

WHO'S BEHIND THE LAND TAX MOVEMENT?

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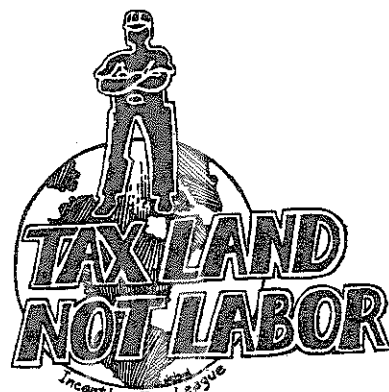
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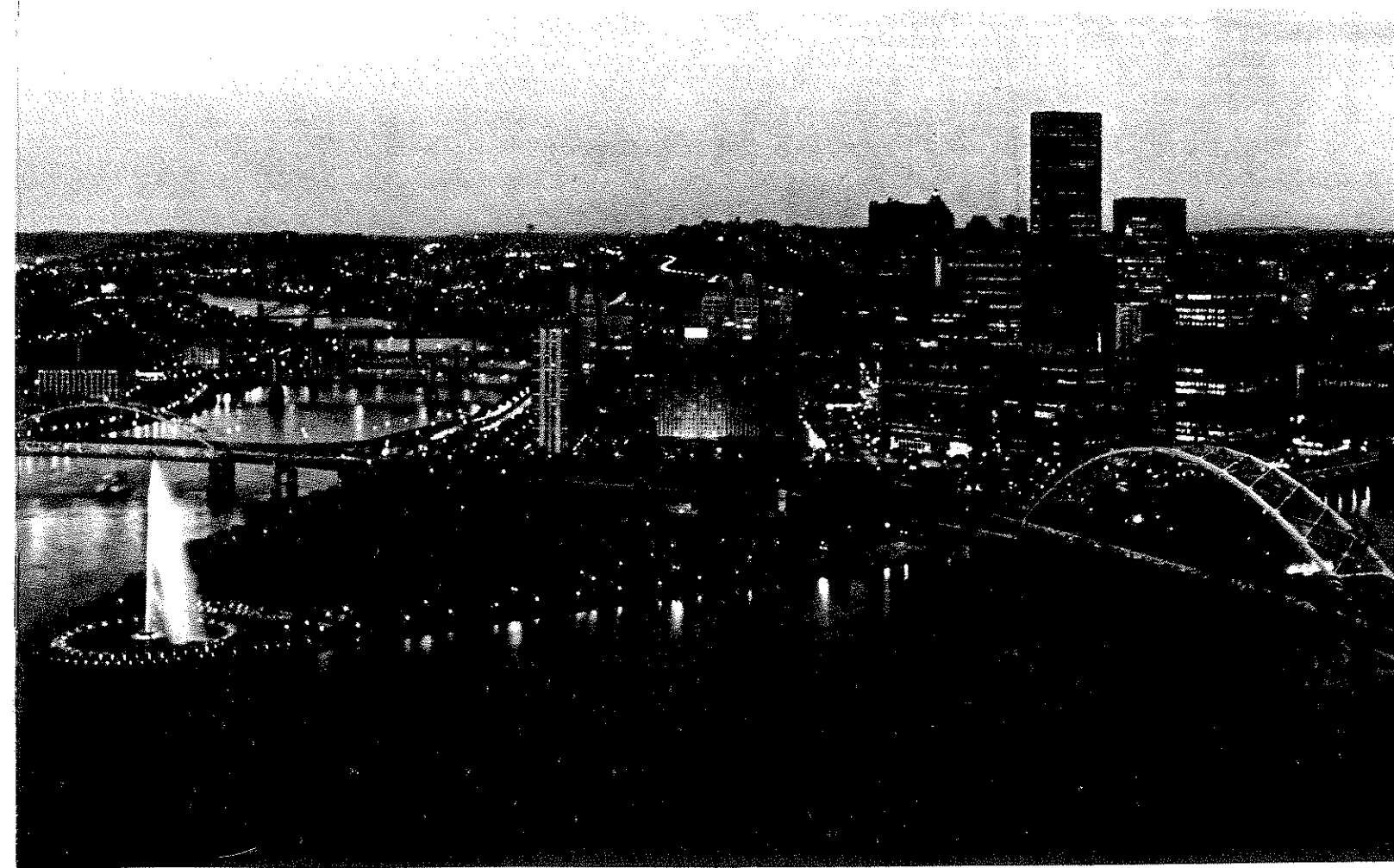
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Pittsburgh's LAND VALUE TAX

"There is no doubt in my mind that the (land) tax law has been a good thing for Pittsburgh. It has discouraged the holding of vacant land for speculation and provides an incentive for building improvementsIt is particularly beneficial to the home owners."

