

Equal Rights

To The Earth's Resources

Winter 1981-1982

HGFA Represented At Recent Hearing of H.R. Subcommittee

HGFA president Steven Cord testified before the Subcommittee on Economic Stabilization of the U.S. House of Representatives on Friday, September 25th. He showed how the introduction of LVT in McKeesport and Victoria, Aus. was followed by marked construction increases which also were significantly greater than neighboring and comparable cities.

In McKeesport, Cord pointed out that new construction for 1981 was slightly off the 1980 pace but in neighboring Duquesne construction had fallen off precipitously. This continued McKeesport's fine 1980 showing following its adoption of a 90 mill tax rate on land, 20 mills on buildings.

Then Cord showed our recessions are caused by the higher prices due to land speculation and inefficient use. If the money supply remained unchanged then it would be inadequate to clear the higher priced goods and services off the market and the result would be recession. Nowadays the government increases the money supply to ward off recession, but this results in inflation instead. Cord presented figures to show that land rent in our economy today is about \$8 billion a year, or more than all current federal taxes. He also presented figures to show that 21% of the land area in American cities with populations exceeding 100,000 was both vacant and buildable upon. Insufficient land use is surely important enough to cause recessions and inflation, he said.

His testimony, as well as that of Phil Finkelstein of the Henry George School, will shortly appear in the written report of the Subcommittee.

"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

LVT Legislation Readied For Philadelphia City Council

Members of the Philadelphia chapter of the Incentive Tax League report continuing increased support for an increase in the tax on land values as a solution to Philadelphia's fiscal crisis. Various members of city council have expressed interest in an Incentive Tax League proposal, and council members James Tayoun and Joan Specter have initiated drafting of the needed legislation. Further evidence of community awareness came in the form of an invitation to meet with members of the editorial board of the city's largest newspaper.

Smith and Mill Support George

Georgists will be pleased to know that Adam Smith writing in 1776 and John Stewart Mill writing some 70 years later, both offered an economic analysis which predates George's.

First for Adam Smith. He wrote in "Wealth of Nations": "The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it."

As for John Stewart Mill, he wrote in "Principles of Political Economy," Book V, Chapter II: "The ordinary progress of a society which increases in wealth is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community independently of any trouble or outlay incurred by themselves. They grow richer, as it were, in their sleep, without working, risking or economizing."

It is well known that both Smith and Mill favored the higher taxation of land values, though not as a single tax. But what the above quotations show is that they also favored the view that land values increase faster than the gross national product.

These quotations were brought to our attention by Elmer Greenlee's Blue Bird Letter (7/6/81). Other Georgists might do as Mr. Greenlee

has done over the years: he has sent out a mimeographed newsletter to a small group of friends and politicians and over the years has made made an impress upon them. If you were wondering what you could do to advance awareness of land taxation, then here is a specific action you can take. Another Georgist who does this is Joe Zashin of Tucson.

Never Underestimate Your Influence

Recently I received a phone call from an assistant to the House Majority Leader in Pennsylvania. It seems the Leader gave a speech extolling the income tax over the property tax. Someone in his audience countered his remarks by quoting from a recent issue of Incentive Taxation. The Leader was agitated enough to ask his assistant to spend considerable time tracking down the source of information. I tried to set him right about the matter.

To me, the significance of the matter is this! If some of us will only bring our side of the story to public attention, particularly the attention of our public officials, WE WILL BE HEARD. It beats sitting at home and grouching about the dumb politicians.

All hail to that unknown Georgist in the politician's audience.

