

AIER Geogist Research Needs 8/92

TO: Robert Gilmour
FROM: Mason Gaffney
RE: Needs and opportunities for Georgist research
DATE: 13 June 92; revised, 24 Aug 92

Here is a list of some twenty-six needs and opportunities for Georgist research, to present at our meeting, 21 August 92. I have annotated the points, to give a fuller idea of what I mean. Overall, I urge that we think big, think positive, and start fast.

1. Urban taxation and land use

Georgists have worked mainly within this boundary for decades, neglecting many or most topics outside it, as detailed below. Even so, we have failed to exploit some of the most promising avenues of urban research. Four are noted here.

A. Effects of LVT in Johannesburg.

This city has exempted buildings since about 1902. The very existence of the city, not to mention its prosperity, may be the result of this policy. The former Valuer, John McCullough, boosted the policy, and obviously has lots of data available. I am told the current Valuer and staff are supportive. However, there is lacking any full-dress study for us to cite to nail down this extremely impressive Georgist case study, of which the world knows practically nothing. See Appendix A for comments from my report to RSF following trip there.

B. Effects of LVT in Nairobi, Taipeh, Sydney, Singapore, Brisbane, Wellington, etc.

There should be a definitive study of each outstanding case. Much of what Georgist funds have sponsored in the past seems to be done by people with their heads in stanchions, apologizing for and backtracking from every positive finding, transparently motivated to avoid being tarred with the "panacea" brush that might damage their future careers. In result, there is not a single prosaic, objective study we can cite that says simply "Here is what was done, and here is what happened." Everything of that nature seems to have been done by amateur protagonists, whose evidence, however strong, is dismissed as "biased," "naive," "cranky," or "unscholarly."

C. Effects of LVT in Pennsylvania.

It is perhaps a hopeful sign that Wallace Oates and Nicolaus Tideman have received support to study this experience. Oates has thus far declined to publish his findings on the ground they are so affirmative the data and techniques must be reviewed.

Tideman's work is to be reviewed by committees, possibly dominated by skeptics and land speculators. Even if not, they will certainly be dominated by ordinary academic careerists who have made such a shambles of "mainline" economic theory and policy today. Committees in all fields, academic or not, create a bias towards bland centrism, limiting reforms to petty meliorism, safely inconclusive, inoffensive, equivocal, and "respectable." We should strive not to "be respectable" (a kind of living death), but to command respect. It remains to see if Tideman will be able to overcome the constraints and "tell it like it is."

D. Effects of assessment reform in B.C., 1974-date.

In 1974, B.C. hired a Georgist assessor, Ted Gwartney, and gave him a high degree of authority over all provincial assessments. Assessments were already professional, but he put a higher emphasis on land valuation. He also led a transition away from an early version of Prop. 13, which had crept in during the 1960s. Gwartney survived political upheavals until about 1985. Alistair Crerar, veteran B.C. land economist, gave me data last month showing that land is about 2/3 of the tax roll in Vancouver, going down as you move out from there. That means, of course, that Vancouver's substantial property tax is primarily a land tax.

The most casual visit and inspection shows Vancouver to be a much better planned, more compact, more fully renewed, and more livable city than any major city south of the 49th. A full dress study is called for. Assessed values are all accessible in one central computer in Victoria; cooperation may be secured through a new, friendly administration.¹

2. Separate land and building values in U.S. agriculture.

From 1900 to 1940 the Census of Agriculture reported separate land and building values for all U.S. farms, ranked by size (in acres). These data clearly brought out the building share of real estate value (BSREV), by size class. BSREV ranged around .75 for farms under 10 acres, compared with .30 for all farms, and .12 for farms of 1,000 acres and over. The

¹ Last year the voters retired Premier William Vander Zalm, whose "Socred" administration had become corrupt and discredited. Our friend Alistair Crerar is now Assistant Secretary for Strategic Planning, Crown Corporations Secretariat, 468 Belleville St, Victoria, V8V 1X4. Among him, Bob Williams, Mary Rawson, and Ted Gwartney, we have entree to secure access to public records, and cooperation. In addition, I have all the rolls for 1976, processed and ranked in various interesting ways.

heterogeneity of farming was starkly documented, and the differential effects of LVT on large and small farmers.

In 1987, for the first time since 1940, the Census again recorded separate land and building values. These are in a special Census report, "AELOS," (Agricultural Economics Land Ownership Survey, 1988). Tragically and incredibly, much of the data separating land and buildings were not published; they are languishing in a computer memory in Washington.

For the Wunderlich conference, fall 1991, I did the best I could with the scanty data that were released (enclosure, "Rising Inequality and Falling Property Tax Rates"). Two more runs are needed, however (and combinations thereof):

a. Separate land and building values for all farms, ranked by acreage, as done from 1900-1940. (For 1988 they published this only for owner-operated farms, whose BSREV is much higher than for leased land.)

b. Separate land and buildings values for all farms, ranked by value. The ability of computers to rank the same data in different ways has been neglected. The Census did rank some partial data by value (and by several other criteria), demonstrating their ability to do so (and producing startlingly strong findings in support of Georgist positions).

