

# Incentive Taxation

## America's Semi-Single-Tax Town

(A *Los Angeles Times* article by Chas. Hillinger)

FAIRHOPE, Ala. (11/26/84) - For 90 years Fairhope, on the eastern shores of Mobile Bay, has been known as America's "single-tax town."

"Single taxers" founded the town in 1894. They laid out the streets, built the first houses and the first school, set aside parkland, built a library, established a cemetery, started the town government and operated their own utility companies and town wharf.

They called the town Fairhope because they believed that everybody was entitled to a "fair hope" in life, something that they were certain could be achieved only by abolishing all taxes except a tax on land.

### Major Landlord

Today, this philosophy is lived - to a degree - by members of the Fairhope Single Tax Corp., the largest landowner in Fairhope and the surrounding countryside. The corporation leases its land at low rates, using the proceeds to pay property taxes. Even those who don't adhere to the philosophy acknowledge the benefits.

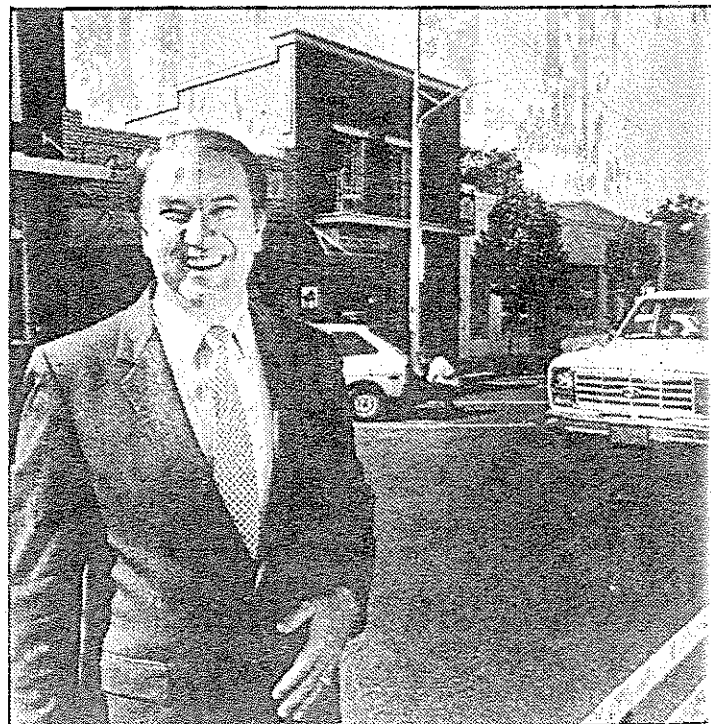
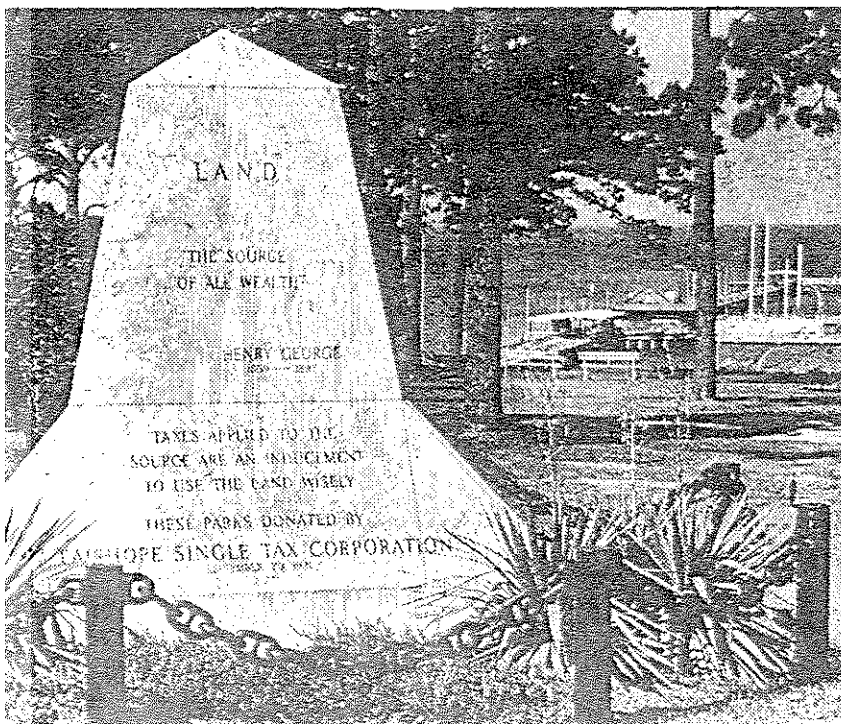
"We have a unique and odd situation in Fairhope," explains Jim Nix, 46, mayor of the town for the last 12 years. "Nearly all of the downtown business district and 20% of the land within Fairhope's town limits is owned by the Single Tax Corp."

