

Equal Rights

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THE SUPREME COURT AND THE SCHOOL TAX

The eyes of Texas are on the Supreme Court, which will rule shortly on whether local property taxation is a constitutional means of financing public education — an assumption that has never until now even been questioned. The attorneys general of 30 states filed a friend-of-the-court brief stating that an estimated \$8 billion increase would be required to raise educational spending to the level of the wealthier districts.

Counties in Indiana, Maryland and Michigan also signed the brief. A separate appeal was submitted by four Texas banks and the Securities Industry Association, who want the court to ensure payment on school bonds, whatever the financing decision.

Actually, the recent court decisions have not held the property tax to be an unconstitutional means of paying for public education. These decisions ruled little or nothing about the property tax as such. They held instead that a state cannot set up any system of paying for public education that makes the amount of money available in any particular district, or for any particular child, depend upon local wealth.

It is alleged that the property tax *currently* has this defect because *currently* it is a local tax; but the court might just as readily have ruled down a local sales tax, local income, or any other kind of tax that was applied on a local instead of a uniform statewide basis. Thus the courts have been ruling down *local* taxes, not property taxes, to the extent that they result in unequal ability to provide for public schools. By the same token, the courts have left the door completely open to a state-wide property tax, to a system in which the state adequately makes up, through a state property tax or otherwise, for the unequal abilities of school districts to raise revenue through local taxes.

"All that is necessary to social regeneration is Land and Liberty."

—Henry George

Fortune Defends The Property Tax

"President Nixon and several of his would-be rivals have recently decried the property tax and called for relief," says Dan Cordtz in the May issue of *Fortune* Magazine. "But the idea of shifting an important share of the property-tax burden to other revenue sources is unrealistic, misleading, and potentially dangerous."

"Most other forms of taxation have been pre-empted by Congress and the state legislatures that must approve any new local levies."

"The case against the property tax is generally overstated. Its benefits are frequently overlooked and most of its shortcomings can be corrected."

"Economists generally agree that low property taxes encourage speculators to hold land off the market for appreciation, since the cost of holding the land is insignificant compared with the potential gains. Between 1956 and 1966 land prices almost doubled — rising from \$270 billion to \$520 billion."

"Realistic property taxation would compel the owners of undeveloped and underdeveloped property to pay a fair share of the cost of services from which their land derived its additional value."

"More controversial, but of inestimable importance, is the proposal, endorsed by many economists, to shift the burden of real-property taxation from improvements to land. Studies have shown that 40 per cent of the market value of ordinary real estate is traceable to land."

"More cities should be encouraged to experiment with site-value taxation, but this would require permissive legislation in almost all states. A bill has been introduced in the Wisconsin Legislature to allow localities to tax land only. The bill deserves passage. Other states ought to enact similar laws."

"The agenda for property tax reform is a lengthy one. But the potential benefits are enormous. The tax cannot be abolished and it should not be. Turning more and more to hidden levies is the wrong way to deal with resentment of high taxes."

Property Tax Battle Begins In Colorado

Petitions for an amendment to the Colorado Constitution which would limit property taxes in any year to 1.5 per cent of the total value were filed in July with the Secretary of State, by the Property Tax Limitation Committee based in Colorado Springs. Its President, Joseph W. Holloran of Pueblo, said the petitions carry 61,707 signatures. He estimated that if adopted, the amendment would cut property taxes in most of the state from one-third to one-half of the present level. And that while the petition does not set up any alternate system of financing, the loss in revenue could be made up by 1 per cent increase in the state sales tax, an increase in state individual income tax rates from the present 3 to 8 per cent to 4 per cent to 9 per cent, and an increase in the corporation tax from 5 per cent to 7.5 per cent.

Under the proposed plan, 20 per cent of the money raised by the property tax would go to local schools, thereby assuring retention of local control. It is one of two proposals calling for reduction of property taxes which are being circulated, the other being sponsored by the Colorado Project Common Cause. Proponents contend that property tax limitation is necessary to protect home owners on fixed incomes.