Gene Wunderlich told me last fall the Census will do special runs for interested parties, at "cost," meaning added expenses.² He estimated \$5,000 would cover the cost of a ranking by value.² Meantime, there is a mine of data separating land and building values for every farm in the U.S. The mine only needs to be tapped, and the materials presented with insight and intelligence to make Georgist morals.

Georgist research has neglected farmland, (and most natural resources other than urban land). The working assumption has often been that farmers are all alike, are bullheaded and stupid about seeing their own interest, and are all against us. In fact, farmers are heterogenous, and many should be for us. In rural counties, property taxes fall on farmers anyway, it is a question of how they are distributed among farmers. See #3.

It may be that the scattered settlement of farmers makes them more dependent on the leadership of the richest few than

²When I followed up, there was some backtracking, so I cannot guarantee this would work out. The indifference was probably just Washington inertia, not stonewalling. Having no funds in hand, I stopped pushing it. However, I recommend we allocate the funds and pester them to overcome the inertia.

city dwellers. Thus, they may be led by rings in their noses to think and vote against their own interest, even more than the norm (bad as that is). On the other hand, their sturdy self-reliance may lead to habits of independent thought. Here is another worthy research question. I have no forecast of what would be found, but it surely would be most useful and interesting.

3. Wright Act irrigation districts in California.

These districts have been a great Georgist success story, like Johannesburg, never definitively nailed down. J.R. Mason preached and wrote tracts about them, but not as a researcher. Albert R. Henley, Jr., a prominent San Jose attorney, wrote a good but short article for TRED in 1969 (when it was still a Georgist research group supported by RSF). Harlan Trott, a journalist, wrote many short pieces, but all based on secondary sources. Bob Scrofani, a high school history teacher recently deceased, also used secondary sources, romanticized his subject, and failed to follow it into recent times.

As important as the historical success of the districts is the later corruption and decline of some, following receipt of federal subsidies. Another cause of decline is the replacement of "Wright Act" districts (one person, one vote) by other forms of districts with voting by land value or acreage. Voting by property is not dead -- Professor Merrill Goodall is the major authority on this, and a Georgist sympathizer.

4. The taxable surplus in water resources

Water is scarce, valuable, and rent-yielding, yet almost wholly free of taxation. Modern movements for water marketing and water conservation make this topic hot as a stove top. Enclosed article, "The Taxable Surplus in Water Resources," gives an idea of what we might do with it.

5. Effect of property tax on capital formation.

Effect of exempting capital from property tax, limiting it to land.

a. In some paradigms it is inherent that raising the rate of return after taxes (RORAT) will raise saving.

1. The classic conservative paradigm. Here, the interest rate is treated like any other price, and saving like any other kind of supply: higher interest rates call forth more saving. Unsolved problem: no one seems to have proven from

observation that the supply of domestic saving in fact responds positively to higher interest rates. It is easy to float a priori models in which supply of saving reacts perversely to higher interest rates and, predictably, such models are common. Empirical studies go either way, possibly depending on what the researcher wants to find, and all is moot.

2. The Keynesian paradigm. Here, higher marginal efficiency of capital (m.e.c.) raises investment opportunities which raise national income which raises saving. Problems:

alpha) this model has been silently dropped by politicians and the profession;

beta) higher m.e.c., by itself, can attract foreign capital rather than stimulate domestic saving. We have reached the limit beyond which that is not politically acceptable, unless we are to accept colonial status. Patriotism and national self-respect urge otherwise. Only orthodox neo-classical economists see no problems with this outcome, which they tend to meld with free trade, jeopardizing the free trade argument and their own credibility.

b. Thus, ordinary conventional a priori reasoning on this question is inconclusive, offering no leadership or succor to suffering mankind. We need to develop another a priori route that is more sure. It is this: higher interest rates raise the incentive to save by lowering the private price of land. This is based simply on the idea of diminishing marginal utility of assets.

The Georgist corollary is that higher property tax rates, capitalized into lower land prices, have the same effect. Thus, taxing land values provides the gain of higher saving without the pain of higher interest rates. At the same time, it raises investment opportunities by untaxing capital. It provides both supply-side and demand-side stimulus, in one simple stroke! There is a combined case for LVT that is balanced, timely, and overwhelming. Let's get it out on the marketplace of ideas, where the demand for such an idea is running strong.

Cf. #8.

6. Case of "The Four Tigers."

Another route to the same end is a posteriori, contrasting east Asia with Latin America. In the "Four Tigers" we observe rapid capital growth coupled with substantial property taxation. Contrast Latin America, where we observe lagging capital growth, high debt-dependency and repudiation, coupled with low or zero property taxation.

