

Land - Value Tax Advocate Finds Backing in Bible

By **STEPHEN DARST**
St. Louis Review Staff Writer

Nothing is more frustrating than an idea whose time never seems to arrive, particularly if you have been advocating that idea, year after year after year.

Noah Alper is an advocate of an idea—land-valuation taxation—which has been around for at least four centuries, perhaps since the time of Moses, but has not caught on yet. But Alper is not discouraged—far from it. As the president of the Public Revenue Education Council, a nonprofit, nonpolitical foundation based at 705 Olive st., Alper has worked for the idea for the past 25 years, and his enthusiasm remains strong.

The idea, basically, is this: if you have a lot with an apartment building on it, you are taxed partly on the land, partly on the apartment building—the improvement of the land. Alper is an advocate of the social theories of Henry George. George, who lived from 1839 to 1897, felt that if there were one tax placed on real estate, and that tax set by the potential value of the land, with no tax whatsoever on improvement, many social evils would be eliminated. In particular George thought that slums would disappear. George thought that his land-value tax idea would discourage land speculators. If real estate owners were forced to pay high taxes on potentially valuable land, they would soon build on the land and stop holding it for speculation.

"Henry George formulated this idea in his book *Progress and Poverty*," Alper told the *St. Louis Review* in a recent interview, "but it had been around for a long time before George wrote about it. It was written about and discussed in sixteenth century Italy. Why, you can even go to the Bible, back to the time of Moses and his ideas on redividing the land every 50 years."

Alper's devotion to the land-value tax is really based as much on religion as it is on economics.

"The Bible comments directly and clearly on man's equal rights to land," Alper says. "Many are familiar with these quotations which, unfortunately, are largely ignored in and out of the pulpit. 'The heaven, even the heavens, are the Lord's; but the earth hath He given to the children of men'—Psalms. 'The land shall not be sold forever, for the land is Mine, for ye are strangers and sojourners with me'—Leviticus. 'We are many; the land is given us for inheritance'—Ezekiel. 'The profits of the earth is for all'—Ecclesiastes."

Alper does not see these as vague principles but as precise moral statutes, to be obeyed to the letter.

"Morally and legally one man has as much right to the use of the natural gift of land as another," he says. "Since access to land in some form is essential to everyone's existence, to say that some men have the right to use land while others do not is the same as saying that some men have a right to exist while others have no such right. The very concept of the brotherhood of man, economically and morally, rests on an equal right to exist, and therefore on an equalized right to God's material gift of the universe."

Is Alper a lone voice? Does he have good reasons to believe as he does? Who agrees with his view of real estate taxation?

It could be argued that he places too much emphasis on the land-value tax and has hopes for a better land, once the real estate tax laws are changed, which are too optimistic. But he does have allies. There are reputable economists who agree with Alper's (or Henry George's or Moses's) contention that taxation should be placed upon land and not upon improvements. One who agrees with this is Professor Richard Netzer, dean of the Graduate School of Public Administration of New York University.

Professor Netzer wrote a book entitled *The Economics of the Property Tax*, published by the Brookings Institute. In it Netzer states:

"The present property tax, with its weight on improvements, tends to discourage investment in new construction and rehabilitation. In contrast, a change to the site-value tax will encourage building and rehabilitation. Heavy taxation of land values would increase substantially the holding costs of land and thus encourage its more intensive use."

The effects of this, Professor Netzer told the *Review*, would be beneficial in every way. While such a change in taxation "would not pave the streets with gold, and I think Mr. Alper is a little optimistic about what it would accomplish and how fast, nevertheless it would have every advantage over the present system of taxation."

One difficulty with making changes in the real estate tax structure, he said, is that no matter what the predictions are for benefits under a new tax structure, "there are tremendous vested interests in the tax structure that now stands. These vested interests are not about to see change come without a fight."

Another difficulty, he said, is with people who actually would benefit from change but might be afraid of change. These might include middle-class home-owners whose taxes under a land-value system would be reduced but who "would rather live with the devil they know than fly to a devil they know not of," Netzer said.

