

Incentive Taxation

Annual
Ethics Issue

Incentive Taxation is published eight times a year. One issue is devoted to humor, one to ethics, and six to two-rate empirical substantiation and factual news. This issue is devoted to ethics.

A Dream of a Golden City

The following is taken from a sermon delivered by Henry George in the City Hall, Glasgow on 28th April 1889:

"Mr. Abner Thomas, of New York, strict orthodox Presbyterian and the son of that Dr. Thomas, famous in America if not here, the pastor of a Presbyterian Church in Philadelphia, and the author of a commentary on the Bible that is still a standard work - wrote a little while ago an allegory called 'A Dream.' Dozing off in his chair, he imagined that he was ferried over the River of Death, and taking the straight and narrow way, came at last within sight of the Golden City. A fine looking old gentleman angel opened the wicket, inquired his name, and let him in; warning him, at the same time, that it would be better if he chose his company in heaven, and did not associate with disreputable angels.

"What!" said the newcomer, "is not this heaven?"

"Yes," said the warden, "but there are a lot of tramp angels here now."

"How can that be?" said Mr. Thomas, in his dream. "I thought everybody had plenty in heaven."

"It used to be that way some time ago," said the warden; "and if you wanted to get your harp polished

or your wings combed, you had to do it yourself. But matters have changed since we adopted the same kind of property regulations in heaven as you have in civilised countries on earth, and we find it a great improvement, at least for the better class."

Then the warden told the newcomer that he had better decide where he was going to board.

"I don't want to board anywhere," said Thomas. "I would much rather go over to that beautiful green knoll and lie down."

"I would not advise you to do so," said the warden; "the angel who owns that knoll does not like to encourage trespassing. Some centuries ago, as I told you, we introduced the system of private property in the soil of heaven. So we divided the land up. It is all private property now."

"I hope I was considered in that division?" said Thomas.

"No," said the warden, "you were not; but if you go to work, and are saving, you can easily earn enough in a couple of centuries to buy yourself a nice piece. You get a pair of wings free as you come in, and you will have no difficulty in hypothecating them for a few days board until you find work. But I would advise you to be quick about

(Continued on page 2)

The Proposal

1. Lower your tax rate on building assessments and recoup the lost revenue by raising your land assessment tax rate.

2. Results: (a) Revenue-neutrality. (b) Most voters will probably get tax reductions. (c) Construction and renovation will spurt.

3. Call 215-988-9998 for free help on how-to-do-it.

Land Justice

The following is adapted from the Platform of the National Conference of the Single Tax League of the United States meeting at Cooper Union, New York City, September 3, 1890:

"We assert as our fundamental principle the self-evident truth enunciated in the Declaration of American Independence, that all men are created equal, and are endowed by their Creator with certain unalienable rights.

"We hold that all men are equally entitled to the use and enjoyment of what God has created and of what is gained by the general growth and improvement of the community of which they are a part. Therefore, no one should be permitted to hold natural opportunities without a fair return to all for any special privilege thus accorded to him, and that value which the growth and improvement of the

(Continued on page 2)

A Dream of a Golden City

(Continued from page 1)

it, as our population is constantly increasing, and there is a great surplus of labour. Tramp angels are, in fact, becoming quite a nuisance.”

“What shall I go to work at?” said Thomas.

“Our principal industries,” responded the warden, “are the making of harps and crowns and the growing of flowers; but there are many opportunities for employment in personal service.”

“I love flowers,” said Thomas, “and I will go to work growing them. There is a beautiful piece of land over there that nobody seems to be using. I will go to work on that.”

“You can’t do that,” said the warden. “That property belongs to one of our most far-sighted angels, who has got very rich by the advance of land values, and who is holding that piece for a rise. You will have to buy it or rent it before you can work on it, and you can’t do that yet.”

And so the story goes on to describe how the roads of heaven, the streets of the New Jerusalem, were

filled with disconsolate tramp angels, who had pawned their wings and were outcasts in heaven itself.

You laugh, and it is ridiculous, but there is a moral in it that is worth serious thought. Is not the ridiculousness in our imagining the application to God’s heaven of the same rules of division that we apply to God’s earth, even while we pray that His will may be done on earth as it is done in heaven?

