

Mason Gaffney: Georgist Conservationist

POSTED ON JUL. 27, 2020

By

 DAVID CAY JOHNSTON

But for being struck by a chauffeured car eight decades ago, Mason **Gaffney** might never have become a tax economist who become the leader of the land value tax movement first proposed by the 19th

Century reformer Henry George.

Until his 89th year **Gaffney**, the beloved leader of the world's little band of Georgists, taught economics at the University of California Riverside with a focus on how to create an optimal tax system. Known as Mase, he died July 16 at age 96 in Redlands, a few miles from the campus where he taught for 37 years.

The concept of taxing land but not improvements as a way to encourage the highest and best use of land, reduce suburban sprawl, and discourage landlords disinvestment in aging buildings has never caught on with mainstream economists or American politicians. A score of Pennsylvania towns use a form of Georgist land value taxes. The concept's biggest success has been in Australia and, more recently, parts of Taiwan. To **Gaffney**, this lack of popular support showed how the owning haves have outsmarted the have-not renters.

"Land yields an economic surplus," **Gaffney** wrote in a [20-page paper](#) that was republished three years ago from a 1985 book, summarizing his lifelong efforts to win people over to Georgist taxation. "It dawns on some as quickly as a bursting tropical daybreak, and on others more like a boreal twilight, that a surplus may be taxed, and that the property tax on land garners that social surplus for the public treasury without impairing any functional private economic incentive. It may, indeed, often sharpen incentives."

"The land tax helps the market work better," **Gaffney** wrote. Yet "the free-market preachers look elsewhere" until the market and a badly designed property tax system force A-grade farmland into urban use, and that's when people take notice, he added.

Gaffney acknowledged that some people view all taxes as equally wrong, but to him "land taxes are relatively virtuous and far less intrusive than income taxes. Two years ago, the staid *Economist* magazine observed that "the time may be right for land-value taxes." Three years ago, Tony Blair, the former British prime minister and Labor Party leader, urged a land tax as a "fairer and more rational system of property taxation."

Even earlier, Milton Friedman called the land value tax "the least bad tax." And in 1910, then-British Prime Minister Winston Churchill favored it, too, saying that "land monopoly is not the only monopoly, but it is by far the greatest of monopolies — it is a perpetual monopoly, and it is the mother of all other forms of

monopoly. Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.”

In 1964 when **Gaffney** was chair of the University of Wisconsin-Milwaukee economics department, he wrote that “the welfare economists have told us that an ideal tax base” is one that the owners cannot manipulate and therefore use to reduce their tax burdens. He noted that capital and labor can and do move and that the value of capital can be, and is, manipulated to minimize taxes.

On the other hand, land “does nicely as a tax base corresponding to the idealists’ concept because its value is determined largely by forces” beyond the owners’ control, **Gaffney** wrote. “Land is immobile among taxing jurisdictions — that is the point. You can tax the living daylight out of it, and not one square foot will get up and walk out of town. Milwaukee keeps losing people to Los Angeles, and capital (and an occasional ballgame), but so far it has not lost any land, regardless of taxes.”

Gaffney explained that cheap construction not designed to last is the result of most property tax systems discouraging the building of the best and highest-value buildings. Property taxes favor old buildings over new, Mason argued, citing the example of a building that lasts only 60 years.

“A yearly real estate tax of 1 percent, or \$1 on \$100, is comparable to an excise tax of 19 percent levied on new construction,” **Gaffney** wrote, explaining the time value of money. A 3 percent property tax rate equaled a 57 percent upfront levy, assuming a 5 percent discount rate, he said, citing what he said was the more typical property tax rate at the time in Milwaukee.

“Such a level of taxation breathes new meaning into the old saw about the power to destroy. But hereby hangs a paradox,” he wrote. “The upward assessment to fund developed land in suburban fringes, and resulting higher taxes, is a prime force prompting the land’s development!” **Gaffney** then told about a Milwaukee area neighborhood with 700 homes, each on very large lots, an example of urban sprawl. A single city block can accommodate that many families, he noted.

“The rest of the community has paid to provide these people with water, sewers and roads,” **Gaffney** said, pointing out the great expense because of the distances between dwellings. Yet the owners of these new homes paid lower property taxes than those compactly housed city residents, a subsidy that burdened the many to benefit the better off few.

Hidden subsidies came up years ago when **Gaffney** and I discussed my work for *Tax Notes* on fossil fuel pipeline partnerships that collected the grossed up corporate income tax even though those partnerships were exempted from paying it under the [Tax Reform Act of 1986](#). That a company could impose a tax via regulation, collecting money that the government never received, was to **Gaffney** a horror.