Land-value taxation is not unknown, though, and it has been tried in several places, with, Noah Alper and other experts claim, great success. At present it is in effect in Denmark, New Zealand, and Australia. In the United States it has been tried in Pennsylvania. When the Pennsylvania legislature passed a state statute permitting cities to institute the system, Pittsburgh put it into effect. Noah Alper claims that it has worked well in Pittsburgh; others say that it has made little difference.

"The effect in Pittsburgh has been muted," Netzer said, "because improvements are now taxed at only half the usual rate. Also the land value tax only applies to the municipal portion of the tax—not to the part that goes for schools and other things. You can't really tell what effect it's had."

On the other hand there is the experience of New York City, immediately after World War I. At that time legislation was passed exempting improvements from taxation in New York and during the 11-year period following the end of the World War there were 282,000 housing units built in the city.

Because of the New York experience other cities across the country tried the approach of abating tax on improvements as a way to spur building booms. Redevelopment abatement laws were passed in many states (Missouri among them) aimed at stimulating building in run-down areas by granting tax abatements for a number of years for the redeveloper who bought the land and made improvements.

But even this, some say, has only part of the desirable effect which is aimed at. According to Roger Starr, executive director of the Citizens Housing and Planning Council of New York:

"We must recognize that granting tax exemption or abatement on one set of buildings merely shifts the burden to other properties, thus adding to their upkeep, discouraging their renewal, or forcing their occupants to leave town. No one knows how far any city can go in continuing to erode its tax base—and that's what tax exemption does."

In recent years the idea that Noah Alper has worked for these last 25 years has begun to gain some backing from men who are more than just theorists in the field of public tax policy.

In 1966 the Missouri Joint Senate and House State Tax Study Commission heard testimony from experts on ways that the state tax system could be changed to advantage. One of the speakers was the Comptroller (and former Assessor) of the City of St. Louis, John H. Poelker. Poelker urged the commission to study ways a "more specific and definitive base of assessment could be developed . . ."

"It would be desirable to establish separate formulae for assessment of land and the improvements thereto," Poelker said. "Some of the problems encountered in recent years in sound development of urban areas are the result of actions of land speculators who retarded the orderly expansion by withholding desirable development tracts from the market and thereby reaped the advantage of both public and private area development costs which increased the land values without any contribution on the part of the land speculator. With

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Single Tax Idea Needs New Study

Elmer H. Smith, the HUD area director who opened a new office in St. Louis this week, is reportedly very concerned with the high price of unused land encircling the downtown area. Clearly the rising land price discourages private urban investment and impedes downtown housing developments. Yet, if this cleared and vacant property is so valuable, why is it so unmarketable? As a solution to the slum-to-derelect-to-cleared property pattern Mr. Smith suggests the possibility of a tax incentive for individual home improvements. Such a scheme may prevent tomorrow's slums, but does not offer even symptomatic relief to the presently diseased neighborhoods, nor does it address itself to the problem of the unused land.

Perhaps Mr. Smith will eventually turn to those urbanologists who are currently reviving the single-tax philosophy of Henry George. The relevance of George's 1878 classic "Progress and Poverty" is precisely the contemporary problem of unused land. Aimed at the 19th century land speculator who paid little in taxes but in time received plenty in the ultimate rise in market value, Mr. George's idea was to propose a shift from a tax upon land improvements to a tax upon the potential value of unused or underused land. In the 19th century free market context, these reforms were branded as socialistic and unAmerican. However, in today's partially artificial market, tax benefits are available to urban developers as well as to offshore oil speculators.

Since the government encourages a market by rewarding urban investment, should it not also penalize the speculator who obstructs urban redevelopment? Tax evaluation based on land use rather than building improvements would not only encourage urban investment and force land onto the market, but would also free the individual home improver from a disproportionate tax share in maintaining city services. Henry George's single tax has complex ramifications and should not be embraced as a panacea, yet we can no longer dismiss his logic. Presently the public and the urban developer may both benefit from city renewal, while the land speculator may gain at the public expense. During the urban crisis such a condition is intolerable.