"I am not a single taxer, but I own several businesses in town on Single Tax land. It is a definite advantage. We can thank the single taxers for making Fairhope the most progressive town in the South Alabama."

The single taxers trace their roots to a 19th Century American economist named Henry George. To George (1839-1897), the main problem of his day was the close association between what he called "a prodigious increase in wealth-producing power" and an increasing poverty, resulting from diversion of income from the many who produced to the few landlords who did not.

While his single-tax solution was too simplistic, it nevertheless held some merit for the settlers of Fairhope. His

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Fairhope, Ala., has monument dedicated to economist Henry George's philosophy.

Jim Nix is mayor of the "single-tax town."

PATRICK DOWNS / Los Angeles Times

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portrait hangs in the homes of many of the town's 8,600 residents and in the office of the Single Tax Corp.

During the 1930's, the single taxers gave the town seven acres of prime bay-front property for the Henry George Public Park. In the park is a monument to George with a sprinkling of his quotations:

"Land. The source of all wealth."

"Labor. The basis for production of all wealth. There should be no tax based on man's productive earnings."

"Capital. The primary tool is the product of all wealth."

"Taxes applied to capital destroy this tool of production."

Actually, like other Americans, the people of Fairhope pay many more taxes than merely a single tax on their land - income taxes, sales taxes, Social Security taxes, etc. The pure single tax is only a dream.

"What we are doing here is trying to make a point," explains Sam Dyson, 76, chairman of one of Fairhope's four banks and a life-long advocate of the single tax.

### Corporate Official

"Henry George believed labor and enterprise should be free from taxation. Of course, that's not happening. Taxing

manufacture checks manufacturing. Taxing improvements lessens improvements. Taxing capital drives it away. Taxing commerce prevents exchange."

Dyson's father came to Fairhope from Bolton, England, in 1904. He wanted to be part of the single-tax experiment here and wound up as an official of the Single Tax Corp. for 20 years.

The banker is one of 140 members of the Single Tax Corp., many of them descendants of the town's founders.