Besides taxing land in the Georgist way, Taiwan takes a heavy cut from land gains. I believe Taiwan rebates part of the gains tax when the gains are invested in local industry. That device may be unacceptably dirigiste for us, but gives a notion of the potentiality of harnessing land gains for capital formation. U.S. policy, tragically, is deeply mired in the fallacy of believing that land gains are capital formation.

7. Georgist modification of the income tax.

Consider "Business Keynesianism," a la Walter Heller and JFK. They combined a high basic income tax rate with breaks for new investments. Fast write-off,³ expensing, and ITC were their technical means. These means enable lowering the effective income-tax rate on investing in new capital, while keeping high tax rate on rents from land. John R. Commons pointed this out long ago -- he was an early advocate of fast write-off. Fast write-off etc. do to the income tax what exempting buildings and personal property do to the property tax: convert it into a land tax. (Granted, the "taxable events" are different, and the coverage of imputed income very different.)

On this point, Robert Aten is a prominent current spokesman, succeeding George Terborgh (MAPI). Pushing this point puts us into an unaccustomed alliance with lobbyist Charls Walker, generally an arch-enemy of public rent collection (and, ironically, a student of H.G. Brown).

Art Laffer and the supply-siders overstated and/or misstated this case ca. 1980, made it ridiculous, have been scoffed at and generally dismissed (except for a few intransigent partisans who are still heard from). This is a key issue, however, to be soberly considered on its economic merits regardless of prior political grandstanding. The case for exempting capital from taxes, in whole or in part, rests on assuming or finding that A) The supply is elastic; and B) It is elastic to rates of return after tax.

There are doubters whether higher rates of return (or higher interest rates) spur saving; but no one can doubt they attract outside capital, and keep domestic capital at home. That will always make a strong case. The question for us, however, is the effect on domestic capital formation. This is needed for reasons

³Fast write-off involves both tax life, and depreciation pathways. This is not the place to get technical about the pathways.

of patriotism and anti-colonialism, values highly esteemed in America.

Cf. #5.

There are also doubters whether creating capital is enough, or is even the main point. We must fashion incentives to create capital in such a way as not to foster wasteful and job-destroying substitution of capital for labor. See #17.

8. Diminishing marginal utility of assets

Portfolio substitution of land for real capital.

Historian Richard Sutch (like others before him) sees "crowding out" in the context of the ante-bellum slave economy where slave investment crowded out real capital. It is not clear if Sutch sees the parallel of slaves and land as substitute assets crowding out real capital, but I think he does.

Many others see government debt crowding out private investment. On the other hand, the Ricardian equivalence school (the post-Keynesian way of rationalizing public debts) sees private savers anticipating effects of government debt on their future private wealth, and saving more to offset it.

To ordinary economists this looks like a standoff, where a priori reasoning can lead you either way. Georgist reasoning leads, however, to an unequivocal conclusion. In either view, lower land prices promote saving.

Robert A. Solo has stated the case explicitly in respect to land. Solo's entry route was to ask what sense there is in the common fallacy that savers in LDCs abort capital formation by buying land? The idea is false because this is a zero-sum transaction, the savings remain for the land-seller to invest. Solo concludes, however, the real point is that bidding up the price of land upvalues an alternative asset that substitutes for capital, reduces incentives to save further, and fosters extravagance - for confirmation, see "Life-styles of the rich and famous," Saddam's castles, al-Sabah's gold plumbing, blue-grass horse farms, etc. "Shirtsleeves to shirtsleeves in three generations"?

No one that I know has developed the obvious thesis that higher interest rates promote saving by lowering the price of land. So, of course, do higher tax rates on land. This will be Gaffney's theme, if no one else wants to run for this easy touchdown.

9. Land as a distinctive factor of production.

a. Lay out the affirmative case (enclosed MS, "Land as a Distinctive Factor of Production," gives 26 separate points of difference between land and capital).

b. Examine the case made by some economists, and practiced by modern ordinary economists, that land = capital. Henry George treated capital optimistically but cavalierly, writing that a healthy society, like a well-balanced organism, "secretes" necessary capital. In this he was followed (spiritually, if not technically) by Keynes, who said higher consumer or government spending raises income, and this raises saving. This buoyant optimism was an essential ingredient in the popular appeal of both George and Keynes.

George's sour critics, e.g. Walter Spahr and E.R.A. Seligman, faulted him for this, and challenged him on grounds there was too little capital to improve all the vacant land. They thought in terms of a fixed capital stock as a bottleneck (making capital resemble land). This is like "the Harberger model" today.⁴ George thought capital was augmentable, easily and indefinitely.

