

Florida Skies

Occasional rain, scattered showers. High in mid-70s north to mid-80s south. Low in 60s north to mid-70s south. (Details, Page 2A).

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How Inflation Spoils American Dreams

By MARTIN MERZER
Herald Business Writer

"The national economy sustained additional damage today . . . The cost of living soared again last month . . . The gross national product grew only slightly last quarter . . ."

It is journalistic and economic shorthand, and it is easy to forget that behind those phrases are people — people who are confused and frustrated and angered by an economic crisis unlike any before it.

A plummeting stock market does not harm merely a Dow Jones industrial average. It diminishes the hopes and dreams of

people who depend on their investments for retirement or for the education of their children.

A 16 per cent mortgage rate does not damage only homebuilders. It reduces the options of people who were raised to believe — who were assured — that if they worked hard, they would improve their lives.

A 19½ per cent prime rate does not affect just the gross national product. It compels people to close businesses they spent a lifetime building; it compels them to swallow their pride and go into bankruptcy court; it compels them to fire other people.

This economic crisis does not affect only

industrial averages and interest rates and the gross national product. It affects people. We have met the victims of this economic crisis. And they are us.

★ ★ ★

Pete Rondeau and Kathleen Neurath decided two years ago to come in from the cold, so they stashed into a van everything they owned (which didn't take very long) and they drove from Cromwell, Conn., to Fort Lauderdale.

They lived in the van for 35 days while hunting for jobs. But then they both landed work as computer operators at American

Express Co. in Plantation and things began falling into place.

They found a \$250-a-month apartment in Margate; Rondeau researched the possibility of applying for a real-estate license; they began planning their marriage. Then, prices started to rise.

"After the first year, the rent went up to \$270," Rondeau says. "Now they've raised it to \$335. When it comes down to it, with electricity and all, it costs us \$100 a week just to live there."

About a year ago, they took their meager savings and \$10,000 borrowed from his parents and went looking for a house. Nothing fancy, you understand.

"We just want a starter home, just two bedrooms," he says. "We're not greedy or anything. We just want a solid investment where we're not going to lose our money."

Discouraged by 11 per cent mortgages a year ago, the couple decided to wait. "But this fall, things really skyrocketed, so we decided we better get something before it's too late," Rondeau says.

It might already be too late. A Realtor found them a Veterans Administration re-possession in Plantation that costs \$55,000 ("It's OK, but it's not our dream house" or

anything," Rondeau says). Interest and principal, alone, will cost them \$497 per month. Together, their monthly take-home pay is about \$1,500.

The numbers are not very appealing, but this is their last shot. "If this doesn't come through for us, we'll move back to Connecticut," Rondeau says. "I've just about had it."

The housing situation is not the only frustration eating at him. There is the matter of wages and prices.

"The company says they can give only an over-all average raise of 7 per cent because that's what the government tells them," Rondeau says. "Here's the ironic thing: the company newspaper says that due to inflation, they have to raise the prices in the cafeteria by 11 per cent."

"That is a classic example of what's going on today. I can't tell you how frustrating it is. We are very, very discouraged."

Rondeau is 25 years old. His fiancée is 23.

★ ★ ★

Lorne Phipps is 58 years old and he has been in South Florida for 30 years. A Realtor and stock-market investor, Phipps finds that at a point in his life when he should not have to worry about financial security, he is more worried than ever.

His realty business is down because prices are too high and mortgages are too difficult to obtain. In addition, the value of his stock portfolio has plunged by 40 per cent in the past month.

Now, he sits in his office and tries to figure where he went wrong.

"We moved here and I worked hard and I built up a good business," he says. "We raised four children, right here in South Florida. We've done everything according to the rules."

But the rules were changed, he feels, by an uncaring, unresponsive government. Phipps is not a rabble-rouser. He is a patriotic, conservative man. But he is very angry.

"This raising of the interest rate to control inflation is absurd when Congress is the guilty party and we're looking at a deficit of billions of dollars," he says. "That's the real culprit [in inflation] right there."

