

Oct, 1945

A Century of Rhinelandersism

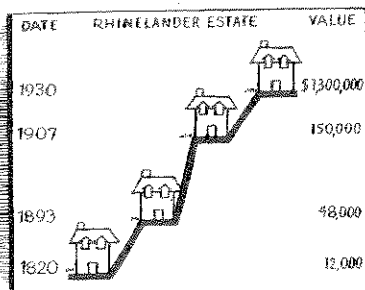
Frank Chodorov

SHORTLY after William McKinley swung into the White House on "the full dinner pail," a game of one-o-cat was going full blast in the vicinity of Washington Square, New York. By virtue of a lusty swat, the "cat" veered out of bounds, hit a sleek horse in the ribs, and completely upset the ritualistic rectitude of two coachmen atop the attached carriage. In the ensuing excitement, we kids got away on our fleet little feet.

The incident came to mind when I read the other day of the sale of the ancestral home of the Rhinelanders family—for \$1,300,000. Perhaps a psychoanalyst can make something of my remembering the game nearly a half-century later and why I felt impelled to go snooping into ancient tax assessment tomes to learn how this corner was parleyed in a little over a century into this vast "take."

According to record, this parcel of bonanza land was purchased by William C. Rhinelanders in 1820. Somewhat previously it was considered to be far "out in the country," too far, for occupation by civilized people.

Who is entitled to the "profit" when land values go climbing up, up, up?



However, shortly after the turn of the nineteenth century, the lower end of Manhattan Island became so overrun with later immigrants that the "rich and well-born," as Alexander Hamilton named them, sought refuge in a social milieu of their own. They picked an erstwhile Potter's Field for their haven; it has since become a public park, called Washington Square, in honor of the Father of our country. The adjacent land promised a desirable and permanent escape from the mob, for even if the city should grow up to meet it, which seemed unlikely at the time, the park would always form a protective moat.

Now, a million and three hundred thousand dollars add up to a lot of steaks and clothes and other good things, and idle curiosity (or was it

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envy?) prompted inquiry into the price paid for this lot, and how to account for the "profit." I found no record of the original price. The earliest assessment book is dated 1832, twelve years after the purchase, and the value put upon the parcel as a basis for taxation was \$10,000. The parcel consisted of four lots, the one recently sold and three more facing on Fifth Avenue and Eighth Street.

IN 1830, according to the census, the population of New York City was 242,278. That figure, as this story will disclose, is important. If we look into land values of a city of that size, even today, we find that a price of \$10,000 for four park-facing lots would put them at some distance from the center of population.

A municipal project in this area added much to its desirability, and portended an elegant future. This was the University of the City of New York. However, the building of this institution was begun during the second major depression suffered by the country. Turbulent, indeed, were the times. In *Rise of American Civilization*, the Beards describe this period as "the panic of 1837." "Hundreds of banks failed; mills were shut down; work on canals and railways stopped; thousands of laboring people were turned into the streets; federal revenues fell off until a deficit supplanted a surplus; land sales dropped off; speculation came to a standstill."

Apparently the four Rhinelander lots barely held their own, for by 1857, when another panic hit the country,

their assessed valuation was only \$11,000, and the population of the city had grown to nearly 700,000. Just what the lots were worth will never be established, for it is a truism that the real worth of anything is established only when an actual sale takes place. Real estate records of sales show that the market value of land is, on the whole, much higher than assessment figures.

In 1857, over 985 business establishments in New York went bankrupt and many more suspended operations. More important, an estimated 25,000 persons were unemployed, and the Common Council went in for make-work projects. But public building projects, such as the construction of Central Park, did not entirely relieve the distress, for in one district alone 10,000 people were fed, one December day, by public and private charity.

The Rhinelander lots held their own, but labor was a drug on the market. Many laborers bidding for available jobs pressed down the wages of each. The more that came, the higher went the value of land; and the higher the value of land, the lower the returns to labor. The fact that the Rhinelander lots held up during the depression is understandable.

In 1873, when another devastating panic hit the nation, the population of New York City was well over a million, and the Rhinelander lots were then assessed at \$34,000. This time, partly because so many more people were involved, partly because the greater sub-division of labor had made people more interdependent, the new

economic paroxysm was attended with greater social disturbances. In the Pennsylvania mining section there arose a secret labor society known as the "Molly Maguires." These desperate men went in for mayhem on and murder of their bosses and foremen, as a means for protecting their jobs. The railroads were another center of violent disturbances. In 1877—depressions now lasted longer than did the earlier ones—the workers on the Baltimore and Ohio, made desperate by frequent wage-cuts and indiscriminate discharges, quit cold and without union direction. Before long the spontaneous strike spread over the whole eastern part of the country and brought railroad transportation to a standstill. Riots followed when attempts were made to replace the strikers, the militia was called out in several states, even the federal troops, and hundreds were killed and wounded in Baltimore, Pittsburgh, Columbus, Buffalo, Reading, Chicago and other places.

In spite of this disruption of the economic life of the country, and the consequent decline in human values, the tax assessors, in 1875, re-evaluated the Rhinelander property on the corner of Fifth Avenue and Washington Square at \$38,000. Its value kept rising, along with the population of the city.

The next milestone in the socio-economic history of the country was 1893. Here the faded assessment figures showed that the family had sold three of the four lots and the fourth was assessed at \$12,000. This indi-

cated an approximate value of \$48,000 for the original tract.

