

Henry George News

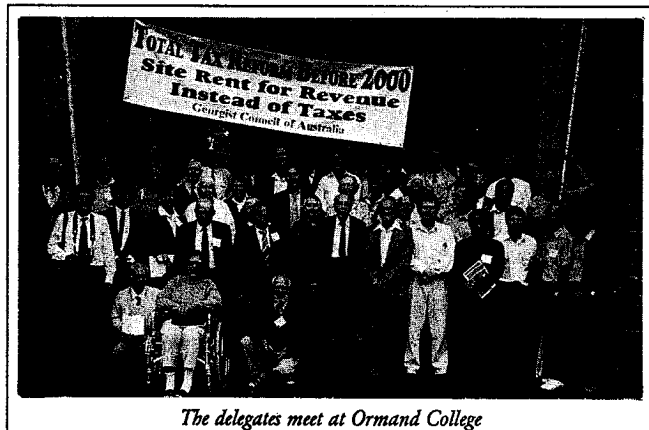
Volume 57, Number 4

September - October, 1993

Georgists Gather "Down Under"

Employment for all: Total Tax Reform by the Year 2000, the 1993 International Conference, co-sponsored by the Georgist Council of Australia and the International Union for Land Value Taxation and Free Trade, at Ormand College, University of Melbourne, Australia, September 26th to October 2nd. (first of two articles) by George Collins.

If any country could hope to achieve that optimistic objective, Australia would have to be the one. Despite reversals in some of its application, the country remains foremost among those in which land values are recognized as a unique species of value particularly suited to and intentionally collected as public revenue. So widely accepted is the concept that the value of land - and not of improvements - is the appropriate subject of taxation that a tour bus driver in Brisbane (one of the four cities I visited following the conference) was incredulous at my explanation that in the U.S. and elsewhere, improvements are taxed for local revenue! He was surprised that there was need for a conference to discuss such an issue.



The delegates meet at Ormand College

Some sixty delegates from ten countries engaged in a full week of lectures, discussions and meetings of the International Union. A field trip, highlighting "Site (Land) Values-at-Work" provided an almost side-by-side comparison as the tour bus went up one street - through a land value tax community - and down another - a non land value tax district - in the greater Melbourne suburbs. Visual comparisons revealed superior maintenance and construction in the land tax communities. Accompanying history and anecdote, delivered by Morris Williams, a former member of the Parliament of Victoria, and Bill Pitt, a leading figure in Tax Reform Australia, the Melbourne host of the conference, illustrated the ever-present political maneuvering that establishes and maintains every public policy.

Day one of the conference got its start with an address by Prof. Mason Gaffney from the University of California, who offered an unexpected prescription for achieving "Full Employment With Total Tax Reform." "Think immoderately," he urged, "for we are unique among the people with ideas. We have answers. Think panacea. Opponents tag us with that intimidating label. But all new 'progressive ideas' have been panaceas. The income tax was one. Think free lunches. It's not that there is no free lunch - the question is, who is going to have it? Economic rent is a free

Agnes de Mille 1905 - 1993

It is with great sadness that we note the passing of Agnes George de Mille, the granddaughter of Henry George and an institution in the world of American dance over a six-decade career. An innovator in both American ballet and the Broadway stage, Ms. de Mille was also an author of some fourteen books, including a recently published biography of Martha Graham. The *Los Angeles Times* once called her "a gutsy lady, a pioneer, an iconoclast, a charmer, a writer of rare insight and fascination..." She once said of herself "I have been searching all my life for the intrinsic American, Anonymous ... he has many faces and many names, but we all know him: humorous, salty, bold, original, independent certainly, at times persnickety and stubborn, neighborly and commonsensical... it is to become him that every immigrant has crossed the green water." Part of her creative genius was her ability to translate and blend that vision of American commonality into her art, bringing traditional themes such as the Old West rodeo onto the legitimate stage. She was one of the first to combine what are now called "low" and "high" art.

Agnes de Mille was, like her mother, an enthusiastic supporter of the Georgist philosophy. She wrote an eloquent preface to the centennial edition of *Progress and Poverty* in 1979, and spoke at a number of Georgist conferences over the years. She also addressed the opening ceremony for the New York headquarters in 1989. She will be missed all over the world, and in our movement not the least.

-D.D.

(Editor's note: Our next issue will feature a memorial to Agnes de Mille. Readers are encouraged to submit their own tributes or reminiscences.)

lunch." He concluded that we should "Think relevant. Think doable. Think and act. Get a toehold. And be aware that if we're making progress we'll also make enemies." There have been some regressions in land tax application, but there have also been some successes. "From Albany to Albania we have seen movement." His ultimate charge to the audience was to "Think comprehensively. Total tax reform means untaxing all capital and untaxing all labor."

One the heels of Prof. Gaffney's stirring start in the morning, Mr. Ian Lays, President of Tax Reform Australia, gave us his welcome and introduced Dr. Terry Dwyer for the afternoon session, "The Way Forward in Australian Tax Policy." Dr. Dwyer, a senior government official dealing with tax policy in the Australian Treasury and Cabinet, said that what should be done is what was done when the Australian Federation was established: "look at securing public revenue from the endowments of a resource-rich continent and the land values created by a good government."

