

The biggest mountain of unearned wealth today is the multi-billion dollar unearned increment in land prices we are now subsidizing by undertaxation. Henry George would have welcomed the way today's land economists are wisely beginning to call the tax reform he died fighting for "Incentive Taxation." because (1) cutting away today's heavy tax penalty on improvements would give private investors a strong profit incentive to improve and build and (2) doubling or tripling the tax on underused land would put heavy pressure on its owners to put it to good use or sell it to someone who would.

#### DO WE FACE A LAND SHORTAGE?

Land ownership is the most highly concentrated form of wealth. In California, one big company owns more millions of acres of land than all the home sites in the state!

Nationwide, 568 big companies own 301,700,000 acres of land — 13% of our total land area and nearly 22% of all privately owned land.

Landowners want the voting public to believe that land prices are soaring, not because land price inflation is subsidized by undertaxation, but because good land around our cities is getting scarce. If any one believes that nonsense, I can only repeat the advice of famed Realty Researcher Roy Wenzlick: "Just look out the airplane window and see for yourself that there is no shortage of land ripe for development or redevelopment in and around any American city." Says Land-Economist-Statistician Homer Hoyt: "Even in our most densely developed urban areas there is more land than we will ever be able to use for housing, shopping, and industrial development."

As of now, only 2% of all the privately owned land in the U.S. is used for housing and only 3% for commercial, industrial, and recreational development. And a United Nations study found land enough within sight of the Pacific Ocean to house all of our people at single-family density!

(Excerpted from a paper delivered at the Henry George Centennial, San Francisco)

Every unprejudiced property tax study from coast to coast has supported the case of property tax reform, including the studies for:

- The Federal Commission on Urban Problems
- The Chamber of Commerce of the United States
- The Federal Advisory Commission on Intergovernmental Relations
- The Congressional Research Service
- The Brookings Institution
- The House Committee on Banking, Finance & Urban Affairs
- The State Governments of Michigan, Indiana, Pennsylvania and North Carolina and the Provincial Government of Quebec, and also by many local studies: Milwaukee, Kansas City, Omaha, Buffalo, Indianapolis, South Bend, Pittsburgh, Scranton, Lancaster, New York and Washington, D.C.

In California the case of property tax reform is supported by local studies in San Francisco, San Jose, San Diego and Fresno. But in the face of all these studies the voters of California rushed to the polls to vote for a 40% property tax cut whose most immediate beneficiaries are the owners of the unused land. Thus the Irvine heirs were able to sell for \$413,000,000 the remaining acreage of the ranch their grandfather bought in Henry George's time for \$93,000!

**WARNING:** *The land inflation and monetary inflation carry seeds of catastrophic deflation. Good writers might turn the tide . . . . .*

**\$5.25 PER 100**

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

**THE RIGHT TAX WOULD STEM  
THE INFLATION AND SELF-  
RENEW OUR CITIES AND TOWNS.**

By  
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Land is now so lightly taxed that land ownership is by far the biggest of today's tax shelters!

In an economy in which almost everything else is overtaxed, land is grossly undertaxed. Land speculators and other owners of underused and misused land needed now for orderly growth in and around our cities can hold land off the market at a net yearly tax cost of 1% — waiting for inflation, population growth, and an enormous nearby investment of other taxpayers' money to double or triple its selling price. That is, to increase its price 100 times and often 200 times as much as the yearly tax cost of keeping it idle.

Meanwhile many of our cities penalize, discourage, and too often **prevent private investment in housing and other needed improvements** by taxing improvements more heavily than any other major product of American industry except hard liquor, cigarettes, and now perhaps gasoline!

A 4% tax on improvements may not sound big compared to a Federal income tax that scales up to 70%, but it sounds small only because that 4% is 4% of the entire capital value of the investment. Whereas the income tax applies only to the net income on that capital.

The sad and shocking truth is that too few voters understand that a 4%-of-true-value-tax on new construction (as in quite a few cities) is apt to cost the building owner more than 50% of the income on his equity investment. It is apt to add more than 25% to the rent or the carrying cost of a home. The Federal Advisory Commission on Intergovernmental Relations says it costs the investor as much as a 76% single payment sales tax would cost him if he could finance it at 5% over the 60 year life of the building!

#### SUBSIDIZING INFLATION

In the spread city around New York, the Regional Planning Association added up the cost to the community for schools, roads, water supplies, police and fire-fighting equipment, sewage disposal facilities etc., needed to make land for one more

residence reachable, livable and richly saleable. It came up with a figure of over \$30,000 for each additional residence! Thirty thousand dollars in public services per additional residence, or say \$60,000 per acre, gives land speculators in the growth areas in and around our cities a very juicy subsidy!

Today's undertaxation of land has been capitalized into a land price total estimated by the Federal Census Bureau at more than two trillion dollars (\$2,000,000,000,000), giving land owners an **almost completely unearned increment**, denounced by FORTUNE as "more than double our vaunted investment in industrial production" and imposing on our economy a burden more than twice as heavy as the 800 billion dollar Federal debt!

#### URBAN DECAY AND SLUM FORMATION

Today's wrong kind of property tax (overtaxing improvements and **undertaxing land**) has been the biggest single cause of urban decay and slum formation. It has been the biggest cause of land waste and sprawl and the only cause of the premature subdivision of millions of outlying acres that should have been left open-country for farming and recreation until well into the twenty-first century.

#### SUBSIDIES FOR PUBLIC HOUSING

Land prices were already soaring 6.19 times as fast as the rest of the consumer price level at the time of the 1966 Douglas Commission Report — and that was before land price took off into the wild

**Paul Wilborn, Florida Living Editor, Tampa Tribune**, in an interview with Mr. Prentice, asked: *"If land-value taxation is such a good idea, why isn't it being adopted around the country?"*

**Mr. Prentice:** *"The large landowners 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."*

blue yonder. This land price inflation coupled with the overtaxation of improvements is the biggest reason why multi-billion dollar subsidies seem to be needed to meet our housing need. **In New York, the Federal subsidy has soared as high as \$9000 a year for a new 2-bedroom apartment for a poor family!**

The land price inflation, subsidized by the undertaxation of land, is the biggest domestic element in the overall price inflation. Says FORTUNE: "The inflation price of land raises the price of everything we buy." Says TIME: **"The soaring price of land for farming is perhaps the reason for the soaring cost of food."**

Now homeowners have been rushing to cash in on the crazy inflation in the price of their homes to add three times as many billions of dollars to the consumer debt total as last year's \$31 billion increase in the Federal debt that so many economists consider the biggest cause of inflation! (1979)

#### WHAT HENRY GEORGE URGED

When Henry George proposed a tax on land only to pay all the cost of government, the **property tax on land was actually meeting nearly half of all the cost of government** — local, state and national — whereas today the **land tax is barely meeting 2% of government costs!**

Henry George did not stop short by just urging a tax on the unearned increment in land prices. He was such a dedicated opponent of Communism and Socialism that he scorned Karl Marx as "The Prince of Muddleheads and a most superficial thinker" and he questioned the right of any government to take away through taxation any of the money workers rightfully earned by their labor and investors earn by the wise investment of their savings.

Henry George would have been shocked by the way today's tax system takes hundreds of billions of dollars from those who have earned it to redistribute the wealth to people who have not earned it.