"On one hand they tell you to do one thing, and on the other hand they act like a bunch of sixth-graders."

Phipps' wife died recently and one of his daughters was killed in an auto accident two years ago. It has been a tough couple of years, but the one thing he had — until a few months ago — was complete financial security. Now, although he's far from being down and out, he's worried.

"I'm looking at what took me 30 years to build and . . ." His voice trails off. The sentence remains unfinished.

★ ★ ★

Any person or corporation filing for bankruptcy in South Florida must report to the Bankruptcy Division of the U.S. District Court in Miami.

In February 1979, the court received 93 personal and corporate bankruptcy actions. In February 1980, the court received 150 bankruptcy actions.

Did this flurry of activity result in any particularly interesting or amusing anecdotes?

"This is not a very amusing place," a clerk says.

★ ★ ★

He grew up during the 1950s and 1960s, and he was told — he saw for himself — that if you worked hard and went to church on Sunday and didn't stray from the straight and narrow, you would be rewarded.

Your business would prosper; your family could count on a steadily improving lifestyle; you would have the opportunity to look back and take satisfaction in what you had accomplished.

He did as he was told. He thought he had sealed a bargain. But something went terribly wrong.

Less than a year ago, he had to close the printing business that he had worked 14 hours a day, six days a week, to build. He fired nine people.

We'll call him John Clark.

"I was in the printing business for most of my life," he says. "But I had to add up all the expenses of business and with money the way it is and labor the way it is, there was just no way the numbers would work."

"You put so much of your time in it, so much effort in it. You go to your big brother the banker, who you're counting on, and you ask him for money and he says 'No.' or he says, 'Yeah, but look at how much it's going to cost you.'"

While Clark was running his business, his wife was working as an insurance adjuster. His kids learned to take care of themselves when they came home from school.

"It just seems like a losing battle," he says. "It's very difficult. You see your real income declining from the point of how much your dollar can buy at the grocery store and the gas station and the power company."

"You work twice as hard and twice as fast just to get to the same point you were at two years ago."

He is only 33 and he has time to start again. Now, he is trying to begin a business selling ceiling fans.

Clark is not beaten, but he is a little discouraged and he feels more than a little betrayed. He has one more thing to say, but he hesitates because he knows it is a cliché. Yet, it must be said.

"The great American dream has been shattered," Clark says. Then he leaves the house, climbs into his car and drives to his new office.

(Condensed)

On each side of this page, two highly competent writers have spoken: Mr. Merzer in his Miami Herald article, should have incorporated the economics so eloquently handled by Mr. Wilborn in his Tampa Tribune article. On the other hand, Mr. Wilborn could have improved his article if he had balanced it with some sad economic tales in the Tampa area.

Both stories are a part of the same problem — bungling by local, state and federal politicians.

Which should the press do: Point up the over-riding dangers of the continuous riotous inflationary spiral that can match Germany in post war I, Italy, Great Britain and the Banana Republics today — or take the consequences of another economic holocaust like in 1929, when land values collapsed before the banks did — and then when the banks were re-opened by FDR, they could not sell their mortgages for 25c on the dollar or their foreclosed properties.

MEDIA FOUNDATION FOR
LAND ECONOMICS INC.
532 WICKHAM ROAD
MELBOURNE, FL 32901

To Professional Writers, we offer
grants for investigative research.

Selling Land-Value Taxation

THE TAMPA TRIBUNE ***

Sunday, March 16, 1980

Section H

By PAUL WILBORN
Florida Living Editor

A group calling itself The Media Foundation for Land Economics has been offering newspaper and magazine editors and writers "grants" of between \$100 and \$2,000 for placing stories explaining the foundation's theories on land taxation.

In a series of letters and brochures sent to newspapers and magazines during 1979, the foundation, based in Melbourne, offered land economics as a solution to inflation, high unemployment, suburban sprawl, inner-city slums and deteriorating downtowns. Land economics would do all these things, the letters said, while reducing the tax burden on the average home owner.