Thus, George and Keynes were alike in selling an optimistic "economy of abundance," while the Chicago School people emphasize scarcity and limitations. Reagan and Laffer, although in some ways more pleasing to Chicago School people, resembled George and Keynes in saying "we can have it all," thus winning an election from an incumbent president whose advisers could only dither with a Phillips Curve and scold the public for resisting the harsh alleged truth that they must choose between unemployment and inflation.⁵

⁴Harberger's thesis, anticipated by Seligman, Spahr, and T.S. Adams, is that taxes on capital are borne fully by the owners of capital in lower rates of return. This reflects an assumption that the supply of capital is fixed, and unresponsive to rates of return after tax.

⁵In 1932, Neo-Austrians and Neoclassicals were rejected as impotent scolds. Keynesian optimism was finally discredited by inflation, although "business Keynesianism," stressing incentives to invest, had a good run before stagflation. In the Phillips Curve era, leading macro-economists again became impotent scolds, a sure formula for loss of leadership. Then, Reagan and Laffer's optimism took over, but is now discredited by huge deficits, collapse of the financial system, and unequal distribution of wealth and income.

Only George's optimism seems untainted by failure. This is not because it was never tried, as some will be quick to respond.

Ackley, Schulz, Okun, Eckstein, et al. lost their charm when their philosophy reduced them to blaming public self-indulgence for stagflation. Like Andrew Mellon and Friedrich von Hayek before them, they began to sound like gloomy Puritans telling us to suffer to improve our character. That is a sure formula for failure, except perhaps in wartime. When economic advisers reduce themselves to impotent scolding, their parties lose. When Georgist economists shall have learned this lesson we will find our product highly salable.

10. Applied Georgism in the Progressive Era.

a. Georgist history from 1897-1930 is exciting and important, but nearly totally neglected, shoved down the memory tubes. Barker's definitive bio. of HG ends in 1897, and implies the movement ended there, too, dying with Populism. Too many Georgists are morose, detached, uninspiring, fatalistic, and cynical, not realizing how effective and influential their fired-up predecessors actually were.

b. In fact, the movement waxed strong, both locally and nationally. It was folded into The Progressive Movement. It lost its purity, but shaped the early federal income tax. It kept property taxes high, and sales and income taxes low, in state and local finance. This was, arguably, our Golden Age, the era of the greatest advance of U.S. civilization relative to other nations (as measured by the propensity to immigrate). It was a time of the least economic instability, and the most equal distribution of wealth. It took Andrew Mellon and friends twelve years to dismantle it and turn us firmly downhill.

c. Historian Elliott Brownlee (U.C. Santa Barbara) is one of the few to document the influence of land-taxers in the Progressive Movement.⁶ Should we not honor and acknowledge his work, and encourage more?

d. Both George and Marx devoted many more pages to history than to economic policy. Much of their popular readership resonated to that fact. People read history more than economics, and are fascinated by ideas of historical evolution and causation.

See #10,b.

⁶W. Elliot Brownlee, "Wilson and Financing the Modern State: The Revenue Act of 1916". Proceedings of the American Philosophical Society 129 (2), 1985, pp. 173-210.

We have totally failed to exploit what George and Marx did: put your thesis in historical context. Cf. #16, below.

11. Concentration of landownership: urban, rural, resources, etc.

This is central to George's thesis. It is so powerful to observe that LVT is both progressive and pro-incentive, refuting the sour orthodoxy that pretends that equity and efficiency are always at odds, thus at once blaming the poor for inefficiency, and upholding inequity. This subject is, however, one that foundations shy away from. I myself have been cut off three separate times upon entering this tabooed ground.

We should, on the contrary, shout this from the housetops, and pile up data. We should circulate, or at least build on, data already collected by Robert Fellmeth and Don Villarejo, modern rediscoverers of what George exposed in Our Land and Land Policy, 1871. These underfinanced, highly motivated people have been doing what the original donors gave Georgist foundations their good money to do, while some of the foundations underwrite work on why labor and capital get rents, why land rents are too small to matter, how to assess buildings better, how to finance cities without property taxation, etc.

12. The land cycle and financial intermediaries

In the Continental Illinois bailout, \$5 billion was lost, the largest individual bailout. It was symbolic, indicative, and portentous.

The S&L bailout resulted from fragility of the financial structure. (Honor is due to those who gave early warning, e.g. Arthur Upgren and Stahrl Edmunds; E.C. Harwood; probably Hyman Minsky (if you can cut through Minsky's fog and hedging.) David Felix does excellent if prolix work, e.g. on Argentine debt repudiation. Brumbaugh, 1985, was a modern Cassandra.)

Old hands Eichner; Maisel; Reuss; Gonzalez. Dozens of new arrivals.

HG said little on this topic (unless in inaccessible sources like The Standard, and earlier journalism). Homer Hoyt and H.D. Simpson hit it hard, but then the subject died for 50 years until the 1980s it hit us between the eyes. Who killed it, and why? The very lack of research on so obvious and fascinating a topic makes a good research topic, itself.

Ordinary economists and politicians still don't get it, or don't want to (cf. Wm. Greider, Who Will Tell the People?). It seems like a natural for AIER, in the Harwood tradition.