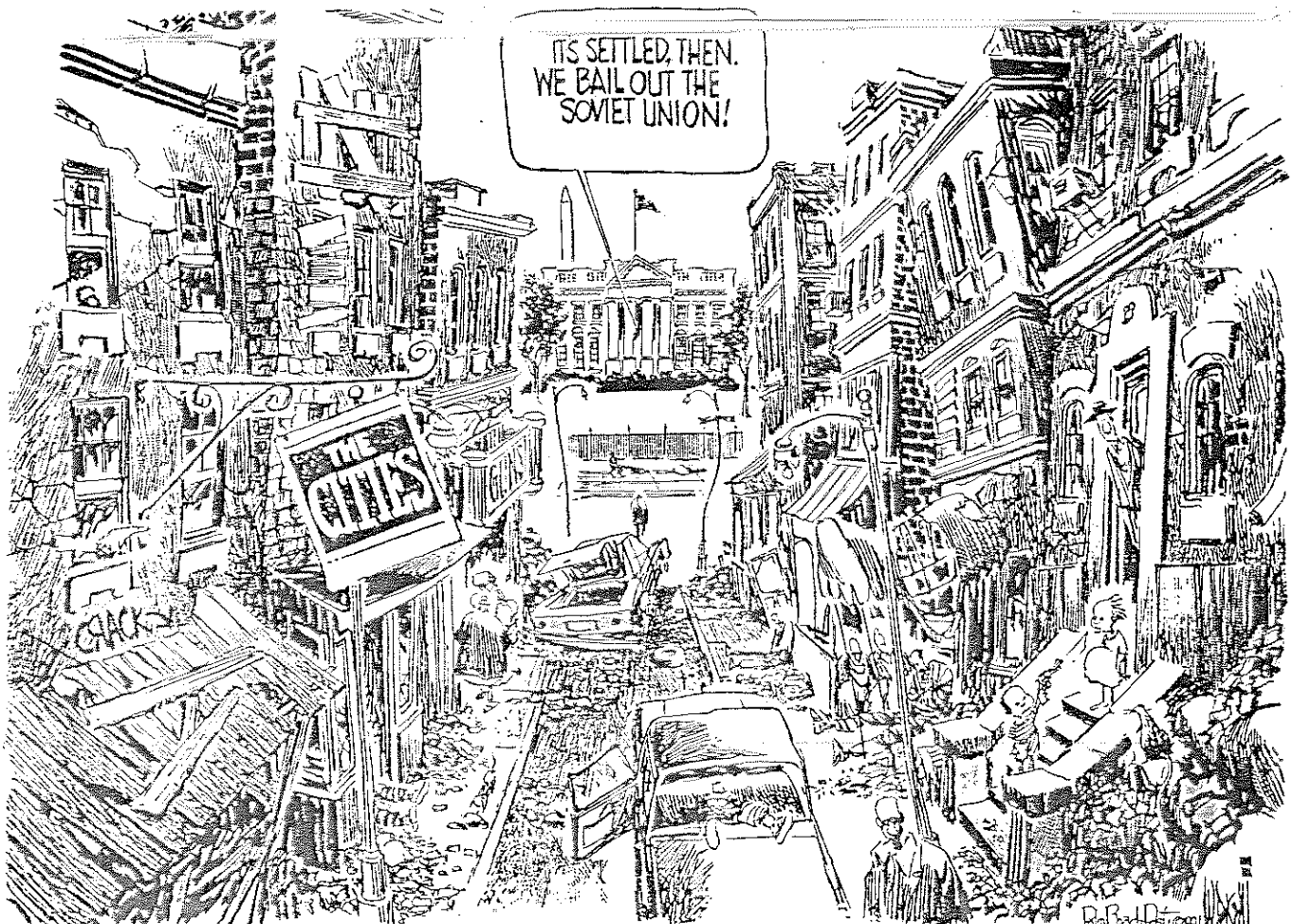
"I can't tell you single tax will happen if we keep trying. I can tell you if we quit trying, it won't," Dyson says.

Most of the followers of George's economic theories who founded Fairhope came from Des Moines, Iowa, led by newspaper publisher Ernest B. Gaston. The Single Tax Corp. began buying up land and by 1907 had purchased 4,300 acres, paying \$6 an acre for bay-front property and \$1.25 an acre for the rest.