—Msgr. Joseph W. Baker

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The overdue business of tax reform

How about letting George do it — or at least part of it?

The "George" we have in mind is the late Henry George. Around the turn of the century, he proposed a single tax on land and no tax at all on the improvements to the land in order to encourage its more productive use. This confuses some, makes others suspicious, but wins passionate and enduring support from those who have studied it more thoroughly.

You would have a hard time finding anyone who would disagree that the present administration of the property tax is vicious. Why worry about communists and revolutionists when you have the property tax steadily eating the guts out of the economic system? A New Jersey study commission said tartly, "If someone were to aim at enacting legislation to prevent our economic system from functioning, a most effective weapon would be the property tax as utilized by New Jersey municipalities."* Just change the name of the state to your own. You will find it as applicable. This study suggests that when a property tax approaches 6.7% of true value, you snuff out any new construction.

If Henry George's single tax is too strong a medicine, his supporters offer a sort of halfway house that should take much of the evil out of the present property tax performance. Tax the land separately from the improvements, they say. Place a value first on the land and next on the improvements. The present system is primarily a tax on the improvements and not on the land at all.

This present system has produced some atrocious, anti-social results. In almost any great city, and also in many small ones, you can find vicious slum properties with low assessed valuations occupying extremely valuable land. They produce little in tax revenues and require much in expensive tax-supported services. Moreover, you will often find that these cruel slum properties bring their landlords a higher rate of return than can well-operated, civilized elevator apartments that bring in generous tax incomes and require virtually nothing in tax-supported services. And they do so legally. Society not only countenances this, it encourages it.

Of course, applying the half-way system will be painful. The slum landlord will have to pay a fat increase in his taxes based on the great value of his land. He then may have to raise his rents to the slum

tenants which will scarcely be popular, or he may have to demolish the atrocious old building and put it to more productive use. This can cause even greater anguish, can start the picket lines churning, and generate passionate Jimmy Breslin-type copy in the popular press. When the painful part of reform comes along, the press is generally your enemy.

You don't have to go to the slum areas for horrible examples of property-tax misadministration. Consider the case of the sway-backed barn. Here in these beautiful New England hills, there is a man who owns a magnificent piece of property abutting a small lake. He has a charming house, but the most outlandish sagging barn you ever saw, so decrepit that it has appeal. One can't conceive of how it manages to stand, but it has stood as long as any resident can remember, and has withstood some terrific, gale-force winds that have destroyed modern, well-built structures.

One day we asked him why he didn't tear it down and build himself a neat little garage compatible with the rest of his property. "Well," he said, "I would, but it is handy as a tax gimmick." With it standing, the assessor doesn't consider the beautiful property. He concentrates on the decrepitude of the quaint and tumble down barn.

As we said earlier, George can't produce all the tax reform by himself — Henry George, that is. Nor can a half-way single tax produce the complete reform. Other corrective action is needed.

Education ought to be state financed. Financing with local taxes means that some children get a splendid education, but for others, the school system is little more than a place for the kids to go during the day.

Welfare ought to be a Federal responsibility rather than local. To a large extent, it is now. It should go all the way. One could recognize local responsibility during the horse-and-buggy days when people rarely moved out of their county. But this no longer is true. Today, nobody stays put, especially the poor.

Of course, moves like these would mean that the same amount in taxes still would have to be paid. However, imposition of the taxes would no longer hamper the productive and constructive growth of society. Actually, it would stimulate them.

Taxes need a lot of reforming, especially local taxes, and most especially property taxes. When reforming, keep George in mind — Henry George, and especially his half-way single tax.

*"A Blueprint for Solving New Jersey's Fiscal & Tax Problems," P. Bernard Noriman, Chief, Office of Economic Development, Newark, N.J.

this in mind and recognizing the age-old theory of the 'economic wealth and production from land' I recommend a separate formula for land assessment as distinguished from improvement assessment. It would seem to justify legislation to assess all land at 100 per cent of its true productive-economic value within an assessment formula and to assess improvements at 25 per cent of its depreciated reproduction costs. This approach would incite more fruitful planned use of land and would encourage the development and improvement thereon."

