

# Equal Rights

Volume VIII, Number 3

*"Equal Rights for All, Not Special Privilege for Some"*

Spring, 1977

## AMERICAN GEORGISTS PLANNING JOINT NATIONAL CONFERENCE

The 1977 Joint Georgist Conference is the first effort to assemble all known Georgists in the United States together at one time in one place. A consolidated approach, with each Georgist Group considering itself part of the whole movement, is expected to help in accomplishing our goals. The co-sponsors are Land Equality and Freedom (LEAF), the Henry George Foundation, Henry George Schools and other educational groups, and the Robert Schalkenbach Foundation.

Floyd L. Morrow, of San Diego, is National Director of the Conference to be held at Conference Point Camp, Williams Bay, Wisconsin, on beautiful Lake Geneva, and will extend from Friday, July 1, 4:00 p.m. to Tuesday, July 5, 1:00 p.m. A balanced schedule is planned, with top speakers invited by the co-sponsoring Georgist groups.

The Henry George Foundation's special program is scheduled for Sunday, July 3, and will be under the direction of President Steven Cord, who has proposed:

Session I: Twenty Questions on Land Value Taxation. Audience participation keyed by 20 controversial multiple-choice questions on various aspects of Georgist philosophy and economics.

Session II: Everett Gross, "Some Reflections on Poverty Relief and Its Financing" with a panel of commentators of various Georgist stripes. Mr. Gross is a Georgist of long standing and is a doctrinal candidate in economics at the University of Nebraska.

Session III. A meeting of the Henry George Foundation Board of Trustees (all members invited).

Advance registrations and specific room reservations and rates are outlined in the official brochure which was mailed from California headquarters in April to all of our members and subscribers. All those planning to attend who have not yet made reservations should communicate with Sam Venturella, 4721 N. Hermitage Street, Chicago, Illinois 60640, or with Percy R. Williams, Executive Secretary, Henry George Foundation, 336 Fourth Avenue, Pittsburgh, Pa. 15222.

## Graded Tax Extension Proposed For Pittsburgh

Nearly 73 per cent of Pittsburgh's homeowners would receive a small tax cut as a result of restructuring the city's millage ratio, according to a staff report for City Council. The remaining homeowners would pay slightly more real estate taxes, according to the report. And the city would actually be better off than before. The document was written by a council staff research assistant, Donald Brennan.

Council Finance Chairman Richard Caliguiri appeared reluctant to endorse such a plan, expressing doubts about what would happen to city revenue. But Caliguiri said he is "very excited" by a legal opinion written for council which claims that the city, under its new home rule charter can change the traditional ratio of one mill on land for every one-half mill on buildings. Under this interpretation of the new charter, if council had to raise real estate taxes in the future, it could consider increasing land taxes without touching building tax rates, which he said would give homeowners a break.

Brennan's report goes much further than that. He suggested that the city could increase the land tax rate to 70.05 mills while reducing the building tax rate to 17.75 mills. The current millage rates under the mandatory Graded Tax law enacted by the State Legislature in 1913 is 49.5 on land and 24.5 buildings.

According to Brennan, "The land tax stimulates additional economic growth and development of all vacant property. When you stimulate development of vacant property, you will get a higher return." He reports that the city has 8,230 acres of undeveloped land, or 13 per cent of the land in Pittsburgh. Of that acreage, his report shows 2,963 acres able to be developed, the remainder being slopes and hillsides. Brennan argues: "This is an opportunity for the city to increase revenue without effectuating a real estate tax increase." He predicted his new proposed system would net the city \$41.2 millions if it were in existence this year.

Brennan compiled a "random" typical owner-occupied tax breakdown of houses in all city wards. One example used is in the Oakland district. Under the current millage system, the owner is paying the city \$232 in city real estate taxes. That's broken down into \$74 for land and \$158.00 for buildings. If Brennan's new formula were to be used, the owner would be paying \$218, consisting of \$105 on land and \$113 on the building, a saving of \$14 per year.

The city, he explained, would not lose overall because the relatively small tax cuts would be offset by the remaining property owners paying more.