The proposed "Common Cause" amendment would eliminate the property tax as a source of school revenue entirely, except to retire existing bonds, and replace it with a 10 per cent severance tax, doubling the corporate income tax on all but the smallest corporations, and increasing the state personal income tax on incomes over \$10,000.

To combat these attacks on the real property tax, Dr. James L. Busey of the Political Science Department of the University of Colorado at Colorado Springs, has proposed a constitutional amendment designed to outlaw all taxes on improvements statewide. The Governor of Colorado has spoken against both of the property tax limitation amendments proposed, and if they are killed, Dr. Busey believes that many people will be seeking an alternative and may therefore support his bold plan.

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Editorials

Let's Talk About Revolution

The word "revolution" is bandied about pretty loosely these days. Some quite young people who do not go to barbers, do not take baths and keep themselves befogged with drugs, call themselves "revolutionaries" and talk quite a bit about "revolution." They pick this up from their underground newspapers, which often espouse drugs, decadence, and the Maoist political line. In Russia before 1917, similar individuals were known as nihilists, and their slogan was, "I spit on everything." The Communist revolution took care of them. They haven't been heard from since.

In commerce, advertising makes considerable use of the word "revolution" or the adjective "revolutionary." There are revolutionary detergents, revolutionary types of underclothing and wigs, revolutionary cough drops, revolutionary nail clippers and revolutionary body deodorants.

We refer to the Latin American change of the palace guard as "revolution." The Brazilian military regime claims to be "revolutionary," as does that of Argentina. If a dictatorship today does not seem to be sufficiently "revolutionary," it is in danger of losing public support and being overthrown by a more "revolutionary" clique.

In the social sciences, "revolution" is usually thought to have a more precise definition. It is likely to refer to a very profound or "radical" change in the social system. Socially, politically and economically speaking, everything is turned upside down. Owners and political leaders are deprived of their property and influence, if not of their liberties and lives. Individuals who were formerly "outside" the "system" or "establishment" now find themselves to be greatly favored, and a few of them may even enjoy some advancement in their material and political positions. In other words, the patricians become plebians, and a few of the plebians become patricians. According to Webster, a revolution occurs when there is "a total or radical change"; and in political sci-

ence, says Webster, a revolution consists of a fundamental change in political organization . . ."

It is also thought that revolutions must be accompanied by a great deal of violence. Some young so-called "revolutionaries" today think that if several thousands of people can be killed, this will straighten out many defects in our society, and therefore constitute a "revolution."

It is perfectly true that some very radical revolutions, such as the French, Russian or Mexican, were indeed accomplished by the violent overthrow of existing social and political institutions. However, there are many societies where the utilization of violence is not only unnecessary to the accomplishment of profound social revolution, but is a positive hindrance and obstacle to it. Indeed, no matter how bad social conditions may be, in most situations violent revolt provides no assurance of better conditions, and is quite likely to make them worse. As Crane Brinton points out in his significant book, *"The Anatomy of Revolution,"* violent assaults on socio-political systems are quite likely to lead to a relaxation of morals, a spiraling of senseless violence, a disintegration of the social fabric and the ultimate imposition of terror and tyranny.

In the United States and most of Western Europe, Australia, New Zealand, Canada, and parts of Latin America, there are instrumentalities for political action that can be utilized to accomplish true social revolution; but first, the people need to know what measures would improve the lot of mankind in a revolutionary way. Also, it is necessary to remind some individuals that social revolution is not to be equated with looking like Robinson Crusoe and refusing to take a bath.

In an age when there is so much talk about "revolution," it is to be regretted that so few people realize that Henry George propounded the most revolutionary philosophy of modern times. Whereas Marx would turn essentially all property over to the state, thus creating the tightest little monopoly of total power ever devised by the mind of man, George would make the land fully available

"Rent means the terms on which owners of natural resources permit their use. No social reform can be effective if its tendency be to make land more expensive for use, and the use of land consequently less profitable to users. —Louis F. Post

"What hampers production is the unnatural inequality in distribution."

