



Georgists explain (again) why TIFs don't work

A highlight of the 2000 conference of the Council of Georgist Organizations (held September 21-24 at Des Moines) was a paper by Bill Batt and HGS instructor Bob Jene, analyzing the potential for shifting taxes from improvements to land in Polk County, IA. The following extract immediately follows a description of economic development incentives currently offered in Des Moines.

But with all these provisions, the municipality seems to have lost sight of their purpose: it is not to give business enterprises a break in their taxes; rather it is to foster economic vitality in identifiable locations. And there is no evidence that these provisions have been successful in accomplishing this end. Indeed, what studies have been done evaluating the effectiveness of TIFs show that their impact is negligible. Penelope Lemov, the highly regarded public finance reporter for *Governing Magazine*, knows the sentiments of local and state officials throughout the nation. In her last review of the subject in 1994, she concluded that these were "tough times for TIFs," and that credit agencies were increasingly looking askance at their value. Particular attention was paid in this article to the difficulties that Minnesota has experienced. The view was expressed, reflective of many of her contacts throughout the nation, that TIFs were not typically able to recover the costs of their investment, particularly inasmuch as revenue that would have been allotted to other taxing authorities was diverted to the

see TIFs page 3

Winter term classes begin in January

To better reflect its focus on social concerns, the course formerly known as *Fundamental Economics* has been renamed *Progress and Poverty*. The course still seeks to explain the same paradox: Why do most of us find that we need to work longer and harder to make a living, even though productivity continues to increase?

During a series of six to ten class sessions, you can learn how Henry George answered this question, and evaluate for yourself the applicability of his ideas today. There are three versions of the course, offered by five different instructors, on four different schedules at two locations.

In addition, John Kuchta will again teach *Liberation Theology and Land Reform*. Please note that the Henry George School is not a religious institution, and among our instructors, trustees, and volunteers are represented a wide range of religious beliefs and non-beliefs. We offer this course for those who are interested in Liberation Theology and would like to learn how Henry George's philosophy relates to its concerns.

For more information about any of our courses, call us for the booklet *Who we are/What we teach*, or visit us on the Internet at <http://www.hgchicago.org>.

Registration fee notice: Winter term 2001 is the last opportunity to register absolutely without charge. To help defer the cost of providing materials, beginning with Spring term, the School will require a \$10 registration fee.

Winter 2001 Course Schedule

The courses listed here are open to all interested adults

#	Instructor	Day & Time	Start	Finish	Sessions	Course	(Version)
Classes at the Henry George School, 417 S. Dearborn #510, Chicago							
1	Chuck Metalitz	Tue 6:00 PM	Jan 16	Mar 13	9	Progress and Poverty	(standard)
3	Roy Corr	Sat 2:00 PM	Jan 20	Mar 24	10	Progress and Poverty	(relaxed)
4	George Menninger	Tue 2:00 PM	Jan 24	Feb 28	6	Progress and Poverty	(accelerated)
5	John Kuchta	Thu 6:30 PM	Jan 18	Mar 15	9	Liberation Theology & Land Reform	

Class in Oak Park (near Lake St and Oak Park Av)

2	Bob/Ruth Kennedy	Fri 7:00 PM	Jan 19	Mar 16	9	Progress and Poverty	(standard)
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To pre-register for any of these sessions, use the form on page 3 or phone the School at 312/362-9302.

More Remembrances of Sam

I do not recall when I first met Sam Venturella, although I am certain it was at one of my first Georgist conferences back in the early 1980s. At the time, the old stalwarts in the movement were happy to see a young face (although I was already around 34 years old). George Collins introduced me to Sam, and over the years he and I had a number of thoughtful conversations about the Georgist movement, its history, the ups and downs of the Georgist educational effort and the various people who kept the effort going. In my mind, Sam Venturella is one of those people we owe a debt of gratitude to for not losing heart when that would have been quite easy to do.

— Ed Dodson
New Jersey

I just received your latest newsletter and was reminded of my connection to Sam V. I was choir director at Our Lady of Lourdes Church a few years ago where Sam was a tenor in the choir. He and his lovely wife had been singing in the choir for years, and even though Sam had health problems he enjoyed singing and was very supportive of my efforts as an opera singer. Most recently he attended a performance of the Messiah by Handel in which I was tenor soloist. He was at my college recital and came to my home on various occasions for choir cookouts.

— Luis A. Galvez

Most sorry to learn of the death of Sam Venturella. I never met the man, but have heard his name spoken many times in connection with our movement, and all of it admiringly. Enclosed you will find our check . . . as a contribution towards a memorial in his name. I wish that all of the men and women who have worked so hard and been so steadfast in their efforts to educate the world could be named, somewhere, on an annual basis so that future generations would know them. The name Noah Alper [longtime Director of Henry George School/St. Louis] comes to mind in this context.