Gaffney told me years ago that as a teenager he became enamored of Henry George's most famous observation about human behavior: "No person, I think, ever saw a herd of buffalo, of which a few were fat and the great majority lean. No person ever saw a flock of birds, of which two or three were swimming in grease, and the others all skin and bone."

That insight made **Gaffney** a tireless worker for economic fairness and making sure all people had enough resources to escape poverty. Many critics dismissed him as a starry-eyed leftist or worse. I knew and respected **Gaffney** as someone who favored integrity and efficiency, and who embraced the moral concept of alleviating the misery of the poor by creating opportunity and making rules that don't favor the haves over the have-nots. He saw no reason to create subsidies, especially subtle or even stealth subsidies, that took from the many to give to the well-off few, as with the pipelines.

Beloved as **Gaffney** was by fellow Georgists, his dogged pursuit of what he thought were optimal tax policies annoyed some fellow faculty and made him a fringe figure in mainstream economics. For decades the dominant neoclassicists relied on elegant algebra and orthodoxy about the imaginary *homo economicus* who acted in ways both rational and narrowly self-interested.

We shared disdain for Chicago School theories, which I studied at the doctoral level at the University of Chicago and he dissected in his classroom.

Only in the twilight of his career did behavioral economists begin showing that people often act in ways that mathematical models fail to capture. That research has revived some interest in various heterodox economic theories, including land value taxes.

Students rated **Gaffney** brilliant, cheerful, eager to help, and willing to spend as much time as it took to explain complex economic concepts. But after a few years of criticism that he had lost his sharpness, **Gaffney** retired at age 89 in 2013.

Gaffney got his start in tax economics because of a Boy Scout meeting he never made. **Gaffney** was peddling along the sidewalk in the Winnetka, Illinois, business district when a chauffeur-driven car coming out of a blind alley clipped his bicycle.

The star pupil of New Trier High School spent the next six months laid up.

To pass the time and build his mind, **Gaffney's** mother gave him complex economics texts about tax theory — not exactly the reading material most parents would hand a bedridden teenager in the days before television and video games. But the texts flicked on a light in **Gaffney's** mind, and he asked for more.

"Dad was so intrigued when a flyer came to their home advertising a meeting at a local community house to discuss the ideas of Henry George, that of course he went," his son Stuart said.

At that meeting, **Gaffney** "learned of a low-cost way to purchase *Progress and Poverty* [the 1879 book by George]. Dad dug into his savings from his allowance to buy it, and his life was changed forever," Stuart said. "It was the beginning of eight decades of study, teaching, and advocacy for Georgist tax policies to create a more equitable society, and protection of the environment."

After the Bible, Henry George had the best-selling book in America in the 1890s. Its full, and revealing, title was *Progress and Prosperity: An Inquiry Into the Cause of Industrial Depressions and of Increase of Want With Increase of Wealth: The Remedy*. That more wealth could be accompanied by more want was a central problem in economics that **Gaffney** always argued deserved more study.

Despite his injuries, **Gaffney** graduated valedictorian of his high school class in 1941 and then enrolled at Harvard College. Three years later he was drafted, commissioned a lieutenant in the Army Air Forces.

The Army Air Forces trained him to be a meteorologist, but then decided it had a surplus of weather experts. His superiors assigned him to radio communications in New Guinea and the Philippines until 1946.

In 1948 **Gaffney** earned his bachelor's degree in economics at Reed College in Oregon and in 1956 his doctorate from the University of California at Berkeley.

Over the next 17 years, he taught at the University of Oregon, UC Berkeley, North Carolina State (Raleigh), the University of Missouri (Columbia), and the University of Wisconsin-Milwaukee. In 1973 he became an economics researcher for Resources for the Future in Washington because of his passion for policies that do the least damage to the environment. From 1973 to 1976, he was a founder of the British Columbia Institute for Economic Policy Analysis in Vancouver. His Canadian work included that on sustainable forestry policies and the economic effects of mining. **Gaffney** said, in an oral history for the British Columbia government, that he encountered strong anti-American sentiments that worsened as time passed.

In 1976 he started teaching at UC Riverside.

Gaffney was married to Estelle Lau from 1952 to 1968 and then Ruth Letitia (Tish) Atwood from 1973 until her death in 2017. Each marriage produced three children: Bradford Clarke **Gaffney**, Ann **Gaffney** Shores, Stuart Morgan **Gaffney**, Laura Atwood **Gaffney**, Patricia Mason **Gaffney**, and Matthew Rollin **Gaffney**. There is one grandchild, Meredith Ann Morales.

Over lunch at his hilltop home near the dusty dry UC Riverside campus more than a decade ago, Mase told me that as he was about to turn 65 he was pressured to retire. California law protected older workers, so he refused.