— David L. Lawrence,
Governor of Pennsylvania



....a reform that works!

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Cover – “Golden Triangle” illustrates how Pittsburgh, which has had a land value tax in effect since 1914, has not only had more development than most other cities, but more compact development as well. Skyscrapers are concentrated in the downtown area, not sprawled across the land as is the case in so many cities where the profitability of speculation forces “leapfrog” development.







WHAT IS “LAND VALUE TAX”?

Land value tax is not “just another tax.” As this booklet demonstrates, land tax is by far superior to other local taxes in terms of the morality of taxation, burden on community members, and effects on the economy. The call for a shift from discriminatory taxes to land tax is a call for justice, progress, and common sense.

Land value tax is a tax based on the **unimproved** value of land. This distinction between land tax and property tax is very important.

Under a property tax system, about ¾ of the tax burden falls on the buildings, and only about ¼ falls on the land. People who make improvements to their property are therefore singled out for higher property taxes, while people who hold land idle find their tax burdens to be relatively light.

Land tax remedies this situation by charging taxes **only** against the unimproved land value. Under a land tax, a homeowner, a vacant lot owner, and the owner of a derelict building, occupying land of the same value, would all pay the same taxes.

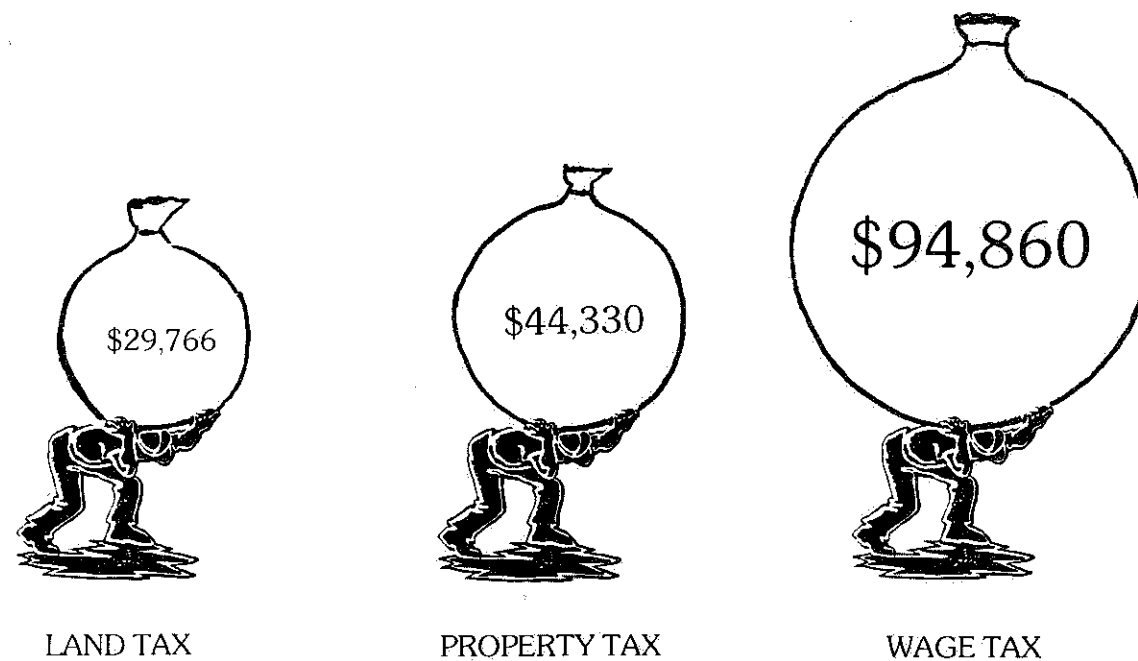
	RESIDENTIAL			DEVELOPED	DETERIORATED		VACANT	TOTAL
								
building value	\$40,000	\$40,000	\$40,000	\$70,000	\$10,000	\$10,000	\$0	\$210,000
land value	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$70,000
total property value	\$50,000	\$50,000	\$50,000	\$80,000	\$20,000	\$20,000	\$10,000	\$280,000
property tax cost	\$ 625	\$ 625	\$ 625	\$ 1,000	\$ 250	\$ 250	\$ 125	\$ 3,500
equivalent land tax cost	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 3,500

LAND TAX VERSUS PROPERTY TAX: Cost Comparison on Four Property Types

It is important to note that a tax on land values is very different from a tax on land acreage. Prime commercial land in downtown Pittsburgh sells for over \$1,500 per **square yard**, while Pennsylvania farm land sells on the average for about \$1500 an **acre**. Under a land value tax, a square yard of prime downtown land is capable of generating as much tax as an acre of farmland!

