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"Only what is socially just is economically sound"

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INCREASED LAND VALUES FOLLOW FREEWAY ROUTING AND IMPROVED METROPOLITAN TRANSPORTATION SYSTEM

When the city of Stockholm, Sweden, years ago foresaw the future need for new suburbs, it bought low-priced land beyond the city limits. Now it is extending high-speed modern rapid transit lines into these undeveloped areas and building carefully planned new communities along the routes. The rapid transit lines enormously increased the value of the outlying land, of course, and the income from this land can thus be tapped to help pay for the rapid transit. Stockholm in effect thus harvests the land-boom bonanza that the new transit lines create.

American cities experience the same enormous inflation of peripheral land values when improved transportation becomes available. Russell E. Singer, executive vice-president of the American Automobile Association, cites some startling examples in *Traffic Quarterly* for April 1964:

"In Houston, during a five-year period, land values along the Gulf Freeway increased 65% more in dollar value than land distant from the facility. A study by Texas A & M College of the Central Expressway in

Dallas described the increase in tax valuation of abutting property as "astounding" - a gain of 544% in 14 years.

"Communities along the route of Boston's circumferential freeway report property value increases as high as 700%. In Atlanta, undeveloped land rose from \$100-\$400 per acre to \$1200-\$1400 per acre after the freeway was built. Along the East-shore Freeway in California, average raw land values soared from \$500 to \$21,000."

Similar land value increases occur when new transit lines are built, as Toronto's experience has shown.

It is not necessary for a government body to buy land on the Swedish pattern in order to tap these unearned increments. Much the same result might be achieved by taxing the land value increase that results when a freeway or rapid transit line is opened up, and using the proceeds to pay for the freeway or transit line. (From: March 1965 issue of *Consumer Report*, Consumers Union of U.S., Inc, 256 Washington Street, Mt. Vernon, N.Y. 10550)

Book Review:

"A Primer on Money"

by U.S. Representative Wright Patman

The Subcommittee on Domestic Finance of the Committee on Banking and Currency of the U.S. Congress has published a most significant committee print: "A Primer on Money" (August 5, 1964; obtainable from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C.; 144 pages, price 40¢).

It can be highly recommended to all students of economic, fiscal and monetary matters, also to interested laymen. In the words of the subcommittee's chairman, Repr. Wright Patman, it is a "Primer on Money, which explains in simple, everyday language how our monetary system works, and indicates where it needs reform." And may it be added, it shows how our monetary system is badly mismanaged at present.

The subject matter is treated without the fanatical one-sidedness which results from blind emotional thrashing about so often characteristic of some pamphleteers purporting to criticize the national management of our monetary affairs, without ever showing the least bit of effort to studiously appraise the factual situation and involvements in banking.

The present committee print is based on extensive notes by Repr. Wright Patman who, perhaps like no other congressman, has sat through long, arduous hours of testimony and questioning of witnesses high in the banking and U.S. Treasury hierarchy. He also had access and recourse to volumes of documents dating back to the early history of banking in America. From all this has resulted a uniquely qualified primer which shows on every page the perturbed concern for the public interest.

To do real justice to the book, many pages of its text would have to be quoted or cited, but to just give

a bare idea of its scope and depth, the chapter headings are listed here:

- (1) Money and Society; (2) What is Money?; (3) How is Money Created?; (4) Why Was the Federal Reserve Act Passed?; (5) Who Determines the Money Supply?; (6) Who Owns the Federal Reserve Banks?; (7) Why Was the Federal Reserve Insurance Act Passed?; (8) How the Federal Reserve Gives Away Public Funds to the Private Banks; (9) What is Monetary Policy? (10) What Improvements Are Needed in the Money System?

To anyone who has had no closer connection with matters pertaining to our domestic monetary affairs than through the scant and often quite superficial newspaper reports, it must come as a shocking revelation to find it authoritatively stated in this print, that both the Congress and the President of the United States are powerless in the setting and execution of monetary policies. That, in fact, the independence of the Federal Reserve is such that it can pursue a policy sometimes entirely detrimental to that found desirable or necessary by the administration. The Federal Reserve was created by an Act of Congress, and variously amended, yet owes no responsibility to that high political body of our representatives. This must seem incredible to the general public, but is an indisputable fact well documented here.

The Board of Governors of the Federal Reserve System and the very influential Open Market Committee are under the almost exclusive direction of professional bankers who, like the leaders of any other industry, will seek to maximize the profits of that industry.

Further, the Fed. Res. holds more government obligations than is needed for its income to meet rational expenses.

