

# Henry George News

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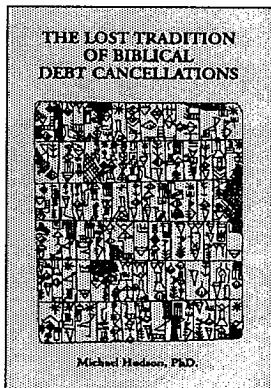
## MICHAEL HUDSON: *Bring Back the Clean Slate*

by Lindy Davies

Michael Hudson is a scholar in the grand tradition of Henry George and other truth-seeking iconoclasts. His research and writing is resolutely interdisciplinary; he is constantly making connections. This has been partly due to the nature of his main topic, which resists pigeonholing. Although he is primarily interested in political economy, his current academic post is Visiting Scholar in Bronze Age Archaeology at New York University's Institute of Fine Arts. To disseminate his findings in the appropriate forum of an economics class, Dr. Hudson had to come to another idiosyncratic truth-seeking institution, the Henry George School. His thesis on debts and their cancellations was presented in a ten-week course at the HGS during the fall '92 term (see our Nov.-Dec. issue).

The paper presents a summary of the history of debt cancellations of the Bronze Age in Mesopotamia which were the basis of the (somewhat) more familiar Biblical laws on land tenure and debt cancellation, and the tradition of the "Jubilee Year" in the books of Leviticus and Deuteronomy. The Land and debt laws of the Old Testament followed a standard political practice of debt cancellation that Hudson dates back as far as the reign on Enmetna in ca. 2400 BC. The Hebrews added an innovation, however. In the Mesopotamian and Babylonian empires, rulers had long used the periodic cancellation of debts to

(continued on page five)



*How Debt Cancellations and Clean Slates Shaped Judaism and Christianity.* It is based on his work as a Research Fellow at Harvard University's Peabody Museum.

*The Lost Tradition of Biblical Debt Cancellations* is a 122-page booklet (including appendices, glossary and notes) published by the Social Science Forum of the Henry George School. It is available at the School - call 212-889-8020 for information. The paper is a condensation of Dr. Hudson's forthcoming book, *Bronze Age Finance, 2400-900 BC*:

## HEILBRONER ADDRESSES H. S. URBAN WORKSHOP

by David Domke

On Monday, May 10, the School played host to the Twenty-sixth Annual High School Urban Workshop, jointly sponsored, as always, by the Henry George School and The New York City Council on Economic Education at Baruch College. The NYCEE is under new directorship; Arlene Geiger has replaced Dr. Albert Alexander, who retired after 20 years of distinguished service. Co-chairing the proceedings was HGS High School Program Director Stan Rubenstein.

The topic of this season's Workshop was "Our Economy Today and Tomorrow" - from the national deficit to New York's changing labor market to the impact of the world economy on the country at large.

Dr. Robert Heilbroner, Professor Emeritus at the New School for Social Research and author of *The Worldly Philosophers* and *The Nature and Logic of Capitalism*, among other works, addressed the perennial problem of the national deficit. Dr. Heilbroner challenged the currently fashionable notion that deficits are inherently bad, giving a cogent analysis of the human factors behind the "blind numbers" proffered by many politicians and economists. Prof. Heilbroner provided a theoretical perspective with which to evaluate the wealth of statistics that the following speakers offered.

Heilbroner's views on the deficit, for example, were directly relevant to the rather

dire report given by Dr. Lariane Angelo, Chief Economist with the New York City Council Department of Finance. Dr. Angelo detailed what the recession and consequent loss of jobs mean in human terms. The city of New York receives roughly \$3 billion in revenues from personal income taxes a year. Since the beginning of the recession, New York has lost 180,000 jobs. In order to balance the budget (which the city is mandated to do by law) and cope with the resulting loss of tax revenues, the city has laid-off nearly 12,000 people, further shrinking the tax base. Dr. Angelo went on to say that 30 to 35 states in the U.S. are being directly subsidized by the Federal Government, which runs a deficit in order to meet the needs of those states. Many of the cuts in the City's budget can have a devastating impact on the citizenry. The present budget for day care meets only 2% of the city's day care needs; this part of the budget may be cut entirely. Fifteen million has already been cut from the prison health care system, leading, Dr. Angelo claims, to the current tuberculosis epidemic. Two million has been cut from the City's mental health program, leading to an increase of homeless people. The City cut all funding for the ASPCA, leading to the current rabies epidemic in New York City. And the City will most likely be cutting \$7 million from the CUNY system.

Next up to the podium was Jesse Benjamin, Associate (continued on back page)



Prof. Robert Heilbroner

## SOCIALIST SCHOLARS CONFERENCE HOSTS HGS PANEL

The Socialist Scholars Conference is an annual gathering of a huge variety of left-of-center groups. Maoists, Trotskyites, Greens, Socialists, world government advocates, anarchists - and this year, Georgists - gathered at the Borough of Manhattan Community College on April 9 - 11.

The general comment of veteran attenders was that this year's conference was even more multifarious and disjointed than usual. While hundreds of presentations on a huge range of topics were going on throughout the cavernous college hall, a tide of traffic ebbed and flowed around over 100 literature tables throughout the lobby. Dozens of advocates strolled about, handing out urgent bulletins; many more, who could not afford the cost of a table, informed the smokers and late arrivers outside the front door.

