



Newsletter

HENRY GEORGE SCHOOL

January
1978

833 Market Street San Francisco, California 94103

ANNUAL BANQUET

On December 3, 1977 the Henry George School held its Annual Banquet at the Rathskellar Restaurant in San Francisco. Approximately 75 attended the banquet and a good time was had by all.

The keynote speaker for the evening was to have been Frances Moore Lappe, author of Diet for a Small Planet and Food First: Beyond the Myth of Scarcity. Unfortunately Mrs. Lappe came down with a case of hepatitis the week before the banquet and was unable to speak to us. Mrs. Lappe had been selected to receive the Rupert Mason Medal Award for Journalism in the spirit of Henry George for her book, Food First.

We hope to have Mrs. Lappe speak to us at another occasion at which time the Rupert Mason Award will be formally presented to her.

Dr. William Filante, a long time Georgist who is presently running for a seat in the California State Legislature from Marin County, consented to speak to us on short notice in Mrs. Lappe's place. Dr. Filante spoke about the practical problems of a Georgist running for public office and he outlined some of the strategies he has developed for his campaign. Dr. Filante demonstrated that he is an effective advocate for free market concepts and for justice in taxation. We wish him the best of luck in his campaign and thank him for coming to speak to us at the banquet on short notice.

PROGRESS & POVERTY CLASS GRADUATION

The Annual Banquet was also the occasion of the graduation of those who have completed the Fall term courses in Progress and Poverty. There were 21 graduates from the Bay Area and 4 from Sacramento. The Sacramento graduates were honored in a separate ceremony in Sacramento.

We congratulate our new graduates for a job well done and hope that they will all join with us to continue the fight for economic literacy and for economic and social justice.

NEW PROGRESS & POVERTY CLASSES

The Henry George School is sponsoring a new series of classes in Henry George's Progress and Poverty starting the week of January 30, 1978. There will be two classes in San Francisco, two in the East Bay, one in Marin County and one in San Jose.

If any of our members have friends, family or acquaintances who are interested in studying fundamental economics in one

of our classes please have them call the School at (415) 362-7944.

ANOTHER GEORGIST CANDIDATE FOR OFFICE

Clay Berling of Albany, California (just north of Berkeley) has recently announced his candidacy for City Council in Albany. Clay is a long time Georgist and past president of the Henry George School. He is presently on the Central Board of Directors of the School having been elected to the Board for a new four year term last year. We congratulate Clay for his courage in getting directly involved in the political process. The election for City Council in Albany will be held on February 14, 1978.

JARVIS AMENDMENT INVITATION TO CHAOS

For some time now California has been buzzing with excitement tinged with a bit of horror over an initiative measure known as the Jarvis Amendment. The measure is an attempt by property taxpayers to enact property tax relief and to curtail government spending. The measure has its obvious faults but is still supported by many who may consider it a good strategic device to force the State legislature to come up with an acceptable alternative.

The Jarvis Amendment has already qualified to be placed on the June 6 ballot with the collection of over a million signatures, the most ever collected for any initiative measure in State history. This alone should indicate the depth of feeling of large numbers of Californians. A brief survey of the provisions of the measure shows that it does not merely have teeth; it has fangs.

1. It would limit the property tax to a maximum of 1% of market value of real property. The effective rate of the State's property tax in recent years has been 3 or 4% of full market value so this measure proposes to cut the property tax take of local governments who collect and spend it by 2/3 to 3/4.

2. It puts a limit on the market value against which the proposed 1% tax can be levied by requiring that the market value to be used as a base for future tax levies must be the 1975-76 market value. It does allow for an increase of market value to account for new construction made since 1975-76. It also allows full market value to be increased and taxed when the property changes ownership.

More importantly the measure provides that all future increases in market value due to inflation are to be limited to 2%

of the previous year's market value. For instance if the real market value of a piece of property worth \$100,000 one year went up \$10,000 (which is not unusual in light of recent history) the house could only be appraised at \$102,000 for tax purposes the next year.