As for a higher land tax encouraging development, Brennan says under the current structure an owner of vacant land can hold it for speculative purposes while paying relatively little in taxes. But if the land tax is increased, it discourages owners from hanging on to vacant land, and the lower building tax would encourage the owner to develop it.

## SCANLON BILL SEEKS TAX-FREE HOUSING

Build a new house in a deteriorating city neighborhood and live in it tax-free for three years. That's one of the main benefits of a two-bill package moving in the Pennsylvania State Senate. The measures, sponsored chiefly by Senator Eugene F. Scanlon of Pittsburgh, has been sent to the floor by the Senate Urban Affairs Committee, which he serves as chairman.

Senate Bill 69 would authorize local taxing authorities to provide for tax exemptions on the construction of new housing in deteriorating city neighborhoods. The incentive: A flat 100 per cent exemption on the eligible assessment of the new dwelling for a three-year period. The property then would go on the tax rolls.

The State currently permits local taxing bodies to offer similar tax exemptions

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## Editorials

### A BROADER VIEW OF THE MODERN GEORGIST POSITION

In our recent editorials we have briefly reviewed the history of the Georgist movement and have recalled the vast changes that have transpired in the social, economic and political conditions, notably the great expansion in the production of wealth that has tended to produce a society of abundance, especially in the past century of amazing technological progress.

Whereas when *Progress and Poverty* was written in 1879, land monopoly was regarded as a paramount issue and was denounced by Henry George as the greatest economic evil; in more recent years, we have witnessed a wide extension of monopoly and special privilege of many varieties. And when we contemplate the enormous increase in the cost of government, and the multiplicity of taxes imposed by federal, state and local governments, it would seem that we are farther than ever from achieving a "single tax."

Yet we must remember that land value taxation (as a principal component of the real estate tax) has been in effect throughout the United States since the early days of our Republic. Thus we should realize that many billions of dollars of land rent are being appropriated annually by government, not only as real property taxes, but also through the operation of the graduated federal income tax, even though in neither case is there any distinction made as between earned and unearned income, since the income tax is based on the false doctrine of taxation according to ability to pay, and this is also largely the case with regard to the property tax.

Since any tax falling on land values (since it is not shiftable) tends to reduce the price of land, most Georgists maintain that land prices are much lower than they otherwise would be, to the benefit of all land users. And therefore any effort to abolish or to reduce the real property tax should be strongly resisted, because any such action would cause the price of land to

go skyhigh. Thus it is our optimistic view that in the United States at least the menace of land monopoly has been greatly curtailed. Perhaps for this reason, and the further fact that such a large proportion of Americans are land owners, the general public is not conscious of the need for any radical or far-reaching land reform, either through the exercise of the taxing power, as Georgists propose, or otherwise.

These considerations serve to explain why campaigns for exclusive or differential taxation of land values have not been more successful, and why we often find ourselves on the defensive even where some significant local victories have occasionally been won. Even though Georgists are still few in numbers whereas majority rule generally prevails, some advances have been achieved but only in the absence of strong opposition.

Personally speaking, because I have been closely associated ever since the year 1910, with the "graded tax" movement, serving as a City Assessor in my native city of Pittsburgh, and later as executive director of the Graded Tax League of Pennsylvania, it has been my lot to feature this gradual and partial application as the most practical approach to the problem confronting us as Georgists. And I have suggested that if we could somehow succeed in obtaining an opportunity to make an adequate demonstration of the benefits we predict from the adoption of municipal "single tax," such a victory might prove very productive in our effort to win popular support throughout the nation.

But in view of all the circumstances confronting us, it is now my conviction that Georgists should not confine themselves to a narrow course of action, but rather take a broader view of the real significance of the Georgist philosophy. Thus we would be in full accord with the precepts of Henry George, for while George regarded land monopoly as the greatest menace to civilization, he did not hesitate to condemn all forms of monopoly or special privilege. He always insisted that it was "no mere fiscal reform" that he proposed. Taxation was presented as an effective means in the pursuit of social justice through economic freedom. So we conclude that though we certainly should not abandon our campaigning for "property tax reform, Georgists as citizens and voters can be influential by joining other pressure groups in the defense of free competitive enterprise by seeking the elimination of monopoly of all kinds, whether in business, labor, agriculture or parasitic land-holding.