...And conversely, if men in this life were to act towards each other as we must suppose the inhabitants of heaven to do, would not this earth be a very heaven? “Thy Kingdom come.” No one can think of the kingdom envisioned by this prayer without feeling that it must be a kingdom of justice and equality - not necessarily of equality in condition, but of equality in opportunity. And no one can think of it without seeing that a very Kingdom of God might be brought on this earth if men would but seek to do justice - if men would but acknowledge the essential principle of Chris-

tianity, that of doing to others as we would have others do to us, and of recognising that we are all here equally the children of the one Father, equally entitled to share his bounty, equally entitled to live our lives and develop our faculties, and to apply our labour to the raw material that He has provided. Aye! and when a man sees that, then there arises that hope of the coming of the Kingdom that carried the Gospel through the streets of Rome, that carried it into pagan lands, that made it, against the most ferocious persecution, the dominant religion of the world. Early Christianity did not mean, in its prayer for the coming of Christ’s kingdom, a kingdom in heaven, but a kingdom on earth. If Christ had simply preached of the other world, the high priests and the Pharisees would not have persecuted Him, the Roman soldiery would not have nailed His hands to the cross.”

(Land should be privately owned; its rent should be taxed instead of labor and businesses.)

Two Simple Principles of Ethics

Here are two simple principles, both of which are self evident:

(1) That all men have equal rights to the use and enjoyment of the elements provided by nature.

(2) That each man has an exclusive right to the use and enjoyment of what is produced by his own

“Can it be that the gifts of the Creator may be thus misappropriated with impunity? ... Turn to history, and on every page may be read the lesson that such wrong never goes unpunished; that the Nemesis that follows injustice never falters nor sleeps The struggle that must either revivify, or convulse in ruin, is near at hand, if it be not already begun” (*Progress and Poverty*).

labour.

There is no conflict between these principles. On the contrary they are correlative. To fully secure the individual right of property in the produce of labor, we must treat the elements of nature as common property.



Nothing written here should be construed as an attempt to influence the passage of any legislation. The views expressed in this publication are the opinions of the authors, and do not necessarily reflect CSE views.

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Land Justice

(Continued from page 1)

community attach to land should be taken for the use of the community.

“A tax on land values would call upon men, to contribute to the public revenues, not in proportion to what they produce or accumulate, but in proportion to the value of the natural opportunities they hold. It would compel them to pay just as much for holding land idle as for putting it to its fullest use.

By taking for public use that value which attaches to land by reason of the growth and improvement of the community, it would make the holding of land unprofitable to the mere owner, and profitable only to the user.”

❖ Bad loans of Japanese banks total at least \$470 billion (*USA Today*, 10/18/95, B1). They are mostly due to a collapsing land market, which wouldn't occur with full land rent taxation.

❖ An economy which does not tax land assessments more via two-rate leads to less economic opportunity and thus more women working, which can be stressful for family life.

❖ Sir Winston Churchill once observed that the workers crossing a particular bridge in London were not ultimately benefited by the removal of a penny toll: "Within a very short period of time the rents on the south side of the river were found to have advanced by about sixpence a week or the amount of the toll which had been remitted." (campaign speech at King's Theatre, Edinburgh, July 17, 1909, cited by IT reader Bill Mason, A.C.T., Australia).

❖ "Why does Mr. Burke talk of his house of peers as the pillar of the landed interest? Were that pillar to sink into the earth, the same landed property would continue, and the same ploughing, sowing, and land reaping would go on. The aristocracy are not the farmers who work the land and

raise the produce, but are the mere consumers of the rent: and when compared with the active world, are the drones, a seraglio of males who neither collect the honey nor form the hive, but exist only for lazy enjoyment." (Tom Paine, *Rights of Man*, 1792, cited by IT reader Stanley Sapiro)

❖ Capitalism is what people do if you leave them alone." (*Readers Digest*, 9/93, p. 163). Well yes, but capitalism shouldn't extend to robbery, taxation-of-producers, slavery or private landrentownership.

❖ Ann Edwards, a London Quaker: "Charity bails the boat; Justice stops the leak." She adds that Peace can only come through Justice.