"The university administration then took away my position advising doctoral students and told me I had to teach Econ 101, assuming I would feel insulted and quit," he said, grinning and then breaking into a chuckle.

"I was delighted. No more prima donnas and pleas for delays to complete dissertations. It meant that I got a chance to indoctrinate students early on about economic theories so they weren't stunted by the standard neoclassical texts."

In the 1970s, when rising California property values and hence property taxes launched the modern tax revolt, **Gaffney** waged a lonely battle to win public support for real estate taxes, especially if they were reformed to apply only to land.

"We should stop maligning the property tax," **Gaffney** wrote in 1979 after California voters adopted Proposition 13, which sharply reduced existing property taxes and allowed only 2 percent annual increases as long as property did not change ownership.

Gaffney wrote that a host of Democratic Party leaders "tell us the property tax is a bad, regressive tax." He argued that this showed a deep misunderstanding of principles of tax, including the ability to pay.

Politicians who care about the welfare of their constituents should look "for the good in the property tax if they really want to save it and the social welfare it helps to finance," **Gaffney** wrote.

Gaffney argued that "the ownership of property is highly concentrated, much more so than the receipt of income." He estimated that 43 percent of the savings from Proposition 13 would be for land, not buildings.

Moreover, noted **Gaffney**, "a high percentage of real property is owned from out of state and even out of the country. . . . Some half of any reduction in California property taxes leaks to out-of-state owners."

Why, **Gaffney** once asked me rhetorically, would California voters approve a massive tax cut that benefited absentee landlords in the 49 other states and overseas? His answer: ignorance and deceit.

Today, most of the benefits of Proposition 13 flow to commercial, industrial, and farmland owners who have not sold their real estate. Elaborate trust schemes to transfer effective control without changing legal ownership are now common in California. It is not uncommon for two houses, similar in size and side by side, to pay radically different taxes.

My first home, purchased in 1971 when I was 22, sold for almost \$2 million last year. An identical Silicon Valley stucco tract starter house a few doors away still pays 1.25 percent of its 1971 value of about \$29,000, adjusted for 2 percent annual inflation. The new buyer pays about \$25,000 in annual property tax while my old neighbor pays less than \$1,000 for a nearly identical house.

Gaffney believed such disparities were not just unfair, they also encouraged gaming the property tax system. In 1979 he had predicted that Californians would either repeal Proposition 13 or the state would “sink into Alabama-like desuetude.”

That proved to be wrong. Instead, the state eased up on financing education, started imposing heavy tuition on college students, and slashed infrastructure spending. Within a few years, what had been one of the best education systems in the nation fell. California motorists also experienced a new phenomenon: potholes. At one point the City of Los Angeles’s 40-year cycle to repave roads was stretched to over 200 years, as I reported back then in the *Los Angeles Times*.

Gaffney also investigated the economics of forestry and logging, mining, oil leases, water systems, and farmland, always with an eye to minimizing environmental damage and encouraging sustainable use of natural resources. Poor design of property tax systems is a major reason farmers sell to developers, **Gaffney** wrote in numerous papers. I felt this when my grandmother’s orange ranch in Orange, California, where I lived until I was eight, was sold. Within three years, all the neighboring ranches sold, too. The property taxes were just too high to sustain agriculture. Cash from developers was a powerful lure since all the orchards, planted at the dawn of the 20th Century, needed refreshing with young orange, lemon, and avocado trees.

Gaffney taught that the existing real estate taxes will “scorch the earth” and “must be modified to exempt improvements.” That can be done by focusing it on the base of land value or site-capability, which not only permits improvement but positively prompts it.”

The land value tax is an idea worthy of much more debate, especially now that the pandemic may result in huge shifts in populations away from large cities. And while **Gaffney** never won broad popular support for the idea of taxing land but not buildings, the questions he raised should endure in the eternal problem of how best to tax ourselves.

WAS THIS ARTICLE HELPFUL?

YES

i DOCUMENT ATTRIBUTES

JURISDICTIONS

UNITED STATES

SUBJECT AREAS / TAX TOPICS

[PERSONNEL, PEOPLE, BIOGRAPHIES](#) [PROPERTY TAXATION](#)

MAGAZINE CITATION

TAX NOTES FEDERAL, JULY 27, 2020, P. 684
168 TAX NOTES FEDERAL 684 (JULY 27, 2020)

AUTHORS

[DAVID CAY JOHNSTON](#)

AFFILIATED INSTITUTION

SYRACUSE UNIVERSITY

TAX ANALYSTS DOCUMENT NUMBER

DOC 2020-27799

TAX ANALYSTS ELECTRONIC CITATION

2020 TNTF 143-14