13. "Capital gains tax"

The name is doubly misleading. a) There is no special tax on gains, it is just a special name for the universal income tax when applied to gains, thus giving the tendentious impression they pay a special tax. b) The tax is not mainly on capital proper, but on land. Capital proper wears out and obsolesces; it is land that tends to rise in value over time, and yield taxable income in the form of higher prices when sold.

We should research the effect of the tax on a) capital formation; and b) the allocation of assets among owners (i.e., on the lock-in effect that discourages commerce in appreciated land). Is the damage enough to discourage use of the tax?

The preferential treatment of gains may also have a positive effect on the RORAT to investment in true capital. A preferential low rate on gains, when coupled with fast write-off of new construction, raises RORAT on fixed investment, especially in income properties. There is, however, inefficiency (leakage) in the method, because: it subsidizes land speculation; it subsidizes buyers of old buildings; and it overstimulates production of new durables with high vacancy rates.

The tax can be targeted onto land gains alone. There is a case for a special tax on land gains, as in Taiwan.

14. Consumer taxation

Is this the way to foster more saving? There is a head of steam and a long tradition of a priori ratiocination behind this idea, invoked annually in Congress. The Keynes tradition, on the other hand, submerged it during its dominant years, by stressing the social benefits of consumption.

Neither tradition has been much submitted to factual testing. With the growing pressures for VAT, and continual rise of state taxes on retail sales, this is a timely research topic. Japan has high saving with no sales tax. The Philippines have low saving with high sales tax. In America, the southeastern states, from 1930 or so, had the highest consumer taxes and the lowest saving rates? Are these contrasts fair? Are there historical counterexamples to support the thesis that consumer taxation fosters saving? Empirical research here should be rewarded with useful findings.

Neither side has much bothered to define the central term, "consumption." Some kinds of consumption, of peculiar Georgist significance, are outside the base of most "consumer" taxes. The imputed service flow of land is untaxed consumption.⁷ The highest and best opportunity cost of land is the only meaningful measure of what is "consumed" by the holder of unused land. Thus, a land tax, properly understood, is a kind of consumption tax.

The area and value of land thus used for consumption is staggering. It is not just Berkshire County, but the Catskills, Adirondacks, southern Vermont, northern New Hampshire, Beverly Farms and Boston's north shore, and so on in widening circles around the country. In the Coachella Valley of southern California, a natural desert, there are 82 golf courses operating, and 50 more planned, guzzling allegedly scarce water (a form of economic land) that might otherwise go to export industries.

Is consumer taxation different from income taxation with expensing of all savings? They are often likened, but there may be a big Georgist difference. Expensing only applies to purchase of new capital, i.e. to real social investing. Income tax law is quite clear that land may not be either depreciated or expensed. Consumer taxation, on the other hand, in the form of a retail sales tax or most VAT schemes, exempts all saving. Savings may be used to buy land, thus exempting landholding from taxation. Richard Lindholm, a VAT champion, saw this point and insisted on coupling VAT with a wealth tax, to plug this loophole. We need to look into this now: add it to the research agenda.

15. Payroll taxation

The Reagan Revolution accomplished a rapid rise of payroll taxation and fall of corporate taxation. Taxing people for giving and receiving employment is not, prima facie, the way to foster employment. George's main goal in writing Progress and Poverty was to solve the problem of unemployment. Is there doubt what our position on this tax should be?

⁷The common proposal to tax the imputed income of "owner-occupied residences" puts this point in the worst possible light. The service flow of buildings is, in fact, offset by depreciation and obsolescence and upkeep in large part: only a small portion is properly "income." It is mainly the service flow of land that is pure income. This applies in force to land used for recreation, like most of Berkshire County and the surrounding Taconics.

If not, is there something to research? I believe there is. In my studies of forest rotations, I was able to show just how much added employment results from lowering labor costs. It is a matter of factor substitution, aka "The Ricardo Effect."

16. Peace dividends and economic progress and well being.

We seem to be in the way of reaping a peace dividend. How will it affect us? There is an historical record of life after peace dividends. Much of it seems to confirm the proverb, "It is easier to meet a common enemy than to share a surplus." Have peace dividends increased capital formation, or extravagant consumption? Why did the English industrial revolution occur during a long series of wars, for example? Is it possible that taxation may have positive effects on incentives?

Have peace dividends raised overall welfare, or divided society into haves and have-nots? Do peace dividends translate into land booms, followed by severe depressions? There is ample history to support such a thesis, e.g. 1713-20; 1813-19; 1846-57; 1865-73; 1919-29. Research is needed.

17. Capital efficiency

Georgists are used to framing questions so the answers are easy and obvious: untax capital, get more capital, this is good. Other economists have gone beyond this, however (granted, they may have overlooked this basic idea in their hurry), and we must tune in on their thoughts to reach them.