The participation (continued on back page)

# Henry George News

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Staff, students,  
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the New York HGS

know where the nerve center of the school headquarters is: the desk of Elizabeth Reeves, the school's Registrar, Factotum, omnipresent Pinch-hitter, Chief Cook and Bottle Washer (and winner of the Golden Paper Clip Award). Liz's accomplishments in support of all the programs of the school are both numerous and fundamental - but they are not well-known to all, because she has always placed herself in a behind-the-scenes role. This is simply because Liz assessed the working rhythms of the school and saw that someone was needed at the center, to dot i's and cross t's - a position that is, by nature, low-profile.

Liz began working for the HGS in 1975, as a part-time temporary clerical worker; the 69th St. location was conveniently near her graduate studies at Hunter College. Although Liz has not yet become a doctor, her "temporary" employment at the HGS turned into a profound contribution. Her "temporary" stint at the

# Thanks, Liz



HGS is evidence, Liz says, of an orderliness of purpose that exists in life (hers anyway), intuitively graspable if one doesn't seek too intently for it - for: "I had always felt that one large area that had been missing in my education was economics."

Liz's Georgist instruction began under the individual tutelage of Frances Soriero of the Schalkenbach Foundation, who guided her through the ideas of George's major works. It has been supplemented by years of office roundtables on every conceivable relation and extrapolation, with a cast of thousands. In the early eighties, Liz ran a highly successful graduate seminar program at the school.

Spurning prestigious letterheads and Advisory Committees, her group staged many events that helped to rejuvenate a sagging adult school effort during that period.

Thanks, Liz - for all the tangents, the inspirations, the late nights and amazing saves.

At their annual meeting this April, the Board of Trustees of

## EDITOR'S NOTES

the School voted to return the name of this publication to what it was in the good old days - a subtle, but important shift, recognizing the paper's expanding mission. Mark Sullivan, who edited the Newsletter from 1986 until he left last year to go to work at the Schalkenbach Foundation, and I put in many long days of work on the HGN since the school updated its computer systems in 1990. Every new font, feature, illustration, or new contributor was uncharted territory for us; we learned each new production skill as the process called for it: hectic work, but always rewarding. Mark did an excellent job of keeping the school in touch with other Georgist organizations and other groups whose messages connect with ours. As an occasional contributor, he will continue to do so. I want to take this opportunity to thank Mark, for his excellent work in bringing the HGN up to speed!

Meanwhile, other talented folks will continue (I hope) to make the News shine. Staff writer David Domke concludes his work on the Physiocrats in this issue. Pat Aller's reports of United Nations NGO meetings are a delightful addition. George Collins contributes perspectives on his Georgist work near and far. And welcome once again to Trustee Rich Barbuto!

The Henry George News is only one part of the revitalization going on the School. Many other branches are bearing fruit, with expanded adult classes and a thriving high school program.

Students and friends of the school are encouraged to submit articles. And, in case anyone is wondering, we do accept letters to the editor!

-L.D.

Irving Starer of Jericho, NY was elected to the Board of Trustees of the Henry George School for 1993-94. Mr. Starer retired in January of 1992 after a long career as a civil engineer with the New York Power Authority. He has been active in the Georgist movement since he took his first P & P course in 1947. In the 50s he taught HGS extension courses in Queens, and since moving to Long Island in 1968 has worked with the L.I. HGS, serving on its Executive Committee. He has been an active advocate of Georgist philosophy, attending many conferences over the years, including this January's Albany LVT conference. Welcome, Irving!

Board members Richard Barbuto, C. Matthew Ossias, Herman Lazaar, Heather Remoff, and Stan Rubenstein were re-elected for the coming year.

## AMSTERDAM POISED TO BECOME NEW YORK'S FIRST TWO-RATE CITY

Amsterdam, a city of 19,000 people thirty miles west of Albany, has taken the first step toward two-rate property tax reform. By a four-to-one vote this April, the city's aldermen have voted to ask the state Legislature to approve the tax shift. Like many other states, New York's Constitution prohibits differential property taxation, so that any shift to a two-rate system must first be enabled at the state level. Nevertheless, the Amsterdam Common Council, noting the success of the reform in seventeen Pennsylvania cities, is willing to undertake the cumbersome approval process. The *Amsterdam Recorder* quotes First Ward Alderman Vincent Arbige: "Of all the things that have passed our desks this year, this is the most exciting.... This could be one of the many building blocks needed to restore this city."

Although the reform has been under discussion for some months, the Albany conference on property tax reform held this January helped to reinforce it, according to Al Hartheimer. (Mr. Hartheimer, whose report on the Albany conference appeared in our Jan.-Feb. issue, is a Trustee of the Schalkenbach Foundation, and an active Common Ground member.) Amsterdam Vice Mayor and Common Council President

Daniel Kielbasa attended the conference and came away enthusiastic about the reform.

Nevertheless, the initiative faces an uphill battle in the state legislature. Accordingly, the Amsterdam group is initially seeking only a special authorization for their city, rather than statewide enabling legislation. They feel that once Amsterdam can report the kind of progress seen in the Pennsylvania cities, the case for statewide application of the reform will be much stronger.

