

## N. Y. Taxpayers Face Bigger Bite Next Year

The property tax has been under attack from many sides. Relief has been promised from sources reaching up to the highest office in the land. So far it has been no more than rhetoric.

New Yorkers would be keenly disappointed were it not that nothing better was expected. And the promise of increased taxes for property owners and their tenants comes as no surprise.

The best analysis available indicates a 10% boost in the realty levy in New York City for the fiscal year to begin next July 1.

City Controller Abraham Beame has estimated that payments on municipal debt next year will amount to \$1.4 billion. This is interest and installment payments due on the principal.

Based on this projection, the independent Citizens Budget Commission has forecast a record 68c increase for every \$100 of assessed value in the city's realty tax. The taxes on real property are used to cover debt services.

"This kind of tax increase," a spokesman for the budget group commented, is detrimental to the best interests of tenants and landlords alike. The increase indicates a much greater need for tighter controls on expenditures and debts."

City officials say the estimated increase assumes the city will use "all its real estate taxing possibilities." Last year, it left \$90 million of real estate taxing authority unused, they point out.

Unless the city fathers again leave some of their taxing ability lying around fallow, the owner of property assessed at \$10,000 (worth considerably more on the market) will pay \$720 in taxes in 1973-74 instead of the \$652 he is paying currently.

The real story, of course, is not this probable 10.4% boost in real estate taxes; it is in what is being taxed. An additional \$68 in tax might weight more heavily on a family homeowner in Brooklyn than would \$6,800 to the investor in a million-dollar as-

## Spring Term

Classes begin the week of February 5. Students may audit the first session of each class and register the second evening. With one \$10 registration fee a student can take any number of courses.

<b>Reform for Our Time</b>	(4 sections—10 sessions)	7-9 p.m.
Monday—	Stanley Rubenstein	Rm.42
Tuesday—	Sy Winters	Rm.32
Wednesday	Dean Meridith	Rm.42
Thursday—		Rm.32
	<b>No Tuition</b>	
<b>Progress and Poverty</b>	(13 sessions)	6:30-8:30 p.m.
Thursday—	Dr. Harry D. Fornari	Rm.31
	<b>No Tuition</b>	
<b>Investing in Securities</b>	(10 sessions)	7-9 p.m.
Monday—	Richard Friedlander	Rm.43
	<b>Tuition — \$25.00</b>	
<b>Small Business Mgmt.</b>	(10 sessions)	7-9 p.m.
Tuesday—	Renato Bellu	Rm.43
	<b>Tuition — \$25.00</b>	
<b>Economics of Modern</b>		
<b>School Reform</b>	(15 sessions)	7-9 p.m.
Tuesday—	Jules Zimmerman	Rm.42
	Open only to Public School Teachers—Reg. fee—\$5.00	

essed commercial property. The latter has legal and economic means for passing a good deal of it on to his high-paying tenants, who push it along to the public via their customers.

To the extent that any increase will impinge upon improvements and thereby discourage the upgrading, perhaps even the maintenance of property, it will be a loss occasioned by the city, by its people and by its government; it will be another nudge toward decline of the major metropolis of the country.

The worst part of the whole picture is the clouded one. No one really knows just what the impact of such a tax increase would be, whom it would hurt and how it would affect what is euphemistically called urban renewal. There are studies that might help, to be sure, but neither those who have made them or those responsible for them seem to want to talk.

# Benjamin Franklin Had the Idea...

Lest anyone harbor the idea that understanding of the land problem is an exclusive achievement of the late 19th century and its heirs, it is instructive to ruminate on the prescience of those of an earlier period. The Founding Fathers, or at least the most perceptive of them, Benjamin Franklin, understood the matter full well.

Here are excerpts from Dr. Franklin's 1751 treatise, "Observations concerning the Increase of Mankind, Peopling of Countries, &c."