By 1897, when the so-called Cleveland panic had run its course, the valuation for the one lot had jumped to \$60,000. That is to say, during the four years of widespread hardships and bloody disturbances, in spite of the pitched battle between Pinkerton detectives and strikers at Homestead, Pennsylvania, the Haymarket affair in Chicago, and other evidences of suffering, the value of this one little spot in the country had multiplied itself five times.

WE ARE NOW down to what, to me, are modern times. I remember well the "gold" panic of 1907. On the corner of Eighth Street and Broadway, five minutes' walk from Washington Square, a bank patronized by my family shut down, and it took a squad of police to keep the milling, angry crowd from breaking into the place. Near-by was the famous Fleischman breadline. Every night at the stroke of twelve, cuts of the day's unsold bread were handed out by the owner of this fashionable bakery to the human derelicts standing for hours in line. It was pitiful. And it went on intermittently over a period of years. Duplications of this detail in the American way of life could be observed at the Bowery missions, while stories of suicides, girls selling themselves for a living, crime waves and other indications of a degraded humanity made run-of-the-mill newspaper copy. The value of man was very low.

What about the value of the *lot* on Washington Square North and Fifth Avenue? The 1907 assessment is very telling. By this time the tax department had begun separating land values from building values. And in this year it listed the land in question at \$150,000!—the building at \$30,000. Here we see how unsound our whole real estate tax system is. The house, which had been put up nearly a century before, could not have been as sound, no matter how carefully it had been preserved, or even though it had been improved, as it was when first put up. Bricks decay, wood rots, metal corrodes. Not only do the elements take their toll of buildings, but technological advances make them less desirable almost as soon as they are finished. Yet, the Rhineland house was valued by the 1907 tax assessor at more than the figure put on house and land eighty years before. The chances are that the building, as junk, could not have fetched the cost of demolition; the land was worth even more than the assessor dared to indicate, as the final selling price reveals.

BUT, REGARDLESS of the injustices practiced in assessing improvements, the fact that land values were climbing in the face of depreciated human values ought to make us sit up and take notice. Why was this so? The population figure for New York City was, in 1910, a little short of five million. The city had long ago become the commercial and manufacturing center of the country. Just off Washington

Square, in fact, all around it, factories and office buildings housed thousands of workers. Within sight of the Rhineland windows, there occurred the spectacular and notorious Triangle Shirt Waist Company fire, in which nearly a hundred girls perished. Six blocks away was a department store center. Near-by were many hotels, whose patrons swelled the city's population and whose spending of imported wealth added considerably to the business opportunities of the community. The great subway had been built a few years before, making Washington Square even more accessible and therefore more desirable as a place to live. It was in the heart of the popularized Greenwich Village, home of the esthetic malcontents and thrill-seekers of New York. Another subway connected Long Island with Manhattan Island, the new Grand Central Depot was under way and the Pennsylvania Railroad was bringing to reality its ancient dream of a tunnel from New Jersey, so that New York would soon become hours closer to the whole country. A growing population demands more social services, and social services in turn attract more population. And people need land to live and work on. Their bidding for the choice sites boosts the value of these sites.

Some time between 1907 and 1930 the Rhinelanders acquired additional property in Washington Square, for the assessment record of the latter year has them again charged with four parcels. Now the assessed figure is \$800,000 for the land, \$75,000 for the improvements. New York is now a

city of 7,000,000. The ridiculousness of the building valuation is accentuated by the fact that the Rhinelanders had long since abandoned the ancestral home. For years the only occupant was the caretaker. When the property was sold recently, the new owner immediately discounted the house; he bought only the site, which would have been more valuable to him had it been vacant.

Well, in the 1930's we had another depression. Yet the Washington Square holdings of the Rhinelander estate kept climbing in worth, and this year the original investment of about \$10,000 brought \$1,300,000. Where did the "profit" come from? Who made it? What equivalent in goods or services did the Rhinelanders add to the value of this property? Or to the general fund of wealth? The answers to these questions are important. Multiply this increase by the number of sites that make up the total land of this country—not forgetting farm, mineral and railroad lands—and maybe the sum will throw some light on the lowering of wages during and between the five major depressions we have suffered in one century.

Progress Retarded—But Not For Long

Because of our inability to secure the necessary materials, *PROGRESS GUIDE* was obliged to forego the publishing of the August and September issues. Subscriptions in force are being extended, however, so that, ultimately, subscribers will receive the full number of issues subscribed and paid for. Factors can retard, but never halt, the march of Progress.



EMIL LUDWIG, famous German-born biographer, tells of the threat to peace posed by the German concept of honor. Ludwig's comprehensive analysis of the differences between our own and the German conception of honor is something every American will want to read.

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LEFT-HANDED? Henry George III, noted physician of Wilmington, Del., explains why some people are left-handed and mentions numerous objections to training a "southpaw" to use his right hand.

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COL. ROBERT SCOTT, author of the best-seller, *God Is My Co-Pilot*, relates a stirring story of his recent experiences in war-torn China, where faith and hope still live in the hearts of shattered men.

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CLAUDE MCKAY, one of the foremost Negro authors of our day, presents a challenging article on racial discrimination. McKay not only recognizes the seriousness of the problem, but also offers a solution. Look for this interesting discussion in the forthcoming issue of *PROGRESS GUIDE*.