Vacancy rates in U.S. office buildings are perhaps 15% nationally. Tax incentives take part of the blame. Industrial capacity is not nearly fully utilized. 10% of all dwelling units are vacant. Much industry is cartelized, with excess capacity on hold. Much capital, like farm machinery, is used to displace labor, not obviously creating jobs. Given such facts, how do we make a case for downtaxing capital?

Do we need more K, or is it enough to use any given stock better? Andrew Winston.

What tax policies are most compatible with efficient use of any given stock of capital. What policies interfere with efficient use?

At the same time, there is a shortage of disposable funds, tight credit, a manifest need to borrow abroad, and sell assets to foreigners. There is a widely held view there is a world capital shortage, and worse to come. The great value in the Austrian view of capital is to reconcile that apparent

contradiction: the excess of hard or frozen capital has been created at the expense of soft or liquid, disposable capital.

Norman Thomas used to preach "The problem is not production, but distribution." A modern Chicago economist might complain, "The problem is not capital accumulation but allocation." (It could also be both.)

At the least, we should rule out policies that may foster capital accumulation at the expense of efficient allocation. This idea goes back at least to Ricardo, and is central to the original Austrian economics.⁸ Perhaps we can find a true neo-Austrian to drive home the point today.

18. Response to crisis vs. long-term restructuring.

Both should be addressed in our research. There is a present crisis, which is why we can draw a crowd. There are also enduring and theoretical issues.

This should not be a serious conflict, but it has become one, and always has. Too many Georgists use their philosophy as an excuse to retreat to a moral high ground, an opium-dreamer's Utopia, from which to sneer at the failings and compromises of those seeking to do something real, "out in the brawl." Most economic doctrines, however, including George's, have sprung from addressing immediate issues. John Dewey defined ideas as solutions to problems that arise in a social context. The anti-activists are right in part: let us not be narrowed and restricted by current politics. Rather, like other think tanks, let us work to define the boundaries of acceptable debate -- redrawing them to include our topics.

19. Land value mapping.

Many Georgists, and others, have constructed 3-D or contoured land value maps in recent years. Recent advances in computer mapping make it increasingly possible to infer interstitial values from known, observed sale values. These 3-D maps are extremely effective sales tools.

⁸ Austrian capital theory, arguably the core of Austrian economics, has been neglected by many modern self-styled Austrians. In the popular mind, "Austrian" has become simply a codeword for reactionary, much as "Christian" has become a codeword for pro-life. It is deniable that the founders, in either case, intended such narrow constructions.

These could all be collected, their authors' methods and observations recorded. Cooperation with friendly appraisal and assessment organizations could be arranged. It is mind-boggling that one Georgist foundation has spend millions fostering computer-assisted mass assessment techniques for valuing buildings, while producing not one land value map.

20. History of economic thought

George wrote at the cusp between classical political economy, and neo-classical economics. It is arguable that neo-classical economics was manufactured in some part to subvert or counter the policy ideas of Henry George. J.B. Clark and E.R.A. Seligman were quite openly engaged in that enterprise, at a location (Columbia) made critical by George's high degree of political popularity and effectiveness in New York City.

Many writers are available to explore this thesis. Georgist support is scarce and precious, however, and should not go to ordinary economists selected at random. Ordinary, "orthodox" training today washes Georgist thinking right out of students brains, unless the student is uncommonly independent and motivated. One Georgist foundation, tragically, financed a pretentious study that simply rehashed and endorsed all the sophistries accumulated over a century to show that most land income is not rent, and much labor income is (basketball players, and all that).

21. Intergenerational relations

George spoke for labor and, as a by-product, for capital and upward mobility. He said he "spoke for men," but by modern standards he was speaking for young men. To be elderly, and living on savings, puts one somewhat in the same boat with the very rich. For many years Georgist foundations have been dominated by the elderly, who are on the property-owning side of the generation gap. Georgist foundations need to take vigorous steps to overcome this anomaly. It tends to sap the vigor of Georgist research, and increase the propensity to subvert, deflect, and soften it.

Just now, our generation (I am 69) has settled down comfortably to a system where our social security is paid primarily by taxing the wages of the working poor. Perhaps we deserve our entitlements; perhaps George would have agreed. He would never, however, have acceded quietly to taxing the wages of the working poor and penalizing the upwardly mobile.

We need to adapt the Georgist case to the modern world of social security and wage taxation. Quo vadis? This calls for some really hard introspection.

22. Privatizing land in nations emerging from communism.

RSF is actively pushing research and activist consultation in this field. RSF cannot do everything alone, however. Will others help out? Should they, or should we tend first our own gardens here at home, and reform the world by making our own system work?