Will Amsterdam begin the march to two-rate tax reform in New York? Hartheimer estimates the chances right now as fifty-fifty. Therefore, it is essential that state legislators become acquainted with it and seek wide support for it. The bill has been introduced; it is Senate #5652 and Assembly #7901. The best way to register support, says Al Hartheimer, is to send a "memorandum of support" to your state Legislators. The memo should include the bill numbers, a description of their content, and their status (which currently is the Senate Committee on Cities and the Assembly Committee on Real Property Taxation). For a sample memorandum, call Albert Hartheimer at (518) 475-0517 and he will send or fax one to you.

## MAPPING NATURE'S VALUE, FIRST

by Richard Barbuto, Esq.

*Toward Eden*, the 1981 book on land planning by the late Arthur E. Palmer, Jr., is a vital document for land reformers setting out to aid the nations of the former Soviet Union, and indeed for all those who see the need for Henry George's reforms in the present day.

I had the pleasure of working with Arthur Palmer, who died at 83 in February of this year, in 1986-88, when I was a village trustee in Croton-on-Hudson, New York. With no compensation from anyone in our village, Mr. Palmer wrote a detailed and visionary report on the future development of our village. Although this work was never formally recognized, it was heeded and bore fruit in our subsequent development.

Mr. Palmer's prescription was simple, but profound. "Land use planning, to be effective, must be based on concrete scientific evidence based on an environmental inventory." He also advocated regional land use planning and "mixed-use communities," since he saw that walking, bicycling and public transportation require such planning tools to avoid becoming irrevocably car-choked.

Town planning, Palmer insisted, must start with maps of the environment. All the natural elements and resources of a region should be mapped before any public revenue or market considerations are calculated. That sounds obvious - but an open and honest picture of any region's environmental conditions is almost always obscured by secrecy concerning resource location and rights of use. The community, however, has the right to know this information, before any new or further development is pursued on its land.

Town planners can record each aspect of the environmental inventory on transparent mylar sheets, and then lay one on top of another, forming a composite picture of resource factors. This technique would allow planners to make informed decisions on whether any so-called improvements will truly enhance the quality and sustainability of the area's life. Once the environmental maps are completed, use-zoning can be based on a complete and scientific overview, incorporating natural as well as social criteria. Then, once layman and specialist alike can see the impact of various kinds of develop-

## LANC GREENE

Lancaster M. Greene was born in Rochester, New York on February 21, 1901. He received his primary education at East High School of Rochester, distinguishing himself as valedictorian and standard bearer of his class. After graduation from Williams College he pursued a business career as an investment counselor.

He became acquainted with Henry George's work in 1934 due to the urging of Mr. George Rusby, a long-time Georgist, who insisted that Mr. Greene take the fundamental course at the School. After only four lessons he "saw the cat"; at the request of the members of the School's board he became a trustee of the School in 1935, and served until his death on April 15th, 1993. In 1937, he also became Director of the Robert Schalkenbach Foundation, and served as its President from 1979 until 1989.

In 1981 he received the honorary Doctorate of Commerce Science from St. John's University.

He was a member of the New York Society of Security Analysts. He kept his beautiful, resonant voice in tune at the University Glee Club.

Lanc kept in condition by playing tennis at the West Side Tennis Club. As a good Quaker he served his community in many ways, including undertaking the service of Clerk of the 15th St. Meeting of the Society of Friends.

Lancaster Greene's lifelong dedication to the freedom of the individual under the aegis of the Georgist economic philosophy set a standard for Georgists to follow. Above all, he was, in the truest sense of the word a kindly, courtly, and fundamentally decent gentleman.

- Dr. Oscar Johannsen

ment in an appropriately rigorous long-range view, true and accurate market-based land values can be obtained.

As things are now, the world over, nature's integrity is violated: she is fully negotiable, subject to the highest bidder.

Russia, for example, has the opportunity to do such mapping now - before the inevitable wheeling and dealing for the control of land. Maps should be widely published and openly discussed. Otherwise, any new owners/renters will assert an I-can-do-anything constitutional "right to property." Accordingly, ten copies of Palmer's book are being sent by this writer to Fred (continued on page eight)

# The Physiocrats: Part Two

by David Domke

Throughout the seventeenth and eighteenth centuries the divide between rich and poor widened. As towns grew, speculators made fortunes on real estate, helping to create the class that was to grow in dominance and influence and finally achieve hegemony with the French Revolution: the bourgeoisie, made up of non-aristocratic land owners, artisans, shopkeepers and civil servants.

In the fifteenth century, the condition of French peasants had increasingly improved. With refinements in agricultural production and a steady rise in prices for farm products, many peasants were able to either set up long-term lease arrangements with landlords or to buy land holdings outright. Agricultural returns to the peasantry rose by fifty per cent, which in turn stimulated peasant productivity. Before long, the social differentiation and class divisions within the peasantry deepened. Richer peasants, some of whom were able to accumulate holdings of up to two hundred acres, continually dispossessed the less well off among the peasantry, forcing them to become agricultural laborers. This led to a breakdown of peasant solidarity; as rural economies shifted more and more toward commodity production for growing urban areas, the traditional strengths of the village community were constantly undermined. Large landlords leased their properties to tenant farmers, who in turn hired wage-labor from the dispossessed peasantry.