A recent letter said 139 writers had asked for more information on the grants.

The Media Foundation for Land Economics does not have an office in a fashionable, high-rise building. (There aren't many fashionable, high-rise offices in Melbourne, anyway.)

The foundation's office is in a tiny concrete-block building, shaded by pine trees and hidden from the busy street by a dentist's office.

There to greet you is William E. Newcombe, president of the foundation and retired Melbourne real estate broker. Newcombe, like his foundation office, is not what you might expect. No dark, three-piece suit, no secretary, no walnut desk.

Wilborn spent four hours interviewing Mr. Newcombe and two hours with Mr. Prentice. While Wilborn absorbed the essence of land economics, it is apparent that he did not at all sense the dedication of Messrs. Newcombe and Prentice for socio-economic reform within our society — to lessen man's inhumanity to man.

Joseph Tisch
Vice President

Media Foundation for Land Economics

Wilborn was told that the Foundation now offers pre-publication research grants only.

[Newcomb leads you through a large room used by Mrs. Newcomb, where the real estate files are still intact. He pulls back a curtain, and you are in the office of the Media Foundation of Land Economics.] The room is all concrete block and jalousie windows. A gas heater is humming softly in the corner. There is room for Newcomb and his large desk, plus a chair or two for visitors, but mostly the room is choked with filing cabinets and horizontal bookshelves stacked with multi-colored pamphlets with titles like:

The Trillion-Dollar Cost of Today's Wrong Kind of Property Tax.

The Conspiracy Against Homeowners and Tenants.

Harnessing the Profit Motive To Better Land Use.

Asked if he doesn't think his grant program is unethical, Newcombe grins. "You real estate editors are really upset by this program. *Newsday* had a negative article on us the other day. I don't understand it. The doctors, lawyers, teachers all offer grants and awards for stories but everybody is pointing a finger at us."

"But, dammit, the only way we will get land-value taxation in this country is if you journalists keep pushing it. That's why our foundation was created. The reason the politicians don't support it is there is no groundswell of public opinion. But you can't have a groundswell unless people learn what land-value taxation is all about. That's where you guys (journalists) come in."

Land-value taxation is a modern term for an old idea called the "single tax." It is based on the theories of Henry George, a 19th-century American economist and philosopher who detailed the "single-tax" idea in his book, *Progress and Poverty*.

Although George was never successful in getting his single-tax theory adopted, his ideas spawned a "Henry George Movement" that Newcombe claims has 4,000 to 5,000 active members across the United States. There are three Henry George Schools, a Henry George Foundation, the related Ro-

A foundation in Melbourne believes changing our current property tax system will revitalize cities, slow urban sprawl, eliminate slums and cut the tax bill of the average home-owner. A new property tax system, the foundation maintains, would make it financially unattractive for owners to leave large tracts of urban land, like Tampa's Seddon Island, undeveloped for years.

bert Schalkenbach Foundation (which is responsible for Newcombe's handouts and brochures), a Henry George Institute and now, The Media Foundation for Land Economics.

The members of the Henry George Movement blame America's current property tax system for the skyrocketing price of raw land for development, the boom and bust economies of such states as California and Florida, lucrativeness of land speculation, and the existence of extreme poverty in the midst of a highly developed country like the United States.

Simply put, the proponents of land-value taxation believe the property tax, with its heavy emphasis on taxing improvements to the land and a lower emphasis on taxing the land itself, pushes the land into the hands of a tiny percentage of wealthy landowners and out of the hands of the public.

And the current property-tax system, they say, is a misguided combination of two completely different taxes. Taxing improvements, they say, is bound to discourage, inhibit and often prevent improvements. But keeping taxes low for unimproved land acts as a subsidy to speculators.

