

Equal Rights

Volume VIII, Number 2

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

Winter, 1977

LET'S PLAN NOW FOR A GREAT GEORGIST CONFERENCE

The 1977 Joint Georgist Conference, as previously announced, will be held at Lake Geneva, a popular resort area in Wisconsin midway between Milwaukee and Chicago. The dates chosen are July 1 to 5.

There are four official co-sponsors: Land Equality and Freedom, the Henry George Foundation of America, the Henry George Schools of Social Science, and the Robert Schalkenbach Foundation. Each of the four co-sponsors will have a time period amounting to a half day and a meal period for which that group is responsible for inviting speakers. The Conference Regional Committee members will serve as moderators. The Henry George Foundation has been assigned for its program Sunday, July 3.

The state of Wisconsin is pleased to be host to the 1977 Georgist Conference. Governor Patrick Lucy, in a letter of welcome, comments:

"It is historically interesting that the theories which Henry George espoused more than 100 years ago in the days of the industrial revolution, deal with many of the same issues affecting citizens today. His goals of developing equitable taxation continue to be the aims of tax reform groups across the country. The Georgist organization provides one of the many constructive forums for the discussion of the fair application of land taxation. Here in Wisconsin, the Wisconsin Property Owners' League has presented the opportunity for such discussion."

It has been proposed to concentrate on speakers who can relate something they have accomplished within the past year, or people who are friendly to the Georgist philosophy but are identified with other educational or activist pursuits. Lake Geneva offers a very attractive setting for entertainment that is being planned.

A brochure giving full details is being prepared for distribution by mail to members and friends of all the sponsoring groups, and all Georgists inter-

Another Victory in Harrisburg

Harrisburg, the state capital of Pennsylvania, with a population of 80,000, was the first city in the state to take advantage of the optional Graded Tax law of 1959, which was approved by Governor David L. Lawrence, long a staunch advocate of the Graded Tax as originally applied by mandatory state legislation to the City of Pittsburgh, where he served as Mayor for 12 years before his election as Governor.

Just three years ago the city council of Harrisburg took the first step by imposing a tax rate of 17 mills on buildings and 23 mills on land. Now for the year 1977 after a successful trial period, the differential rates will be 29 mills on land and 16 mills on buildings. Obviously, this is a big forward step and places the city of Harrisburg very close to Pittsburgh and Scranton where a 2 to 1 ratio has been in constant operation since 1925 when the second class city act became fully effective by a process of 10 per cent steps each third year.

The principal argument for the Graded Tax in Harrisburg was that the city needed more revenue from the property tax than previously and it was felt that the Graded Tax would lessen the burden on rehabilitation and new construction.

The Graded Tax League of Pennsylvania, and especially **Incentive Taxation**, edited and circulated by Dr. Steven Cord, brought strong pressure to bear in this significant achievement, which is sure to influence favorable action in other cities of the third class, where city councils have the power to act at any time they may choose.

SOARING FARMLAND VALUES

The value of America's farmland doubled over the last five years, and more sharp increases are expected. New surveys by the Department of Agriculture disclose that the market value of agricultural property across the United States rose from \$380 to \$445 per acre — a jump of 17 per cent — in the year ended Nov. 1, 1976.

It was the fourth-largest annual increase on record, and experts predict that the climb will continue this year. Land values have jumped 112 per cent since 1971.

Desire by farmers to enlarge their holdings is a major factor in the rapid-

ested in this unusual opportunity for fellowship and inspiration, are urged to plan early to participate as it will be necessary to make definite advance reservations.

ly increasing demand for rural land. Improved farm income in many sections of the country is another prime reason.