With the growth of industry and trade the land owners more than doubled the rents, to extract as much surplus as possible for an ever-widening commercial market, and these increases were passed on to the peasantry in various forms; lower wages, forced labor in the towns during the off-season, and sundry forms of taxation. By the eighteenth century with the shift from feudalism to capitalism land became valuable less for its fertility and what could be directly produced from it and more for its strategic location for the purposes of trade. Mercantilism and colonialism were bringing the larger European countries into open conflict with each other as each strove for monopoly control of trade and commerce. As the major

European powers were reaping the benefits of the huge surpluses and new opportunities for capital accumulation afforded by mercantilism, they traveled the globe, appropriating new lands from which to extract raw materials.

As capitalism was coming to fruition in the major European countries - and rapidly changing those countries' internal productive relations - those same countries sought to project outward the structures of the old feudal order, imposing feudalism on peoples of foreign lands.

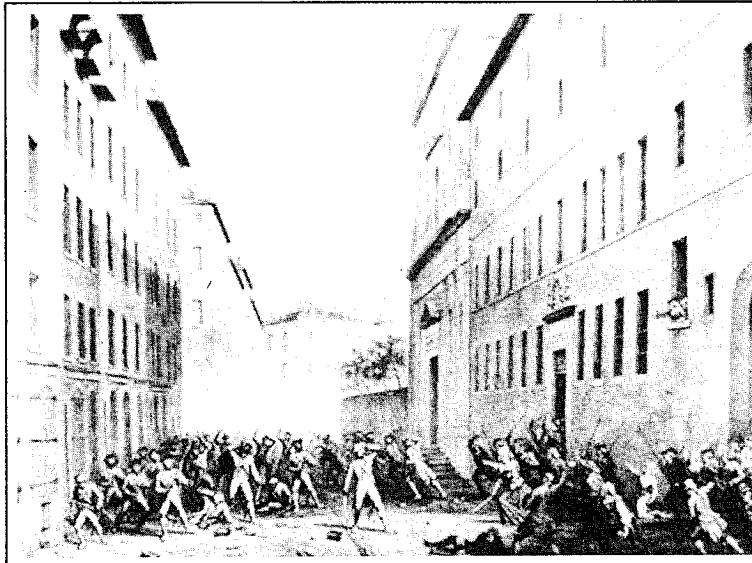
The Physiocrats reacted to this shift in the production of wealth and the subsequent radical changes of productive relations in society. They proposed that agricultural production was the only real means of producing wealth and that trade

Turgot goes on to say that this separation between owner and cultivator is to the landowner's advantage: "The mere workman who has only his arms and his industry, has nothing [unless] he succeeds in selling his toil to others. In every kind of work it cannot fail to happen that the wages of workman are limited to what is necessary to procure him his subsistence." Mercier de la Riviere had a labor-based idea of production similar to Turgot's. He admonished the owners of industry: "Moderate your enthusiasm, you blind admirers of the false products of industry...open your eyes and see how many live in poverty, or at least in need, among those producers who understand the art of converting twenty sous into a thousand francs. To whom does this enormous increase in value fall? Those through whose hands it is accomplished reap no benefit therefrom. Take warning then from this contrast."

The reason the Physiocrats saw agricultural labor alone as productive lay in the fact that it formed the natural basis for the independent functioning of all other forms of labor. Because they thought this source of production yielded the only real profit, which they called the *produit net* - or net product - the Physiocrats thought land alone should be taxed.

In *The Science of Political Economy* Henry George, while paying high tribute to the Physiocrats, says that the Physiocrats got only half the picture right.

They grasped the main truth, George says, but "had got hold of it through curiously distorted apprehensions.... In grasping the real meaning and intent of the net product, or economic rent, there was opened to the Physiocrats a true system of political economy..." George goes on to say, "...They had grasped the key without which no true science of political economy is possible.... But misled by defective observation and a habit of thought that prevailed long after them, and indeed yet largely prevails... the Physiocrats failed to perceive that what they called the net or surplus product, and what we now call economic rent, or the unearned increment, may attach to land used for any purpose." The defective observation was, of course, that trade and commerce were sterile. "This was their great and fatal misapprehension", George says. But this mistake should not be taken to dismiss



and commerce succeeded only in transferring wealth from one owner to another. They saw trade as "sterile" and unproductive because they believed that only nature can create a true surplus - what Turgot called the "pure gift of nature" - a value over and above that which is reaped for subsistence. Quesnay, in his *Tableau Economique*, names agricultural workers as the only truly productive class in society and the landowner as one who appropriates the surplus created by the land workers. Turgot, in his work "Reflections on the Formation and Distribution of Wealth", stated that the landowner, or *proprietaire cultivateur* could, from the surplus that nature gave to his labor, "pay men to cultivate his land; and for men who live on wages it was as good to earn them in this business as in any other. Thus ownership could be separated from the labor of cultivation, and soon was."

their whole system. Henry George says: "In their practical proposition, the single tax, they proposed the only means by which the free trade principle can ever be carried to its logical conclusion - the freedom of not merely of trade, but of all other forms and modes of production, with full freedom of access to the natural element which is essential to all production."

The Physiocrats made another fatal mistake, which George comments on, and it was a political mistake that cost them and their programs dearly.