—Percy Williams

## ANOTHER HIGHLY RECOMMENDED BOOK ON LVT

Bill Newcomb, a long-time fighter for the equal right of all individuals to the opportunities of nature, has written a lively little book entitled "The Conspiracy Against Homeowners And Tenants."

Newcomb's main thesis is that homeowners are being heavily taxed on their property, incomes and purchases—all because the land is not being heavily taxed. Under land value taxation (LVT), they would pay less.

On occasion, the organization of the book strays, but it reads easily and never lacks for liveliness in style or sincerity in conviction. And it sees a great truth only dimly perceived by many of our leading economists. The country would greatly benefit from taking its advice.

The book is further enlivened by the cartoons of Robert Clancy.

"The Conspiracy Against Homeowners And Tenants" can be ordered from the Henry George Foundation for three dollars. In addition, the book contains offers for other books, magazines and correspondence courses at reduced prices.

Want to activate a friend into land value taxation? Here's a book designed for that purpose! Buy a copy for him.

—Steven Cord

## WHAT IS SITE-VALUE TAXATION?

There is no one simple "thing" called site-value taxation. It is a bundle including several elements, and each element is variable along a spectrum of degrees. The possible combination of elements and degrees is unlimited.

One person takes it to be a radical revolutionary proposal to destroy private property. The next one takes it as a minor modification in a tax system we always had. A third takes it as a tool of city planning. A fourth sees it as the only way to make free enterprise work.

Most taxes other than the site-value tax are synchronized with the taxpayer's liquidity. The site-value tax is not so designed, either in philosophy or application. It is in vain to criticize it because it is inconvenient for some land-owners to raise the cash to pay it. It is not supposed to convenience such landowners. On the contrary, its philosophy is that the landowner owes society something for the privilege of holding a piece of the limited surface of this small planet, and an annual required cash payment is calculated to inconvenience him into using his land so as to render service to others and offer employment to others, many of

## WHERE DO TAXES FALL?

### Henry George Makes It Crystal Clear

In an editorial appearing in his own journal, *The Standard*, Henry George explained in no uncertain terms "Why the Landowner Cannot Shift the Tax on Land Values." In this editorial, written at a later date than any of his standard works on economics and taxation, George showed the fallacy of the theory that all taxes fall on land values. In these words he makes it very clear that those who dissent from the Georgist position concerning rent and taxes have misinterpreted his doctrine of land rent.

"While it is not true that a tax on land values or rent falls on the user, and thus distributes itself through increased prices, it is true that the greater number of taxes by which our public revenues are raised do. Thus, speaking generally, taxes upon capital fall, not upon the owners of capital, but upon the consumers of whatever the capital is used to produce.

"Taxes upon buildings or building materials must ultimately be paid in increased building rents or prices by the occupiers of buildings; imposts upon production or duties upon imports must finally fall upon the consumers of commodities. This fact is far from being popularly appreciated, for, if it were, the masses would never consent to the system by which the greater part of our revenue is raised.

"But nevertheless, it is the vague apprehension of this that leads by confusion of ideas to the notion that a tax on land values must add to rents. This notion will disappear if it be considered how it is that any tax gives to the person first called on to pay it the power of shifting it upon others by an increase of price.

"A tax on land values, instead of enabling the holder of land to charge that much more for his land, gives him no power to charge an additional penny. On the contrary, by making it more costly to hold land idle, it tends to in-

whom may not own land.

One may subscribe to that philosophy or not, but that is the issue rather than the issue of convenience to the taxpayer.

Untaxing improvements and untaxing activity on land is permissive of higher uses; taxing land as a positive step adds pressure to utilize land. The combination undoubtedly pushes or pulls land into higher uses. Site value taxation is oriented towards encouraging and goading landowners to use land more intensively.

—Mason Gaffney

## WHERE DO TAXES COME FROM? III

Let us look at a local tax on building values as it falls on, let us say, apartments. The standard analysis says that, by reducing the net return from apartment buildings, we have made their ownership less profitable and as a result fewer are built. The resulting shortage, operating through the law of supply and demand, makes possible a rise in apartment rental charges, and when they have risen or it is seen that they can rise sufficiently to permit the tax to be passed on to the tenants, the construction of new apartments — once again a profitable venture — will proceed.