The biggest increases came in areas where farmers have been most prosperous and want to expand their operations. The land-value spread among states is even more striking than the differences among regions. Illinois led the nation by recording an average increase of 41 per cent in farm property valuations last year. Other leading increases included 33 per cent in Iowa, 32 per cent in Ohio and 30 per cent in Indiana. But two states — Mississippi and Nevada — showed no increase at all in farmland values during 1976. Average per acre prices for American farmland now range from \$76 in New Mexico to \$2,852 in New Jersey. The average price per acre in Pennsylvania was \$1,007. — U.S. News, Feb. 7, 1977

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Editorials

GEORGISTS FACING REAL CHALLENGE

American Georgists now face a real challenge as they confront the social, economic and political problems that now prevail, and as we examine the vast changes that have transpired, for good or ill, since Henry George launched his great crusade 100 years ago.

Henry George had a profound influence and was hailed as the greatest American social philosopher and Georgists have played a significant part throughout the succeeding years. They have conducted aggressive educational and political campaigns, including the resort to the initiative and referendum where this method was available, and many Georgists have been nominated and elected to public office, or appointed to important positions in the national or local governments. Yet we are comparatively few in numbers, and must recognize the fact that in a democracy, a majority rules, and that Georgists are still a distinct minority. And since they strive to advance the interests of the people as a whole, they suffer the handicap of not being in a position to attract the support of any of the many influential interest groups.

Nonetheless Georgists can be encouraged by the fact that the taxation of land values is well established and has persisted in America from the earliest days as an essential component of the real estate tax, that billions of dollars of land rent are collected annually by means of the federal income tax, and that land ownership is so widely distributed that the American people are hardly conscious of the existence of land monopoly as a relevant political issue. Truly, land monopoly may have been recognized by some as the mother of all monopolies, but in recent decades other menacing forms of monopoly or special privilege have evolved and have grown in power.

Recognizing this challenge, *Equal Rights* was launched by the Henry George Foundation eight years ago and its editors have joined in stressing the theme of equal opportunity for all, not

special privilege for some, citing the fact that Henry George had definitely taken the position that "we must abolish all monopolies and break down all special privilege. George always insisted that it was "no mere fiscal reform" that he proposed. Taxation was presented as an effective means to an end in the pursuit of social justice through economic freedom. And these great Georgist ideals must have a very strong popular appeal if and when presented as a basic social reform.

As our associate editor, Dr. Busey, has recently pointed out, there are other "reforms" that are very much in line with the Georgist point of view. If we are to achieve the kind of society that Henry George has proposed, we can collaborate in the advocacy of those reforms. We should seek the elimination of monopoly of all kinds, whether in business, labor, agriculture, or parasitic landholding.

We observe that in the United States some rather powerful pressure groups are working to end present monopolies and prevent new ones from coming into existence. Some would attack only

CARL D. SMITH

The Henry George Foundation has sustained a great loss in the death of Carl D. Smith on January 9 at the age of 94. He was one of the founders of the non-profit corporation when it was chartered by the State of Pennsylvania in 1926. He was in the forefront of a group of young attorneys active in the civic and political life of the Pittsburgh area who enlisted in the Single Tax movement in the early days and attained a position of influence in independent Democratic political affairs when civic reform was a live issue and when the new city charter and the Pittsburgh Graded tax law were both enacted by the Pennsylvania Legislature. As a candidate for local offices, he made many Single Tax speeches and after the Democratic party became the majority party, was nominated in 1935 for the office of District Attorney.

Mr. Smith served as a trustee ever since 1926, and since 1937 served as a Vice President of the Henry George Foundation until 1976, giving his generous support as a dedicated Georgist. He survived to join in the celebration of the 50th anniversary of the Henry George Foundation and those of us who have so long had the privilege of his friendship join in paying this tribute to his memory.

business monopoly. Others concentrate on labor union monopoly, or on trying to keep labor unions from playing dominant roles in government. Others are disturbed about monopoly in agriculture. Georgists can collaborate with all these anti-monopoly groups and help to achieve a society that comes somewhat closer to the Georgist ideal.

It is also important to greatly curtail governmental expenditures, cut down the burgeoning public bureaucracy, and get control over the enormous national debt. These relate to Georgism because the effect would be to sharply reduce public expenditures and liberate the population from fiscal and bureaucratic imposition.