❖ Hebrew prayer: "You shall praise Adonai your God for the good land which he has given you." Equally to all (unless He had favorites we don't know about). Our land laws should so conform.

❖ "We do not commonly see in a tax a diminution of freedom, and yet it clearly is one. The money taken represents so much labor gone through, and the product of that labor being taken away, either leaves the individual to go without such benefit as was achieved by it or else to go through more labor." (Herbert

Spencer)

❖ "Pay ransom to the owner and fill the bag to the rim. Who is the owner? The slave is the owner, and ever was. Pay him." (Ralph Waldo Emerson)

❖ "Landowning in itself is not a productive activity. Yet most of the tax benefits assigned to real estate in recent years have gone to the owners rather than the improvers of the land" (George Gilder, *Wall Street Journal*, 5/29/86, editorial page).

❖ A Great Fundamental Truth: No child comes into this world without an equal right to it.

❖ Land rent is the product of society moving in and around that piece of land, and therefore society ought to collect what it produces; it is not a product of landowners who as such perform no services. Who, then, should collect the land rent?

❖ Alright, already. In the next issue we'll return to presenting hard, empirical data substantiating the two-rate building-to-land shift in the local property tax. Remember, what is ethically right is economically good.

❖ What, your town has a moribund economy? Too many unemployed? You can do something about it - call 215-988-9998. Remember 17 out of 17. Feel guilty if you don't.

A LANDLORD'S PRAYER

Lord, keep us rich and free from toil,
For we
Are honored holders of Thy soil,
Which democrats would now de-
spoil
With glee.
Oh Lord, our fathers got the land,
For serving those whom Thy right
hand
Had chosen to be great and grand
As kings.

Tho' ta'en by force, we're not to
blame,
Thou know'st Oh Lord, it is a shame
To say to us - of titled name
Such things.
Lord, let us live in wealth's content,
And peace!
Lord, we are by Thy mercy meant
To rule mankind, and make our rent
Increase.
The birds that haunt the moors and

hills,
The fish that swim in streams and
rills.
The beasts that roam as Nature wills,
We own
E'een Lord, the minerals that lie
Beneath the earth's periphery
Belong to us! Thou knowest why
Alone.

- From the *London Democrat*
(Jan 8, 1887)

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Income Belongs to the Producer

Frank A. W. Lucas was Justice of Appeal for the High Commission Territories in the Republic of South Africa. He helped found the General Council of the Bar of South Africa and was a long-time student of the land question. In an article written in *The Analyst's Journal* of February 1956, he had the following interesting tale to relate: "The value of land is created not by the landowner who receives the rent but by the presence, activities, and expenditure of the community. Not only is it so created, but it is maintained daily and hourly by its presence and activities. The owner may live abroad, but the land value will be there as long as the community is there.

"This point was strikingly illustrated recently in South Africa. Land which was fertile but where malaria prevailed has, as the result of a long campaign, been freed from the disease. The Minister of Health announced in Parliament that, owing to the successful anti-malaria campaign, the land now

Endorsements 500-501

U. K. Royal Commission (in the *Housing of the Working Classes [1884 Report]*): "The owners of this land are rated [taxed] not in relation to the real value but to the actual annual income. They can thus afford to keep their land out of the market, or to part with only small quantities, so as to raise the price beyond the natural monopoly price which the land would command by its advantages of position. Meantime, the general ex... of the town on improve... increasing the value of their property. If this land were rated at, say, 4% of its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community.

First, all the valuable property would contribute to the rates [taxes], and thus the burden on the occupiers would be diminished by the increase in the land value taxation rate. Secondly, the owners of the land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of land."

Guy Wright (columnist, *San Francisco Examiner*, commenting on the land value increases in the San Francisco area resulting from the BART railway system): "The landowners did not cause this increase in the value of their property. BART caused it. Doesn't it make sense to tax this BART-caused increase in real estate values to keep BART running?"

so freed has risen in value by \$140,000,000. The taxpayer paid for the campaign, the landowner, though contributing nothing to it, gained that increase. To maintain that value, the campaign has to be continued to pre-

vent the return of malaria. The land value is entirely free from taxation. What is true of this land is true of all land, though that is a more striking example than most."