If this measure is passed there will be a loss of property tax revenues to local governments and school districts in the amount of at least \$7.5 billion. It means that the property tax will be reduced to a minor tax compared to other non-property taxes. It means that land and improvement will be increasingly removed from the tax base as they rise with inflation due to the 2% increased value limitation. It means that all local government and school systems will have to look elsewhere for revenues.

This raises the next logical question: where and how will alternative tax revenues be raised to make up for the revenues lost? The measure provides as follows:

3. No new taxes may be raised by recourse to ad valorem or property taxes. Period. Property values are to be exempt from taxation altogether in the state except as provided for above.

4. New taxes may be created or old taxes raised on anything other than property values. However, on the state level additional revenues can only be raised by a two-thirds (2/3) vote of all members elected to both houses of the legislature.

On the local level (cities, counties and school districts) or in special assessment districts (BART) additional revenues can only be raised by a vote of two-thirds (2/3) of all qualified (registered) voters.

Yes, it will be technically possible to make up for lost property tax revenues but to do so will be extremely difficult if not impossible as a practical matter in many cases. It is not difficult to imagine the potential for bitter dispute between interest groups every time a tax measure is proposed.

Despite the practical defects of this measure many people support it because it is an expression of citizen dissatisfaction with government. If nothing else, these people argue, the Jarvis Amendment puts legislators on notice that the people are not going to forever support the high and ever increasing cost of government. In effect these people are saying, if something is not done and not done soon we will take matters into our own hands even if it means severely disrupting local and state government, the educational system and the State's economy. A more radical and revolutionary stance on the part of normally conservative property owners cannot be imagined.

The message of the Jarvis Amendment has been heard in the State Capitol as evidenced by much frantic activity on the part of State legislators to come up with an alternative property tax relief package. The legislators failed at this last year but if they fail again they know that it may cause many who are now undecided to vote for the Jarvis Amendment.

GOODEY TO SENATOR RODDA'S SCA-12

The latest attempt to introduce land value taxation legislation in California went down in defeat Wednesday January 18. That was the date of the final hearing before the State Senate's Revenue and Taxation Committee. The measure which provided for a change of the State's property tax to a land value tax only over a period of five years was introduced by Senator Albert Rodda early in 1977 and was known as Senate Constitutional Amendment (SCA) 12. It had already had one hearing before the Tax and Revenue Committee and needed to be approved by the Committee in this hearing and sent to the Senate floor if it was to remain alive. Unfortunately it received only one yes vote and the measure is officially dead for now.

Proponents for the measure at the latest hearing were Terry Newland, Floyd Morrow and Robert Goodier. Senator Rodda also spoke on behalf of his own measure. It was reported that all of the gentlemen waxed eloquent and were glorious in defeat.

Senator Rodda indicated that he will introduce the measure again next year after the appropriate lapse of time governing such matters. It is reported that he will change the wording of his next bill to make adoption of LVT optional for local taxing bodies rather than mandatory as provided for in SCA-12.

Our thanks to Senator Rodda for championing this cause in the legislature and for at least spreading knowledge of the reasoning behind LVT among his fellow legislators.

STATE TAX REVENUES IN 1977

The annual report of the California State Controller's office for the fiscal year 1976-1977 indicates that of the major tax revenues the Retail Sales and Use tax was the largest revenue producer at \$4.28 billion. The other largest major taxes were the Personal Income tax at \$3.76 billion and the Bank and Corporation Franchise and Income Taxes at \$1.64 billion. The Sales and Use taxes amounted to 40% of the major tax revenues and about 20% of total state revenues.

Even though the concept "progressive taxation" holds no special appeal to anyone acquainted with the ethics of taxation it does seem to be a touchstone as far as establishment thinking is concerned. However, the above figures prove that the ideal of the "progressive tax" is not honored in California because the largest single source of revenue, the Retail Sales Tax, is a regressive tax. So much for tax ethics in California.

Editor: Wendell Fitzgerald