Under land-value taxation, the system would be reversed. Unimproved and under-improved land would be more heavily taxed. A vacant lot in the middle of a city should be highly taxed, land economists argue, because the taxpayers of that city have shelled out a lot of money to make the lot valuable. They have paid for roads, sewers, police protection and other city services. A heavy tax on that vacant lot would encourage the owner to either improve the lot or sell it.

But under the present system, they say, idle urban acres are underassessed and undertaxed, allowing the owners to hold that land off the market and wait for its value to rise.

With speculation driving up the cost of vacant property in the cities, developers and builders are forced to go farther and farther into the surrounding area to find affordable land. Everytime a development

moves farther away from the urban core, government has to spend more tax money to provide improvements that are already available in town.

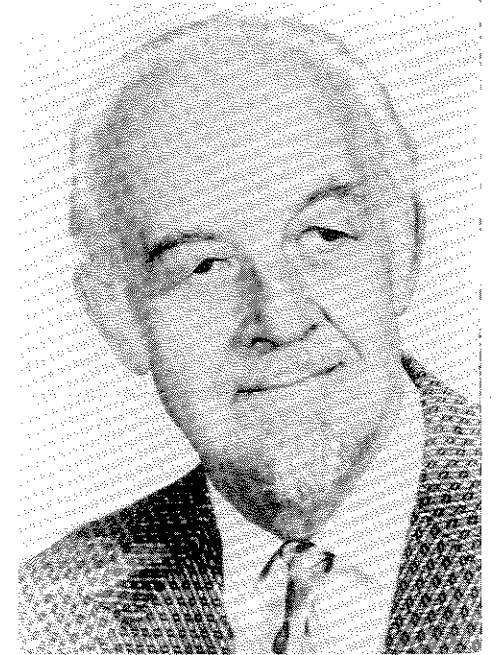
If you want to know more about land-value taxation, said Newcombe, talk to Perry Prentice. Prentice, a vice president of Time, Inc. for 25 years and former publisher of *House and Home*, is a long-time supporter of land-value taxation. Now in his 80s, Prentice and his wife live quietly in a Belleair condominium. Along with speeches around the country and guest columns in the *St. Petersburg Times*, Prentice argued for a land-value taxation amendment before the Florida Constitutional Revision Commission.

Over lunch at the Belleview Biltmore clubhouse, Prentice outlined his arguments for land-value taxation.

"The value of land is partly created by God and partly created by an enormous investment of other people's money to make it usable, accessible and livable. It must be obvious to anyone that heavy taxes on the location cannot discourage the owners from improving it; on the contrary, heavy taxes on the location could put effective pressure on the owners to put their sites to better use so as to bring in enough income to earn a good profit after paying the heavier land tax.

"You would think every city would try to tax land heavily and tax improvements lightly if at all; but just the opposite is the case. Almost every city collects two or three times as much money from taxes on improvements as from taxes on land.

"If you want to minimize suburban sprawl and stop blighting the countryside with premature subdivision, it is foolish to assess and tax close-in land so lightly that its owners will be under no tax pressure to release their land at a reasonable price when it is needed for orderly urban growth."



WILLIAM NEWCOMB

If land-value taxation is such a good idea, why isn't it being adopted around the country?

The large landholders who run our governments and corporations that influence governments won't support a system that would force them to either develop or give up their vast land holdings, Prentice argues.

"An old friend of mine said I was tilting at windmills. But Don Quixote was tilting at windmills because he thought they were giants. He had no concept of reality. I know what reality is. And there is nothing more real than the \$2 trillion subsidy of land values through undertaxation," Prentice said.

A week after *The Tribune* talked with Prentice, Newcombe is on the telephone.

"I hear you talked with Perry. Isn't he everything I told you he was?"

"Look," Newcombe says, "after that story runs would you consider some free-lance writing for us? I've been in touch with some magazines that might be interested.

"In fact, let me update you. Since we talked, we have negotiated five pre-publication grants. One is to a newspaper reporter in Delaware. The others are to freelancers. And we got a request from a major large-circulation magazine for a list of writers qualified to write about land economics."

(Condensed)