Richard Noyes followed with his farewell address as President of the International Union. Having served ably in that position for seven years, he left us with his observation of "the need to make our ideas clear." Seeing reversals in Australia, Denmark, New Zealand and South Africa, we must remain focused. Drawing on a contemporary of George's, Charles Sanders Peirce, whose concept that words are signs formed the origins of pragmatism, he offered a clear and simple (continued on page six)

Henry George News

published by

Henry George School
of Social Science

121 East 30th Street
New York, NY 10016
(212) 889-8020

Edward J. Dodson
President

George L. Collins
Director

Lindy Davies
Editor

David Domke
Writer

AFFILIATES

LONG ISLAND

Stan Rubenstein, Director
P.O. Box 553
Cutchogue, NY 11935
(516) 734-7543

PHILADELPHIA

Mike Curtis, Director
413 South 10th Street
Philadelphia, PA 19147
(215) 922-4278

NEW ENGLAND

Ernest Kahn, Director
114 Ames Street
Sharon, MA 02067
(617) 784-3086

CHICAGO

Sam Venturella, Director
1772 W. Greenleaf Ave.
Chicago, IL 60626
(312) 338 - 6698

CALIFORNIA

Wendell Fitzgerald, President
1568 Schrader Street
San Francisco, CA 94117
(415) 661-6933

Harry Pollard, Director
Box 655
Tujunga, CA 91042
(818) 352-4141

Evelyn Friend, Director
5216 Fernwood Way
Sacramento, CA 95841
(916) 331 - 1490

DOMINICAN REPUBLIC

Lucy Silfa, Director
Apartado Postal 758
Santo Domingo,
Republica Dominicana
(809) 565 - 6725

CANADA

School of Economic Science
2267 Westman Road
Mississauga, Ontario L5K 1M7
(416) 822-4694

Gaye/Gerry Shaw, Co-Directors
3017 25th Street, S.W.
Calgary, Alberta T3E 1Y2
(403) 242-4291

Henry George: Inspiration for Truth-Seekers

by Dr. Cay Hehner

Henry George had several qualities rare among men in general and among economists and philosophers in particular. He had a rare grasp of complex economic relations and an inimitable gift for clear expression. Endowed with the systematic and critical mind of a scientist, he could create the precise and graceful prose of an Emerson. It is not surprising that his *Progress and Poverty*, shortly after its commercial publication in New York, 1880, became a bestseller that outsold the *Capital* of Karl Marx, and was translated into all major world languages. With the aid of George's lecturing tours of the U.S., Europe and Australia, the book inspired the formation of innumerable land-reform organizations. His popularity increased to such a degree that only his countrymen Mark Twain and Thomas Edison surpassed it. Bernard Shaw even went so far as to include George's major work (in between the Bible and the Fabian Essays) in the stage directions for *Candida*.

Another trait which distinguishes Henry George strongly from the field of social thinkers is his courage in following an independent line of inquiry regardless of the personal consequences. Marx espoused - rightly or wrongly - the cause of the suppressed working class to the virtual obliteration of every class or individual who did not fit this bill. Herbert Spencer forsook his original economic acumen with astounding ease when confronted with the persuasions of the British country squire. Modern-day economists do not even think twice when implicitly lobbying, in their "objective research," for the interests of the richest special interest. Henry George, on the other hand, displayed a

consistent and unusually libertarian largesse of mind. He would cater to nobody and nothing short of the absolute truth. His vision of true economic and social relations was his promised land, which could not fail to materialize for the benefit of all. As a deep humanist, who had been brought up on Jeffersonian ideals of equal opportunity for all, he loathed war in all its forms. And as a man of Scotch extraction (the only place in the world where it seems that economy is imbued directly through mother's milk) war was simply too costly and wasteful an affair to be seriously considered.

It did not matter to him that his vision might not materialize during his lifetime. Patiently, even doggedly, George opted for the evolutionary step-by-step rather than the revolutionary approach. The principles he had discovered had, he believed, the inevitability and infallibility of the natural laws of physics.

Henry George loathed all attempts to render economics an "esoteric" science understandable only to the initiated few. He even forsook a Chair in economics offered at the University of California, for George's clarity of exposition rendered the academic pulpit unnecessary. In his life, writings and works, he stands for honesty and lucidity - qualities which need not shun the encounter with common sense. All the people who would like to scrutinize or investigate his findings are welcome: "While we may not be scientists or philosophers we too are men." Thus he concluded one of his finest books. [*A Perplexed Philosopher*]

(Dr. Cay Hehner is a volunteer teacher of *Fundamental Economics* at the New York HGS.)

"The Cat" Is Not to Be Seen in the New York Times

A *New York Times* article on October 28th, "Yeltsin Moves to Give Farm Lands to the Farmers," reports on a decree signed by President Yeltsin to allow farm workers to own and freely dispose of land. There is still widespread opposition to absolute private land ownership in Russia - but this decree is a significant step toward it, much welcomed by Western business interests.