But suppose the tax is levied in a time of financial depression, a time when people have trouble enough in paying their accustomed rental charges, let alone more. Or suppose the tax is levied in a mining community where the lode is running out, and the demand for housing is falling. In these cases, the demand is not — as the economists say — elastic; the demand is not there, and the tax must be absorbed by the owner of the apartment building. But the disadvantage is not

crease the amount of land which owners must strive to secure tenants or purchasers for. Thus the effect of a tax on land values is not to increase the rent that the tenants must pay the owner for the use of the land, but rather to reduce it. And since the tax must be paid out of what the land will yield the owner, its effect would be to reduce the price for which the land could be sold outright.

"An increased tax upon land values would not reduce its rental value, except as it might have an effect in forcing into use unoccupied land at a greater distance from the center of the city. But as less of this rental value could be retained by the owner, the selling price would be diminished. And if a tax on land values could be imposed with such theoretical perfection that the whole rental value would be taken by the community, the owner would lose both his income from the present value and any expectation of profit from its future increase in value. While it would still be worth as much as before to the user, it would be worth nothing at all to the owner. Instead of having a selling value of \$250,000, it would not sell for anything, since what the user paid for the privilege of using it would go in full to the community. Under a tax of this kind, even though it could not be imposed with theoretical nicety, the mere owner of land would disappear. No one would care to own land unless he wanted to improve or use it."

his alone; it applies across the board. Because of the tax, the area is a worse place to have an apartment building, and land values will drop. Land is not as desirable. The tax in these cases reduces land rent and land price.

But if this is the case in these extreme examples, perhaps we should take a second look at our standard analysis. Can we be sure that the demand there was so full and so perfect? The higher the rental charge, the fewer the people who can afford it, other things being equal. With the tax, rental charges rise, fewer buildings are built, there is less total development, there are fewer jobs in the construction industry, fewer people find their social conditions satisfactory; all influences which hold down land values in some degree in these cases as well. The landholder does not come out unscathed.

Further, in this day of mobility, there is no certainty that a higher rental charge can be made for any apartment just because a tax is levied on the building containing it. If the public chooses instead to go elsewhere for housing, it is, again, land values in the taxed area which will fall.

Nor, if a higher tax is levied on a factory building where widgets are manufactured, does that mean that the tax can be passed on and people be charged more for widgets. Widgets are also manufactured competitively elsewhere, and it may be that the price can not be raised. It may merely be that the factory must move away to escape the tax and remain competitive; a process which shows must dramatically — for instance in Chicago — that relative land values at that place are being driven down because of the tax on buildings and other tax loads placed on industry. Again, in these cases, the tax does not "come out of" land values; but the aftermath is a decrease in land rents and land values.

If, for one more example, the taxes on the value of an office building occupied in large or small part by the representative of a nation-wide company are such that, when they are passed on in rental charges, the company can do better in another city, it and others like it will move out rather than pay higher rentals, and land values in that area will drop or fail to rise in the proportion which would otherwise occur, specifically because of a tax on buildings.

Taxes on improvements can murder land values.

— Henry Tideman

**Please remember the Henry George Foundation of America when updating your will.**

## POLITICAL ACTION—HOW TO DO IT

So you think that land value taxation will spur your town's economy. You think there is a moral imperative to get the government to collect the rent from land. But how do you go about engaging in political action? Here are some suggestions:

(1) **Know what has to be done**—In a few states, a constitutional amendment may be needed. In most other states, the legislature must pass a law granting local option to tax buildings less than land. Pennsylvania already has such a law for its 53 cities but not for its boroughs, townships or school districts (the latter levy the heaviest property tax, so don't overlook them); thus in Pennsylvania, the state legislature has still to pass enabling laws for the latter localities (such bills are before the legislature now), and the 53 city councils have to pass ordinances lowering the building tax rate and increasing the land tax rate.

To find out what has to be done, it may be necessary for you to contact a lawyer, or perhaps contact the state legislative commission (which writes up bills for legislators and offers them free legal advice). The best contact for the latter is your state legislator.