Yet a shift to land value tax means more than who will pay more and who will pay less. It means increased development, less sprawl, fewer slums and fewer negligent landlords. Most of all, it means that government can levy taxes according to principles of equity instead of just taxing everything that it can find.

LIFETIME MUNICIPAL TAX BURDEN for average Pittsburgh family under three taxing systems



The average Pittsburgh family earns \$17,000 a year and lives in a \$24,000 home built on a \$4,400 lot, according to labor and assessment statistics.

The above figures are based on such a family supporting itself on wages for 45 years, and on social security and tax-exempt income for an additional ten years. Under a land tax system, this family would pay a third less taxes than under a property tax, and 70% less than under a wage tax system.

Pittsburgh operates on a multiple-tax system, but its increased reliance on land tax has enabled it to hold the line on other taxes, saving resident taxpayers substantial sums of money.

"I believe in this principle and propose to do everything in my power to keep these laws upon the statute books . . . We should protect the small house owner and encourage the erection of mills, factories, stores and homes. We should not permit people who hold unimproved land to gain an unearned increment at the expense of other taxpayers, and to interfere with the growth and development of Pittsburgh."

— Dr. James P. Kerr, President, Pittsburgh City Council, 1915

Why a shift to land value tax SAVES HOMEOWNERS MONEY!



Land tax was not designed just to save money for homeowners. It was designed to save money for anyone who puts their property to good use and conscientiously maintains it.

Homeowners are among the best of property owners.

It happens to be true, however, that homeowners are among the best of property owners. Because they live on the land they own, homeowners take good care of their property. Their houses are usually worth much more than their land. It is for this reason, mostly, that land tax saves homeowners money.

Slumlords pay their fair share so homeowners can pay less.

In many areas of Pittsburgh, homeowners and responsible landlords find their neighborhoods blighted by deteriorated buildings and neglected vacant lots. Under a property tax system, the homeowners and responsible landlords pay most of the taxes while the slumlords and land speculators pay much less. Under a land tax, slumlords are made to pay their fair share so that responsible landowners can pay less.

"Every time I improve my property my taxes go up!"

The savings provided to homeowners by a shift to land tax is just one advantage. So many times people are heard saying, "Every time I improve my property my taxes go up!" Under a land tax, people can make improvements to their property without being fined by the tax collector.



\$300
million

LAND VALUE TAX and URBAN RENEWAL

\$200
million

December
1978
Pittsburgh
City Council
rejects
1½%
wage tax
hike;
increases
land tax
from
4.95%
to
9.75%
Land tax
experts
predict
economic
growth
will
result

December
1979
Pittsburgh
City Council
rejects
wage tax
hike
again.
Increases
land tax
to
12.55%

\$100
million

1978
Construction
drops from
\$101 million
to
\$89 million.

1979
Construction
increases to
\$108 million
for 1980

1980
Record-
breaking
year for
construction
in Pittsburgh.
\$297 million in
building permits
filed.
Land tax
experts
rejoice.

Why Land Value Tax ENCOURAGES GROWTH

There are two main reasons why land tax encourages growth. To people saddled with heavy property taxes on their homes and buildings, the most obvious reason is that land tax does not penalize people for building on and improving their property.

But a far more important advantage of the land tax is that it takes the profitability out of land speculation and land monopolization. When land taxes are increased, the most noticeable changes in construction activity come not from the homeowners, but from formerly negligent landlords, who either improve their property or sell it.

In Victoria, Australia between 1955 and 1965, 22 municipalities abolished their property taxes and adopted land value taxes. In all 22 municipalities, construction activities were up in comparison with their property-taxing neighbors.

Based on these statistics and on an understanding of land economics, land tax experts predicted in 1978 that increasing the land tax would not hinder development, but would actually assist Pittsburgh's redevelopment efforts.

Pittsburgh's surge of construction in 1980 exceeds the most optimistic projections of land tax experts, and much of the credit belongs to the city administration's aggressive efforts at recruiting development. However, there can be no doubt that the eagerness of big landowners to cooperate with these efforts is enhanced by a tax that falls heavily on underdeveloped properties.