Another reform (which Henry George actively espoused in his day) relates to the freeing of trade, especially international trade, from taxes, duties, tariffs, quotes, and other bureaucratic fetters on the exchange of goods. Though it is, of course, essential that we regard land value taxation as a central proposal, it is important that we not forget that there are many other people who are taking other paths to a similar destination.

Why should not Georgists meet this challenge by broadening our outlook and offering to lead the fight for true free enterprise and against all special privilege?
— Percy R. Williams

ANTIDOTE FOR MADNESS

Wylie Young, an active trustee of the Henry George Foundation, and an eloquent and forceful exponent of the Georgist philosophy, has produced a noteworthy book setting forth a strong case for the adoption of land value taxation. He presents a very simple method, which, if instituted, would channel wealth more equitably into the hands of those who produce it or who render some desirable service to society and predicts as a consequence a vast increase in the gross national product — that involuntary unemployment would vanish, welfare rolls would shrink, crimes would diminish, cities could be rebuilt with private investment funds.

The author was graduated from the College of Wooster (Ohio) and then attended Princeton Theological Seminary. In 1929 he became the minister of Westminster, then the second largest Presbyterian Church in Toledo, Ohio. Shortly after assuming his duties the great depression struck Toledo with unusual force and he became caught up in a determined effort to discover why the economy had broken

Continued on next page

CIVILIZATION ON SQUARE WHEELS

A new Georgist book has recently rolled off the presses — W. Stuart Morrell's *Civilization on Square Wheels* (Vantage Press, 516 W. 34 St., New York City 10001, 209 pp.).

Author Morrell was born in Nova Scotia, Canada in 1904 and is presently a real estate broker living in Brookline, Mass. He wrote this book in the late 1940's, although he published it in 1976, with additional comments here and there to bring his study up-to-date. But not much up-dating is needed, since his material applies primarily to all times and climes.

The core of the book is the section on Georgist economics: tax land, Morrell points out, and we remove the weight pressing down upon the spring of progress. Only then will labor and capital get their just due. Would that our leaders would read and heed this book. Morrell offers other explanations for our civilization's square wheels, but one wishes that Morrell would have spent more space elaborating on his central Georgist theme.

The style is refreshingly easy to read and Frank Manno has contributed numerous pen-and-ink drawings to illumine the text.

It is good to see Georgists, especially those who have been on the rim of the circle, putting pen to paper and producing such books as *Civilization on Wheels*. Where its influence will reach and who will "see the cat" on reading it, no one can fully know, but influence on enlightened readers this book and others like it will surely have.

— Steven Cord

The single tax will directly and largely benefit *small* land owners, whose interests as *laborers* and *capitalists* are much *greater* than their interests as land owners.

— HENRY GEORGE
The Condition of Labor

ANTIDOTE FOR MADNESS

Continued from previous page

down. His search resulted in the discovery that there is, and always has been, a basic flaw in our economic system. But the analysis, so logically worked out, and the cure, so simply stated by one of the world's most original thinkers, had been rejected by the richest and most powerful elements in our society. This flaw still persists and is blindly accepted by good and bad alike and is so much a part of our way of life that it seems doubtful if its debilitating effects can ever be avoided. Nevertheless, this one basic flaw is seen by the author as being the root cause of the malfunctioning of our economy and of the madness that marks our times.

WHAT TO DO ABOUT UNIONS

There is a great need to reform our laws concerning unions in order to retain their benefits while minimizing their disadvantages. Public opinion polls show much support for such reforms, and surprisingly among union members especially.

BENEFITS

Unions protect the job rights and security of their members. No other organization can so effectively protect seniority rights and prevent excessive assembly-line speedup, capricious management practices (e.g., actions of vindictive foremen, etc.). Unions can facilitate swift and just grievance procedures, and they are very effective in presenting worker opinion to management. When workers have to go to court to protect their rights, it can cost them thousands of dollars and many years; their rights can be protected much more cheaply and quickly by union lawyers at contract arbitration hearings.

In short, all workers could benefit from union membership (although it shouldn't be compulsory), and I am certainly glad that I belong to a good union.

