is largely a matter of income spent. While it may be true that the quality of education in the socialized schools of some of our wealthier communities, as in Westchester County (N.Y.) is superior to elsewhere, it is probably not so much that more money is spent as it is that the general educational and cultural level of such communities is higher. New York City probably spends more per child than 90% of the schools in the country, but children graduating from its schools these days do not display any greater educational excellence. On the contrary their deficiencies are arousing increasing concern on the part of the parents.

If the nation wants quality education, it must abolish our socialized school system and return education to the parents, where it belongs. The result would be the creation of private schools all over the country devoted to meeting the varying needs

of the children. Not only would the children then have the opportunity to develop their capacities properly, but the cost would be far less than now.

In the meantime, however, with education as the excuse, an assault has been made on the property tax. Some apparently think this is a good thing for it may cause people to examine the property tax critically. After all, part of the property tax is not only unwise and unjust, it is stupid.

That is, the taxing of the value of improvements. This should be abolished. This would mean not only that greater and better improvements would be made, but wiser use of the land. But the part of the tax which should not be touched is that which is on the value of the land. If anything, in most cases, it should be raised. It should be raised to the point where the full economic rent for the loan of land is paid to the local community.

If, in the ensuing debate, it should develop that this would occur, then education would have served as the spur for a great achievement. However, the danger is great that the very opposite will occur.

All manner of proposals are being made to replace the local property tax. In New Jersey, the proposed \$1.5 billion tax package is supposed to result in an average one-third reduction of local property taxes. That's the bait put before the Jersey homeowners to invite their support. And what is the price to be paid? Well, the tax package includes a graduated state income tax, plus a state-wide property tax with a rate of \$1. for each \$100. of assessed true valuation.

It isn't bad enough that New Jersey has a sales tax and a lottery, but the taxpayers are to be saddled with an income tax. And as for the state-wide property tax administered by the state, that is precisely the wrong thing to do. In assessing land, it should be done by the local community for then it is more under the control of the people. The further the assessing units are away from the people the less control they have, and the result will be more inequities and abuses.

It is bad enough under local control. Land speculation is rampant, helped in no small measure by inequities in land assessments. Time after time, one reads of corruption and inequities in assessing land. But what happens locally is nothing compared to what will occur when the State controls assessing.

Even if there is no corruption, the very fact that the rate of assessing real property is supposed to decline

from an average of \$5.28 per \$100 of assessed value to \$1.00, means that real property would increase in value. Land would become that much more expensive precisely because the taxes on its value would be so much less. No doubt, this appeals to homeowners--it certainly does to land speculators--but it means that a smaller number of private homes would be built. With land so expensive, it would only pay to build multi-storied buildings, so more of the people would be living like rabbits in warrens. This does not take into consideration other improvements to land as factories, etc. which would tend to be more cheaply constructed as the price of land would be so high, there would not be adequate funds for proper construction.

But, of course, there is no assurance that local property taxes will be reduced to anything like the amount assumed. It's an old saw that once a tax is levied, it endureth forever. In the depression, New York City levied a temporary sales tax to help the needy, of about 1%. Now, almost 40 years later this temporary tax is 7%! It's as temporary as death is.

What will probably happen will be that the statewide property tax will be levied on top of the local property tax. Oh, for a while it may be that the local one will be reduced, but sooner or later it will go up. The danger is that land values will tend to be undertaxed, giving rise to the increase in the price of land causing some of the problems mentioned previously.

Will the tax package be adopted in New Jersey? Probably, for no doubt it will have the support of such interests as labor and homeowners, not to mention real estate speculators. The homeowner cannot help seeing a decrease in his real estate taxes with a concomitant rise in the value of his home. Labor will favor the income tax, and the gamblers in land values will favor the reduced taxes on land values.

New Jersey is definitely on the wrong road. Only a few years ago, it was one of the few states without a sales or income tax. Now, it is going all out to catch up with a vengeance. And much of this is done on the excuse that it will help increase the educational opportunities available. What crimes are committed in the name of education!