"In 1913 the proposed graded tax law appealed to me because of conditions in Pittsburgh, We had large tracts of vacant land in the residential areas and many dilapidated, old and small buildings in the business districts.

After years of experience, we are justified in claiming success. Many new buildings have been erected in the business district and the residential area has been practically built up. Five square miles have been annexed to the city by vote of the people of the adjoining territory. The principal argument for annexation was the lower taxes inside the city."

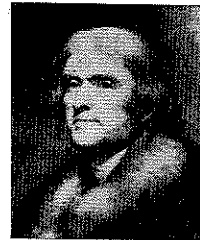
— Mayor William A. Magee,
Mayor, Pittsburgh, Dec. 14, 1925

CHANGES IN CONSTRUCTION LEVELS OF 22 AUSTRALIAN MUNICIPALITIES AFTER ADOPTING LAND VALUE TAXATION

Ararat City	up	60%
Benalla Borough	up	39%
Castlemaine Town	up	55%
Cohuna shire	up	25%
Horsham City	up	12%
Kerang Borough	up	20%
Kerang Shire	up	119%
Kilmore Shire	up	24%
Korumburra Shire	up	168%
Maryborough City	up	48%
McIvor Shire	up	69%
Mildura City	up	41%
Moe Borough	up	50%
Sale City	up	39%
Stawell Town	up	46%
Swan Hill Borough	up	111%
Towong Shire	up	90%
Traralgon Borough	up	7%
Wangaratta City	up	49%
Warnambool City	up	89%
Wadonga Shire	up	34%
Wonthaggi Borough	up	209%

MAJOR ENDORSEMENTS

THOMAS JEFFERSON (1734-1826): "The earth is given as a common stock for men to labor and live on...Wherever in any country there are idle lands and unemployed poor, it is clear that the laws of property have been extended beyond human right."



ABRAHAM LINCOLN (1809-1865): "An individual, or company or enterprise requiring land should hold no more than is required for their home and sustenance, and never more than they have in actual use in the prudent management of their legitimate business, and this much should not be permitted when it creates an exclusive monopoly."

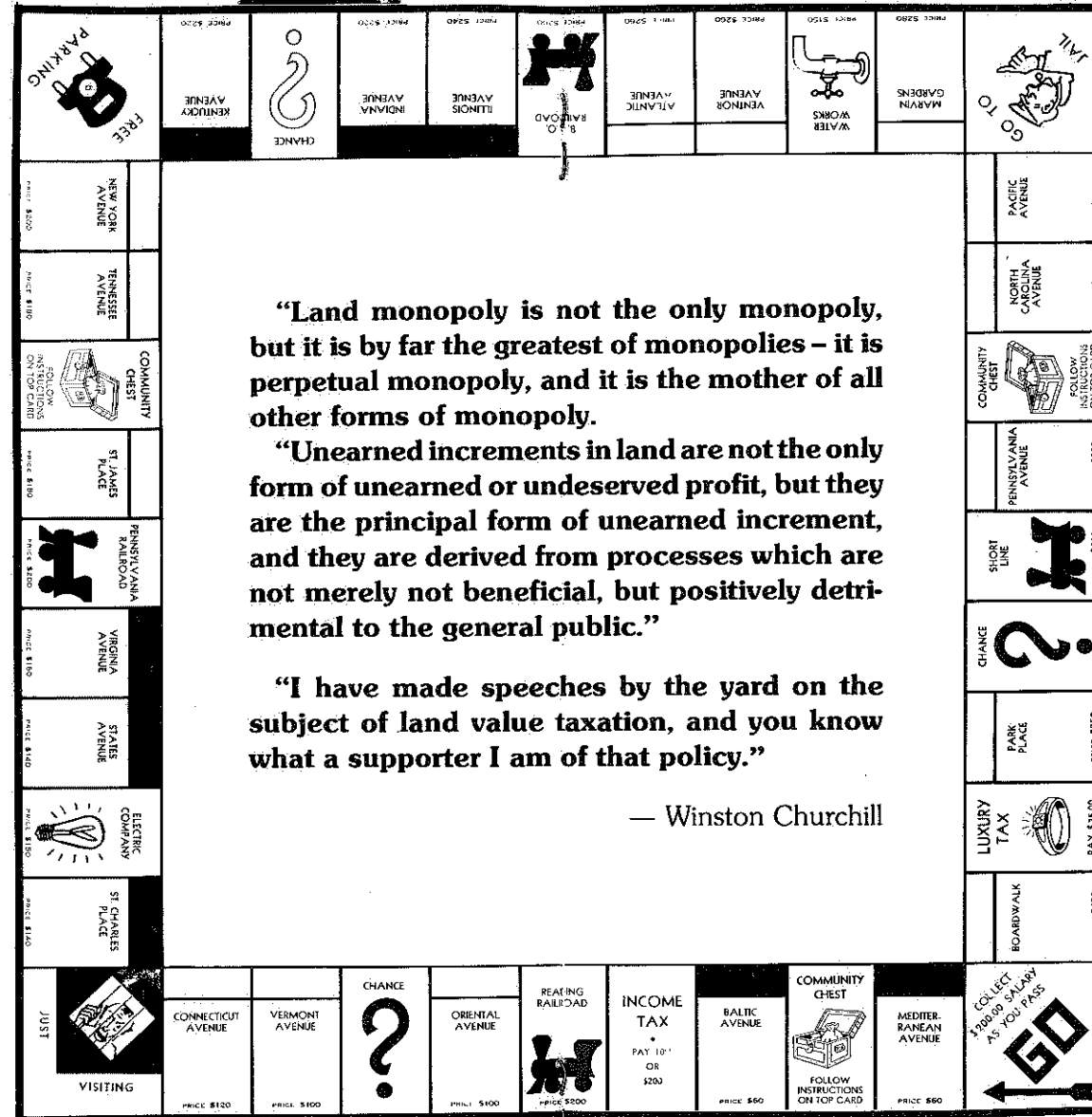
TOM PAINE (1737-1809): "Men did not make the earth...It is the value of the improvement only, and not the earth itself, that is individual property... Every proprietor owes to the community a ground rent for the land which he holds."



