

MICHIGAN MAYOR TAX FIGHT FOLLOWED

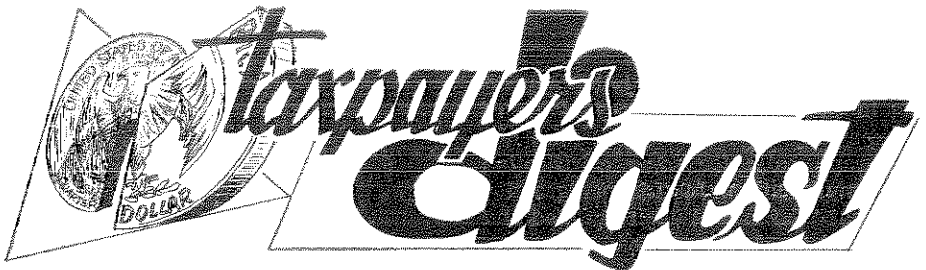
As we reported in the January-February issue of the Taxpayers Digest, Mayor Clarkson of Southfield, Michigan (35,000) had been instrumental in getting a survey and reappraisal made of land values in that city. The survey was undertaken by a private firm, J. M. Cleminshaw of Cleveland, Ohio, whose representative, Dick Kiesel, said that he found a wide variance in front-foot prices on commercial as well as residential land. The appraisers consulted owners, realtors and Court House records in computing fair market value of property. Complete land maps with appraisal figures marked on them were then made available by the office of the city assessor, Gerald Easlick.

In the years 1961 and 1962, Southfield had lost \$1,251,350 of assessed property value due to the expressway construction program. With the prevailing assessment ratio of 30 per cent, fair market value would be around \$4,000,000. Further losses must be expected before the expressway layout is completed. However, the appraisers have found an additional amount of \$15.5 million involving all land in the city. From this amount must be deducted \$7.5 million which is to be allowed as a depreciation figure of 1 percent on buildings (1 percent for each year of age of the improvements). This leaves a net gain of \$8,000,000 of market value of which the city assesses 30 per cent for tax purposes, or about \$2,400,000.

It is claimed that with the statutory millage limit, the net gain in taxes will be \$45,000 to \$50,000, from which \$16,000 must be deducted as the cost of the 18-month survey project.

The tax position of the homeowners in the reappraisal program will be improved in most cases because of the 1 per cent decrease in market value allowed for each year of the age of improvements, which usually more than offsets increases in land valuation. Much of the vacant land and slum property, however, will be taxed higher according to potential use, and this will tend to discourage speculation in land values, and also counteract the deterioration of city areas into slums.

While all local Southfield taxes are based by charter limitation on "assessed valuation," the schools levy their millage rate after the local assessed valuation has been multiplied by an equalization factor. This factor is set by the State estate tax equalization board. Should this board decide that Southfield has done an eminently proficient job in reappraising at current market values, the present equalization factor of 1.6 may be substantially lowered—some observers think as low as 1.1.



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If the school levy then should fall short of the needed amount, decision would rest with the county as to how much of the statutory 15 mill limit the county will share with the schools. Should this amount still be insufficient for the operation of Southfield's schools, then the school board would have the alternative of asking the city voters to approve a millage increase to finance the projected 20-year improvement construction plan now underway.

Mayor Clark will soon be up for reelection which he hopes will materialize so he can push his program of further substantial relief for improvements.

HOUSE TAX BILL WILL RECAPTURE LOST TAXES

The proposed House Bill 1230 is intended to recapture for the community part of the money expended by the community for services which substantially helped to bring about the higher land values. It is a good and reasonable bill, because it would allow farmland owners in fringe areas to continue farming and still retain the much lower assessment on their land which would yearly acquire increases in value due to higher potential use.

When farming use of the land is discontinued, the bill provides for the recapture of lost taxes for the preceding seven year period.

Exemptions as set out in the draft of the bill are provided for public or private schools, churches, golf courses, and parks, playgrounds or community centers owned and operated by governmental agencies or non-profit community organizations. It is felt, however, that there is no good reason to exempt private golf courses, since they occupy very large tracts of land reserved more or less for the leisure class.

