

The story behind Pittsburgh

by Steve Cord

In 1978, the tax rate on land assessments was 49.5 mills and on buildings it was 24.75 mills. A mill is a \$1 tax for each \$1,000 assessed value; hence, 49.5 mills is equivalent to 4.9% or \$4.95 per \$100 of assessed value.

In 1979, the land tax rate will be increased by 48 mills to 97.5 mills, while the building tax rate will remain at 24.75 mills. A 48 mill increase on assessed value is equivalent to 16% of estimated market land rent (assuming an assessed to market ratio of 3:1). This is a significant enough increase so that its economic impact could be measurable, which opens up all sorts of possibilities for our movement.

Since 1925, state law had mandated that both Pittsburgh and Scranton tax land at twice the rate of buildings, but in 1976 Pittsburgh voters approved a Home Rule Charter, giving the city government expanded powers, one of which could be interpreted to be that the city could change its property tax rates.

Councilman Bill Coyne, the real hero of this story, has been a frequent visitor to our Graded Tax League meetings and was the first to notice this new possibility. Coyne is young, courtly in manner, and the councilman who had received the most votes in the recent council election; he was elected chairman of the Democratic Party in Pittsburgh this past summer.

The next ingredient needed was the startling news that a deficit of some \$29 million in the city budget was projected for 1979. The previous mayor, Pete Flaherty, had postponed many expenses and had put many city employees on federal C.E.T.A. funds, which is no longer allowed. When Bill Coyne said he wanted to fund the whole \$29 million by an 80 mill increase in the land tax, I replied: "But, Bill, will it go politically in this year of Proposition 13?" (I am accustomed to fighting hard for 4 or 5 mill increases). He replied with moral indignation, saying that the only major alternative was a tax on wages, and he was definitely opposed to putting the whole cost of the increase on the backs of the already over-burdened working man. I was conscious of a certain

(continued on Page 4)

Dear Mr. Smith

London Georgist Christopher Mill is a world traveller. He met Ian Smith in Rhodesia and has been trying to 'enlighten' him ever since. This letter was written to the "Morning Herald" of Sydney, Australia - where Chris now resides.

.... Although I know that Rhodesia has survived only because her economy is among the freest in the world, I do not know how much longer she can continue unless her government extends the principle of free trade to its final and logical conclusion.

I am referring to the absolute moral and practical necessity of the Rhodesian government taxing **without delay** the full value of all unimproved land and natural resource ownership, while simultaneously abolishing all taxation on the productivity of labour and capital.

You will recall that - according to the report of the massacre of survivors from the airliner shot down near Kariba, the terrorists said, before shooting their victims, "You have taken our land. We are going to kill you all."

Without condoning this excuse for a war crime - full land value taxation, administered by universal suffrage, multi-party, representative government - is the only way I know, by which all the people of Rhodesia, irrespective of individual productivity, may enjoy a fair share in the ownership of their land, without harming their economy.

Maybe Hope! : "That does not mean that we will be taking people's land. . . . if they have to pay some rates or rents, that will go to a general fund of the people. In this way citizens can use as much land as they want; . . . The land belongs to the people but everything on that land is yours."

Joshua Nkomo: Zimbabwe African Peoples Union

In fact, it is the only form of taxation which, instead of crippling the individual's incentive and making it more profitable for him to hold natural resources out of production, actually persuades him to realize their value by producing wealth that isn't taxed.

I ask both defenders and enemies of Rhodesia alike: What other policy can meet the just demand of the unenfranchised majority for political equality while safeguarding the right of the individual to the full reward of his own labour and capital?

What other policy can guarantee that the majority will protect the rights of the individual in **its own interest**? And what other policy can delineate so equitably a rational and morally defensible relationship between the individual and the state?

One recalls that in Vietnam, the free world tried to defend freedom in alliance with landlords. In Rhodesia, I see that it is now trying to do so in alliance with terrorists, who although opposed to landlordism, are equally opposed to multi-party representative government and the rights of the individual to the ownership of his own labour and capital.