The article represents private land ownership as a key to a free and democratic society, contrasting Yeltsin's initiative with the expropriation of farmland by Stalin in the 1930s that led to the Soviet collective farm sys-

tem. It characterizes Russian "progressives" as those who demand a totally free market in land. Opponents to this are represented as blocking "land reform." That might come as a shock to land reformers in other parts of the world - especially those in developing nations who are all too familiar with the poverty and environmental destruction wrought by totally free land markets. The article notes that "this and subsequent decrees are expected to include a ban on land sales to foreigners" - a sensible vestige of "communist ideology," designed to thwart the bleeding of land rent from the Russian economy.

of farmlands brutally expropriated in the 1930's. The decree also marked a major advance in lifting a strong taboo of Communist ideology, the ban on private ownership of land.

To Your Very Good Health

Health care reform is foremost in many Americans' minds these days, and on October 2nd the New York HGS held a seminar designed to help sort through the complexities of the President's proposal. The speakers were Mr. William Corba, Regional Marketing Director for CIGNA Corp., the major national health insurance company, and Prof. William Vickrey, Emeritus Professor of Economics at Columbia University and frequent analyst at HGS events.

First, Mr. Corba explained the basics of the Clinton plan. He began by quizzing the audience on what sort of health coverage they currently had. Like the greater population, the thirty-five people in attendance had a wide mix, from full coverage to Medicare to no insurance at all. He noted that whether one would personally benefit depends on factors such as employment, size of company, what type of care for which one is currently covered, and whether one has pre-existing medical conditions. It is evident, he said, that people who are self- or unemployed, work for small or low-wage businesses, or have pre-existing conditions would fare better under the Clinton plan.

Mr. Corba made one controversial statement early in his talk, which drew loud protests from the audience: that everyone has "health insurance" in the U.S. Although he admitted his words had been poorly chosen, the remark carried an important grain of truth. When uninsured Americans get sick, they can get treatment - in public hospitals. The cost of this care is passed on to taxpayers and policyholders. Uninsured citizens now number 37.4 million - and this "cost shifting" is one of the major causes of runaway health care costs.

Mr. Corba noted that as a representative of CIGNA, a leading provider of health

Charles A. Barker

Charles Albro Barker, historian, scholar and author of the critically acclaimed 1955 biography of Henry George, died in Santa Barbara, California on September 12th. He was 88.

Dr. Barker's field was American Intellectual History, which he taught for forty years. He chaired the Department of History at Johns Hopkins University in Baltimore for five of his twenty-seven years on the faculty.

Dr. Barker won the Ralph Waldo Emerson Award of the American Historical Society for *American Convictions*, the first volume of a history of American ideas. He was nearing the completion of a second volume when he died. Other published works included: *Background of the Revolution in Maryland* (which won the Beveridge Prize of the American Historical Society), Among his editorial contributions were *Problems of World Disarmament* (1963), *Power and Law: American Dilemma in World Affairs* (1970).

Dr. Barker was a strong worker in the early peace movement. He was First Chair of the Baltimore Seminar on Arms Control and founder of the American Historical Association's Conference on Peace History.

In addition to Johns Hopkins, Dr. Barker taught at Smith College, Mills College and Stanford University. He was also a visiting fellow at the American University of Beirut, and Fulbright Scholar at Punjab University, Chandigarh, India and the University of Melbourne, Australia.

He is survived by his wife Louise Chase Cottle, and two children: John Gaylord Barker and Louise Barker Cannell; their third child, Charles Cottle Barker, died in infancy. His grandchildren are Ellen Charles Barker of New York City and Catherine Cannell Eisenbarth of Santa Cruz, California. A long time resident of Baltimore, Maryland, he moved to Santa Barbara in 1982 and lived there until his death.

HENRY GEORGE DAY '93

by David Domke

On September 2nd the School celebrated, as it does every year, Henry George Day - commemorating the birthday of Henry George and Labor Day. This year was the 154th anniversary of his birth. Both Mayor David Dinkins and Speaker Peter Vallone of the New York City Council, issued proclamations naming September 2nd, 1993 Henry George Day in New York. This year gave us a particular reason to celebrate - the signing into law by Governor Cuomo on August 6th a bill allowing the city of Amsterdam, New York to adopt a two-rate tax system, a system enabling land to be taxed more heavily than improvements. Schalkenbach Foundation Board member Al Hartheimer, a catalyst behind the Amsterdam initiative, and Stan Rubenstein, School Board member and High School Program Director, were the co-featured speakers.

Al and Stan discussed the intricacies of getting such legislation approved and passed - and the opportunities for further progress. The problems that led Amsterdam to this move, Al Hartheimer explained, are endemic to most small cities in the Northeast. A revenue-raiser that provides incentives to bring business into a city would fit their (continued on back page)



Oretha and Renata Cantore make up the mother-daughter performing team of Soul Rock From the Rock, Inc. - an organization that gives delightful African-American folklore workshops to schools, churches and community groups throughout the city. On October 16th they presented a workshop to a delighted group of kids-of-all-ages at the New York HGS. "Learn, Act, Sing, Dance...A Story!" featured puppets and storytelling, dancing, songs and African artifacts. A grand time was had by all!

maintenance plans, or HMOs, he is well-positioned to understand the Clinton proposal because the plan, essentially, would enroll all Americans in large "health alliances" that function much as HMOs do today. Some states, such as California, have already moved quite far in this direction, with a majority of citizens already enrolled in HMOs; for them the Clinton plan will be less of a shock. New York, however, lags behind much of the nation in HMO membership. This is probably due to the fact that the line between rich and poor in New York is much more skewed than the national average. For instance, while 60% of the revenue of New York City hospitals comes from Medicare and Medicaid, the city also can afford far more psychotherapeutic care per capita than the rest of the nation.