The bill would counteract any trend to speculative holding of land, and thus help the housing market by providing lower cost building sites.

New Zealand Tax Authority To Speak in Portland

Why are houses, patios, swimming pools, buildings, factories, machinery, crops and personal property taxed heavily in most of the United States, but usually taxed lightly or not at all in Australia and New Zealand, and how does it work?

A New Zealand surgeon who says he knows how, and why it helps Australia and New Zealand, will tell it to American audiences in April and May.

Dr. Rolland O'Regan of Wellington, N. Z., distinguished in the fields of medicine and the economics of taxation, will make a nationwide lecture tour of the United States, according to the Robert Schalkenbach Foundation in New York, which is sponsoring the greater part of his speaking engagements.

Dr. O'Regan, 59, is president-elect of the British Empire Cancer Campaign Society, and is a Fellow of both the Royal College of Surgeons, England, and the Royal Australasian College of Surgeons. He is also chairman of the New Zealand League for the Taxation of Land Values, the organization credited for the spread of the system whereby houses, buildings, improvements, crops and personal property become exempt from local taxation in his country.

Dr. O'Regan is expected to arrive in San Francisco April 6 or 7, and will wind up his tour May 14 in Washington, D. C., with a talk to the National Association of Mutual Savings Banks Officials. He will also speak to city planners, professors, university seminars, a legislative committee, homebuilders, tax and public officials, urban renewal people, manufacturers, officials of the Kennedy administration, and be interviewed by press, radio, and television reporters.

Dr. O'Regan has written extensively on taxation and has lectured in England, New Zealand, Australia, Canada, Europe and the United States. He was last here in 1958. According to him, land value taxation is still spreading "down under" because its economic benefits are seen,

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To The Editor . . .

* Some readers of my letter appearing in the January-February issue of "Taxpayers Digest" felt that the last paragraph calls for some clarification and amplification. In this paragraph I said that "the impact upon the land and upon society of income from land is opposite to that of income from capital. To maximize income from land one can only withhold land from use; to maximize income from capital one must call more and more land into use."

Holders of land as such can get an increased return (over and above current or going return) only by somehow getting those who produce wealth and those who produce and use capital to pay. The usual method is simply to wait for an increased demand arising from population increase, which calls for increased production which, in turn, calls for more capital. Also a rise in the standard of living of any population will call for more capital and so intensify the demand for land (more capital, because capital aids labor in production, and this is how a higher standard of living is achieved).

Landowners also operate politically to serve their ends. Examples are farm programs, "urban renewal" programs, and the drive to "broaden the tax base," i. e., to cause taxes to fall with relatively greater incidence on income (earned), and consumption (sales taxes). The writer also believes that government-sponsored monetary inflation via the monetization of government debt is also desired by landowners as such, inasmuch as it tends to postpone a depression which would result in a collapse of land values (which are really the value of the net rent or income from land), if not in revolution. He also believes that this monetary inflation will ultimately defeat its own end.

Richard T. Hall
177 St. Botolph St.
Boston 15, Mass.

* Thanks for the copy of Taxpayers Digest. I've seen the Digest several times before and always look forward to reading it . . .

Laurence Kobak,
New York, N. Y.

* Please renew my subscription to your fine publication the **Taxpayers Digest**.
Thank you,
Bob Dodge
Portland, Oregon

WILL TAXES FIGHT COMMUNISM?

Regretfully, lack of space prevents us from bringing the full story by William E. Walker of his fight against communism to our readers. His story is all the more interesting to us, because of the connection with taxation. Mr. Walker of Erie, Pennsylvania, is the owner of Erie Burial Case Co., EBCO Industrial Park and other residential and commercial property in and around Erie. He graduated from the School of Business of the New York University, is a director on the board of the Union Bank & Trust Company, director of the YMCA, Erie Boy's Club . . .

Until about two years ago he felt that he knew his economics pretty well. He was then, and still is, very critical of the New Deal apparatus, and apprehensive lest the left wing approach to our problems gain such headway as to completely destroy our free institutions.

