

# ANNALS OF TAXATION

## THE HOUSE OF HAVE VS. THE HOUSE OF WANT

It was once the practice in this country to give the names of popular heroes to all sorts of consumer goods. Thus there was the Rockne automobile, the Lucky Lindy candy bar and, as late as the 1920s, the Henry George cigar—"A good 5¢ cigar." If you have never heard of Henry George, you must also be unaware that it was his novel tax plan that raised him to the status of popular hero. That was some accomplishment back in the late 19th century, as it would be today, for regardless of the praise that may be heaped on the Kemps, Bradleys, Packwoods and Rostenkowskis, nobody is naming candy bars or cigars after them.

Henry George got his picture on the cigar bands by proposing to abolish all taxes except one, a single tax on land. What's almost as novel, he wanted to apply that solitary tax at the same rate to all land, whether it underlay a swamp, an apartment house, a gold mine or Yankee Stadium. The use of the land, or what was on it, wouldn't matter.

George grew up at a time when economic and political excesses went almost unchecked, either because there was no law against them or because the laws were not enforced. Through devices such as the granting of land for several miles on both sides of railroad rights-of-way, the robber barons were gobbling up more and more of the choicest real estate in the country. Eventually such abuses would be brought under control, but George could not foresee that.

Although lacking formal education, he had read extensively and

had cogitated even more. His views were simplistic—they drove academic economists to pulling out their hair—but they struck a responsive chord in millions of persons in this country and around the world.

Henry George wrapped up his theories in *Progress and Poverty*, virtually his only work: private ownership of land was a social evil, the denial of the natural rights of others, the cause of poverty. By shifting all taxes to the value of land, regardless of improvements thereto, land monopoly would be ended; the community would enjoy the fruits of the land. Although landowners would retain their titles, speculation in land values would cease because unearned increments would revert to society at large.

George blamed the recurrent panics of the era on the fact that, while labor and capital increased in productivity, the supply of land remained constant in both quality and amount. Thus rent increased more than proportionately, profiting landlords excessively. This led to speculation, which led to panics.

*Progress and Poverty* was printed in many languages, with a total print run of well over two million copies. It was still selling briskly in 1905, seven years after George's death.

The George theories are taught even today in some social science courses, including those of the Henry George School of Social Sciences, in New York, although conventional economists continue to shun them. Kenneth Galbraith, who is himself not likely to be mistaken for a conservative, has written that George's adherents often tended to be "misanthropic, frustrated radicals."

Despite George's lack of formal

schooling, he wielded the English language with fine 19th century grandiloquence. "So long," he wrote, "as all the increased wealth which modern progress brings goes to . . . make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent."

"Right on!" said folks as far away as Australia and New Zealand, where the concept that land belongs to all and can only be shared by all through ground rent, or land tax, was and still is embraced by many.

The first, and only, large American community to adopt George's theory was Pittsburgh, whose land tax, passed in 1913, is on the books yet. The Pittsburgh land tax is not a *single* tax, however, although it predominates: the tax on land is nearly six times as large as that on buildings, as compared with the usual ratio of about one-to-one. Under a Pennsylvania law giving municipalities the option, six other communities in that state have adopted a land tax more recently. In some cases, at least, their motive was to force a more efficient, and therefore a more profitable, use of the land.

In the view of critics, this tendency of the land tax to induce maximum development is its major shortcoming, leading to acres and acres of skyscrapers, and not a parking lot to call one's own.

We undoubtedly have not heard the last of Henry George's magic formula. Such formulas will always be attractive to those who believe in the achievability of a tax system that is utterly simple yet eminently fair. You might say we need that even more than a good 5¢ cigar.

—Arthur Lodge, editor of  
the AICPA's CPA Client Bulletin

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Dear Sir:

A friend called to our attention the article about Henry George in your February issue. We were glad to see the attention paid but we would like to clarify a few points.

The author, Arthur Lodge, refers to George's "single tax on land" and says "he wanted to apply that solitary tax at the same rate to all land, etc." This suggests that all land would be taxed the same according to area "whether it underlay a swamp, an apartment house, etc." The important thing about the single tax is that it would be levied on land value rather than land area. A swamp might very well have no value at all and therefore pay no tax, whereas the land under an apartment house is measured in square feet with high value. Mr. Lodge may have meant this, as he later refers to "the value of land," but it deserves to be noted.

As for "conventional economists" shunning George's ideas, J. K. Galbraith (who shuns being "conventional") is using the argumentum ad hominem in speaking of Georgists as "misanthropic, frustrated radicals." Such mainstream economists as Campbell McConnell and Paul Samuelson, whose textbooks are widely used, have positive things to say about land value taxation.

One misapprehension about the land value tax, repeated by Mr. Lodge, is that it would induce "maximum development... leading to acres and acres of skyscrapers and not a parking lot to call one's own." It is a sad commentary that parking lots should be regarded as a relief from skyscrapers. For this, we should have parks, not parking lots, which are ugly, underused, valuable sites being held for speculation. Isn't a high-rise parking facility more efficient?

The single tax does not cause over-building. What does cause it is the high price of land. The single tax would drive down the price, making good land more accessible and resulting in a more even development in urban and suburban areas.

Despite the above, most of Mr. Lodge's article was informative and interesting.

Sincerely,

*Robert Clancy*  
Robert Clancy  
President