Under the Clinton plan, employers would be required to pay 80% of the lowest cost regional health alliance plan. This would (continued on back page)

More and more U.S. citizens are getting more and more fed up with the way this country's government runs its finances. That may not seem like news, but lately the muck has gotten deep enough for two major magazines, *Fortune* and *Atlantic*, to devote in-depth articles to what to do about the mess.

Fortune, in its October '93 cover story by Rob Norton, "Our Screwed-Up Tax Code," pulls no punches: "The U.S. tax system is an unwieldy, inefficient, ungodly mess - and this summer's shenanigans in Washington have just made it worse." So much for the income side of the public-finance picture. In the October '93 *Atlantic*, Peter G. Peterson takes on the spending side. His article, "Facing Up," shows how social-welfare programs, which now consume over half of the federal budget, overwhelmingly benefit the middle and upper classes.

Dissatisfaction with the income tax code is deep and pervasive. The *Fortune* article quotes former Bush Administration IRS Commissioner Shirley Peterson: "I would repeal the Internal Revenue code and start over." Many executives share this assessment. "I personally believe we are near the end of the road on income taxation," said William Modahl, Director of Tax Affairs at Digital Equipment.

The business community's ire focuses on two main points: the numbing complexity of the tax code which wastes time and money, and the anti-investment character of much of the tax code, particularly as it deals with corporate ventures. It is hard to argue with either. Two photos that accompany the article are worth many thousand words. One shows Ms. Peterson peeking out over a stack of the seven volumes of IRS regulations for 1993. In the other, the chief tax counsel for Chrysler Corporation sits behind a six-foot stack of paper: the company's 1991 federal tax return. Income tax regulations have reached an almost mystical level of complexity. According to the Director of Taxes at General Mills, "There are areas of the tax code where you have no way of telling whether you have the right answer.... You wait until the audit and hope you can come to an understanding with the government."

University of Michigan economist Joel Slemrod, presented here as "the leading authority on the subject," cites these sobering statistics: The average household spends \$343 a year figuring out its taxes. Total annual cost of corporate tax compliance exceeds \$8 billion. Add the annual budget of the IRS (\$6.5 billion), and pretty soon you're talking real money: some \$50 billion - more than the federal excise taxes collected on gasoline, alcohol and tobacco.

What really has business steamed, though, is the way the tax system discourages business investment and distorts incentives. For example, a number of capital-intensive industries have been paying huge tax bills through the recent recession although they have been losing money. This is because of a corporate tax provision called the alternative minimum tax, or AMT, instituted in 1970 to ensure that corporations did not abuse existing tax breaks for investment. Companies that invested heavily in plant and equipment during the booming 80s (airlines, for instance) found that the depreciation they claimed on that equipment kicked in the AMT charges, raising their costs of capital and prolonging the recession.

The tax code has also proved itself capable of nudging firms toward locating more of their operations overseas. Companies get a credit for foreign taxes that they

OUR HOUSE OF FINANCIAL Horror

by Lindy Davies

must pay. Money made in overseas operations, on the other hand, is not taxed until it comes back into this country. Although there is a limit on the amount of cash a foreign subsidiary can have on hand (above which it becomes taxable in the U.S.), there is nothing to stop companies from simply spreading their surplus around among as many foreign subsidiaries as they want to maintain.

Finally, income tax incentives strongly favor corporate debt, because interest on it is deductible. These deductions increase corporate net profits (before they are double-taxed by the personal income tax). So, there is a pervasive trend to finance investment out of debt rather than equity - a process which is weighted against small and innovative companies.

The main reason why all these silly things remain lodged in our tax code, writes Norman, is that the federal government is strapped and in debt - and all these provisions bring money into the treasury, however perversely. Congress finds it practically impossible to rescind any provision in the code that: 1) brings in a few more billion and 2) is obscure and unpublicized. On the other hand, a "soak-the-rich" issue like cutting the deductibility of business meals is easy to support, even though more truck drivers are deducting their lunches than CEO's. Regardless of how they hobble businesses and decrease long-run revenue, many provisions in the tax code are off-limits in our current \$billion-pinching deficit-reduction climate.

How will we tackle the federal deficit?

Here we must turn to the questionable ways in which our questionably-collected revenue is spent. Peter G. Peterson in his article "Facing Up" points out sobering facts about our federal budget arithmetic.

Back in the early 80s, when it was "morning in America," the Reagan administration suggested that our deficit problems would be over of only we stopped the waste, fraud and abuse in the welfare system. When President Clinton came along, his first State of the Union message talked of shared sacrifice, and promised to get serious about the deficit problem. Author Peterson was thrilled with that - but what has emerged in the Clinton budget plan, he argues, is another scapegoat: the rich.

Now, to be sure, we can get more deficit reduction from taxing the rich than we can from cutting the public pittance

Hey! Aren't Social Security and Medicare an earned right, because citizens merely get back what they have paid in?