LEVITICUS VII: "The land shall not be sold forever; for the land is Mine."



HENRY GEORGE (1839-1897): "Taxation upon land values does not lessen the individual incentive to production and accumulation, as do other methods of taxation . . . It does not foster monopolies, and cause unjust inequalities in the distribution of wealth, as do other taxes; on the contrary, it has the effect of breaking down monopoly and equalizing the distribution of wealth. It can be collected with greater certainty and economy than any other tax; it does not beget the evasion, corruption and dishonesty that flow from other taxes. In short, it conforms to every economic and moral requirement."

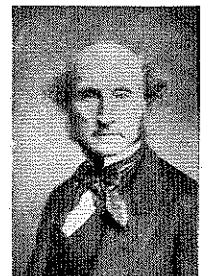


ADAM SMITH (1723-1790): "Ground rents are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents are, therefore, perhaps a species of revenue which can best bear to have a peculiar tax imposed upon them."



LEO TOLSTOI (1828-1910): "Solving the land question means the solving of all social questions...Possession of land by people who do not use it is immoral—just like the possession of slaves."

JOHN STUART MILL (1806-1873): "Landlords grow richer in their sleep without working, risking, or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."



DR. SUN YAT-SEN (1866-1925): "The (land tax) as the only means of supporting the government is an infinitely just, reasonable, and equitably distributed tax, and on it we will found our new system. The centuries of heavy and irregular taxation for the benefit of the Manchus have shown China the injustice of any other system of taxation."

PITTSBURGH'S TAX REFORM HISTORY

Pittsburgh is the site of the first tax revolt in United States history. When Alexander Hamilton introduced the Whiskey Tax in 1789, western Pennsylvania farmers charged that they were victims of "unjust and discriminatory taxation," and called for a land tax. In fact, many farmers viewed the whiskey tax as "a clever move by the eastern plutocracy to escape the land tax, and...to reduce the western farmer to the economic, political and legal status of the European peasant."

Congress ignored the land tax proposal, and when the farmers revolted, Washington sent the army to quash the rebellion and enforce the tax.

The history of how land tax finally prevailed in Pittsburgh is a story of struggle between powerful landed interests on one side and progressive business, labor and civic groups on the other.

Land monopoly dominates Pittsburgh

Pennsylvania had been given to William Penn, solely as an individual, by Charles II of England, in payment of a debt of about 16,000 pounds owed to Penn's father. Much of this land was taken by the Pennsylvania government with the "divesting acts" of 1779. However, the Penn heirs were paid 130,000 pounds (a tidy profit) and allowed to retain possession of several "manors."

What is now the Golden Triangle of Pittsburgh was once just a small part of a Penn manor. The Penns had it subdivided and sold shortly after the revolution.