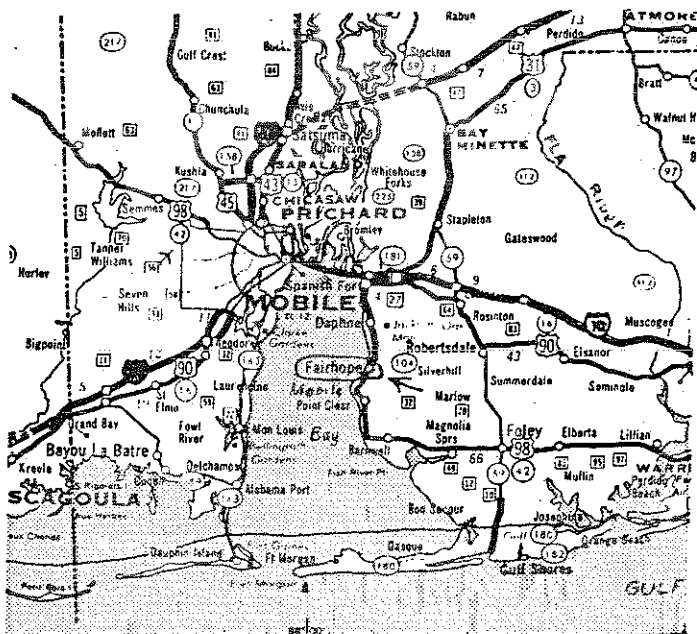
Since then, it has been renting the land, most of it farmland, at low rates. From the proceeds, the corporation pays the property taxes levied by the local governments. None of the single-tax land has ever been owned by individuals.

"No man ever created any part of the Earth. How does any man claim ownership of any part of it? But man does

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Don Wright, The Palm Beach Post



Map of the area of Fairhope, Alabama.

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have a right to use the land and make a profit on it," explains Dyson.

"Everyone benefits by not paying for the land. The leaseholders can rent the land for 99 years and have an op-

tion to renew or can drop their lease at any time," explains Gale Rowe, 59, the Single Tax Corp.'s secretary.

"It's set up in perpetuity. Members of the Single Tax Corp. take an oath not to take any personal benefits. There are no dividends, no profits whatsoever to the corporation members.

"Value of the Single Tax Corp.'s 4,300 acres is in excess of \$20 million," Rowe says. "Last year the Single Tax Corp. collected \$310,000 in rent from the 1,800 leaseholders on farms, commercial property and residential lots, with \$200,000 from the rent collected going to pay property taxes.

"The \$110,000 surplus was spent on administrative costs and public utilities such as streets, sewers and drainage owned by the town."

To become a member of the Single Tax Corp., one must be approved by a screening committee after completing an extensive course in economics, Henry George style, and paying a \$100 initiation fee.

Mayor Nix praises the Single Tax Corp.'s contributions to the town.

"Whenever there have been emergencies, disasters such as the flood eight years ago when the Single Tax Corp. gave the town \$45,000 to repair damage to streets, the single taxers have been there ready and willing to help out," he said.

## From the Editor

Vol. XVII No. 5

● Our July-August 1991 issue erroneously stated that Century Magazine published Endorsement #342 in October 1931, whereas the correct date was October 1913. Here is how the endorsement should have read:

**President Theodore Roosevelt** (Century Magazine, October 1913): "The burden of taxation should be so shifted as to put the weight upon the unearned rise in the value of the land itself, rather than upon the improvements, the effect being to prevent the undue rise of rents."

● "The banking system is in its worst shape in 60 years." The cause? "collapsing real-estate values" (Mortimer Zuckerman editorial, USN&WR, 4/8/91). Read instead "collapsing land values."

● All Small Business Administration loans plus all industrial-development tax-exempt bonds came to 0.8% of all lending by commercial banks in 1990 (Wisconsin Dept. of Development report entitled "Wisconsin Financing Alternatives," as reported in State Development Dispatch, 3/91, p. 7, sent to us by II reader Pat Aller).

● "There's only one way to kill capitalism - by taxes, taxes and more taxes" (Karl Marx, item sent to us by II reader Elmer Greenlee).

● Philadelphia's property tax on buildings is equivalent to a 72% excise tax on new construction (write us for substantiating details). No wonder nothing gets built in that town without tax abatements, which is great for the rich out-of-town developers who get them, but is N.G. for the neighborhoods where the voters live; they don't get them.