Not exactly. Not even close, in fact, although it comes as a shock to most citizens. Social Security is thought to be a pension system, but in actuarial terms it is not, because there is no coupling between the payments an individual makes and the benefits he or she receives. There is no social security account in Washington with anyone's name on it. Social Security benefits increase according to their own cost-of-living formulas; this has nothing to do with any sort of return on invested Social Security payments. In fact, according to Peterson, the typical recipient of Social Security benefits receives two to five times the amount that his or her premiums would have garnered had they been paid into an actual pension.

Yet, is not the Social Security fund financially sound, and even showing a surplus? Yes, for the present. However, a large portion of the trust fund's assets are in the form of loans to the federal government to decrease its annual deficit. When the baby-boom generation, now still mainly in its wage-earning years, starts to collect Social Security, it will then depend on the current payments of a smaller work force. Unless there is a substantial increase in S.S.I. payments, the relentless numbers will catch up.

devoted to the poor. Nevertheless, the only real sacrifices called for in Clinton's narrowly-passed first budget are from those making over \$200,000 a year - only one per cent of U.S. households. While the rich unarguably got richer (even faster than before) during the previous twelve years, the bitter arithmetic of the federal budget is that the top 1% is a relatively minor portion of the tax base. The huge group of households with incomes between \$30,000 and \$200,000 pay three-quarters of federal income. And this same group receives 43% of the \$800 billion spent in federal entitlements. Clearly, a tremendous amount of direct federal spending goes to people who cannot be considered poor.

Compounding the problem, the federal government forgoes more hundreds of billions in so-called "tax expenditures" - the most prominent being tax deductions for home mortgages and health insurance premiums. What's at issue here is not whether it is a bad idea to subsidize home-buying or medical care. The problem is that tax subsidies can only benefit those who can afford such things in the first place.

Taken together, entitlement payments and tax subsidies to the middle class account for such a massive redirection of income, Peterson argues, that the federal deficit can never be reduced unless they are brought under control. The numbers bear him out. To balance the budget in the next eight years by taxing the rich, we would have to tax away all of the taxable income of everyone earning over \$175,000. Or, alternately, we could reach the same goal by doubling the tax bill for every wage-earner over \$50,000. Although it is true that the income tax burden in the U.S. is less than in other developed countries, it is also clear that no such draconian increase in income taxation would ever get through Congress.

The only other way to balance the budget, Peterson argues, is to make progressive reductions in the entitlements and tax breaks given to those with income over \$30,000. Here we are talking about 73% of household income, and 43% of federal cash payments. From the conventional point of view on public revenue (at least), the middle class is where the money is.

But what is the middle class, anyway? Statistics paint a disturbing picture of income distribution in this country. Suppose we define the middle class as half of all U.S. households equally distributed around the national median income. That median is \$31,700 - which makes the statistical middle class range from \$14,040 to \$55,880. Understandably, many families with incomes somewhat higher than that feel they are just getting by, what with inflation, rent, taxes and personal debt. It is easy to see why this middle class (which is also the greatest number of voters) might be eager to hang the nation's fiscal problems on either Reagan's scapegoat, or Clinton's.

All Scream for Investment

Both of the writers discussed here share the conviction that it is absolutely essential, if the American Dream is not to fade utterly, to invest more. We need more investment in all manner of future-oriented goods & services: plants and equipment, public infrastructure, education, preventive health care, education... The question is how to get these things without bankrupting the current economy.

The consensus of *Fortune* analysts on the matter was that the income tax should be scrapped. For a replacement, some advocate a Value Added Tax. Still more want to see a "consumed-income tax" - in other words a type of income tax based not on income earned but on income spent. Such a tax would, in effect, exempt all saving from taxation. This would be a boon to corporate investment - and, as a fresh start, it could simplify the surrealistic world of the IRS. However, like all consumption-based taxes, it would be steeply regressive: the rich can save more than the poor can.

One thing the *Fortune* people manifestly do not want is any increase in the capital gains tax. Now, a student of Henry George

might be inclined to remind them that **productive capital** (i.e., capital in the classical definition) does not appreciate; it is speculative investments that appreciate - particularly land; hence a capital gains tax is a relatively fair revenue-raiser. However, corporations can perhaps be forgiven for wishing to hold on to a favorable capital-gains status, given that in the current screwed-up state of the economy, productive capital simply doesn't do so well for them. One might say that businesses feel the need to use their **unearned income** to subsidize the productive, wealth-creating activities

Need further corroboration of the pervasiveness of the land problem in our economy?

Consider the creative scheme of this California developer. Bridge Housing Corp. has built over 3,700 inexpensive homes in the Bay Area. But we thought there was no profit in affordable housing! There isn't, normally - but Bridge uses the magic of zoning concessions.

Land in California (as elsewhere) is what makes housing expensive. Bridge's scheme is to buy a property zoned for, say, ten units. Then they will get permission to build fifteen. They can recoup their costs by selling ten of the units at a market rate of, say, \$300,000. Although the other five are identical to the first ten, they sell for a mere \$100,000, because, due to the zoning concession, they have been built on essentially free land.