DISADVANTAGES

But the disadvantages are undeniable. Here are a few:

(1) **Strikes** — everyone suffers. It often takes years for strikers to make up lost wages due to strikes. Other workers are laid off when their plants can't get strike-interdicted supplies. The company loses money, and the consuming public is seriously inconvenienced.

(2) **Corruption & Violence** — Newspaper headlines are full of verified stories about Mafia-controlled unions and mismanaged union and pension funds. Violence against management, other unions and non-union workers is widespread, particularly in the construction industry. Many unions are not run democratically and members are frequently afraid to express themselves freely for fear of retribution (the father of one of my students implored her not to publish an article on unions out of fear for what his own union bosses would do to him).

Communist control is not now a major problem in American unions, although it once was, and is in many foreign countries.

(3) **Racism** — Job discrimination against blacks is particularly common in some unions. In 1970, blacks were 11% of the general population but only 1% of construction union membership. But recently unions have been

making some progress against such discrimination.

(4) **Inefficiency** — Unions often encourage featherbedding practices, as when they insist that firemen be hired on Diesel locomotives. My students who have worked in steel mills tell me that they are required by their union stewards to shovel coal slowly — much more slowly than they'd like to.

(5) **Unemployment** — Undoubtedly, unions raise the wages of their own members — strong unions more than weak, but on the average, according to Albert E. E. Rees, leading economist in this area, they raise their members' wages about 8% more than what those wages would be in the absence of unions.

But when the price for labor is raised, the demand for it decreases. The result is unemployment.

(6) **Inflation** — Union wage increases are passed on to consumers in higher prices. They do not usually depress profits; note this evidence:

— Corporations ordinarily raise their prices after a wage increase, just as they raise their prices after all cost increases. Why should increased wage costs be any different?

— Since 1945, unions have forced big wage increases, yet profit margins have not changed much during that time. They have averaged about 12½% of net worth, varying only with the business cycle.

— Profits are generally highest in those companies where unions are strongest, indicating that union wage increases have boosted prices rather than depressed profits.

A technical note: the government is forced to increase the money supply when prices rise following union wage increases. If it didn't, then consumers wouldn't have enough money to buy all the higher-priced goods, and depression would result. Inflation is preferable. Thus the unions are forcing the government to follow an inflationary policy.

(7) **Maldistribution of Income** — Business and professional people can raise their own prices to pay for the union-caused higher prices of the goods they buy, but low-income consumers, especially non-union ones, cannot. Union wage increases are therefore re-distributing income from relatively poorer consumers to richer union members. When we violate the free market, we get results we don't like.

(8) **Hurts Small Business** — When prices rise because of union wage increases
Continued on next page

WHERE DO TAXES COME FROM—II

Agreed, that since there is no free lunch, all taxes—no matter what the nominal source—come out of production. Beyond that, the relationship of taxes to land rent is an entertaining subject.

Let us look at two cities A and Z, in all respects comparable except that, above other comparable taxes, city A levies a poll tax of \$500 per resident per year. Let us assume that the money is embezzled and entirely spent elsewhere. Under these circumstances, poll tax city A is a less desirable place to live, and land rent is as a result less, just as it would be if the city were subject to annual Viking raids, floods, or

WHAT TO DO ABOUT UNIONS

Continued from previous page

creases, then less is produced at the higher prices and the least efficient producers are forced to the wall. They are usually small businesses and are least able to pass on the higher wage costs. Unions reduce competition and then complain there's not enough of it.

(9) Excessive Union Political Power

—The British coal union threatened to continue its damaging coal strike in 1972 unless the electorate voted for the Labor Party in the forthcoming election; the Laborites won. The threat persists.

ALTERNATIVES

To retain the benefits of unionization but not the drawbacks, we should move toward government wage controls whereby annual wage increases are keyed to the annual economy-wide increase in productivity; if the latter increases 3%, then so can wages, except where the management of particular corporations in difficulty can conclusively prove hardship and the inability to pass on a wage increase (in which case, profits should be severely limited by law).