Also, the individual member banks have left to one side the original intent for which the central banking

system was created, namely, to serve the legitimate monetary needs of industry and commerce, but instead seem to consider it their main function to monetize government debt and drawing interest thereon. To which this writer would add: "The banks themselves, as is evidenced by statements of members of the American Banking Association, feel no obligation or responsibility to concern themselves with the purposes for which loans are requested and granted, but are only looking to the degree of security of the collateral offered. Thus, many loans are being made on mortgages and real estate and capital assets, all of which should be financed by financial institutions out of savings retained from income. This is a serious perversion of the principle of commercial banking and leads directly to inflationary effects in the money market." The committee print has quite a bit to say in this respect, though perhaps not in these words.

It deserves widest attention and close study.

LETTERS:

Taxpayers Digest: Oct. 9, 1965.

I have just read your September-October issue, Vol. 6, No. 5, and agree strongly with your reply to Mr. Day. It is difficult for one to remain calm when one contemplates the attitude of people of whom Mr. Day is probably a good example. These people apparently give no thought to, or have no concern with, increasing levies from the average citizen's income to meet tax bills. This is the thing they, and all citizens, must be concerned with. In my opinion, the taxpayers and/or voters who Mr. Day believes are pretty generally uninformed and misinformed concerning taxes, are emerging from that status quite well. They are learning just what kind of a ride they are and have been taken for. I don't believe that any of the tax-

payers who are subscribers to your publication, or members of the Oregon Homeowners, of which I am a member, are naive enough to think that the establishment of a 1.5% property tax limitation is going to reduce all the tax burden. The people who go to the Oregon State Legislature thrive on taxes. Their pet schemes would shrivel on the vine if it were not for money extracted from a reluctant citizenry. They have great power to levy on people's incomes, and if this revenue cannot be secured from property---and in the past this has been the easiest source---they will surely find other means of obtaining the lifeblood of their activities. Your explanations as to how you have come to join the proponents of the 1.5% limitation are, I believe, eminently logical. I have joined the Oregon Homeowners for much the same reasoning although I have never been active in trying to impress the Legislators with the desirability of not killing the goose that lays the golden eggs.

I especially like your paragraph where you say that these people who are so critical of the 1.5% limitation are almost entirely concerned with severe difficulties in tax administration which is, you must admit, only a polite way of saying, the difficulties of getting the dough away from the people.

You go on to say that these people are not concerned with the social and economic effects on improvements to property. Since these are so illogical and unfair they have also great adverse effects on our respect for and adherence to good Governmental principles. When the Government gets to fighting the people for money to carry on various unpopular activities I think there are bound to be revolts brewed in this atmosphere. The 1.5% fight and the 1963 taxpayers revolt on the income tax increase are prime examples. The success of both of these fights cannot help but clear the air.

There is just one thing in Oregon that I pray will never come to pass. And that is that the People will never give up their long established right to refer measures to the voters, or permit the Constitution to be revised in such manner that referendums will be made so difficult that their power will be nullified or reduced. I reluctantly predict that this may happen unless the citizens of Oregon support organizations such as yours and the Oregon Homeowners. You have an unthankful task, but I hope you will keep it up, and that more citizens will come to your support.

J. F. Cameron
Portland, Oregon.

OREGON HOME OWNERS !

The Oregon State Supreme Court has just released its decision on the ballot title for the referendum petition on the property tax limitation to 1-1/2%. Petition forms are being printed and will be circulated shortly. We need volunteers to carry petitions to collect signatures. Please, send your name, address and precinct number to

Wm. M. Brosy, executive secretary,
Oregon Homeowners, Inc.
5855 NE 31st Ave.
Portland, Oregon 97211

DRASTIC TAX REVISION FORESEEN

We feel greatly encouraged in our fight for sensible tax reform since we learned from news reports that the distinguished State Representative Mr. Lee Johnson (R-Multn. Cty.) has publicly declared himself to be in favor of placing more emphasis in our property tax structure on land values and less on improvements in order to encourage land owners to put their property to its highest and best use.

We congratulate Mr. Lee Johnson on his courageous stand, and promise to give him all the support we possibly can. In fact, we think that in the next legislative session a new phase of property tax reform will be started, one in which even the leaders of the now rebellious Oregon Homeowners group will be able to cooperate.

Back in the olden days it was the boy himself and not his teacher who had to explain why he couldn't read.

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On Our Terms:

Shakespeare: A man whose writings are so excellent it is believed someone else must have written them.

Singing: A man's bathright.

TAXPAYERS DIGEST

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