Two years ago he got his first jolt, as he tells it himself in ELTA-NEWS (Erie Land Tax Association) of November 15, 1962. He heard Dr. Harry G. Brown explain how a new law, applicable to real estate taxes, could be used to restore many of the old freedoms and make unnecessary any further extension of the New Deal type legislation. Then he read Dr. Brown's book: "The Effective Answer to Communism" and was very much impressed by it because it made the part that land plays in an economy so significant.

A few months later he in company with Robert Meyer, an engineer at General Electric, and Charles Hall, a member of the Jaycees, went before the board of directors of the Erie Jaycees to put before them their ideas on taxation that would provide a positive way of dealing with communism right here and now. They felt that it is not enough to rail against it, but that it is necessary to do those things that will make it impossible for communism to gain a foothold.

Late in October of 1961 the Jaycee membership endorsed Land Value Taxation, and shortly thereafter the Erie Land Tax Association was organized.

Since most people have only a limited knowledge of assessment procedures and have never suspected that a shift of taxes from improvements to land value would make much difference one way or the other, they need a considerable amount of explanation before they can appreciate the significance of the proposal. The practice of using both land and building value as a tax base has been followed for many years and is so deeply ingrained in our way of life that

a great deal of education must go into the process of preparing for ultimate political action.

Mr. Walker's group admits to a feeling of chagrin that they should have lived so long without being introduced to these simple fundamentals of economics. At first they were disturbed and baffled by the fact that these concepts had escaped the attention of so many economists. Mr. Walker himself wrote to quite a number of leading professors and inquired if they were familiar with the idea of taxing land value and untaxing buildings. The results, he states, were most disappointing. Most of them did not reply. A few admitted their ignorance, but one said he was a strong believer in the principle. But on the whole there is an obvious lack of opposing arguments. When someone comes up with what he considers a good negative argument it has always been possible to show that the fundamental principle of land value taxation has been misunderstood by the opponent.



The **Taxpayers Digest** is published bi-monthly by **Taxpayers Publications, Inc.**, a non-profit organization devoted to publishing tax news in the interest of the general taxpayer.

The **Taxpayers Digest** actively supports groups interested in problems of taxation and tax savings and provides a means by which such organizations may reach the general public. It holds that homes used as homesteads by the owners whose yearly income is less than \$3,000 should be tax exempt and that taxes should be placed where they will hurt the economy the least and from where they cannot be shifted.

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Readers are invited to send their opinions to the Editor, **The Taxpayers Digest**, P.O. Box 2506, Portland 3, Oregon, but the publisher and his staff assume no responsibility for views expressed by individual contributors.

THE SEPARATION OF OWNERSHIP AND USE

Elsewhere in these pages we bring a book review of a little volume by the German economist, Prof. Folkert Wilken, who has concerned himself with the unsound concentration of capital.

Lest our readers may be led to believe that the author, or we ourselves, are advocating government ownership of capital or the nationalization of banking, we print below, for greater emphasis of our stand, the article from the January-February, 1963, issue of "Threefold", published in Spring Valley, N.Y.

What most socialists have failed to realize is that, although their ideology may be ever so watertight as concepts in the mind, it will not stand up amid realities. The reason is that when the State undertakes to manage the means of production, inefficiency and corruption inevitably creep in. Government-ownership coupled with government-management, has proved to be a failure. Yet, no one has hit upon the idea that the management of capital might be separated from ownership, and that the true work of government is not to manage, but to safeguard common rights.

The separation of ownership and use would become possible if political power were not supreme in all areas of social life. Thus, in a decentralized society, where the **cultural, political and economic** functions operated independently, the ownership of capital could be vested in a non-governmental institution of the cultural sphere, lifted beyond the reach of political and economic interests, alike. From there, it could circulate as loans to start private enterprises where consumers needed goods or services that a producer was able and willing to supply. Impersonal rules governing the flow of capital into such associative enterprises could be laid down by law.

Also, in a society operating on the basis of functional decentralization, educational establishments in the cultural sphere and the money spent on education, would no longer be managed by politics. Instead, the taxes available for education would be divided up on a per-pupil basis and credited to parents for sending their children to school.

Functional decentralism would, furthermore, permit the ownership and use of land to take a new direction. For instance, it would be possible to earmark inheritance or other taxes for freeing the land for use. Such taxes could be used to buy up the cheapest pieces of land offered anywhere in the country. These purchases would be transferred to an institution in the cultural sphere.