—Henry George

to all productive people. The earth is the most fundamental element — indeed, it is the only fundamental element — in the life of mankind. A transformation in the relationship of producers to the earth would constitute a deeply radical social revolution.

Collectivists think that if they turn great haciendas into state-controlled farms and transfer property from producing owners to a state dictatorship by a tiny elite, they have somehow accomplished "revolution." Of course they have done nothing of the sort, but have only created a political feudalism more stifling than anything known to the Middle Ages.

By freeing productive labor and capital from the impositions of the state, by returning to the community the values created by community effort, and by making land available to all who would produce upon it, adoption of the proposals of Henry George would constitute a true and deeply profound social revolution.

In that sense, and with unflinching respect for the peaceful processes of freedom without which no social amelioration is possible, we of this movement are the most radical revolutionaries of our times.

Just as the philosophy of Henry George is exactly relevant to the major issues of this decade, so are they very appropriate to the revolutionary spirit which pervades so much of the thinking of the world today.

—JAMES L. BUSEY*

* Dr. Busey is Professor and Chairman, Faculty of Political Science, University of Colorado, Colorado Springs.

How Georgists Differ From Socialists

We differ from the Socialists in our diagnosis of the evil, and we differ from them in remedies.

We have no fear of capital, regarding it as the natural handmaiden of labor; we look on interest in itself as natural and just; *we would set no limit to accumulation, nor impose on the rich any burden that is not equally placed on the poor*; we see no evil in competition, but deem unrestricted competition to be as necessary to the health of the industrial and social organism as free circulation is to the blood of the bodily organism — to be the agency whereby the fullest co-operation is to be secured. And treating necessary monopolies as functions of the State, abolish all restrictions and prohibitions save those required for the public safety, morals and commerce.

—HENRY GEORGE,
"The Condition of Labor."

THE WATSON TAX PLAN FOR CALIFORNIA

Los Angeles County Assessor Philip Watson is pushing his Initiative to be voted on in November under which a ceiling of true value would be placed on all property taxes and all social welfare costs, and *most costs of education would be shifted to other taxes.*

Watson seeks to increase the sales tax from 5 per cent to 7 per cent, and increase cigarette, liquor and business taxes to make up the difference. Watson has been working on seed money from Union Oil Company, apartment house magnate Ben Weingart and various property owners fearful of what might happen to their assessments if they did not contribute.

Meanwhile Assembly Speaker Robert Moretti has already powered his \$1.5 billion tax shift from the California Assembly and is now exerting pressure to push it through the State Senate. The Moretti bill would increase the sales tax 1 cent, increase personal income taxes \$600 million, corporate taxes \$3.5 million and impose a telephone user's tax which would raise \$110 million from phone owners.

The Moretti scheme would provide miscellaneous tax relief, including a tidy subsidy to counties which enter into "agricultural preserve" contracts under which ranchers receive sizeable tax exemptions in return for their promise not to develop their land to highest and best use.

Not to be outdone, Governor Ronald Reagan has announced his own tax-shift attack on the consumer's pocketbook. The Governor seeks to increase sales taxes \$585 million a year, cigarette taxes \$118 million, motor vehicle taxes \$100 million, liquor taxes \$28 million and \$125 million in extra corporation taxes. There would be no income tax increases. The Governor says his plan would provide \$900 million in property tax relief including \$650 million to replace monies collected by local school districts.

There are approximately 20 million men, women and children in California. The total assessed valuation for all property in the State for 1972-73 will be about \$60 billion. Property is required by law to be assessed at 25 percent of true value although political considerations often reduce assessments to as little as 3 per cent of true value.

JULIAN HICKOK SUPPORTS GRADED TAX CAMPAIGN

Taxation of land values, derived from the capitalization of that part of the rent assured to the land owners is the most efficient, practical and safe method of taking rent for public benefit. It avoids the danger of any levy upon land holdings in excess of rent, and respects the rights of private property. It takes as much of the rent for public benefit as practicable and in the shortest possible time with popular consent.

