

Equal Rights

Volume 32 Number 2 • "All People Have Equal Rights to the Use of the Earth" • Summer 2002

Our Readers Write

Our Marginal Land Analysis appraisal in the Spring 2002 issue provoked several readers to respond. The letters here argue other points of view about marginal land analysis and other topics of Georgist interest.

I. Single Tax Good, Marginal Land Analysis Not Understood

by Chuck Metalitz (Executive Director, HGS/Chicago)

Henry George asserted that if all land were under absolute private ownership, the general level of wages would drop to the minimum that labor would consent to live on. But –

(1) *We don't have absolute private ownership.* Common land is available for certain low-earning occupations (street vendors, scavengers, etc.). And most private land, if not exempt, is subject to taxes equivalent to some portion (10%?) of the land rent. Also, government can force land into use through eminent domain or in other ways.

(2) *The general level of wages applies to those without special skills or contacts, the lowest earners.* Today, these people are barely able to support themselves, let alone dependents. The fact that physicians, lawyers, bureaucrats, influence peddlers, and many others can live quite well does not say anything about the general level of wages.

It's important for single-tax advocates to keep the fundamentals of George's analysis in mind. That's one reason that we have Henry George Schools.

II. The Marginal-Land Analysis Is Also Good

By James Chapman (long-time Georgist)

Henry George said that invention – technological progress – increased land value along with growth in population, and it certainly has. The only new homes being built in our area are in the \$150,000 and up range on lots valued at \$60,000-\$90,000.

And poverty is still with us. It is not too visible in

Your Help Makes Our Work Possible

You fervently believe that land speculation impoverishes many. So do we.

If you really want to, and are able to, further the Cause, include in your will a tax-free grant to the Center for the Study of Economics, whose research we need to spread the land value tax to real-world cities.

Or provide in your will that the remainder will accrue to C.S.E. Let us inscribe your name on a plaque in our offices commemorating your gift – thereby inspiring others to do likewise.

Contact:

HGFA/CSE

215.988.9998

America because we disguise it with billions of dollars in all kinds of welfare programs, including a minimum-wage law and now a move for a living-wage law. These laws, like unions, do not include every worker. Marginal land analysis is, of course, very visible in Afghanistan and other third-world countries where only a few own land.

William Drayton, a MacArthur Fellow wrote (in *Barron's Weekly*, 2-24-97) that America's unemployment is not 5.3% but about 35%-45% if ... we [also] count the under-employed, the part-timers, seasonal workers, and those who could work but are not seeking jobs (the latter might be so well off they don't have to seek work or else they are satisfied with welfare).

I would not like to believe that Henry George wrote anything that is not true.

III. Briefly Defining U.S. Taxes

by Floridian Ted Morris, an active Georgist

"Beggar-Thy-Neighbor Tax" (protective tariff) – the principal cause of worldwide economic inefficiency.

"Vulture Tax" (estate taxes) – the death of an individual is an occasion for everyone, in the name of the state, to plunder his goods, to pick the bones clean (could also be called the Cannibal Tax).

"Karl Marx Tax" (corporate and personal income taxes) – the big anti-economic tax, and the most costly and inefficient to administer. It grows the state and shrinks the economy.

"Sails Tax" (sales tax) – takes the wind out of the sails of the economy. Much that is collected never reaches government coffers. It is highly regressive. The V.A.T. has similar effects.

"Catastrophe Tax" (on buildings) – destroys more buildings than natural catastrophes by preventing their construction.

Continued on Page 3

How to Do a Who-Pays-More-Who-Pays-Less Study

Nineteen jurisdictions are currently using the two-rate LVT approach. In every instance, the locality's legislature (usually a school board or city council) has asked for a who-pays-more-who-less study. The legislators simply do not want to adopt a two-rate LVT property tax without such a study – there have been no exceptions. They simply do not want to take a leap in the dark; specifically, they do not want to impose a property-tax change that will significantly increase the tax burden of many of their constituents; they want to be re-elected. They want to be assured they will not be run out of town by an angry mob of aggrieved property owners.

So it is necessary for Georgists who want to induce some LVT in the foreseeable future (beyond which we ought not to try to peer) to know how to mount such a study. Fortunately, such a study can be very easy to do, and need not take much time.

Here is how to do it:

The theory is simple: any property owner whose building-to-land-assessment ratio is larger than the locality-wide building-to-land-assessment ratio will save with a two-rate LVT property tax. A property owner whose building-to-land-assessment ratio is less than the locality-wide building-to-land-assessment ratio will pay more. If by chance the two ratios are the same, there will be no change in property-tax payments; the affected property owners will pay less on their improvement but this will be exactly equal to the increase on land tax.

An example will suffice: suppose the building-to-land ratio for the entire jurisdiction is 3.2:1; property owners whose building-to-land assessment ratio is more than 3.2:1 will save with a two-rate LVT shift; property owners whose building-to-land ratio is less than 3.2:1 will pay more, and those property owners with a 3.2:1 ratio will pay the same.