The year 1774 in France saw the return of the cyclical appearance of bad harvests leading to outbreaks of famine, the hoarding of corn for speculative profit and widespread agricultural riots in reaction to the excessively high price of flour. The rural social unrest and the consequent response by the government became known as the "flour war". River barges were stopped and forced to unload their wares at prices set by the crowds. Attacks on granaries and mills had the same result. A crowd of five thousand threatened to storm Versailles and was only stopped when it was promised flour at two sous a pound by the commander of the Royal Guard. At the same time an infection of cattle murrain decimated the country's herds; Turgot issued an edict for the peasantry to destroy infected animals and bury them in lime; this was met with much resistance from the peasantry. There were widespread reports of cattle smuggling across fields and through forests in the dead of night to avoid the cattle inspection and quarantine.

This happened at the worst time for Turgot's ministry; he had just issued edicts deregulating the meat trade. Turgot's response was to think the peasantry were feigning hunger. He ordered out the national guard and instituted exemplary public hangings.

In abolishing the *corvée* or system of forced labor that the aristocracy imposed on the peasants, Turgot substituted a payment in cash from the peasant - something few peasants could afford. He did, however propose ultimately replacing the *corvée* with a property tax to be paid by all sections of the population. The abolition of forced labor and the idea that all citizens should pay taxes infuriated the aristocracy and this, along with other of Turgot's edicts designed to abolish aristocratic privilege, led in large part to his downfall. The aristocracy took the opportunities presented by the peasant uprisings to attempt to drive a wedge between Turgot and the King. Turgot's response was to make haste and try to impose his reforms as quickly as possible. His friend Maurepas cautioned him to move more

slowly and more cautiously, to spread out his reforms over a number of years.

This Turgot refused to do. In his frustration he turned upon Louis XVI, famous for his hesitancy and vacillation, saying: "Some people think you are weak, Sire, and indeed on occasion I have feared that your character has this defect." He urged the King to install his reforms by royal fiat, over the heads of *Parelement*. Within thirteen days he was dismissed from the Ministry. Many of his supporters within the Ministry were also dismissed as were many of his reforms already in place.

The Physiocrats, with their ends-justified revolution from above, were victims of both their own arrogance and natural circumstance. Unable to see the contradiction of mandating liberalization through the mechanisms of absolutism (they referred to their edicts rather proudly as "legal despotism") and unwilling to take into account the actual material conditions of the populace, their attempts at reform collapsed before they were given any chance of succeeding. In *The Science of Political Economy* Henry George says: "They were deluded by the idea ... that the power of a king whose predecessor had said 'I am the State!' might be utilized to break the power of other special interests, and to bring liberty and plenty to France..." The possibility of true reform was severely limited as long as many feudal structures and aristocratic privilege persisted. Quesnay himself always believed in the absolute monarchy; he said "There can be only one absolute power, the system of counter-balances in government is ruinous." Mercier de la Rivier said "Because of the fact that man is intended to live in a community, he is intended to live under despotism." The most democratic of the Physiocrats appears to have been Turgot, though he never grasped the idea that the people themselves should have a right to choose; in fact, as we have seen, he was all too ready to rely on despotism to achieve his ends.

**T**he case of the poor, Spinoza felt, was an obligation incumbent on the society as a whole. And there should be but a single tax. [Spinoza wrote in 1675:]

*The fields, and the whole soil, and if it can be managed, the houses should be public property, that is, the property of him who holds the right of the commonwealth; and let him lease them at a yearly rent to the citizens. With this exception, let them all be free and exempt from every kind of taxation in time of peace.*

(From *The Story of Civilization* by Will and Ariel Durant, V. 8, p. 653)

## THE "CLEAN SLATE"

(continued from front page)

maintain domestic peace, and to secure loyal local soldiery against the threat of foreign invasion. The Bible gave this social strategy the status of a divine command.

One reason why Dr. Hudson considers it so vital to understand the history of Bronze Age debt cancellation practices is to show that, far from being mere symbolic or rhetorical pronouncements of righteousness, the Old Testament's laws concerning debt cancellation and the proclamation of freedom (*deror*) had been a well-established function of civil society for thousands of years. Until the recent finding and deciphering of the ancient clay tablets on which the *deror* edicts were recorded, most biblical scholars doubted that these policies were actually practiced. "Modern readers of the Bible may skim over these laws quickly as if they were fine print, so to speak," writes Hudson, "but to the Biblical compilers they formed the very core of righteous lawgiving."

This vision of social justice is also pervasive in the New Testament. When Jesus says he has come to proclaim liberty to the captives, the word we translate as "liberty" is the very word that meant debt cancellation in the Mosaic Laws. Jesus's angry expulsion of the money-changers from the Temple in Jerusalem, Hudson argues, must be seen in the light of his commitment to reinvigorating that tradition in his day. On that occasion Jesus cited Jeremiah, "My house will be a house of prayer, but you have made it a den of thieves." This is especially significant, because Jeremiah was one of the "social prophets" who, in the sixth century BC, sought to restore the Jews to the divine social contract of the ancient Mosaic laws.

Hudson notes a modern irony in that the inscription on the U.S.A.'s Liberty Bell, "Proclaim liberty throughout the land, and to all the inhabitants thereof," is usually thought to refer to democratic political liberties, but the full verse in Leviticus speaks explicitly of debt bondage: "Hallow the fiftieth year, and proclaim liberty throughout all the land... it shall be a Jubilee unto you; and ye shall return every man unto his family." The reunion of families was, of course, a consequence of the cancellation of debts, because debtors, having lost their own lands, were commonly compelled to live and work on the lands of their creditors.