When wages increase faster than productivity, as in recent decades, then inflation is inevitable.

Profits should be limited by competition and can exceed or fall short of productivity increases as market conditions may warrant. Long-term profits in excess of the 12½% average could be taxed on a sliding scale.

If the government is restricted to applying such specific objective guidelines, won't it be able to do the job justly and to the satisfaction of reasonable people on both the management and union side?

What other solution is there for the dilemma we find ourselves in?

—Steven Cord

earthquakes. The tax does not "come out of land rent"; but its existence does keep land rent down and land values down.

If it were doubled and all else unchanged, the area would be even less desirable and land rent and land values would drop yet further. If it were discontinued and all else unchanged, the area would be a better place to live, and land rent and land values would rise.

But suppose the voters stir themselves and the poll tax money is instead well spent for streets, schools and other government services so that city A is considered to be, in these respects, a more desirable place to live and work. Will not this fact, in its turn, tend to raise land rent and land values in city A? The poll tax, as something to be paid, is a liability to the area, decreases the desirability of the land and tends to lower land rent and land values; the resulting government services, if intelligently selected, are assets to the area, increase the desirability of land, and tend to raise land rent and land values.

Let us now look at an otherwise comparable city B which adopts a policy of raising all its income by a tax on only land values, while city Z continues to raise all its income by taxes on both land values and improvement values at the same rates.

The tax on land values in city B will cut into previously privately kept land rent and so tend to lower land values; but the lack of the building tax will make the area a more economical and desirable place to live and shop and work, and so will in an equal degree tend to raise land rent and land values. Consider the case of the homeowner with a median value building on a median value site. The tax on his land is higher, but the tax on his building is lower in exactly the same amount. And since his total property tax is unchanged, and the government services he receives unchanged, his land continues to be exactly as much better than marginal land as it was before, and it will sell for exactly the same amount for which it sold before. In his case, the repeal of the tax on buildings has raised the rent of his land in that amount; then the increased land tax has in its turn taken that amount in taxes.

But land value taxation has also now introduced an additional and entirely new influence. Since landholders in city B now feel a tax pressure to put their land to good use, and buildings are not taxed, city B will grow more rapidly. Development will no longer

President's Message

So Harrisburg has taken a second Incentive Tax step! I like to think we had something to do with obtaining the 29/16 rates—"we" meaning the Graded Tax League, **Incentive Taxation** bulletin (are you a subscriber?!) and L.E.A.F. There was fine cooperation among all three organizations.

The Graded Tax League made numerous phone calls, wrote numerous letters and hired a Harrisburg lobbyist, Tom Kepler, to help out. **Incentive Taxation** maintained constant contact, and L.E.A.F. kindly provided financial support.

The Henry George movement had nothing directly to do with Harrisburg's move to 23/17 mills in 1974.

Our satisfaction in this second L.V.T. step which Harrisburg has taken had to be mitigated by the smallness of the step. Few property tax bills will be significantly affected one way or the other, and there is little public awareness of the tax. As in Pittsburgh, few citizens are aware that their property tax is in any way unique or different. This can possibly erupt into a serious problem for us—a reversion—in the future. Maybe we need to advertise the tax in our L.V.T. cities.

But the smallness of the step that shouldn't worry us unduly. The trend is right. A thousand mile journey begins with but a single step . . . and then a second, etc. Let's keep working for the etc., in which case this Harrisburg tax action could become one of the significant news events of the year, no matter how overlooked it may presently be.

—Steven Cord

have to face the same growl of the dog-in-the-manger land speculator. Will not land values in fact not only not drop, but actually rise (both because there are no taxes on buildings and because the land value tax has been an impetus to a high state of development) even in the very teeth of higher land value taxation, under the same total tax levy? Granted, speculative land values have been minimized; but real land values have been maximized.

The question is not one of a mere division of what exists today, a static view. One must look to the dynamics of the situation. Under land value taxation, more is produced and there is more to divide.

—Henry Tideman