To some it is considered more important, first to lower the rate on improvements and then to increase the rate on land, to compensate for the loss of tax revenue. The Pittsburgh Plan, which was designed to stimulate construction, is an example of this. To others, it is more important, first to increase the tax rate on all lands and then, out of the increased revenue, to lower the rate on improvements.

Practical considerations in application would lead to the conclusion that a gradual approach should be taken with initially small increments of increase in the tax rates over a comparatively long period of time. In fact, it would be practically impossible to get popular support for any drastic approach to the ultimate application of the remedy.

Since the Graded Tax plan for second class cities has so well served its purpose, it is in order for Georgists to support the campaign to induce at least one third class city to adopt the plan now available to them. This would demonstrate the advantages of a reduction in tax rates on improvements from taxation, together with increased rates on land.

It might then seem wise to initiate a revision of the tax plan for second class cities by removing the mandatory provision for an increase in the tax rate on improvements (if and when there may be) further increases in the tax rates on land. This would give Scranton and Pittsburgh the advantages now available to third class cities.

— JULIAN P. HICKOK.
Philadelphia, Pa.

ONTARIO TOWN TO DEMONSTRATE LAND VALUE TAXATION

The Town of Port Credit in Ontario is going to become a demonstration area for land value assessment. The Assessment Committee of the Ontario Association of Municipalities is considering the details of land value assessment, courtesy of the Ontario School of Economic Science. The President of the School is Malcolm McCarthy.

A Challenge To The Supreme Court

There have been state supreme court cases in several of the United States which say that property taxes cannot be used to support education. The contention is that it is unfair for rich communities to have more money for education than have poor communities. Is it unfair for a rich community to have better sewers than poor communities? One might conclude that it is unfair for people to be rich when others are poor. Mr. Marx would have agreed with that.

If it is unfair for a city to have more property taxes than another, it is surely equally unfair for it to have more city income tax, more sales tax, etc. If all education in a state must be financed equally, what about all education in the nation—or the world. As a former teacher I can assure you that well financed schools are not necessarily better schools.

The Henry George News seems to think that there is a reasonable possibility of state property taxes to finance education. It would certainly be a delightful situation if several states were to invade the land-tax field. However, this is not the trend of taxation. The forces of ability-to-pay and the poor-downtrodden homeowner will fight for higher income taxes, sales taxes, etc. This is the way they finance education in Australia and it greatly lessens their land taxes.

This writer sees no good news in this development. Unless the U. S. Supreme Court overrules the lower courts, it looks like a disaster from here.

— J. STANLEY RODGER,
The Square Deal, April, 1972.

More Subscribers Needed

We extend a hearty welcome to new friends who have responded to our appeal for support, as well as to many former contributors who have renewed.

But to continue and to expand our work, we need more subscribers and a more adequate budget. If you like our new quarterly, *EQUAL RIGHTS*, we urge you to join our Georgist fellowship so that we may take advantage of increasing interest in our cause. If you have not yet enrolled, please send your contribution now to Henry George Foundation, 336 Fourth Avenue, Pittsburgh, Pa. 15222.

DOES THE CONSTITUTION GUARANTEE EQUALITY?

Much has been written about the constitutional guaranty of equality as set forth in the 14th amendment to the U. S. Constitution, which was passed after the Civil War.

The amendment did not make it a governmental function to guarantee equality (even equality of opportunity) but it was couched in negative language, forbidding the passage of laws which abridge the rights of any citizen by reason of his race, place of origin or previous condition of servitude. Its purpose was to obtain "equality before the law" of all citizens, certainly not to bring equality of income, or make it a function of government to furnish equality in education, housing or a myriad of other things that, at present, the government is expected to offer.

In interpreting the Constitution, the U. S. Supreme Court has followed more the spirit and the language of the Declaration, which is in purposeful words, than the Constitution which largely limits the functions of government.

Congress has enacted many laws which make it a positive function of government to afford equality of education, housing, health, economic sufficiency, etc. for all its people, which, in the opinion of this writer are *unconstitutional*, even though the Supreme Court has sanctioned them.