Great fortunes in land began with purchases from Penn heirs for nominal considerations. General James O'Hara, Pittsburgh's first great real estate operator, made millionaires of some of his descendents through "judicious investment in land."

In addition to a number of strategic downtown parcels, O'Hara purchased from the Penns a large tract extending from the Allegheny River to the Monongahela. He also bought lots on the North Side and South Side, and in the Allegheny Valley near the present boro of Aspinwall.

His granddaughter, Mary E. Croghan, inherited a third of the O'Hara estate. At the age of 16, she eloped with Captain Edward H. Schenley of the British army. They moved to England and became Pittsburgh's first great absentee landlords.



MARY CROGHAN SCHENLEY



GEN. JAMES O'HARA



CAPT. WILLIAM SCHENLEY

Most of the lands of Pittsburgh were grabbed up by army officers who had come west on British expeditions ahead of the civilian population. John Ormsby, who came to Pittsburgh with General Forbes in 1758, bought almost all of the South Side between the Smithfield Street Bridge and Beck Run. His son Oliver (for whom Mount Oliver is named) used the rents from South Side properties to buy up more land. The site of the Oliver Building downtown was purchased by Oliver Ormsby in 1800 for \$170.

Land is the foundation on which most of Pittsburgh's great fortunes were built. General O'Hara himself became Pittsburgh's first great industrialist when he began manufacturing glass in 1795.

Pittsburgh landowners were very hospitable to industry, for it attracted workers from the settled Atlantic Coast and immigrants from abroad. Even when infant industries were losing money, landowners were reaping windfalls in rent from the workers. They often invested portions of this rent money in losing industries "for the good of the local economy."

By keeping most of Pittsburgh's land idle "for future development," giant landowners were able to create a shortage of available land, and to extract artificially high rents from workers and businessmen alike.

This anti-development policy was reinforced by a property tax system designed to punish landowners who developed their property. Under this system, land was classified as "urban," "rural" and "agricultural." Urban land, where the working people lived, was assessed at 1.5 to 2 times the rate of underdeveloped or vacant lands. It was a speculator's dream come true.

Opposition to landowners grows

In 1852, the Free Soil party was founded in Pittsburgh. They called for an end to slavery and an end to land monopoly. They were absorbed in 1856 by the newly formed Republican party, which held its first convention in Pittsburgh. Early Republicans such as Abraham Lincoln regarded land monopoly as a problem second only to chattel slavery.

After the Civil War, the problems of land monopoly and the plight of working people became increasingly important issues nationally. But in Pittsburgh, land ownership was so concentrated, and property tax laws so unfair, that progressive politicians were openly hostile to the landed estates. In 1872, Henry W. Oliver, President of common council, referred in a public speech to "the great landholders and speculators, and the great estates which have been like a nightmare on the progress of the city for the past thirty years."

Resistance to the land monopoly was bolstered in the 1880's by the growth of labor movements across the nation and by the writings of economist Henry George.

George became a hero of the Knights of Labor. His first major book, *Progress and Poverty* became the best selling economics book of all time. In it he showed how the monopolistic nature of capitalism and the exploitation of workers was due to the private monopolization of land.

"When non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied."

— Henry George

George went on to show how monopolization of land would lead to the systematic monopolization of industry. As a deterrent to land monopoly, George proposed a land value tax — a tax based on the market value of land. George wanted a land tax so great that land prices would be drastically reduced, and that all other taxes would be abolished.

Land-tax reform passes

In 1906, a coalition of Democrats and Independents elected George W. Guthrie as mayor of Pittsburgh, breaking an era of Republican control that dated back to the Civil War. Guthrie immediately undertook to reform both the political system and the tax system.

The defeat of the Republicans weakened the grip of the old guard within the party. But Guthrie could not legally succeed himself, and the Democrats didn't have another candidate strong enough to beat the Republicans. Fortunately, Guthrie's successor was liberal Republican William A. Magee, who embraced Guthrie's popular reforms and saw them enacted.

In 1911, Mayor Magee and Pittsburgh's city council abolished the old property tax system and endorsed the Keystone Party's proposal to enact a new system...one that would tax land at twice the rate of improvements.

The obstacle was to get authority from the state legislature to make the change. The Single Tax Club launched an energetic campaign on behalf of the reform. They won endorsements from the Chamber of Commerce, the Hungry Club, the Allied Boards of Trade, the Pittsburgh Civic Commission, and the Board of Realtors, and two small progressive newspapers — the *Pittsburgh Press* and the *Pittsburgh Post*.