— Arthur W. Scholbe
Farmington, MO

[Ed Dodson's "biographical history" of the Georgist movement is a good start on what Art suggests. It's on-line at http://www.geocities.com/Athens/Acropolis/5148/georgists_01.html]

In Fiji, too, land rights are at issue

Georgists sometimes say that most "ethnic" conflict is due to disputes over land rights, which can best be resolved thru community collection of land rent. The coup in Fiji last spring is no exception.

You may have heard that the ethnic Fijians, who had traditionally controlled the government, were upset that the a coalition headed by Indo-Fijians had won the election. But why? As is so often the case, it helps to look at the land.

83% of Fiji's land area is owned by ethnic Fijians, not as individuals but thru a group trust, administered by the Native Lands Trust Board (NLTB). Land which they do not use is leased to ethnic Indians, who mainly use it to raise sugar cane. Typical lease term is 30 years, at a charge far below, perhaps just one-tenth, of what the market could support.

Thus, Indo-Fijians are concerned that many of the leases are now expiring. In control of the government, they arranged for it to provide \$28,000 [\$12,500 US] "compensation for lease expiry," to those tenants whose leases are not renewed and who are not satisfactorily relocated. This amount is nearly twice Fiji's per-capita GDP.

The Indo-Fijians, a demographic minority, were able to elect a government only because they had some ethnic Fijian support. That support may have been inspired by the way the rents are distributed. The NLTB keep 20% for their work administering the leases (down from 25% until 1999), and three levels of tribal chiefs split 35%. So the ordinary Fijian villager shares in just 45% of the lease payments. With 360,000 ethnic Fijians and \$12 million in annual lease payments, this works out to about seven US dollars per person per year.

Who really are the landlords in this situation? Paying only a small fraction of market rent and holding long-term leases, the tenants are economically more like landlords than are the nominal owners. One writer suggested that, by collecting a greater portion of the economic rent, the landowners could improve the efficiency of Fijian agriculture. Were the government to collect the rent instead of allowing the landowners to do so, of course, Fiji's income and value-added taxes could be abolished and the nation's chronic unemployment eased. But where is the Fijian Georgist who will propose this solution?

— Chuck Metalitz

Sources:

britannica.com

Coups, constitutions, and confusion in Fiji (by Spike Bodell, in Univ. of Wisconsin Land Tenure Center Newsletter, Fall 2000)

Fiji Today 2000, Government of Fiji, Ministry of Information
Fiji Visitors' Bureau

(http://www.fijifvb.gov.fj/about/history/pre_hist.shtml)

Reforming the Leasing and the Use of Agricultural Land in Fiji: An Economic Incentive Approach (by John Davis and Courtney L. Gallimore)

(<http://www.scoop.co.nz/stories/WO0006/S00062.htm>)

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I would like to register for . . .

☐ **Progress and Poverty** (specify section number _____)

☐ **Liberation Theology and Land Reform** (section #5)

Please . . .

☐ send **Who We Are/What We Teach** (the "green book"), including course descriptions.

☐ add me to your mailing list.

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Be sure that your name and address appear correctly on the other side of this form.

Mail this form to: Henry George School, 417 S. Dearborn #510, Chicago IL 60605
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HGS

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earmarked TIFs, and in consequence depressing the economic activity of the neighboring areas. A more recent study released by the Public Policy Institute of California casts strong doubt on TIF successes. The conclusion stated that "Redevelopment projects do not increase property values by enough to account for the tax revenues they receive. Overall, the agencies stimulated enough growth to cover just about half of those tax revenues. The rest resulted from local trends and would have gone to other jurisdictions in the absence of redevelopment."

Another study done on the efficacy of TIFs in Pittsburgh was undertaken by a team of reporters for the Pittsburgh *Tribune Review* in 1998. In a series of three long articles, the conclusion was drawn that projects there had a mixed success at best and were so fraught with political intrigue that it was impossible to ascertain whether they would have been compelling in the absence of such interventions. Much of the uncertainty about the security of TIF approaches depends upon leveraging land sites as an asset in securing greater financing. But land values are very much subject to fluctuations and forces beyond the immediate environment. They are, rather, a consequence of the vitality of local and regional economics, and may take unpredictable turns after initial arrangements have been made.

The problematic nature of TIFs becomes clear when it is pointed out that whatever reduction in taxes is awarded to one group must necessarily be made up for in higher taxes by another group. Our own Georgist Mason Gaffney perhaps put it best when he said that the problem with TIFs is that "certain favored groups get the increment while everyone else gets the excrement."