1. Tables of the Proportion of Marriages to Births, of Death to Births, of Marriages to the Numbers of Inhabitants, &c. form'd on Observations made upon the Bills of Mortality, Christnings, &c. of populous Cities, will not suit Countries; nor will Tables form'd on Observations made on full settled old Countries, as Europe, suit new Countries, as America.
2. For People increase in Proportion to the Number of Marriages, and that is greater in Proportion to the Ease and Convenience of supporting a Family. ~~When Families can be easily supported, more Persons marry, and earlier in Life.~~
3. In Cities, where all Trades, Occupations and Offices are full, many delay marrying, till they can see how to bear the Charges of a Family; which Charges are greater in Cities, as luxury is more common: many live single during Life, and continue Servants to Families, Journeymen to Trades, &c. hence Cities do not by natural Generation supply themselves with Inhabitants; the Deaths are more than the Births.
4. In Countries full settled, the Case must be nearly the same; all Lands being occupied and improved to the Heighth: those who cannot get Land, must Labour for others that have it; when labourers are plenty, their Wages will be low; by low Wages a Family is supported with Difficulty; this Difficulty deters from marriage, who therefore long continue Servants and single. Only as Cities take Supplies of People from the Country, and thereby make a little more Room in the Country; Marriage is a little more encourag'd there, and

Births exceed the Deaths.

5. Europe is generally full settled with Husbandmen, Manufacturers, &c. and therefore cannot now much increase in People: America is chiefly occupied by Indians, who subsist mostly by Hunting. But as the Hunter, of all Men, requires the greatest Quantity of Land from whence to draw his Subsistence, (the Husbandman subsists on much less, the Gardener on still less, and the Manufacturer requires least of all). The Europeans found America as fully settled as it well could be by Hunters; yet these having large Tracks, were easily prevail'd on to part with Portions of Territories to the new Comers, who did not much interfere with the Natives in Hunting, and furnish'd them with many Things they wanted.

6. Land being thus plenty in America, and so cheap as that a labouring Man, that understands Husbandry, can in a short Time save Money enough to purchase a Piece of new Land sufficient for a plantation, whereon he may subsist a Family; such are not afraid to marry; for if they even look far enough forward to consider how their Children when grown up are to be provided for, they see that more Land is to be had at Rates equally easy, all Circumstances considered.

7. Hence Marriages in America are more general, and more generally early, than in Europe. And if it is reckoned there, that there is but one Marriage per Annum among 100 Persons, perhaps we may here reckon two; and if in Europe they have but 4 Births to a Marriage (many of their Marriages being late) we may here reckon 8, of which if one half grow up, and our Marriages are made, reckoning one with another at 20 Years of Age, our People must at least be doubled every 20 years.

8. But notwithstanding this Increase, so vast is the Territory of North-America, that it will require many Ages to settle it fully; and till it is fully settled, Labour will never be cheap here, where no Man continues long a Labourer for others, but gets a Plantation of his own, no Man continues long a Journeyman to a Trade, but goes among those new Settlers, and sets up for himself, &c. Hence Labour is no cheaper now, in Pennsylvania, than it was 30 Years ago, tho' so many Thousand labouring People have been imported.

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## There's More than Tools to Howard Hughes

Howard Hughes attracts attention not only for his immense wealth but because of the vagaries of his personality. Joseph Lashin, of Tucson, Ariz., has turned up another reason looking closely at the billionaire and his holdings.

Mr. Lashin has brought to the notice of the Tucson authorities the tax treatment of two adjacent parcels that make up a tract of about 80 acres owned by the Hughes Tool Company.

Here's the way they are carried on the tax rolls:

Book 127, Map 1.	Acreage	Full Cash Value	%	Assessed
Parcel 0040	35.93	\$481,707	18	\$86,707
Parcel 0030	38.26	286,684	18	51,603

Mr. Lashin wonders whether anyone has questioned the sharp difference in valuation of the two parcels, which, he says, are as "alike as two peas in a pod." Almost identical in footage along Broadway and 5th Street, lot 40 is slightly smaller for having given up some ground for Rosemont Blvd.

An active and knowledgeable realtor has set a conservative cash value on each parcel at about \$1.2 million, according to Mr. Lashin. State law, he says, requires that property be assessed at full cash value. Moreover, he points out that such prime plots have an indicated use for apartments or businesses. In such case, he adds, the assessment for tax purposes should rise to 25% instead of the present 18%, which would bring in almost 40% more revenue.

Addressing the city council, Mr. Lashin complained, "In sales taxes, you have a department which hustles around collecting from those who do not make proper returns. Why don't you have the same responsibility with property tax?"

Hughes Tool has been sitting on this empty land for over 20 years, paying a minimal amount of taxes, Mr. Lashin says, and now has a huge unearned increment as a result of the sharp rise in land prices in the Tucson area.

"If I should ever get the County or City to go along with my proposal of a Tax Map Plan," he says, "it would bring such underassessments to light and be a long step toward a more equitable system of land taxation."