"The law is desired by the people to discourage the unjust holding of idle land to profit by the improvement of adjoining property. It encourages those who add wealth to the city instead of those who hold their land only to profit by the toil and enterprise of others."

— *Pittsburgh Post*, May 28, 1915

So many of the giant landowners lived outside the area that the reform passed before opposition to it could be mobilized. A repeal effort was launched in 1915 by Mayor Joseph Armstrong, with strong financial and vocal support from Frank F. Nicola, president of the Schenley Farms Real Estate Company, and Edward F. Duane of the Commonwealth Real Estate Company, agent for the Schenley estate.

The repeal was urged on the grounds that the land tax was discrimination against landowners and "a decided step toward the single-tax theory of Henry George." It was accused of benefitting "the money-powerful skyscraper barons." Opponents of the tax claimed that "unimproved landowners are the poorest of property owners," and that the land tax was "unlawful, unjust, and unAmerican."

Former mayor Magee replied to these charges before the legislature. Magee carefully explained how the small property owner would save more on his building than he would lose on his land, and expressed sympathy for his opponents, "who come here on a question about which they know so little." Pointing out who his opponents represented, Magee fired a few blasts of his own. "They come here weeping and wailing, and you would think the small property owner would be wiped out of existence."

"The law is working to the complete satisfaction of everybody except a few real estate speculators who hope to hold idle land until its value is greatly increased by improvements erected on surrounding territory. Everybody endeavoring to gain a big profit in this parasitical manner is naturally opposed to the law and to the principle which it represents; it is nevertheless endorsed by and is clearly in the interest of the vast majority of the public."

— *Pittsburgh Press*, May 18, 1915

Both houses passed the repeal bill, but it was finally vetoed by Governor Brumbaugh. The veto was upheld, and the land tax survived its only serious challenge.

Land tax stabilizes prices

Despite apprehension by the landowners, the land tax did not cause the price of Pittsburgh land to come crashing down. But it did have some very healthy effects on the local economy.

During the twenties, America was caught in an orgy of land speculation. (Much of this was perceived as stock speculation, as investors were gambling on corporations which in turn were buying up land.) Land in many cities had tripled in price between 1913 and 1925. As a result, the American economy suffered from a general inflation of over 70% during those twelve years.

But land prices in Pittsburgh went up only 20%, despite high economic growth in the city. Opponents of the land tax complained that it had made Pittsburgh land undesirable, and that progress came to Pittsburgh in spite of, rather than because of, the land tax.

But between 1930 and 1940, the land price bubble deflated. Land prices came crashing down in every major city except two: Washington, D.C., (where big government represented the depression's only growth industry) and Pittsburgh, where land prices were already reasonable.

Land-Value Reduction 1930-1940	
City	Percentage
Detroit	58.05
Los Angeles	50.01
Cleveland	46.24
Boston	27.71
New Orleans	26.63
Cincinnati	26.05
Milwaukee	25.42
New York	20.59
Washington	11.96
Pittsburgh	11.05

Democrats back land tax

Although frequently opposed by Pittsburgh Republicans, land tax has had the support of every mayor ever to come to power with the backing of the Democratic party.

William N. McNair ended 26 years of Republican rule in Pittsburgh by capturing the mayor's seat in 1932. His central campaign plank was to abolish all other taxes and replace them with a land tax. Since that time, land tax has had the continued support of Democratic party leaders.

Mayor David L. Lawrence enthusiastically endorsed legislation enabling other cities in Pennsylvania to enact land tax. When he became governor of Pennsylvania, Lawrence called for all of Pennsylvania's cities to examine the land tax as an alternative to property tax, claiming that land tax "has been a good thing for Pittsburgh. It has discouraged the hoarding of vacant land for speculation and provides an incentive for building improvements. In the distribution of the tax burden it is particularly beneficial to the homeowners."

In 1978 and 1979, councilman William Coyne, chairman of Pittsburgh Democratic Party, led the opposition to proposed hikes in the wage tax, parking tax, deed transfer tax, business privilege tax, and a host of other discriminatory taxes. With solid support in council, Coyne succeeded in holding down these taxes by putting most of the increase on the land tax.

Land Tax Today

Today, Pittsburgh's municipal land tax is over five times as high as its building tax, although school and county property taxes are still equal on land and buildings.

There are still slums and blighted property in Pittsburgh, although there is nothing as severe as in other large northeastern cities. To land tax advocates, the situation is not good enough in Pittsburgh to warrant complacency.