To do a random-sample study before trying to induce a legislative board to adopt two-rate LVT, follow these guidelines:

1. Determine what suggested rates on land and building assessments will get the jurisdiction the same revenue as their current one-rate, using the formulas developed by C.S.E. Do this prior to meeting with the locality's legislative board.

2. Get the locality-wide building and land assessments. Fortunately, they are public information. Usually, the locality's treasurer or budget manager can easily provide these figures.

3. The same procedure can be followed for other types of property owners (e.g.: commercial, industrial, utility, etc.).

4. It is possible to figure out the exact payment for each property owner (or any property owner) under the old one-rate property tax and under the suggested two-rate property tax, but that is not usually necessary.

5. Often, a shorter sample of the legislators' properties or some key properties in town will suffice.

Joshua Vincent, President of HGFA can easily do this by computer for an entire assessment roll, but you will need to get a computer disk for him containing all the assessments. He can also do a random sample for you. Call 215.988.9998 or e-mail henrygeorgefoundationofamerica@msn.com.

The Distribution of Wealth in America

Wealth is highly transient in America:

♦ "Less than 1% of American families were stuck in the poorest fifth of the population year after year, for a decade or more." (Alm)

♦ "In the 1980s, only about 6% of all families had incomes in the riches fifth of the population throughout the decade." (Alm)

♦ "Today, this up-and-down distribution of wealth - not a *Les Miserable*-tableau of the permanently downtrodden--is the real portrait of the real America. (Clark S Judge, Managing Director of the White House Writers Group, *The Wall Street Journal*, 5/4/2001, A14, citing the University of Michigan's "Panel Study of Income Dynamics.")

Of course, if land assessments were taxed rather than what labor produces, the distribution of wealth and income would be even more equal.

Let Us Remain True To Progress and Poverty

The whole of *Progress and Poverty* revolves around George's central proposal: "*To abolish all taxation save that upon land values.*" (p. 406, Fiftieth Anniversary Edition; Schalkenbach, New York 1953; italic emphasis in the original)

On p. 405 (again, italic emphasis in the original) George wrote:

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

We deviate from George's prescription for practical action at our peril and disgrace. Let us remain true to *Progress and Poverty*.

This bulletin is published by
The Henry George Foundation of America
1422 Chestnut St (#413), Philadelphia, PA 19102-2510.
215-988-9998, 215-988-9951(fax),
Email: equalrights@urbantools.net.
Website: www.urbantools.net
Editor: Steven Cord, Prod. Mgr. Joanne Beach
Subscription rate \$30/yr. © 2002.
Reproduction permitted provided credit is given & we are notified

Our Readers Write

Continued from Page 1

What, we should all live in tents?

"Land Value Tax" – the only tax with effects opposite to all the other taxes. It promotes non-inflationary full employment of all factors of production and leads to lower prices and higher living standards." (Ed.: Only limited space prevents us from printing Ted's entire letter.)

Ted Morris also writes:

"Natural law applies to everything, not just tangible physical things. If ethics is to be a science, it must be grounded in natural law.

"Better than the two-rate local option, what Florida needs is a state law requiring taxing jurisdictions to gradually, each year, increase the tax rate on the value of land and concurrently decrease the tax rate on the value of the improvements. (Ed.: Isn't that two-rate?) That is essentially the resolution I will be submitting to the Silver-Haired Legislature next week in Tallahassee. Keep your fingers crossed." (Ed.: Yes, Ted's proposal is better, but is it saleable? We surely will keep our fingers crossed.)

IV. Equitable Rent Necessary

by Georgist W.H. Pitt, who writes us from Australia.

"Really, there is no 'marginal' land. However, everyone except the hermits requires protection against vandals, etc. and should pay accordingly. Some graze cattle on huge semi-arid areas. Others needing lesser space to gain similar incomes likewise need communal protection for their activities.

"It seems to me that each owes a similar amount as a natural site rent so that the cost of that protection can be met.

"Trouble arises only when land is monopolized and governments are forced to levy taxes while a monopoly rent is exacted by the landholders."

V. Getting Three in Return for One

by HGFA Board Member and Nebraskan Everett Gross

"If the tax on buildings is reduced by one dollar, that dollar generates four dollars throughout the economy. Most of it redounds to the value of land, simply as all improvements do that. If the tax on land is upped by only that dollar, the landowners can pocket the other three....

"Now for the other topic. Georgists are asked by Equal Rights to respond to the woman who thinks she does not pay the taxes on her apartment house. 'In a pig's eye, like fun she doesn't. Whenever she buys most anything she can think of, very nearly a third of her price is paid for taxes and almost precisely another third is paid for no service whatsoever except permission to use the earth. This applies to every stick of wood and every brick and every drop of paint on her apartment house.' (Ed.: Do you think the downtax on buildings is better for the economy than the uptax on land? Write us.)