Steven Cord
President, HGFA

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Readers' Forum

Let The Working Man Alone

20 Cent Stamp for a letter? At age ninety I remember when it was 2 Cents. Of course, I remember that we had Kerosene Oil for our Lamps, and for Power we had Horses, Mules and Elephants. Soon came the invention of the Electric Light and the Electric Motor, which today, are commonplace with Nuclear Force and Sun Rays offering unlimited Power. Travel by Air is no longer a Wonder; had any folk at the beginning of this Ninety Year Era dared to anticipate all the wonderful Progress in capacity to produce and refine wealth, wouldn't they have expected this to be the Golden Age of Universal Prosperity, each individual rich enough by his or her Labor to be free from Temptation? Integrity in Public affairs and Relations guarded by the shock and disgrace Corruption would bring. Our complex is that we have continued to tolerate Special Privilege as if it did no harm to Society, although it certainly does, for all increase in production is absorbed by the increase of Economic Rent of Land. The harm is that it goes unearned to private Incomes. If it was used to support Governments where it is earned by Public Service, all Taxation of Industry and Homes would not be needed. The few who acquire great Fortunes by Land-Monopoly are admired as examples of Success. This is the "Burdock" clinging to the framework of Civilization which will not remove itself just waiting for Evolution. We must brush off Special Privilege by using the Economic Rent of Land to support our Governments. Taxation of all Man-Made products is Unjust and Unnecessary. This applies the Principles of Rectitude. Let's use them for the next ninety years and enjoy an Era of unrestricted Prosperity.

George Tideman
Antioch, Illinois

Financial Advantages of LVT

This will illustrate how a full land tax and building exemption program might work for homeowners. Assume a \$30,000 house on a \$10,000 lot with a full amount mortgaged and carrying 15% payments. Carrying charges on such a house before and after will be as follows:

Before		After	
Taxes on \$10,000 @ 5%	\$ 500	Taxes on \$10,000 @ 5%+15% = 20%	\$2000
Taxes on \$10,000 @ 5%	\$1500	Taxes on \$30,000	0
Mortgage \$10,000 @15%	\$1500	Mortgage on lot price	0
Mortgage \$30,000 @15%	\$4500	Mortgage on bldg price	\$4500
	\$8000		\$6500
Annual savings for owner	\$8000-\$6500 = \$1500		

The saving of \$1500 per year @ 15% for 25 years accumulates to \$391,405, more than 13 times the cost of the house.

In the "After" section above building taxes are listed as 0 because we are assuming exemption of buildings from taxation. The mortgage payment for the lot is listed as 0 because the land tax increase would reduce the land price to 0.

Incidentally, I find that before an election you can get an audience with a politician rather easily to promote the idea of LVT.

DON MARCELLUS, Middletown, N.Y.

Excerpts of Letters to Newspaper Editors

BELOIT (WIS.) DAILY NEWS 9/81
To the editor:

I have just finished reading your article on "Group seeks tax reform" in your September 9th edition. First, I have never lived in Beloit so I may not know all the local factors that need to be considered if Beloit were to choose a land value tax once the legislature allows municipalities this option.

I have recently completed an MA in Public Policy and Administration at UW-Madison where I wrote my thesis on Site Value Taxation (some call it land value taxation). Secondly, I have studied this method of taxation for the last two years and would like to correct one small inaccuracy.

I am sure that Beloit Assessor John Schroer is a competent professional. He is technically correct that a pure Site Value Tax is not used anywhere in the U.S. However, there are places in the U.S. that use the Site Value concept very successfully. Pittsburgh, Scranton, Harrisburg, and McKeesport, Pa. use a modified Site Value Tax. Fairhope, Ala. and Arden, Del. are legal corporations set up as a living experiment of Site Value Taxation and many California irrigation districts use this taxing method but "assess the land" rather than taxing it, but these are fine technical differences.

In practice, Site Value Taxation is used in the U.S.

In addition, site value taxation is used in Australia, New Zealand, Western Canada, parts of South Africa, Kenya, and India to name just a few.

I am confident that your city assessor will be able to successfully change to a Site Value Tax if that is what the people of Beloit wish. Whatever minor assessing problems arise, I'm sure he can handle them because the benefits of such a tax plan far outweigh any problems.

Gilbert M. Halverson
Madison, Wisconsin

(letters cont'd on page 3)

READERS — PLEASE WRITE!