● "The point to remember is what the government gives it must first take away." (John S. Coleman)

● A recent Economic Policy Institute study concludes that "real wages for the average American worker declined by almost 10% during the 1980's." And in the typical family today, both adults must work to compensate for the loss of purchasing power. Like Alice Through the Looking Glass, people have to run faster just to stay in place, or nearly so (info. from Jack Himmelstein, II reader).

● One IT reader told me on the phone, "You want the Mayor of East St. Louis to support the Location Value Charge. Well, why isn't Mayor Daley of Chicago supporting it?"

Probably because Mayor Daley is waiting for the ESL Mayor to act.

**Committee of Inquiry into Valuation and Rating - Brisbane, Australia** (official govt. committee, L&L 11-12/90, p. 95) called land value taxation the "most efficient and equitable" source of general revenue for the city of Brisbane, and it was in principle "a logical and appropriate basis for revenue-raising irrespective of the level of government."

**James Krohe, Jr.** (Assoc. Editor, Illinois Times, writing in Chicago Enterprise, April 1991 p 25): "Taxes on structures and improvements make old buildings expensive to repair or replace. Older big cities like Chicago thus rely on a tax that effectively promotes decay while suburbs reap revenue at attractively lower rates because their tax base is comprised mainly of newer structures."

## INCENTIVE TAXATION



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## Your Editor Addresses Local City Officials

Your editor spoke on a panel of three at the recent annual conference of the Pennsylvania League of Cities (in Philadelphia).

He pointed out that many studies of Pa. cities show that most homeowners and apartment tenants pay less with a two-rate property tax, as compared to a single-rate tax producing the same revenue for the city government.

All the cities which have switched their property tax off buildings onto land have experienced a construction spurt; and their spurt was greater than that of neighboring and comparable cities in 8 1/2 out of 9 cases.

Most communities with a single-rate property tax get about 80% of their property tax revenue from buildings.

Many Pennsylvania cities are contemplating a shift to two-rate property taxation. Some of their officials seem concerned that the voters might react badly to the shift (even though most of them will save on taxes), and that land assessments are not accurate (they are generally too low, but a higher tax rate on land values would correct for that). Some were concerned about tax defaults with two-rate (but why should taxing buildings less cause an increase in tax defaults? And in any case, it simply hasn't happened in the 15 cities in Pennsylvania which have gone two-rate - see II, 12/90 & 10/81).

A councilwoman from Aliquippa gave a ringing endorsement of her city's two-rate property tax during the question-and-answer period. A councilman from another two-rate city in Pennsylvania asserted that the switch to two-rate occasioned absolutely no adverse reaction by the voters in his city.

## IT Reader Visits Fairhope

*The following letter was received from Rev. Harold Hildestad, long-time IT reader:*

Dear Dr. Cord,

You may be interested to know that my wife and I attended an Elderhostel program in Fairhope, Ala., from Jan. 6 to Jan. 11. Needless to say, it was very interesting to hear about the history and continued success of the Fairhope Single Tax Colony.

Fairhope is a model city, and neighboring cities are copying some of their ideas, e.g., tree and flower-lined streets, but, unfortunately, not the single tax idea.

The buildings are all well-maintained, streets are in fine shape, and trees line the sides of all downtown streets. Between the trees are flower boxes, and they must be a pretty sight in the spring and summer.

Our lecturer on Fairhope gave a very interesting account of the history and the sustained success of the Colony (now known as the Fairhope Single Tax Corporation). He has a large home on a large lot and he pays \$752 a year in taxes to the Corporation. This is only on the land that he occupies. He pays no tax on his home [nor does he have to buy his site]. He was very enthusiastic about Fairhope, and reflected the "esprit de corps" that he said was prevalent in the town. Everyone has a primary concern for the welfare of the community. This, of course, was a guiding principle of the original founders.

At another Elderhostel, a week later, at Gulf Shores, Ala., we had a lecturer, Howard E. Hulff, M.D., who was a resident of Fairhope. He strongly urged everyone in the class to see Fairhope, which he praised very highly. He considered it a "jewel" of southern Alabama. In fact, he said he would live in no other city in the state.

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