He feels the time is ripe for such action. There is widespread concern about the burden of property taxes, and most taxpayers do not realize part of their burden is the consequence of underassessment accorded favored property owners to the disadvantage of the majority.

## Can't See the Taxes for the Forest

Controversy over the property tax is usually centered around theoretical discussion, with few of the parties coming to grips with applicable systems. The lumber industry is too directly affected to be content with theories and generalities. Hence the Georgia Forest Research Council has tackled the problem from a practical point of view and come up with a positive proposal. It's spelled out in a fascinating pamphlet "Forest Property Taxation Report No. 29," dated May 1972.

Along with other citations, the report notes Henry George's recommendation of a "single tax" as set forth in his *Science of Political Economy*. It then states "George's great concern with the land forced him to overlook the dominance of capital," the report comments, citing G.C. Benson's 1965 text, *The American Property Tax: Its History, Administration and Economic Impact*: "The importance of the 'single tax' lies in the fact that it shows an understanding of the effect of urban development on economic life."

Complaining that there is "little recognizable uniformity in valuation practices in the country," the council explains that there are three broad methods of determining land value — the market, income and cost approaches.

"Most states require that value be determined by the market . . . and, in addition, require that the assessor base his valuation on what he considers the highest and best use of the property," the report states. "A pitfall facing all appraisers is the inability to derive concisely the object of the appraisal . . . it is unclear as to what markets, where, and at what periods of time."

It is the council's view that "if those who are primarily concerned with preservation will look into the property tax on forest lands, they will find that the present system used by the states are among their greatest obstacles in seeking to preserve and conserve our forest resources." The council would prefer that forest land valuation be based on average annual growth "from seedling to mature sawtimber."

In effect this would recognize annual increment represented by growth, rather than an annual liquidation value of all timber on the land. Through an intricate system, the annual growth would be converted into a dollar value, with management and protection costs deducted. This would yield a net income figure to be capitalized.

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## Can't See the Taxes for the Forest

*(Continued from page 3)*

The system of requiring property to be valued for its highest and best use, the report complains, "encourages short rotations and clear-cutting while discouraging multiple-use management — in fact, almost any kind of management."

The council offers a system under which land would be classed as farm, forest, open space and property within municipal city limits. Local authorities would have the power of classification. Forest land would be valued according to the council's formula. City land would be assessed on the basis of present use. The council is concerned about preventing the forced conversion of lands to more intensive uses through assessment for a higher economic use.

The excuse it offers is a clever one: "If the economic doctrine that land is worth the present value of all future income derived from it is accepted, we must make this premise a part of our environmental perspective." the council states. Properly administered, the report says of its proposal, it should give the landowner an opportunity to grow timber on longer rotations. This is important not only for the lumber and plywood interest, but also from the viewpoint of the conservationist and environmentalist.

The proposal is at once interesting, ingenious and dangerous. The method suggested for the valuation of forest tracts has the advantage of being precise to a far greater degree than the present vague "market value for the highest and best use." It also allows the benefit of better management on the part of the lumber operators. But it has the distinct disadvantage of substituting local state bureaucrats — susceptible as they may be to pressures — for the influence of the marketplace. In doing so, it negates all of the external economies that might be derived from the correct imposition of the land tax.

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## 'Bread On the Water'

"Cast thy bread upon the water!" scripture admonishes. The worldly-wise, made cynical by the uses of modern advertising, is likely to add, "and you'll either get soggy toast or, if your lucky, you'll catch a few lives ones."

As is the School's long habit, "bread," in the form of an advertising brochure, is cast into the mail in advance of each term, usually with a reply form attached. On occasion these forms come back with amusing and interesting comment in the place of the expected registration for classes.

Following are a random sampling:

"You should know that it is no longer safe to walk around after dark; why don't you have afternoon classes?"

Anonymous

*Not a bad idea, at that.*

"'Today's Social Chaos,' as you put it is, as you also correctly perceive, due mainly to ignorance. Unfortunately, as you spread an obsolete, false theory of economics, you would appear to be contributing to ignorance, rather than its abatement. Have you seriously considered closing your doors?"

P.F. Kelly

*Unfortunately, Mr. Kelly is apparently not willing to give anyone a chance to answer his query.*

"No thank you, but it's nice to know you have everything solved."

*Thank you! We wish we did.*

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