(continued on page six)

*Liberation theologians seem to have a blind spot with regard to the Biblical economic laws. The upshot is a "liberation theology" without liberation in the single most important Biblical sense of the term.*

## PHILADELPHIANS ENRAGED BY ONE SPECULATOR'S GRAND PROFITS

Philadelphia real estate mogul Samuel A. Rappaport has been all over the Philly news this April, because of the particularly egregious extent of his speculative practices, which tie up a great deal of prime downtown locations in unmaintained blight, until their value appreciates. This "master real estate speculator has made millions of dollars in Center City over the last 30 years. In so doing, merchants and others say, he has hurt businesses trying to survive the recession, hampered efforts to revitalize Center City, and damaged the face of Philadelphia." In their Sunday feature article in the *Philadelphia Inquirer* on April 4th, writers Ginny Wiegand and Anthony Wood listed the most telling Rappaport statistics: his Center City holdings take up as much space as 600 rowhouses. He owns 54 buildings, and 28 of them are in poor condition. Ten are fully occupied; 22 are vacant. Overall, the vacancy rate for his buildings is 75 percent.

### WHAT TO DO ABOUT THE RAPPAPORT SITUATION?

Students of Henry George are not hesitant in their recommendations. This controversy has made Philadelphians take note of the problem that is endemic to every great city in the United States. There are thousands of Rappaports; they simply don't usually make the evening news.

Since a school does exist in Philadelphia which analyzes the problem of land speculation and proposes a solution for it, it seems likely that the Rappaport flap might lead some reporter to that school - and in fact, *Inquirer* reporter Craig Stock devoted most of his "The Economy" column on April 7th to the LVT solution. Mr. Stock's information came from Philly HGS Director Mike Curtis, although Mike's name does not appear in the article. Although the average Philadelphian was only lately concerned with land speculation, the School had been doing its homework on the subject. Stock cites the HGS in reporting that *(continued on back page)*

Rappaport - who has also won fame over the years as a philanthropist, giving large sums to, among other things, the Foundation for Architecture and other historical preservation agencies - is no victim of bad luck. His high vacancy rate is clearly a profit-making strategy, and a successful one at that. His M.O. has been to buy Center-City properties, apply little or no maintenance to them,

put them to minimal use, if any, and then to sell them sometime later for three to five times the original price. The *Inquirer* authors quoted the owner of a boutique across from one of Rappaport's buildings: "It's like he's systematically out to destroy the city."

If so, he is not the designer of the system. Rappaport may be the biggest, baddest land speculator in Philadelphia, but he is not the only one. Indeed, huge areas of vacant land fester in the city, especially in blighted North Philadelphia, where entire neighborhoods are abandoned. In fact, Samuel Rappaport's standing in the community is such that many are hesitant to criticize him, including Philadelphia Mayor Edward Rendell, who received a \$40,000 campaign contribution from Rappaport. Former Mayor William J. Green put these doubts into words for the *Inquirer* article: "You can't really stop somebody from buying a property. That's the core of what America is all about."

Unable to stop buyers from buying, Philadelphia has watched with sadness and growing outrage as the Victory Building, an architectural masterpiece that was a major attraction at the Centennial Exposition in 1876, has fallen into dangerous decrepitude during nineteen years of ownership by Rappaport. Pledging, then, to fully restore the building, Rappaport proceeded to do nothing at all with it. A 1982 first-floor fire further damaged the historic building; now the Licensing and Inspection Bureau repeatedly cites the owner for dangerous falling glass, and the entire interior has been scavenged. Last-ditch efforts are being undertaken to stop the building's demolition - although many think that was Rappaport's objective all along. The owner appealed for lower property tax assessments, citing the dilapidated condition of the structure. But: although in 1991 Rappaport appealed the city's assessment of the property at \$2.61 million as being unreasonably high, his selling price for the property remains firm at \$5.5 million.

And he may get it. The last word in the Victory Building article was given to Terry Gillen, deputy commerce director and coordinator of a mayoral advisory panel on what to do about the Victory situation. "Everyone's looking for us to pull some rabbit out of a hat, but I'm hopeful we will because this building is near the convention center. I think that as soon as the convention center opens, somebody's going to figure out that it's a great location."

## THE "CLEAN SLATE"

(from page five)

Are there any valid lessons for modern policy in these historical practices of debt cancellation and land tenure? Dr. Hudson's answer is a resounding yes:

*If there is any one region where social protest against debt and great landed estates (latifundia) logically should be most intense, it is Latin America. Yet the continent's liberation theologians seem to have a blind spot with regard to the Biblical economic laws. The upshot is a "liberation theology" without liberation in the single most important Biblical sense of the term - freedom from the impoverishing consequences of debt (now international as well as personal), and freedom of the earth from absentee appropriation (now by foreign corporations backed by World Bank underdevelopment programs as well as by individual landlords).*

There are important points of agreement between Hudson's debt thesis and the theories of Henry George. Indeed, Hudson argues that because so much real estate value is collateralized, the unearned increment of land rent is at the base of debt crises, both current and historical. His theory corresponds in a fundamental way with George's theory of the business cycle, which states that in any growing economy, speculative increases in rent take an ever-increasing share of the wealth produced, leading inexorably to cyclical decline in production. The speed and efficiency of modern electronic trading and banking systems has only served to accelerate this process, as seen in the wild speculative binges that resulted in the Savings and Loan crisis.