23. Tapping rents by unconventional means

Prop. 13 in California has closed off the most obvious, conventional avenue for taxing resource rents. There are, however, many other methods to consider, some of which are actually superior to conventional property taxation (e.g. user charges for withdrawing scarce water, or crowding limited highway space). This whole area needs researching, with open minds. The State being in fiscal crisis, and its school system quality headed deep south, the matter is urgent. Academics, even those who live on state funding, seem frozen and helpless to address the question: can it be their training has rendered them that way? There is a vacuum that Georgist research could fill, but where have we been, and whither drifting?

24. Land reform in third world countries, and U.S. regions of comparable land concentration.

Cf. #6. The relation of low land taxation with high concentration, high poverty, and slow progress is clear and stark, but needs careful documenting. Nations like the Philippines, El Salvador, Guatemala, et al., need land taxation. So do rural California and Texas.

25. Ethics; religion.

Today, religion and politics are mixing as rarely before in American history. Henry George was an overtly religious writer, perhaps the only economist ever to wear his faith so openly. John C. Lincoln wrote Christ's Object in Life, a stirring, radical, original, and extraordinarily well-reasoned and documented case for the social gospel. The Lincoln Foundation has just reprinted this -- a sign of incipient resurrection? Andelson and Dawsey have just published their work on liberation theology. Reverend Archer Torrey has written scholarly and moving interpretations of the scriptures, emphasizing Mosaic land

laws. Israel has actually applied a few (not all) ancient biblical concepts in modern practise.

Whereas the "religious right" is much in the news, it has also been observed that the "religious left is the only left we have left." It is, perhaps, the only source of radical motivation based on pure conviction, divorced from self or group interest. M.L. King, of course, mobilized it to good effect. So, right and left, we see religion as a political force to reckon with. Some may deplore this, but in Henry George we have the only economist who sought to integrate economics and religion. He has been criticized for this, but perhaps it is time to see it as a virtue.

Further work along these lines is called for. The introduction to a recent paper I gave at the AEA meetings, January, 1992, indicates the modern revival of interest (Appendix B).

26. Georgism and the Environment

Many Georgists have attacked environmentalists quite captiously, thus again alienating a strong, high-minded group of people who share many of our goals. The environmentalists have their quirks - who does not? - but they do recognize the environment as common property. Georgists should be leading the environmental movement, not throwing darts at it. Perhaps Georgists are leading the environmental movement, but neither they nor we recognize them as Georgists.

It is time to research the interface between orthodox Georgism and modern environmentalism. Fred Harrison makes this a recurrent theme in his writings. Professor Jack Knetsch, Simon Fraser University, has devoted a lifetime to it: he could be induced to do research on the interface.

"Art is long, but time is fleeting." One could extend this list. Our job, rather, is to consolidate items, organize the whole, set priorities, and get to work.

APPENDIX A: Re Johannesburg

The following is from my report to RSF, following trip to S. Africa.

"I am struck by The Miracle of Johannesburg. Jo-burg is Bootstrap City. It should have died when its gold mines played out, like a proper mining boomtown; instead it remains as the economic capital of its nation and half a continent.

Johannesburg defies most laws of urban economics, e.g. that "mines create no great cities." Explainers still cite the mines, but its mines are just tailings now, so it should be a ghost town. It has no harbor, no water transportation, not even any gravity water supply. It is, in fact, on a ridge-top, the Rand or "reef," at an elevation over 5,000'.

It has no sunburst of rail lines, like Chicago or Boston, "The Hub," except perhaps what it has attracted itself. It is "on the main rail line," Explainers say, but so are a thousand miles of other sites. The natural site lacks outstanding amenities, and certainly can't hold a candle to Cape Town. Jo-burg has no governmental economic base. Surrounding farmland is poor. Why Johannesburg? Why is it the largest city, the center of finance, industry, commerce, and international air travel?

As a public finance economist I may overvalue incentive taxation, but Jo-burg has it. The property tax is on site value alone, and at a high rate: they tell me it is 4%. This is what makes Jo-burg distinctive. Challenge and response: Jo-burg had to do something right in order to survive, and that is what it did. It not only survived, it became and remains Number One. Give me a better explanation and I'll back off. I haven't heard one yet.

John Stuart Mill remarks in his Autobiography that he had seen many bad policies replaced by good ones, without in the least improving the mental habits from which bad policies result. He referred to free trade. Thus also with Jo-burg and its site value tax, most people, especially The Explainers, may live in the midst of a great applied demonstration of a principle, and never see it.

Jo-burg is not heaven, far from it. Its enlightened municipal policy has not solved the great national problems of race discrimination and black homelessness: blacks might not buy land there, or in any "white" area, until a year or so ago. However, prosperity anywhere helps people everywhere. Alan Paton rather makes Jo-burg sound like the source of the problem, but that is like blaming the Good Samaritan. Homeless blacks who drift to Jo-burg are not its products. Rather, they come there for relief and refuge. Arguably, land taxation, extended to the

whole nation, would open up landownership to many more people than now, and accomplish the necessary "land reform," as yet undefined, that is in the offing.