We will try to print as many letters as possible within the limits of the space available. At the very least we will summarize all letters received, if addressed to —

The Editor, EQUAL RIGHTS, 580 North Sixth Street, Indiana, Pa. 15701

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

—Henry George

Editorial

"Tax Roll Relief"

I happened to glance through an October issue of "The Economist" a few days ago and discovered a news brief on the troubles some large Houston-based firms are facing, along with the city's tax administrators. City officials have been accused of granting considerable property tax "remissions" in exchange for "hunting and fishing trips". (HUNTING AND FISHING TRIPS?)

At any rate, a Texas district judge has placed the city's tax department under a special independent controller, and the wheels of justice are grinding forward. I noted with great interest that one of the firms involved is a large engineering and construction firm and the absence of substantial quantities of equipment from the property tax rolls. "The Economist" reported that equipment originally appraised by a city appraiser at \$233 million ended up on the tax rolls at \$62 million after two subordinate tax officials were threatened with being fired unless the lower figure was adopted. And then there were the Houston banks.

Stock assessments of 137 Houston banks were cut unilaterally by 10% resulting in an \$89 million assessment reduction. Even more interesting, however, was the city's decision to permit Atlantic Richfield to value oil held at its refinery last January at \$21.50 per barrel when Department of Energy figures clearly showed an average per barrel price of \$28.55.

Since 1978 property values in Houston have been frozen at 1977 levels, but the entire city is scheduled to be reappraised in 1982. It is anticipated that homeowners will bear a large portion of the expected increase.

Oh, yes. One more thing is worth noting. AN ENTIRE EXXON CHEMICAL PLANT WAS NOT EVEN INCLUDED ON THE CITY'S TAX ROLLS -- not even its land values!

From this article on what is happening in Houston, my feeling is that a tremendous opportunity for positive change has presented itself if sufficient effort were made to contact local officials involved in the reform effort. Can we afford not to extend ourselves, or is this just one more battleground in a war that may never be won?

ED DODSON, Philadelphia, Pa.

Letters

(cont'd from page 2)

PALO ALTO, CALIFORNIA

Peninsula Times Trib 2-18-81

Mathematicians, physicists and engineers have contributed heavily in making fantastic space exploration possible. But, our economists still exhibit jungle dweller mentality when it comes to solving threatening, down-to-earth problems.

Bananas growing on an uninhabited island do not become wealth until people move in to harvest them. So, we can see that labor is the basic producer of wealth. What labor saves becomes capital. Exchange of capital makes possible expanded economic activity and growth.

Simple justice dictates that those who perform labor should be entitled to keep what they produce. Those workers who save should rightfully control the added economic value their capital makes possible.

It should be kept in mind that neither labor nor capital created the earth, including the natural appearance of bananas and apples. The consumers who ate these fruits provided the market which gave value to labor, capital and land.

More than a century ago, Henry George explained that the wealthy become wealthier, and the poor become poorer, because these simple economic facts were ignored by the socio-political Establishment.

Mr. George advocated in his book "Progress and Poverty" what has become known as the single tax (land value tax). This would extract, for social purposes, the value of goods or services not created by labor or capital, but through the existence of land and natural resources.

If we would recognize these simple economic facts, all taxes could be paid, painlessly, through the value of occupied land, instead of through taxation of people.

There would be no poverty, and there would be plenty of opportunity for everyone to rewardingly employ energies and talents in a free economy.

It is not well known that a few communities in Pennsylvania, and Australia, are transforming their real estate tax laws to exempt buildings and improvements. Widespread application of this procedure may prove to be a major means whereby we can build a truly fair and just society, and to protect ourselves from mutual destruction.

ROLAND BALLEEN
Palo Alto, Calif.

IN THESE TIMES OCTOBER 21-27, 1981

BY GEORGE!

I CONTINUE TO BE SURPRISED THAT your writers never mention the land tax as a means to achieve economic democracy. Equal rights among all people to the resources of this earth is what it's all about, and since it's not practical for each person to own an equally productive piece of land or an equal share of crude oil or rock phosphate, the next best way is for those who now claim those resources to pay rents or royalties to the community as a whole to pay for services such as education, health care, welfare assistance, transportation, law, research and development.