The land would then be made freely available to homesteaders, subject to the provision that it may only be disposed of to another bona fide personal user.

The political feeling of Americans has changed considerably in recent times. On the surface, public morality may not be anything to boast about, but, underneath, there is a longing for better human relationships. People are weary of competition. They are not as interested as they were in the struggle to possess the means of production. And voters are divided into two main groups: those who know that Marxian Socialism won't work, and those who hope that it will.

If socialism and communism are not to come to America, a greater circulation of capital should be encouraged. Then the means of production would not always be directed by the owners of funds or by politicians, but, rather, by the creative abilities of users.

We would like to draw our readers' special attention to the paragraph above on taxes for education. As we know Mr. Courtney, he gives great preference in his thinking to private schools of the nature of the Rudolf Steiner schools in various parts of the world. And anyone who has seen these schools or knows something about their educational program and success, will agree on their outstanding performance. So that what Mr. Courtney seems to imply is to let parents decide in what kind of school they would want to invest their tax refund for the education of their children.

It seems a very worthwhile idea to have greater competition even among different types of schools. Private schools have done real well in America scholastically, and with less funds, less frills, less overhead. And so far as religious education is concerned, public schools will not provide it today.

After all, the school should rightfully be considered the extension of the home, and not as a public body or institution.

On the point that Mr. Courtney made with regard to freeing land for economic use by earmarking certain taxes for the transfer of land by purchase to the institution of the cultural sphere: Undoubtedly this viewpoint can be considered as the result of the erroneous concept that land is of the same category as capital assets, and can therefore be used as an object for capital investment. That it is being so used today, is one of the great anomalies of Western economics, and leads to great harm to the community. To want to buy such land—any land including our natural material resources—to free it for economic use is misunderstanding the characteristic of land. Its value reflects directly the expenditure of the community in the various communal services, and the community should, therefore, be entitled to collect the groundrent, or value thus created.

Buying back the land would amount to compensating present landholders, whereas it is the community which has been defrauded these many centuries out of its rightful dues.—

NEW ZEALAND TAX

(Continued from Page 1)

and because it helps "re-assert the common rights in land while preserving the necessary individual rights."

Dr. O'Regan says that since his revival of the New Zealand League for the Taxation of Land Values in 1945 there has been a tremendous surge of interest in the idea, and adoption of the plan by one New Zealand community after another. At present he is leading a movement to request a vote on land value taxation in Auckland, the biggest city in New Zealand.

He will speak in Portland April 12 to members of the Metropolitan Planning Commission as well as other Oregon planners.

Paper Encourages to Untax Improvements

Recently the Engineering News Record (ENR), published by McGraw-Hill in New York, said editorially: "Because the California Assembly rejected the proposed bill to increase the proportion of property tax on land and at the same time ease the tax load on improvements, that the State missed an opportunity for creative use of the tax policy. The law would have made it more difficult and expensive for speculators to hold land idle, and thus would have stimulated more efficient use of land. Moreover, it would have encouraged buildings, repair or deteriorating structures and other property improvements since they would then not be penalized by higher taxes."

Today prices of far-out land is higher in proportion to centrally located land than it was ten years ago. To combat this deterrent to home construction, a proposed state constitution amendment in California suggests a seven-year safeguard against speculation on close-in agricultural land which would require a farmer, in selling his land, to pay the difference between the lower agricultural tax rate and the regular tax rate on subdivision land for seven retroactive years.

Opponents claim—and rightly—according to ENR that this provision is insufficient and that "if a community wishes to reserve open space for future needs there are more certain ways of accomplishing it."

BOOKS . . .

New Forms of Ownership Studied

During the last contract negotiations of the United Automobile Workers Union, editorials across the country focused attention on the growing complexities of union bargaining. While agreements were soon reached on basic economic points, other so-called non-economic issues, mostly of local nature, had to be thrashed out in protracted hassles. The magnitude of the problem can be gauged by referring to some 19,000 points at issue, which through a process of eliminating duplications and other simplifications were finally reduced to about 11,000 still to be negotiated.