Cape Town, by contrast, is Sleeping Beauty. It is gifted with one of the world's great sites, ideal climate and scenery. There are only so many continents, with so many southern tips in the right latitude to replicate the Mediterranean climate (remember your "Koppen Symbols" from Geography 1A?) It also has the national legislative capitol. It enjoys the business potential of New York with the climate of La Jolla, the scenery of Vancouver, and the political base of Washington (or at least Sacramento). Tourists flock there, and would do so even if the place were misgoverned by Mayor Idi Amin with Police Chief Saddam Hussein.

Actually the Honorable Mayor, Frank van der Velde, is a good fellow who favors changing to a site value tax. We never call it "The Jo-burg System" there -- lots of jealousy -- but some leaders are considering tax reform on its merits. Up to now, however, Cape Town has subsisted without that benefit, and suffers the usual consequences: urban sprawl, a fractured CBD, and acres of blight on prime land that should bear housing for downtown workers. Vast rail yards off downtown are little used, and there is no use of air space over the tracks.

The black "townships," or squatter camps, are incredibly squalid, dense, and vast. An estimated 1.5 million squatters are there, a scant three miles or so inland from the Cape Town Riviera, which must be one of the great beauty and amenity spots of the world. "Progress and poverty": rarely is it so sharply illustrated, on such a wide canvas.

In the evening, Ahene and I are called on to address a citizens' group. One attendee was Cape Town Mayor Frank van der Velde, along with Chief Planner Neville Riley, Treasurer Edward Landsberg, and a few Council members. They are considering altering their local property tax to exempt structures and focus on site values (as Johannesburg does), and peppered us with fretful questions on how this might work.

Most remarkable to me was how similar their attitudes are to those I observe at home, and how petty and provincial the issues they give priority. Mayor van der Velde declared his only reason for favoring LVT was to spare the cost of valuing buildings, full stop. Welcoming support from any quarter I fanned the flame and we basked in it together. I was struck, however, by how with them it seems to be "business as usual," excluding from their minds the drastic implications of de Klerk's extending the franchise to those 1.5 million squatters.

I do not mean they were hostile to the subject reform -
- they initiated the idea, and came willingly to hear us.
Rather, I mean the level of their concern seemed to be at the
zoning and sewer-permit and "preserving-ancient-lights" level,
not the grand social level that their nation is facing. They are
not psychologically or spiritually prepared for the major changes
that seem impending."

APPENDIX B: Revived interest in social ethics

The following is the introduction to a paper published this year in the annual proceedings of the American Economic Association.

Equity Premises and the Case for Taxing Rent Mason Gaffney*

The Harvard Registrar reports the most popular undergraduate courses now are "Justice," "Principles of Economics," "The Concept of the Hero," and "Literature of Social Reflection." The "Me Generation" is passing; Justice, Heroism and Social Thought are "In." Economists are hardly ready for this.

Classical political-economists, some of them moral philosophers, made distribution of wealth central to their discipline. This led easily into radical demands to redistribute wealth. Neoclassical economists, defending property, downplayed distribution. Beliefs about this, they held, are subjective, self-interested, numerous and conflicting, sowing discord and confusion.

Neo-classicals now refocus the discipline dryly on "allocation of scarce resources among competing ends." Contesting distribution is divisive and counterproductive. "Heroic" means uneconomical. Past wrongs are "by-gones" to forget, except to honor the resulting property claims. The only good changes are voluntary "win-win" exchanges, validating extant claims on wealth. Property rights must be specified, perpetuated, and extended. For tax policy, "uniformity" and "neutrality" are the touchstones. These informed the Tax Reform Act of 1986, and swarms of new user charges. The "level playing field" concept says these policies are not only efficient, but just.

Critics dispute the value judgements that unjust origins may be laundered through the sanctity of property, and that private claims to rising rents are valid in perpetuity. Ongoing privatization of commons promotes inefficient "rent-seeking." If by-gones are by-gones, does not that say we may forget past services, savings, appropriations, and appreciation, and redistribute wealth any time?

A tax system cannot promote efficiency while slighting justice. Justice has deep cultural roots: "justice, just, righteousness, and righteous" appear some 388 times in The Bible. If people don't get tax justice they seek amends through counterproductive devices like looting, graft, price controls, handouts, open access, debt repudiation, nationalization, featherbedding, or cross subsidy. True, some taxation is counterproductive, too: but it need not be. That is why we are here to discuss taxing rent.

What is tax justice? A common chant says taxes are rationalized either by ability to pay, or benefits received. That is too simple, and thus misleading. Here follows a list of 17 familiar ideas of tax justice, with lemmas. We label each point as pro, con, neutral or "arguable" to the case for taxing rents. One's position toward this policy will follow from his equity premises, but that does not leave the outcome to subjective feelings. We will see that equity concepts based on rewarding useful economic behavior - efficiency, capital formation, full employment and productivity - are most favorable to the case. If these goals are widely shared, the case should prevail.