Bridge tells none of the neighbors which homes are which. And, to avoid creating windfalls, the \$100,000 homes come with a non-interest bearing second mortgage, which the developer holds and the homeowner must pay if they sell their home at the going market price. (From *Fortune*, Oct. 1993)

in which there is less and less profit.

Analogously, can the middle class be blamed for being reluctant to shoulder the main burden of cleaning up the federal deficit mess? Their economic picture, burdened at every step with taxes and ever-increasing rents, is far from rosy - which is why it has been so difficult to pry their federal entitlements away.

The Alternative

The time has never been riper for policymakers to check out a fresh new (centuries-old) strategy for raising public revenue. The principle of using the rental value of land as the basis for taxation answers all of the problems raised in this discussion.

Complexity of tax collection? That fact that one per cent of GDP is wasted just on calculating the income tax? Land assessments are already public information, and the process becomes considerably easier when we dispense with the messy and inexact chore of assessing improvements.

Distortion of incentives? This is the strongest possible argument for basing public revenue on the collection of land rents. Land speculation distorts land use patterns, promotes urban sprawl and pollution, and encourages wasteful and exploitive absentee farm ownership. Land speculation was the collateral motor of the savings and loan fiasco. Examples abound. Low wages and unemployment can be traced to the unused productive capacity in the natural resources held out of use. This, of course, distorts the economy by requiring welfare payments, paid for with taxes on labor and capital which hopelessly distort incentives!

Lack of saving and investment? Across the country large and small investors tie up huge sums in real estate investments, hoping to ride the wave of economic expansion, yet doing nothing to keep it moving. Remove that option, and investment in productive capital will be much more attractive. We won't need quick fixes such as "enterprise zones." If the cost of land were not growing at many times the rate of inflation, would home-buyers need mortgage deductions?

(continued on back page)

1993 International Conference: In the Land of Wombats and Wallabies

(continued from front page)

idea. "The principle on which we must found government is the right of everyone to spend what one earns."

At the annual General meeting of the International Union held on Wednesday morning, Godfrey Dunkley of South Africa was elected President. He praised the work of the organization under the leadership of Dick Noyes and pledged to lead its members in response to the opportunities that a vastly challenging world puts before us. Vice Presidents elected were Per Möller Anderson, Denmark, Jeff Foster, Australia, Wilbur Freeland, Canada, Robert Keall, New Zealand, Dorris Norris, England, Dick Noyes, U.S.A. and Charles Ravaz, Hungary.

Dutch electrical engineer Jan Pott closed the day's session with a cleverly constructed demonstration which showed what would happen to the flow of money when you turned the switch - and he literally did turn the switch on his electrical model - to channel rent to the community.



Yvonne & Godfrey Dunkley (S.A.) and Ian Barker, Australian M.P. (banquet speaker)

The morning of day two was devoted to Russia. Tatyana Roskoshnaya, Deputy Director of EKOGRAD, who spoke at the New York HGS and the C.G.O. conference in July delivered the message that despite indefinite laws and uncertain policies, Georgist reform is winning support in the new Russia. Eighty cities from across the country have endorsed land value taxation. Several are moving ahead, without central government authorization, to evaluate the land and set up mechanisms for rent collection. Because of the uncertainty of title and tenure, a land market has not yet developed. But some land is already in private hands - so it is necessary to establish the payment of rent on real values before it is too late.



In conference: Bill Pitt (Aust.), Pat Aller (USA) and Morris Williams (Aust.)

The other message of the morning was a scholarly paper by Fred Harrison, Director of the Institute for Incentive Taxation in London, read by Barbara Sobriello, Secretary of the International Union. Titled "The State of Russia and Land Policy 1722 - 1992" and previously presented to the Russian Academy of Administration, Moscow in April 1993, it makes the point that the events of October 1917 were more of a *coup d'état* than a revolution. The Soviet hierarchy that seized control in 1917 took over and continued a bureaucracy that was established 250 years ago by Peter the

Land Value Taxation in Australia

When Henry George visited Australia in 1890, enormous crowds flocked to hear him speak. Many thousands thronged the Melbourne Exhibition Hall grounds. The Federal Constitution came into being on January 1, 1901, and a labor government swept into office with land tax on site values as the main plank of its platform.



Although the land value tax was put in place as the principal revenue source for all three levels of government, there were variations and exemptions in all three. Over the years, tinkering in the name of relief, broadening the tax base, or false equity have produced a considerable decline from its original levels. The Federal tax began with a threshold of \$5,000 and the rates were progressive at higher values. It was abolished in 1952, except in the leasehold lands of Canberra, the Australian Capital Territory. That too was to be later given up. In both cases the argument was that doing so would allow the state and municipal governments to raise more revenue. Nevertheless, all six states still impose a land value tax. Each has a threshold and progressive tax rates at higher evaluations and in four states the site of a family residence is completely exempt. About 6% of the state revenue comes from land values.

On the municipal level there are many variations, ranging from states in which land value tax is compulsory to the state of Victoria, in which (as in Melbourne) voter referendum may demand its adoption. Fully 50% of the citizens of Victoria live in municipalities in which property owners voted to have a land value tax. -G.C.

Great. He had created a command economy, a military-industrial complex, and internal passports tying the people to the land and factories - enforced by murder, torture and exile, and a poll tax that was heavier than any other western country had.