Indeed, Hudson observes that "most of today's debts have no counterpart in creating mutual gains between borrower and lender, and thus constitute parasitic usury rather than economically valid loans deserving interest."

An even more fundamental point of agreement between Hudson's views and those of Henry George, however, is the assertion that an economy which fails to make its debt and landholding patterns fit the natural laws of distribution does so at its own peril. "What once was the core of social renewal and religious ethics has now become the Unthinkable. That is the ultimate irony which may strike future social historians looking back on our era."

*Editor's Note: Design and typesetting for this publication were done by HGS alumnus, faculty member, and all-round good friend Lynn Yost, who is a graphics and design consultant in Manhattan. Most of Lynn's work on the project, which is of first-rate professional quality, was donated. I'd like to take this opportunity to offer thanks and congratulations to Lynn, and to hope for many other future collaborative projects!*



In *Fundamental Economics*, we teach the pervasiveness of the land speculation problem; this implies that we ought to be able to walk right out our front door and find good examples of its effects. In fact, we can - and at the New York HGS, situated as it is in midtown Manhattan, the task is ridiculously easy.

The nearest subway station to the school is the IRT #6 train at 28th Street and Park Avenue South. Our staff and students climb streetward from this public conveyance, which struggles to make ends meet, continually cutting back on services and increasing fares - but whose presence nevertheless increases the value of surrounding properties. In the two-block walk from there to the school, we invariably pass homeless panhandlers - and nice residential units that we can't afford. We also walk past, on that very corner, a surface parking lot.

Now this is a very valuable lot. That fact is seen in its location, the proximity of public transportation and other amenities, and above all by the sort economic activities that take place on the other three corners of the intersection. Across 28th St. to the north is 404 Park Ave. South, a 16-story mostly residential building on a 7300 square foot lot. At ground level, it houses a jewelry store and a thriving computer dealer, and one vacant storefront. Moving to 403

Park Ave., the northeast corner, we see a twenty-six story building of housing units on not quite 9500 square feet, with a restaurant, a photo shop, and one vacant storefront at street level. Turning south, we see a huge 12-story building at 401 Park, on over 18,000 square feet. It houses no less than six businesses on avenue

and street: a furniture store, a department store, a large & bustling deli, a dry cleaner, a pharmacy and a Federal Express office. Many people live and work here. These buildings are viable, multi-million dollar improvements, notwithstanding their property tax bills.

A quick trip to the assessor's office is summarized in the table below.

A few notes on this data are in order. It is interesting that 401's land value assessment is so low. It is by far the largest of the four plots, and it would seem reasonable to expect a square foot on one side of Park Avenue to cost about the same as a square foot on the other side. One explanation could be its proximity to the huge armory/public shelter between 26th and 27th. But, it is the only building of the three with tenants in all its commercial spaces. In fact, the vacant storefront in 404 used to be occupied by the furniture store, Jennifer Convertibles, that has just moved

to 401 - possibly due to lower rent! It ought also to be noted that if the tax bill on 26-story 403 seems low, it is because this year's assessment exempts some \$6 million worth of new housing units. And, observe that the city assessors seem to consider the parking lot utterly unimproved. It is paved, has a tiny structure which houses its one employee, and has a steel contraption which enables two cars to be stacked in one space. Apparently the ramps are removable, hence not considered a structure, and the shack's value is not enough to bother with.

The parking lot's tax

bill, while sizable, would appear to be low enough not to deter speculation. Certainly not in midtown's parking market: the lot has 85 spaces, at a daily rate of \$15 each. If only half of these spaces are filled on each working day for a year, that would bring in a gross income of about \$168,000 - just about enough to break even after taxes. The lot's property tax bill amounts to a mere 4.5% of its assessed market value of \$3.3 million - and its actual selling price could be considerably more than that.

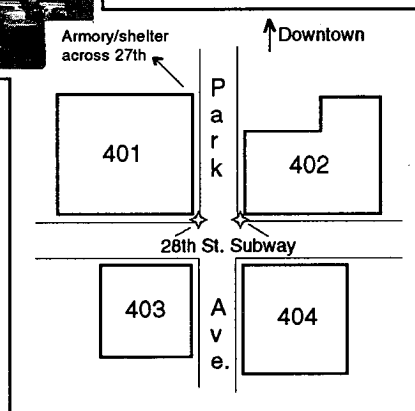
As if the low tax rate weren't encouragement enough, New York law provides land speculators with a further

incentive. Increases in land value are not assessed all at once, but are phased in over a five-year period. This means (roughly) that were the market value of that property to shoot up to \$5 million next year, only one-fifth of that \$1.7 million appreciation would be reflected in next year's tax bill. Why build?

It is abundantly clear, in any case, that the economic use of the lot at 402 Park Avenue South is not a surface parking lot with one employee. It is an eighteen-story building, providing lots of construction jobs initially, before setting down to employ a few dozen and house a few hundred.

The real moral to this story, though, is that you don't need to be an expert at assessment to gather real-world evidence to support the theory of Henry George. The property-tax rolls are public information, and aren't too dauntingly hard to decode. And if you can easily document an example that is, literally, right in front of your students' noses, so much the better!