The Federal government and the States have assumed many functions which were formerly considered as prescribed. In so doing, taxation at all levels has increased to such extent that a *taxpayers' revolution* is being seriously considered. We have come a long way from the former concept of government and state sovereignty.

—ALEXANDER M. GOLDFINGER.
(*Henry George News*)

"The progress of thought and the march of invention have made the distribution of wealth the burning question of our times.

—Henry George

"Civilization, as it progresses, requires a higher conscience, a keener sense of justice, a warmer brotherhood, a wiser, loftier, truer public spirit. Failing these, civilization must pass into destruction." —Henry George

DETROIT COMMITTEE FAVORS REDUCING IMPROVEMENT TAXES

The Junior Chamber of Commerce of Michigan reports that its tax committee recognizes the desirability of easing the property tax burden on home owners, businessmen, and other persons owning properties which are beneficial to the community. Strong arguments have been made that this can be done by distinguishing between land values, which are usually created by public activities at public expense, and improvement values, which are usually created by individuals at their own expense.

It is argued that more of the tax burden should fall on land values, and less on improvement values, in order to encourage private development and to discourage inflation and speculation in land prices.

The committee recommends that the state legislature give careful consideration to implementing such proposals, either by lower taxes on improvements than land, or by a general exemption of improvement values, and then authorizing taxing authorities to try such methods, at least on a limited basis.

Dwight Havens, President of the Greater Detroit Chamber of Commerce, in discussing what Detroit needs, says: "Our approach to taxing land is wrong. It should be taxed on the value of the land, not the use of the land or the value of the structure above the land. This would produce tax income from the property which would pay a fair share of the tax load which is needed to sustain the cost of a great city like Detroit."

We shall remove the great cause of unnatural inequality in the distribution of wealth and power; we shall abolish poverty; tame the ruthless passions of greed; dry up the springs of vice and misery; light in dark places the lamp of knowledge; give new vigor to invention and a fresh impulse to discovery; substitute political strength for political weakness and make tyranny and anarchy impossible.

—Henry George, *Progress and Poverty*

This unjust distribution of wealth develops on the one hand a class idle and wasteful because they are too rich, and on the other hand a class idle and wasteful because they are too poor. It deprives men of capital and opportunities which would make them more efficient producers. It thus greatly diminishes production. —Henry George

Graded Tax Urged For Pennsylvania Schools

In pursuance of a recent suggestion by Mayor Thomas J. Monaghan of Lancaster, the Graded Tax League has drafted a bill designed to extend the local option privilege to *all school districts*, which would give local school boards the option of enacting a differential tax plan similar in principle to the Graded Tax now operating by mandatory legislation in the second class cities, Pittsburgh and Scranton.

Under the provisions of this bill, the Pittsburgh School Board could also convert to the tax formula employed in calculating city real estate taxes since 1913, based on separate valuation of land and buildings.

In Pennsylvania the courts have not questioned the constitutionality of the long-established local property tax for public education. But the subject is under study and a state-wide real estate tax has been suggested in the event that the United States Supreme Court should decide to outlaw local taxes for public education.

Perry Prentice recently appeared at a seminar in Harrisburg sponsored by the State Community Affairs Department, defending the real property tax and favoring the taxation of land values and the exemption of improvements.

John C. Weaver, representing the Graded Tax League of Pennsylvania, at a public forum on educational policy held at Carnegie-Mellon University, Pittsburgh, presented the case for a differential tax system and exhibited the film, "Better Cities."

On Whom Do Taxes Fall?

"A tax on land values does not add to prices, and is thus paid directly by the persons on whom it falls; whereas, all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go.

"The tax on land values is the *only tax* of any importance that *does not distribute itself*. It falls upon the owners of land, and there is no way in which they can shift the burden upon anyone else.

"High prices for land tend to decrease instead of adding to the wealth of the community.

"Destroy land monopoly and industry must become the competition of equals. A tax on land values tends to increase the competition between owners, and thus to *reduce the price of land*."

—Henry George