The Soviet regime therefore made no change in the lives of the people. New masters controlled the system of domination. Now, there is a real possibility of change. The choice to be made is between socializing the rent of land or permitting a land market to develop with destabilizing land speculation distorting the economy. There is a lesson to be learned from the unbridled speculation occurring in China because not enough of the land rent is being taken in the privatization of their economy.

(Part 2 will appear in our next issue. Stay tuned!)



Irene Hickman engages an Australian student in discourse on political economy.

TEACHERS' CORNER



Even though teaching is one of the most fundamental activities in society, the "how" of it still seems mysterious to us. We all have known great teachers, the ones with effortless eloquence and verve, the ones who turn us on to the highs of inquiry and addict us to the "why's."

Most of us have also had the misfortune of studying under a poor teacher. We have occasionally noticed, as well, that some of those bad teachers knew what they were talking about, knew it as well as Abdul-Jabbar knew how to

make a hook shot. But somehow they were ineffective at communicating their deep and comprehensive grasp of the subject. The experience of bad teaching methods is a bit like the Supreme Court's experience of pornography: you know it when you see it. How do they get that way? Are teachers born, or made?

Most universities have departments of education - and, because there is a steady demand for new state-certified public school teachers, there is a brisk trade in the educational curriculum. Unfortunately, though, if teachers as a group don't get enough respect (and they don't), the teachers of teachers come in for the most extreme disparagement. A misanthropic motto circulated the department back when I studied education: "Those who can't do, teach - and those who can't teach, teach education." It may not be as bad as all that - but, like any cliché, that statement has a grain of truth stuck in its craw. Teacher trainees recognize a basic conflict that leads them not to take their pedagogical studies too seriously: although education departments must perform studies and compile statistics to justify their place on the funding chain, the work of teaching is art, not science.

Indeed it would have to be. In their admirably practical textbook on teaching technique, *Looking In Classrooms*, Thomas L. Good and Jere E. Brophy point out that classroom teaching is an exceedingly complex activity. In an hour of classroom work, a teacher is faced with hundreds of separate interactions with students, all unpredictable, and all relevant to the teacher's mission as a communicator of ideas and values. Every young teacher in the first hellish week of student-teaching knows the feeling that nothing, not one sentence in all those pedagogical texts, has prepared him or her to face a roomful of students and - not just getting them to sit quietly - not just getting them to like you - but **getting something across to them**. It's like someone has just turned up the volume on all your senses, and you find yourself lecturing a riot.

As if the inherent challenges of the classroom weren't enough, most teachers face personal and professional demands that leave them very little time for planning or feedback about the craft of teaching. This is particularly true at the Henry George School, where most of the teachers are volunteers. Teachers seldom receive any meaningful evaluation of their effectiveness as teachers. Students might ask questions about the material, but they are understandably reluctant to criticize their teacher's methods (however constructively). Tests may evaluate the students'

progress, but teachers need more immediate feedback; they cannot wait til the students flunk to see whether their strategies have worked! And in any case, the HGS doesn't normally test students.

All of these factors add up to a tough problem for us as teachers. Our task is to communicate with students who may have a wide range of skill levels, learning styles, attention spans, and motivation levels. The complexity of the task makes it difficult for us to get effective feedback on our progress. Without good feedback, we may make quite a few inadvertent mistakes - and that is what the research shows. Good and Brophy cite study after study showing that we teachers are far less aware of our behavior in front of students than we perceive ourselves to be. Teachers' observed behaviors are often radically different from their self-assessment on classroom actions such as:

- What is the ratio of teacher-talk to student-talk?
- How long do I stay with students who fail to answer correctly?
- How many different students do I call on?
- Do I notice students who want to respond?
- Do I notice students who are having difficulty understanding the material?
- Do I concentrate attention on certain areas in the room, or on certain individuals, or on one sex?
- Do I make contradictory statements? Do I follow up on stated intentions?

Sometimes our inadvertent behavior in the classroom can be embarrassing. At the end of one *Understanding Economics* course, one of my students, a professional woman, complimented the course and the instructor, but said she wanted to acquaint me with something I might want to think about. It seems that throughout the class I had been addressing men by titles (Mr., etc.) - but women by first names! Had I been asked, I'd have said there was no pattern, that I used first names with students as a function of their age, or how they had first been introduced to me. But there was a clear pattern, and I thanked her for pointing it out.

The central thesis of *Looking In Classrooms* is that in the demanding environment in which we have to function as teachers, we simply will not be provided enough good feedback to optimally manage our classroom. Nobody is going to do it for us, so we have to start doing it ourselves. There are two basic methods we can use: self-study, and providing feedback for each other.

Self-study might begin with a list of questions like the one above. Merely becoming aware of the probability of inadvertent behavior can be a powerful motivator to watch carefully. But, for obvious reasons, self-study can only go so far. There is no substitute for observation.

One way to make sure the observer is as impartial as possible would be to have them simply jot down **everything**, however insignificant, that happens for a certain period. The ultimate extension of that strategy, of course, is videotape - but the mere presence of a camera might make a teacher act different than normal. Probably the most effective technique is to ask a fellow teacher, an experienced colleague, just to sit in on the class and make whatever comments they wish. There shouldn't, after all, be any "trade secrets" or "patented techniques" in teaching!