BIDs, or business improvement districts, which Des Moines also relies upon extensively, are efforts of special areas to finance services that the greater tax and administrative jurisdictions decline to provide. But many of those service needs arise from the fact that the areas in question are marginal in their economic health, and the BID is seen as a vehicle by which to strengthen the vitality of the area. That added tax burden, when placed upon the improvements as well as the parcel sites, is likely to have mixed effects. The tax burden on the improve-

ment has a deterrent effect on renewal even while the tax burden on the land component constitutes a spur. As Walter Rybeck puts it, such a tax, like the property tax everywhere, works like a railroad with an engine tugging at each end. It is no wonder that there is little movement!

*From **Shifting Taxes to Land in Des Moines, Iowa: A Simulation of its Impact**, by William Batt and Robert Jene. For further information, contact Central Research Group, P O Box 4112, Patroon Station, Albany, NY 12204-0112; email: hwibatt@yahoo.com*

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Help is needed in all aspects of the School's operation, including:

- Distribution of promotional material
- Web site enhancement
- Office work (photocopying, filing, etc.)
- Proofreading
- Research & writing
- Graphics & design
- Furniture repair
- Instructors
- Speakers

Not all of these projects require coming into the School, and not all of them require understanding of the fundamentals we teach. If you can spare a few hours and would like to help, call us at 312/362-9302 to talk about what needs to be done.

Thanks to our Contributors

Since our last issue, donations in memory of Sam Venturella have been received from the following individuals:

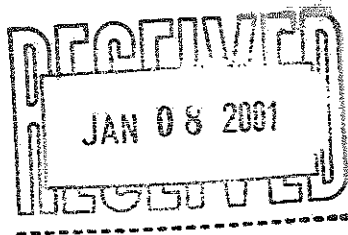
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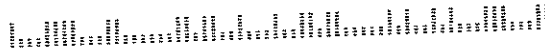


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WNIB: Another Victim of Speculation

WNIB/WNIZ has been sold for \$165 million. Those of us who happen to enjoy the station's mix of classical music and specialty programs will miss it. Those of us who understand the fundamentals of economics know why the sale happened, why a change in format is inevitable, and how it could have been avoided.

Bonneville International, the buyer, didn't pay \$165 million for the station's equipment, nor for its music library, staff, or reputation. What they bought is simply the right to broadcast on a pair of FM channels reaching an area that is home to about 9 million people. It's really us, the potential audience, who have been sold, since stations serving sparsely-populated areas have very little market value.

When they take possession in January, Bonneville will kill the current format. They'll bring in marketing experts to guess which programming formula is likely to be most lucrative, hire a few broadcast staff and a bunch of ad sales reps, and proceed to make a handsome profit. Right?

Well, maybe not the profit part. Privately-held Bonneville doesn't release financial details, but most of the big radio broadcast operators, each controlling hundreds of stations and dominating dozens of market areas, make little or no money from operations. They could do better by just putting money in a savings account, and in some cases just stuffing cash in the mattress. But they do expect to make money. They make it by speculating in radio licenses, waiting for the values to increase. And since the value of the license comes from the people in the market area, they're really speculating in us.

But it's worse than that. Good radio stations are built with vision and hard work. Bill and Sonia Florian built WNIB in the 1950s, on a shoestring. Suppose that today an ambitious couple wanted to start a radio station providing something different from the formulaic offerings up and down the dial. They might be able to get equipment second-hand. Staff might be willing to work for equity, and in any case labor costs in radio need not be high. But they are going to need a license, and it's going to cost more than they can ever expect to earn from operating the station. Maybe even \$165 million. As economist and former WFMT official Ray Nordstrand said in the December 4 *Chicago Tribune*, the "astronomical property values of these licenses" have caused a nationwide decline in classical music stations.

So what can be done to make the licenses less expensive?

It happens that there's a really neat solution to this problem. It doesn't require government subsidy. It doesn't require setting aside an

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Why TIFs don't work

increasing part of the broadcast spectrum for "nonprofit" operators who are accountable to neither listeners nor advertisers. It doesn't require "reregulating" broadcasters to increase the power of politicians. It doesn't even require that listeners get together and contribute money.

This neat solution is for the federal government to impose a substantial annual charge on possession of broadcast licenses. This could be done as a tax (proportional to the value of the license and recalculated every year based on actual market prices), or by auctioning licenses for a limited term. Set high enough, the charge makes speculation unprofitable and drives down the cost of licenses. After a while, the cost of the license becomes low enough that a competent station operator can earn enough to pay all charges and operating costs while still turning a profit. Which is something she couldn't do now.

A convenient byproduct of this solution is that it generates federal revenue. The revenue could be used to strengthen medicare or social security, to reduce estate taxes, or for something else. We can let the politicians and pundits argue about that. We just want to get our spectrum back from the speculators.

— Chuck Metalitz

A version of the above article was offered as an op-ed piece to the *Chicago Tribune*, but was not used. Whether this has anything to do with the Tribune Company's ownership of 22 television and 4 radio broadcast licenses is unknown.

Henry George School has a new
Internet address. Visit us at
<http://www.hgchicago.org>.