(2) **Contact your prospects**—once you know what has to be done, then contact the politicians who can initiate the necessary legislation, be they members of the appropriate legislative committees, or local mayors and councilmen, or school board members, etc.

The first contact should be by mail — send them **Incentive Taxation** for repeated contact, and personal letters also. But mail contact, though necessary, is not sufficient; it can intrigue, but not close a deal. Don't be afraid to visit politicians — I have found them very approachable. I've had interviews with a dozen mayors — with no rejection and no prior appointment! Surprisingly, it doesn't take much guts.

**(3) How to figure the tax rates** — For the first year, set a tax rate on buildings which is approximately 80% of the current property tax rate, and then compute the land tax rate from this formula:

Land Tax Rate      Revenue Needed — (City-Wide Bldg. Assessments x  
bldg. tax rate)      City-Wide Land Assessments

— or contact the H.C.F.A. office and we'll be glad to help.

But do tell the land tax story to the politicians — it's easier than you think and you could strike gold!

— Steven Cord

## The Monopoly Power of Labor Unionism

Not the least curious thing about this sudden re-election ardor against "monopoly" is that it utterly ignores the most serious monopoly of all — that of industry-wide unions. These unions, in the railroad, automobile, steel, or coal industries, can at any time paralyze the economy of the whole nation until their demands are met. Yet instead of showing concern, the government deliberately builds up their power by making it illegal for an employer not to bargain with them. Henry Harjett

— Henry Hazlett

## How Capital Expands Production

Capital is productive. In other words, we can produce more with capital than without it. It is definitely an aid in agriculture and in industry. Therefore, if those through whose savings it comes into existence receive income from capital, such income is not at the expense of others but represents a clear addition to society's annual output of goods and services. Such income is earned.

This is a fact which socialists — at any rate, the great majority of socialists — seem not at all to understand.

— Harry Gunnison Brown

## New Allies In Maine

The following news item appeared in the Maine Land Advocate (3-4/77), an organ of the community land trust (homestead) movement:

"Several groups are now meeting around the state reading and discussing Henry George and his book, **Progress and Poverty**. Our lease fee at this point is based on George's ideas, and it's important that we in the CLT movement understand fully his ideas, such as the single tax and the meaning of rent. If you're interested in taking part in such a study group, give a call to the office."

## Have You Renewed Your Subscription?

We must depend upon the individual contributions of our many Georgist friends to maintain **Equal Rights** and to expand the activities of the Henry George Foundation. If you are now a contributing member or subscriber, may we remind you to renew for 1977, if you have not already done so.

## MARINA MOTOR LODGE

HGFA member Al Hartheimer has just opened a motel in Cape Cod (West Dennis) and would welcome having Georgist guests. Write him at: Marina Motor Lodge, Route 28, P. O. Box 492, West Dennis, MA 02670.

## SCANLON BILL, continued from page 1

on improvements to houses in run-down neighborhoods. That program went on the books in 1971. Pittsburgh already has had a program which offers a three-year abatement on a tax increase because of rehabilitation or renovation of a dwelling. However, Allegheny County and the Pittsburgh School District have not agreed to the three-year abatement, so the property owner only saves about 50 per cent on the increased valuation during the three years.

Senator Scanlon said he hoped his new proposal would have a snowballing effect. One tax-free new house could lead to a second and a third and a whole new neighborhood could be reborn. Urban blight would be the loser. Cities, counties and school districts, all of which tap real estate for operating revenues, would reap bigger tax collections from new houses than they do from deteriorating dwellings.

The other measure in Scanlon's package, Senate Bill 305, would permit property tax exemptions on assessed valuation of improvements to industrial, commercial or other businesses in urban centers. This bill would require municipalities to define clearly the boundaries of the deteriorated area, hold at least one public hearing in the process of defining those boundaries and set a maximum cost of improvements for each unit to be exempted.

Although the two bills aren't a cure-all, Scanlon said, "the medicine we offer can help alleviate the deteriorating condition of our cities."

"And, if in the process of combating urban blight, we also move to spur industrial and construction activity, we can at the same time serve to enhance the economic future of the commonwealth." — **Pittsburgh Press**, April 27, 1977