Or, if regular observations aren't practical, teachers ought to at least get together for regular "shop-talk" sessions. We owe ourselves that. If golfers, anglers and bowlers can do it, if football fans can go on for hours about the intricacies of establishing the running game, we teachers shouldn't be shy about getting together to discuss our craft.

- *Lindy Davies*
Brophy, Jere & Good, Thomas, *Looking In Classrooms*, Fourth Edition, 1987, New York, Harper & Row

We teachers are far less aware of our behavior in front of students than we perceive ourselves to be.


FINANCIAL Horror

(from page five)

Would the rent fund be enough?

Two answers: 1) Perhaps. An accurate estimate of national rental income is exceedingly hard to make, because the necessary statistics are not kept. Prof. Steven Cord estimates aggregate rent at about 27% of national income, a more-than-inconsequential amount. It must be noted that the usual distribution-of-income statistics, which show rent as a much smaller amount (often less than 2%) are referring only to explicit payments for leased sites, not land rent in the classical sense.

2) It doesn't matter! Henry George asserts that the rental value of land would be more than enough to cover government expenses. But suppose he's wrong. Suppose the entire annual rental value of land, once we'd deducted the expenses of local governments, could merely cover a fourth of the federal budget plus debt service.

Is anyone else proposing a way to bring in the same amount of federal revenue, while correcting distorted economic incentives and cutting federal taxes by twenty-five per cent? 

(Special thanks to HGS Trustee Heather Remoff, for inspiration and research help!)

Widening the Gap

(Easy Does It...)

Lockhaven, Pennsylvania, a two-rate property tax city, has increased its land tax rate from 2.48% to 3% for 1994. This modest .52% jump was accompanied by an even more modest .114% increase in the building tax rate, from 1.2% to 1.314%. These moves increased the land-to-building tax ratio from 2.066 to 1 to 2.283 to 1. (from *Incentive Taxation*)

HENRY GEORGE DAY

(continued from page three)

needs perfectly - and if success comes in Amsterdam, many other cities will give the two-rate tax a serious look. Stan Rubenstein, whose efforts on Long Island have acquainted many local officials with the persuasive arguments in favor of land value taxation, predicted that if we continue our efforts, our movement will have enough skilled advocates to capitalize on these opportunities as they arise.

To Your Very Good Health

(continued from page three)

guarantee full medical coverage, cover pre-existing conditions, and remain in place even if employees lost or changed their jobs. Small businesses and self-employed people would get tax benefits to ease the cost, and large corporations would have the option to continue their own corporate health insurance plans. Individuals may upgrade their plan beyond the guaranteed level, if they pay the difference themselves. Thus, the Clinton plan guarantees choice - but puts a price tag on it.

Mr. Corba ended his presentation with a cautionary note. No one is sure at this point whether the savings predicted to come from bureaucratic simplification of elimination of cost-shifting will materialize. "Who will foot the bill?" is the biggest question about the Clinton reform proposal, and the price tag may be the largest single determinant of how comprehensive the national guarantees can be.

The question of financing was addressed in some detail by Professor William Vickrey. Among his many research credits, Prof. Vickrey served as a consultant to the U.S. Treasury Department on the application of the income tax to insurance companies. He noted that the area of health insurance differs in some important ways from other types of insurance, such as life or fire coverage. There are four basic structural reasons, Vickrey said, why health insurance cannot be efficiently handled by private insurance companies:

1) Unlike other types of insurance, health coverage tends to cost more for people who are less able to pay for it. Poor people tend to have lower nutrition levels and more dangerous lives.

2) Health insurance payments are open-ended. In most cases they are not capped; whatever it costs to cure an illness must be paid.


3) The cost of health care, and the

risk to insurers, also increases with age.

4) Private insurers must maintain reserves sufficient to handle sudden surges in payments that could come from epidemics or natural disasters. The presence of epidemics such as AIDS and tuberculosis puts pressure on these reserves; either they must be beefed up with higher premiums, or they risk becoming overloaded.

Prof. Vickrey noted the irony of President Clinton's plan being based on an "employer mandate" when unemployment is such a significant national problem. Basing health coverage on employment discriminates against low-skill and part-time workers; the Clinton plan would alleviate that, but not get rid of it entirely. Furthermore, we still have the unused capacity in our economy to deal with. Prof. Vickrey sees the reduction of unemployment as the key element in meeting the cost of health care reform, noting that "for every 1% decrease in unemployment, we can see a 2.5% increase in GDP."

"It would be best not to have taxes at all." Prof. Vickrey made a controversial statement of his own: that contrary to the conventional wisdom, our economy needs more deficit spending. He would advocate more government borrowing, to take excess saving and put it into the economy now, thus increasing employment.

In addition, he suggested that if taxation is needed to fund health reform, only "bads" should be taxed: tobacco, alcohol, firearms, etc. He even jokingly suggested that fans of violent sports such as hockey should be willing to pay a surcharge on their tickets to heal the injuries sustained in the games. Another "bad" that should be taxed, of course, is land speculation; Prof. Vickrey reiterated the appropriateness of land value taxation as a revenue source that does not diminish production or employment. 

Henry George School of Social Science
121 East 30th Street
New York, NY 10016

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