Whether or not the Pittsburgh Plan is recognized in Pittsburgh as successful, it is imitated in other areas, Alper said—the State of Hawaii just adopted something that they refer to as the "Pittsburgh Plan," although, according to Alper, it goes even further than Pittsburgh did in getting away from the tax on improvements.

"No matter what you call it, the basic idea is the same—that the land be used for public purposes so that everyone gets the benefit of it," Alper said. "But this is not the nationalization of the land and it is not the state owning the land. I just believe that every baby born is entitled to the land. The Bible is full of quotations like 'the land shall not be sold forever.' And I agree with these. I am Jewish, reformed Jewish, and I believe in the Bible. I think it's ridiculous that 200 years after Adam Smith we still have real estate taxation in the mess it's in. I think a better day is coming."

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Economic Science, The "Single Tax," And Our Housing Problem

We live under conditions today that cause people to talk about the "single tax" idea. This came into prominence in the United States when Henry George wrote his justly famous book *Progress and Poverty*, in 1879.

George, a San Francisco printer and newspaper man, wrote a small book in 1871 entitled "Our Land and Land Policy." In it he questioned the growth of land grabbing and land monopoly in California. A business man told him he had barely scratched the surface of the problem and that he should read the "Wealth of Nations" by Adam Smith and other books on economics he could borrow from a private library. He jumped at the opportunity. After some eight years of reading, thinking and discussing the land policy problem he was able to write his masterpiece, a two and a half year task.

George saw that no man as a worker or provider of (true) capital, or both, could become well-off or rich without producing products and services for the use of others. Only landholders, as such, to the extent their income was what they could get renting the land to others, or as much by use of the land themselves could do this.

He also learned what all economists of the classical school and sound students of the real estate business know, that a tax levied on the site or location value of land, or on its rent-of-land income, cannot be shifted to others, users or consumers, in higher prices. Such income he reasoned was natural public revenue.

He also realized that the only way holders of title to land could have a net rent-of-land income since, as mere landholders they produced nothing, was to misarrange taxation so that directly or indirectly government would take (tax) the great bulk of its income from people who earned and lived from wage and (true) interest incomes. His logical conclusion was that the country and its people would be far better off in all material and social ways if, as far as possible, this natural public revenue, rent-of-land, rather than personally earned incomes of wages and interest was used to pay for public services.

The two editorials reproduced in this brochure throw light on how, under "single tax" environmental conditions, our amazingly good building trades industry could produce more and better housing at lower cost for all income classes of people, and do much to lessen housing costs, our terribly costly "urban sprawl" both to government and private industry, and to decrease the overall problem of "poverty with progress" as well.

You are invited to write for a copy of "Let's Abolish Taxes and Use Natural Public Revenue," and other literature on land value taxation (with improvements exempted), the modern concept of the so-called "single tax."

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We Desperately Need

CREATIVE REAL ESTATE TAXATION!

A Columbia University economist makes this understandable by saying: "The real estate tax is two taxes, not one;" and that one is "horrible;" the other, "one of the best".

CREATIVE REAL ESTATE TAXATION means using the best more; the "horrible" one less, or better — not at all.

CREATIVE REAL ESTATE TAXATION WILL GIVE US:

- + + State-wide, not piecemeal, urban, suburban and rural renewal without subsidies;
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- + + A squeeze-out of speculative high land prices now a scandalous handicap to free-enterprise; and a principal cause of destructive inflation;
- + + Lower consumer prices due to increased production based on untaxed improvements and lower priced land.
- + + An increased capability of Free Enterprise to defeat Communist or Fascist challenges by competition and not by war.

Write or phone for envelope DP-1070 containing literature that reveals the HOW and WHY of CREATIVE real estate taxation.

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Film: One Way to Better Cities, Silver Award Winner; 16 mm Sound—Color—29 minutes—cleared for television. Schools, Organized Community Groups, Building Trades and Associated Organizations. Available—subject to prior schedules—contact us.

Tues., Oct. 20, 1970 ST. LOUIS POST-DISPATCH