OSCAR B. JOHANNSEN

Indians (American on reservations) get land free, they pay neither principal, interest, nor rent for land. They sign no mortgages. Money cannot be borrowed on land they don't individually own. So they can't lose their homes, their farms, through foreclosure.

All of them have jobs - always will have; for free land always offers work.

SENSE & NONSENSE

Australia appears to be going thru the same kind of experience that America did in the 18th Century. Just as the white man here, paid as little attention to the rights of the Indians as he could, so the white men in Australia are paying as little interest in the aborigines as they can.

But just as the Indians fought back so are the Australian aborigines. It is to be hoped that they will have greater success than the Indians did.

At any rate, the New York Times reports that there has arisen a militant black group of young aborigines, who apparently are willing to resort to violence to obtain their objectives.

It may well be that their activism was brought to a head by the official rejection of tribal claims to land. Last year, the Supreme Court of the Northern Territory handed down a 260 page long decision declaring that the 160,000 aborigines had no legal title to their ancient tribal lands. And what was the basis of this decision? It was stated that upon the founding of the British colonies in Australia all the land became the property of the Crown. A person who claimed ownership of a piece of land had, thus, to show that his title came from the Crown. This, the aborigines could not do. Of course, there is no record that the aborigines donated their claims to the land, they and their ancestors had lived upon, to the white man when he came. What the court decision amounted to was that when the British came they stole the land from the aborigines, and only people having a title given by these buccaneers was valid.

One activist stated recently that "they repudiated the Government's position that the aborigines belong to the land but the land doesn't belong to the aborigines."

Probably alarmed at the growing militancy, the Australian Prime Minister recently pronounced new land rights to the aborigines. In effect the Government reaffirms the repudiation of aboriginal claims to ownership of tribal areas. However, it permits them to obtain traditional tribal areas under lease provided they have "the intention and ability to make reasonable social and economic use of the land." As with other leases, the Government will retain ownership of all mineral and forest reserves.

If the Australians treat the aborigines in the future the same way we treated the Indians here, you can be sure whenever it serves the interests of white men to take over the land, they will find excuses enough. If

nothing else, they will claim the natives are not making "reasonable social and economic use of the land". If any valuable resources as oil is discovered, no wise man would bet that the aborigines would manage to hold on to the land.

Paradoxically, what is interesting is that apparently the Government is leasing the land. This, of course, is along the lines Georgists recommend. In the whiteman's desire to hold onto the land, they apparently have stumbled on to a sound means of allocating the land. But the Government should lease the land of all of Australia to all the people, and it should be done by the local governments, not the central one.

It will be interesting to see what develops in the next decade. Will it be a repeat of what happened to the American Indians?

SALT OF THE EARTH

Did you know that there is no unemployment in America? It's just a rumor that there is any unemployment which has been circulated by people who are out of work.

Customer: Do you remember that cheese you cold me last week?

Grocer: Yes, I do.

Customer: Would you say that it was imported or deported from Denmark?

Experience is what you get when you are looking for something else.

Depression: A period when people do without the things their parents never had.

Success: Getting what you want.

Happiness: Wanting what you get.

Genius: A man who has limitations.

Dunce: One who is not so handicapped.

Isn't it true that it would be easy for a government to please its people? All the people want is lower taxes and larger appropriations.

He: My wife has the worst memory.

Friend: Forgets everything, eh?

He: No, remembers everything.

Telephone Operator: It costs \$1.00 to talk to Chicago.

Caller: Can't you make a special rate just for listening? I want to call my wife.

Our world is a great ball that revolves on its taxes.

SNOWMEETING

Third Thursday Discussion Group will meet at the East Orange headquarters of the Henry George School on March 16th unless weather and road conditions are unfavorable, as they were in Feb. Hope conditions good and to see you.