## TEACHERS' CORNER



ADDRESS	402	404	401	403
Land Value	\$3,300,000	\$2,700,000	\$3,150,000	\$2,902,500
Square Feet	11,250	7,332	18,315	9,476
Bldg. Value	\$0	\$8,803,400	\$9,718,300	\$13,541,300
Taxable Assm't	\$1,485,000	\$5,176,350	\$5,790,735	\$6,048,768
Stories	0	16	12	26
Value per sq. foot	\$293	\$368	\$172	\$306
Tax Bill	\$147,164	\$512,976	\$573,862	\$599,433
Tax per sq. foot	\$13	\$70	\$31	\$63

## RAPPAPORT (continued from page six)

if the same amount of property tax revenue were to be collected from a tax on land only, the tax on the Victory Building would rise from \$49,147 a year to about \$149,000! Not what Mr. Rappaport wants to hear, but good news for Philadelphians!

Nevertheless, Stock's endorsement of the idea is lukewarm. Although he concedes that the reform "might be worth a look," he notes that the reform would discourage activities, such as warehousing, auto dealerships, and (!) oil refineries, which use lots of land but have relatively cheap structures.

Mike Curtis, however, has a bit more to say than that. One might question, he suggested, the appropriateness of such low-intensity land uses as warehouses and auto dealerships in a bustling urban economy; perhaps the existing tax system is the largest reason why they exist so close to the commercial center. As for oil refineries, Mike notes that "what's good for the oil refineries ought to be good for everyone else. The huge value they have in tanks and fixtures is already exempt from the property tax, and their land value is small compared to commercial land. Eighteen per cent of Philadelphia's revenue comes from the property tax, but 14% of revenue comes from the taxes on buildings. Obviously, the oil refineries have a sweet property tax deal, compared to other city businesses."

## HIGH SCHOOL URBAN WORKSHOP (from front page)

Regional Commissioner, United States Bureau of Labor Statistics, Mr. Benjamin presented the student audience with "real numbers" apropos the New York City job market: which jobs are declining and which fields are still experiencing growth. In 1991-92 the fields of finance, construction, manufacturing and transportation have all experienced major losses of jobs. Health and social services, on the other hand, have seen some increases. Employment areas that Mr. Benjamin sees growing into the next century include retail sales, electronic engineering and food service management.

Finally, Christine Shaw, Economic Affairs Officer with the United Nations Department of Social Information and Policy Analysis, spoke on the impact of the world economy on the United States, including the trade deficit and the possible ratification of the NAFTA treaty.

About 70 students and some fifteen of their teachers from all five boroughs attended this workshop. Response was enthusiastic, and many already look forward to the 27th workshop, planned for this fall.

## SOCIALIST SCHOLARS CONFERENCE (from front page)

of the Henry George School in a panel on land rent and debt was suggested by Dr. Michael Hudson, who has participated in this conference many times over the years. For 1993, Dr. Hudson wanted to put together a panel on land reform and debt, particularly in connection with the Liberation Theology movement in Latin America, which is seeking a workable economic paradigm. However, the leading publisher of works on liberation theology, Orbis Books, was unable to find any speaker on the subject. Ultimately, only one organization in Dr. Hudson's considerable circle proved ready (even eager) to deal with debt and land reform: the Henry George School. Indeed, this panel was eagerly welcomed by the conference organizers, since it was the only one on the entire program dealing explicitly with economic issues.

On the panel with Hudson were HGS Executive Director George Collins and Assistant Director Lindy Davies. First up was Davies, who introduced the viewpoint of three-factor economics and why the fundamental importance of land rent is either ignored or misunderstood in modern economics both right and left.

Then, George Collins discussed the potential for Georgist land reform in the countries of the former Soviet Union. The small audience listened attentively as George explained the potential for a sane economic order in a nation where the land is already owned by the community. He explained that the problem of land tenure and valuation must be resolved

soon, since it is vital to privatization and currency stabilization.

Finally, Michael Hudson showed how the worldwide debt crisis is a direct consequence of the land problem. Most of the developing countries struggle under a yoke of foreign debt, necessitating "austerity programs" and social unrest. Yet foreign loans generally do nothing to help either productivity or living standards in those countries; they mainly line the pockets of the landowning elite.

Two people who attended the panel (one a graduate student in economics at Columbia University) made plans for further research at the School.

On the next day, Sunday, George Collins was the moderator of a panel on conspiracy theories, which featured two HGS friends and occasional presenters: Dennis King, author of *Lyndon LaRouche and the New American Fascism* and *Get the Facts on Anyone*, and journalist Kahlev Pehme, former editor of *Our Town*. Also on the panel was counterculture scholar-at-large A.J. Weberman.

It shows, perhaps, something about the eclectic and somewhat fragmented nature of this conference that the conspiracy-theory panel was presented to a capacity crowd, while the economics panel took place in a nondescript classroom to a small group of stalwarts. Economics, apparently, is a dismal science in the minds of socialist scholars in 1993. It would have been better had more of them attended a panel which showed that is not necessarily so!

## Mapping Nature's Value (continued from page three)

Harrison for the Russian Fund.

*Toward Eden* is an invaluable contribution to the debate over land privatization, and the time for its message to be heard is now! Arthur Palmer's daughter, Constance Hildesley, is an

architect and urban planner who will surely enlarge upon her Dad's contributions, and help us if we ask.

*Toward Eden is available from Julia R. Palmer, 157 East 81st St., New York, NY 10028. Send \$15; \$10 of which will be a tax-deductible contribution to the Natural Resources Defense Council of New York.*

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