Land tax advocates are now working for the reduction and elimination of discriminatory taxes in Pittsburgh and for the introduction of land value taxation in communities throughout Pennsylvania and across the United States.

QUESTIONS ABOUT LAND VALUE TAX

Why is land value a fair tax base?

Land and natural resources are gifts from God to all people. The ownership of the earth by individuals is a privilege invented by government. Furthermore, the value of land is created by the community and the government. Urban land is worth more than rural land because it is located in a population center, and because of the roads, transit systems, police and fire services, etc. which increase the value of the land. Surely it is fair for the community to tax those values which it has created.

Will land tax mean higher rents?

One of the few things that economists agree on is that land tax is **not** passed on to tenants in the form of higher rents. Rents are based on what the market will bear, and not on the landlord's actual costs. In fact, when land tax triggers increased housing construction, it reduces the landlord's ability to capitalize on housing shortages, and "rack renting" is eliminated.

Will land tax end local unemployment?

Land tax triggers construction and construction means jobs. It also means jobs when the commercial buildings are completed and waiting to be staffed with personnel. But land tax in one city alone does not guarantee that unemployment will be eliminated in that city because special work skills may require personnel to move to the city from other areas. However, a land-taxing city can help develop opportunities for its own unemployed residents to move into its expanding job market by supporting vocational training and placement services for residents.

Do all homeowners save money with a shift to land tax?

No. The average savings of 30% is just that — an average. Some homeowners will save 70%. A few will pay more. Generally, people living in row houses in the working class neighborhoods save the most. People living on large lots in prime locations save the least or pay more.

Will I save money with a shift to land tax?

You probably will. If you live in Pittsburgh you can find out by looking at your land and building assessments on your annual property tax bill. Divide the building assessment by the land assessment. If you get a number larger than 2.9, land tax will save you money. Also, if the total wages of everyone living on your property is more than 5 times your land assessment, income tax will also cost you more than land tax. These ratios are derived by looking at the Pittsburgh City Budget and figuring how much revenue each tax raises.

For those who don't like math, the easiest rule of thumb is as follows: If your property is similar to other property in your neighborhood, and your wages are about the same as those of your neighbors, a shift to land tax will almost surely save you money.

Does land tax reflect ability to pay better than property tax or income tax?

Yes it does. Property **is** wealth, by definition, and land is the most concentrated form of wealth there is. For example, in California, the Southern Pacific Railroad owns more land than all the California homeowners combined. In Pittsburgh, the largest tracts of unimproved land are owned by the Baltimore and Ohio Railroad, by Jones & Laughlin Steel, and by Duquesne Slag.

Please remember that income is not wealth. A person can make \$40,000 and still be in debt up to his ears. By the same token, if David Rockefeller, whose banks and corporations control mind-boggling amounts of land and resources, cried that he didn't make any profit this year, you would hardly be inclined to start a charity for him.

Do land tax advocates want to "soak the rich"?

The purpose of land tax is not to "soak" anybody, although those who have been getting off without paying their fair share often think they are being soaked when their free ride is ended. Land tax advocates are generally more interested in seeing land and resources put to productive intelligent uses than in seeing someone get "soaked." In fact, we would be happy to see the deed transfer tax and construction fees eliminated so that speculators could get off the hook quickly by turning their land over to more ambitious and responsible landowners.

Isn't income tax better for the elderly?

No. What is good for the elderly is that social security and certain other forms of retirement income are specifically exempted from the income tax. People concerned with the plight of the elderly can work for similar exemptions and rebates for retirement property. But eliminating land tax because of the small amount paid into it by the elderly is a mistake. The hard truth is that failure to tax land for this reason allows corporate and conscienceless speculators to collect windfall profits while hiding behind the skirts of "poor old widows."

What should be done about unfair taxation?

We believe that the superiority of the land value tax over other taxes is clearly demonstrated in Pittsburgh and other cities where it has been tried. We propose, therefore, that all local taxing bodies in Pennsylvania concerned with deteriorating neighborhoods and economic revitalization should substitute land tax for other taxes as quickly as possible.

What can I do about land tax in my community?

The most important thing you can do is understand how land tax would affect you and get your neighbors to understand how it would affect them. Get your neighborhood, labor or professional organization to sponsor a seminar on local taxation. An Incentive Tax League member will make every effort to attend, and will explain the land tax fully. Anyone opposed to the land tax is invited to debate the issue before community members. Once a sufficient number of people understand what land tax is all about, there will be no question as to what to do next.