I wonder when the governments of the free world will even condescend to understand, let alone defend, those values which alone can sustain freedom - whether in Rhodesia or anywhere else.

They should be warned that their understanding will begin only when they learn to distinguish between **unearned** "property rights" in land and Man's **earned** and inalienable right to full ownership of his own labour and capital.

(cont'd from Page 1)

We also pointed out that the elderly poor are entitled to a property tax refund of up to \$400 from the State Lottery Fund.

Our opponents also claimed that the tax would hurt business in town and burden real estate developers with a sudden heavy tax burden. To which we replied that it was just the reverse.

A tax on land is not a tax on productive business enterprise and would make poor land use uneconomic, since an inefficient land user could not make enough income to pay the tax and earn a fair return on his building.

The 48 mill tax would not be onerous to business: Kaufmann's Department Store, for example,

would pay only about \$6,900 additional land tax from gross annual sales of \$88 million (0.000009%!).

Besides, taxes on business are even higher in the surrounding suburbs and also much of the land value in Pittsburgh is owned by out-of-towners: why not tax them? (This last argument can be used in most every city and has political pow!)

And so the Georgists in Pittsburgh, so few in number (and only a minority have ever attended national conferences) can legitimately claim that our presence made a difference, although to be sure — without Bill Coyne we would still be howling in the wilderness.

About ten years ago, we were able to stop a rescinding of the 2 : 1

(see Page 3 for the background to the Pittsburgh story)

Incentive Tax. Without us now, there would have been no land tax increase to 3.94 : 1. But we must hold classes in Pittsburgh to strengthen our flagging forces.

Maybe we'll get our bandwagon moving yet, when we see the impact of the 48 mill tax in a year or so.

We now have our best opportunity to measure this impact ; a 48 mills increase is plenty big enough for that. If the study shows what we expect it to show — an increase in building permits — maybe than city governments across the nation will sit up and take notice.

The figures from Australia very clearly show that land taxation brings economic development, but similar figures from an American city may seem more real to American politicians.

(cont'd from Page 3)

impropriety in giving political advice to this successful politician while he quoted moral arguments to me, and so ceased my doubtings.

Finally, the Mayor, Richard Caliguiri, formally proposed to raise the bulk of the deficit with an additional 1.5 % wage tax. (This tax has the distinctly uneuphemistic name of "earned income tax".) He also proposed to raise some additional funds

with a 7 mill tax increase on land only, plus some other nuisance taxes.

The City Council cut his budget request to \$23 million, and with Coyne's leadership, they proposed to raise this by a 70 mill increase on land tax only; no other additional taxes! The measure passed 5-4 in council.

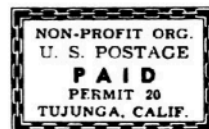
The ill-advised mayor threatened to veto this. A two-thirds override, meaning six votes, would have been required, so

under this pressure Council voted 8-1 to increase the wage tax by 1/4% and to increase the land tax 48 mills. In effect, the land tax would have raised about 80% of the additional revenue needed.

In a surprise move, the mayor vetoed this compromise, but after much dickering, at 6 pm on Monday, December 31st, the City Council met and overrode his veto by a 7-2 vote. After an exhausting week of hope and despair — victory!

Henry George News: Volume 43 — Number 3. Published by the Henry George School of Social Science; Lancaster M. Greene, chairman of the Publications Committee. Subscriptions (\$2 a year — \$5 for 3 years) to: The Henry George News, 50 East 69th Street, New York NY 10021. Editorial and letters to HGN Box 655 Tujunga CA 91042.

HENRY GEORGE NEWS
Box 655 Tujunga CA 91042



JACOB B. HIMMELSTEIN
337 UNION AVE.
BALA CANYON WYD.
PA 19004

Address Correction Requested