Even this is a Herculean task. And it must be expected that issues will not decrease in number as long as labor and management face each other strictly as unsympathetic opponents in a world which grows steadily more complex.

Automation brings on even greater severity in the social aspects of labor-management relationships. As mentioned once in these pages, at least one union in England is known to have asked for "lonesome pay" as a premium to workers who for the largest part of their working shift are cut off from occasional social contact with fellow workers, perhaps attending a push-button panel from where hardly another living soul can be seen all day long.

On the other side we see management often heedless of national interests in pursuing policies of administered prices and consequent forced community saving, of overexpansion of production facilities, of monopolizing our natural material resources, of illegal collusions as to prices and markets. The concept that labor is a commodity, a cost factor, an article fully subject to the mercantile law of supply and demand, is deep-rooted, although many sensitive persons feel that it stands in the way of accepting the worker in his rightful dignity and worth.

To let labor, especially through its unions, take a decisive part in the management of an enterprise is certainly impractical, as experience has proven in a number of situations. And the admission of labor representatives to boards of directors to assist in the formulation of corporate policy, has left much to be desired, especially with regard to anomalies in the social relationships.

In the search for better solutions, Peter Drucker must be mentioned as one who—in his books "The New Society" and "The Future of Industrial Man"—has called for enterprise communities which, once organized, could handle all "non-economic" issues as they arise, and so avoid the insidious jam of issues at contract bargaining time. And now comes Folkert Wilken,* professor of economics at the University of Freiburg, Germany, who has taken the special case of profits and their distribution as his field of investigation.

His proposals, if realized, would overcome one of the main stumbling blocks in the bargaining negotiations between labor and management, because they would remove the distribution of "surplus" as one of the issues used by labor to which to anchor its often drastic wage demands.

The author has in mind an organization or organ composed of the working members of an enterprise, which might take the form of a foundation, or, as in the case of the English plastics manufacturing firm, Scott Bader & Company, Ltd., has taken the actual form of Scott Bader Commonwealth, Ltd.

This organ is charged with carrying out a number of functions, chief of which is to decide what is to be done with the surplus, or at least, with a substantial part of the profit.

In the case of Scott Bader Commonwealth, Ltd., a few outsiders—members of the community in which the factory is located—are invited to membership, and the deliberations and decisions concern themselves primarily with the disposal of the surplus capital. Besides allocating funds for expanding production facilities, a certain percentage is always voted for distribution to educational and charitable institutions, mostly within the immediate community.

Funds voted for reinvestment remain the property of the Commonwealth organization, on which interest may be claimed and earned.

The Commonwealth performs yet other functions, such as the equitable allo-

cation of free time and vacations, and other amenities, it also makes it its task to dispose of employee grievances as they arise. But there is no question or problem of interference with true managerial conduct of the production and business departments.

Professor Wilken's book gains in human interest through the very fact that Scott Bader & Co., Ltd., and a few like-minded business friends of Mr. Ernest Bader, chairman of the manufacturing firm, have founded the Society for Democratic Integration in Industry—Demintry, and are thus actively demonstrating Prof. Wilken's theories.

Scott Bader & Co. has furthermore in its articles of incorporation a feature which should arouse some special interest in our time of growthmanship, of the unlimited growth of giant corporations that have long since overstepped the line marked "maximum efficiency;" it has set an upper limit for its total work force of 250 people.

The reasoning for this measure is simple, but it certainly took a lot of courage to promote it in our space age with its exponential thinking: in large companies, with a great number of employees, the individual loses the personal touch and feeling for the organic whole of such an enterprise.

With Scott Bader & Co., and Demintry, and Prof. Folkert Wilken, one finds new hope for a return to humaneness in business.

"New Forms of Ownership in Industry" appeals to those who look beyond intellectual sophistry toward the realization of human dignity and ideals in the businessworld which is threatened to be engulfed by demonic machiavellism.

* Prof. Wilken's book "New Forms of Ownership in Industry" with foreword by Jayaprakash Narayan, attractive soft cover, 84 pp. \$1., can be ordered in America through Taxpayers Publications, Inc., P.O. Box 2506, Portland 3, Oregon.

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