VI. Oppose the Sales Tax

by Jack Kelly of Peoria, IL

"The January 2002 issue of *Equal Rights* contained an article sanctioning a tax on mineral-land value (essentially a lease) plus a certain percentage tax on what is produced on that mineral land. I object to considering a percentage of the minerals extracted from a particular parcel of land as land rent, therefore justifiably subject to taxation. That's a sales tax, not a justifiable land value tax. We should oppose sales taxes. The only justifiable land value tax for mineral-land parcels is what is paid for the lease of that parcel." (Ed.: Readers, what do you think? Replies are invited.)

From the Editor

☆ Henry George would have a tough time convincing people today of the efficacy of the Single Tax. They have a different social philosophy than the more equal-rights oriented people of his day.

☆ It is said, "Reading maketh a well-rounded person." So doth watching TV with potato chips and a six-pack of beer.

☆ To agree with Humpty Dumpty's claim in *Alice in Wonderland* that words mean what he chooses them to mean is to make a mess of attempts to communicate.

☆ From 1947 to 1973, the inflation-adjusted hourly wages of the average American worker grew by 75%, although they have stagnated since 1973, so that in 1998 the average inflation-adjusted hourly wage was about the same as in 1967" (Levy Economics Institute newsletter, Spring 2001, p. 4, sent to us by IF reader Wm. Kells).

☆ Those American making \$30,000 or less get \$1 trillion in federal spending, yet pay only \$95 billion in federal taxes (Investor's Business Daily, 5/25/01, A26, citing Congress' Joint Committee on Taxation).

☆ I have no difficulty getting pro-LVT endorsements from the previous generation, why so much difficulty today? Reason: increasing ethical relativism.

☆ If a government regulation is a "taking," as 'from landowners disadvantaged by a re-routing of a highway, isn't the highway itself a "giving"?

☆ We are looking into alternative ways to deliver your issues. Consider receiving your issue of *Equal Rights* via e-mail or fax. What do you think? Write (1422 Chestnut St. Ste 413, Philadelphia, PA 19102-2510) (\$37), call (215.988.9998) (\$.7 per minute), or email (equalrights@urbantools.net) (free).

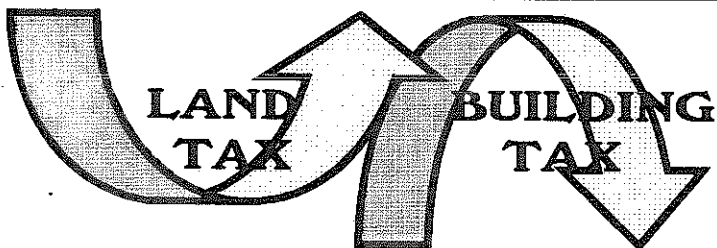
Henry George Called It a Tax

"As a small burden badly placed may distress a horse," wrote George in "The Canons of Taxation" chapter of *Progress & Poverty*, "that could carry with ease a much larger one properly adjusted, so a people may be impoverished and their power of producing wealth destroyed by taxation, which, if levied in another way could be borne with ease."

One of his examples: "A tax on date-trees, imposed by Mohammed Ali, caused the Egyptian fellahs to cut down their trees; but a tax of twice the amount imposed on the land produced no such result."

"The tax upon land values is, therefore, the most just and equal of all taxes," he concluded in the last paragraph of that chapter.

(From *Progress and Poverty, The Fiftieth Anniversary Edition, Robert Schalkenbach Foundation, New York, 1953*)



Wylie Young HGFA Trustee-Emeritus

On March 11, 2002, HGFA Trustee-Emeritus Wylie Young died peacefully at the age of 103 in Cincinnati.

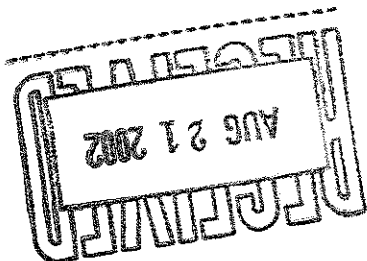
He had been a Presbyterian minister at many churches, notably in Batavia, New York, but we will remember him as a gifted speaker – "he could make rocks cry," it was said of him – and as a loyal and practical Georgist, and as a wonderful person to know. We could always count on Wylie.

In the 1960s, he took up residence in Erie, Pa. in order to induce that city to adopt a two-rate property tax. He gained the enthusiastic support there of the Junior Chamber of Commerce, but his candidate for city council lost at the polls in 1969 and he chose to leave that city for greener pastures elsewhere. Later, he prepared useful studies on the impact of land value taxation on various classes of property owners in York, Pa. and Philadelphia. He was a trustee of the Henry George Foundation of America for many years.

We will miss him. No doubt, he has gone to where there is unlimited land and so no land rent or need for it.

Goodbye Wylie – we will keep the faith.

Library Library
Henry George School
121 E 30th St
New York NY 10016-7302



Non-Profit Org
U.S. Postage
PAID
Philadelphia, PA
Permit No. 05962

The Henry George Foundation of America
1422 Chestnut Street Suite 413
Philadelphia, PA 19102-2510
equalrights@urbantools.net

Summer 2002