The land tax system would eliminate taxes on wages and strike directly at the heart of corporate power, which is based on the unearned income from monopoly control of land, including oil, natural gas, minerals, water, air, sunlight, radio and TV waves, geothermal energy, long-term patents, etc.

Now that Reagan has cut income taxes for the rich and service for the poor without slowing inflation, this is the best time to get state and local governments to increase taxes on land. Since inflation is caused more by continued increases in land and resource prices than by federal deficits, state and local governments have the power to control it by shifting more of their taxes on to land and off wages. Increased land taxes and reduced taxes on buildings, equipment and inventory will encourage development, including home building, which will increase jobs and get the economy rolling. Land owners generally are not able to pass the tax on to consumers.

Pennsylvania permits its cities to increase tax rates on land and Pittsburgh has since 1979 increased land taxes from 48 to 126 mills while keeping taxes on improvements at 25 mills per \$1000 taxable value. Building permits

(cont'd on page 4)

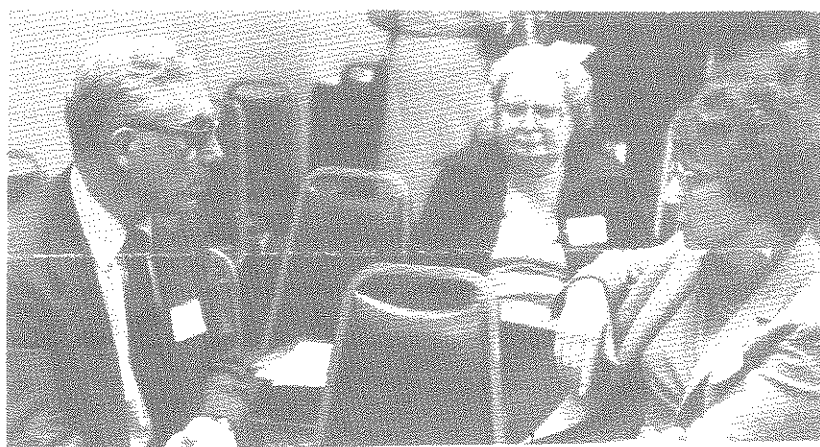
J. Edward Jones Dies

We regret to report the death in October 1981 of former HGF trustee J. Edward Jones of Blue Island, Illinois (near Chicago). He was a Georgist of long standing, having been active since the 1930's, and he remained active to the very end. He had been a lawyer and real estate operator. We will miss him.

Rochester, N.Y. Seminar on Property Tax Reform



Shown addressing the Oct. 15-17, 1981 Seminar are STEVE CORD (l.), HGFA Pres. and AL HARTHEIMER (r.), HGFA Rep. from Albany.



Pictured below are MARVIN MORRIS (l.), Seminar organizer and Rochester LVT Committee Chairman; EVELYN GILBERT (c.), Pres. NYS Concerned Taxpayers; and URSULA REMERTS (r.), former Pres., LWV of Rochester.

"No one should be allowed to speak above a whisper or write more than ten words on the subject (economics) unless he has read and digested (Henry George's) PROGRESS AND POVERTY" —John Kieran

By George! (cont'd from page 3)

issued since the increases have gone up, despite the building depression elsewhere. Also, the oil and coal producing states such as Louisiana, Texas, Wyoming and Montana have severance taxes on resources.

I urge activists to organize immediately to get state legislation to permit local governments to increase land taxes and take on the burden of caring for the people Reagan wants to forget. For further information write Incentive Taxation, 580 W. Sixth St., Indiana, PA 15701.

ROBERT P. WILLIS
Des Moines, Iowa

OPPORTUNITIES! There are some 80,000 local government units in the U.S., one for every 2,800 persons, according to Tax Foundation Inc. Nearly 85% of these units can levy property taxes.

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