

THE FAIRHOPE CONTROVERSY

Introduction. The controversy over the bill to abolish the Fairhope Single Tax Corporation and redistribute its assets has been marked by much rumor and misinformation. The following brief account attempts to put the controversy in perspective. It was written by Paul M. Gaston, Professor of History in the University of Virginia, a Fairhope native, member of the Single Tax Corporation, spending the year in Fairhope to write its history.

Origins of the Colony. The Fairhope Colony was founded in 1894. It was unusual because it was established not for the financial profit of its founders but was built around an ethical idea embodied in an economic program. Hoping to demonstrate a practical way of reducing poverty, curbing special privilege, expanding opportunity, and rewarding individual initiative, it was inspired by the economist Henry George who believed the economy would be more stable and productive if government did not confiscate the earnings of labor and capital but, instead, collected for the benefit of all the people those values created by the community. He believed that land values were community-created values; all revenue should come from one tax, a tax on land values. Thus, his followers came to be known as "single taxers." The Fairhope colonists could not change laws, but they could practice a simulated single-tax by becoming a landlord, renting their lands on the single-tax plan. By 1904 they had 1,475 acres. Today, the Corporation owns slightly more than 4,000 acres, all acquired by purchase or by gift from single taxers.

Incorporation and Growth. In 1904 the Colony was incorporated in Alabama, the legislature having passed in 1903 an act to accommodate its special needs. That act, among other things, gave the legislature power to revoke the Corporation's charter; it did not - and could not - authorize the legislature to redistribute the Corporation's assets. Four years later, in 1908, Fairhope was incorporated as a municipality. Town and Colony grew together. By 1930 Fairhope was the largest town in the county. Its growth was based on the single-tax plan. Land was made available to a lessee - who did not have to be a member of the Corporation - free of charge. Given a 99-year lease, the tenant agreed to pay rent for the use of the land. The rent was based solely on the value of the land, which obviously would change over time. With the rent fund, the colony paid taxes on the improvements and personal property of the lessees (in time only up to the amount of rent). The excess of total rent collections over total tax payments provided a fund for public improvements that distinguished Fairhope from other communities. It was, and is, a simple plan: the Corporation, as landlord, does not charge for the acquisition of land but, instead, charges rent for its use, the rent being based on the land's value.

Coming of Protest. Under this plan Fairhope prospered, men of modest means found it possible to make a good living, and the community became famous. Now there is acrimony and belligerence. What brought the change about? The answer has many dimensions, but the fundamental problem stems from recent economic changes. During the Depression years and afterward, colony rents were very low. In the 'sixties, land values (which had been on the rise) increased sharply, presaging the great land boom of the 1970s. Country lands were especially affected as the population expanded and more land was desired for urban uses.

With mounting evidence of speculation in Colony leaseholds (selling improvements far above their real value), the Corporation made a study of its rent structure. In the early 'seventies a comprehensive program of rental increases was announced, to go into effect in stages over a five-year period. Here were the ingredients for conflict: on the one hand, the Corporation was taking a stand against land speculation; on the other, the booming land market was, for many, an irresistible enticement to profit from the swiftly rising land values. Out of this tension came protest against the Corporation, litigation, legislative battles, and the present bill.

Conflict and Rumor. To put the matter this way is not to deny that many other factors have fueled the controversy. Personality conflicts; personal jealousies and rivalries; poor communication between the dissidents and the Corporation; political opportunism; misunderstanding of motives and of Colony principles and procedures - these and other factors have been at work. Some persons, fearful and confused by their changing economic conditions, blame the Corporation for circumstances caused by larger economic forces. A steady supply of rumors, some apparently made of whole cloth, confuse the situation. Under increasing attack, the Corporation's posture has become uncharacteristically defensive and stiff.

The Rental Controversy. If the source of the dissident movement lies in the lure of profit from increasing land values, the focus of the controversy has been on rental charges. Dissidents have complained that the Corporation's rents are unfair and discriminatory. The principal support of this claim is a document prepared by a Troy economist who rejects the single-tax principle, ridicules the rent formula, and alleges discrimination in rental charges. Examination of his study, however, shows manipulation of data, distortion of the rent formula, and unsupported allegations. This is not to say that the rent calculation methods of the Corporation ought not to be further analyzed. Probably they should. An impartial study would likely show that the formula is applied consistently and is thus free of discrimination, but that refinements in it could improve its ability to measure land values accurately. If rents are not discriminatory, as the evidence would suggest, neither are they excessive. They have gone up over the last decade, to be sure, but at a significantly less rapid rate than inflation; and, Corporation rental charges are generally well below those of private landholders in the area.

Conclusion. Membership in the Single Tax Corporation is open to anyone who understands, believes in, and is willing to work for its principles. From the beginning, membership carried with it no reward except the satisfaction of contributing to a cause in which one believed. Today's members are inheritors of a trust. The men and women who contributed money to the land fund, or donated land outright, did so with the confidence that the Corporation's lands would be used for no purpose except to help the single tax movement. For the legislature, or anyone else, to cause such a trust to be violated - for example, by transferring the assets to persons publicly committed to the subversion of the single-tax program - would be astonishing and unprecedented. Quite apart from the constitutional impropriety, nothing in the history of the last ten years would suggest the appropriateness of such an extreme reaction to the Fairhope controversy.

25 June 1979