

Henry George News

Volume 58, Number 2

March - April, 1994

Study Details Benefits of Two-Rate Tax Shift in New York City

Barry Elias, an advanced student at the New York HGS, has been applying himself as a volunteer research assistant in the quest for real-world numbers on property tax reform. He has completed a study showing the rates, revenues and probable effects of a revenue-neutral shift to a two-rate property tax system in New York City.

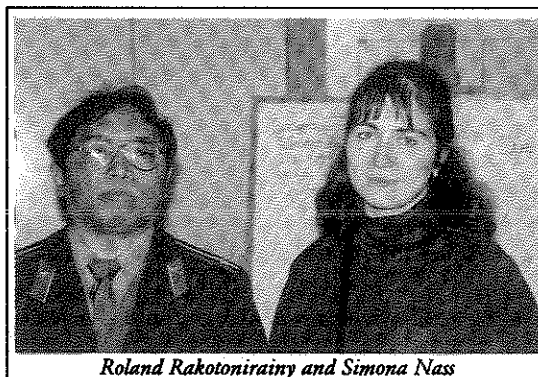
His analysis (summarized in the table on page three) is as interesting for the changes it does not consider as for those it does. Barry envisions a two-rate shift, within New York City's convoluted and inequitable existing system. There is no provision in Barry's study for such messy matters as assessment reform, or changing the inequities that result from the four-class property tax scheme itself.

While their lack does not compromise the usefulness of Barry's report, those reforms are needed in New York City. Currently, Class 1 properties - three-family homes and under - are charged a property tax rate that is 5.35 times less than larger residential properties in Class 2! (See article on tax reform in the Jan. - Feb. *HGN*). Furthermore, land assessments often bear little resemblance to actual market values. In many cases, the assessed "market value" of land is determined by a more-or-less arbitrary assignment from the total real estate value. There are some indications that the City Assessors, perhaps recognizing, on some level, the wisdom of higher taxes on land values, have been quietly bumping up the assessed value of land parcels for some time. If so, however, they have done it in an unpredictable and inconsistent way that has further distorted the city's economy. Clearly a fair and comprehensible property tax system requires assessments that are as accurate as possible, but in this city, assessments have gotten less accurate.

Nevertheless, the two-rate system that Barry Elias envisions does not require such deep reforms for its effectiveness. He shows how a revenue-neutral shift would relieve taxes on improvements by some \$500 million (and increase the public collection of land rent by the same amount). (continued on page three)

Seminar Surveys Electronic Frontier

Until quite recently, computers and telecommunications have mainly been seen as the tools of specialists, whether in science, business, or the mysterious community of "computer geeks." That is changing, very quickly. The explosive proliferation of access to the Internet and other online net-



Roland Rakotonirainy and Simona Nass

work services, as well as the political debate over the future of the "information super-highway" have placed the brave new questions of our newly hyper-connected society right in our faces. A seminar at the New York HGS on March 5th, entitled "Privacy and Community on the Electronic Frontier," dealt provocatively with many of those questions and raised a few more.

Simona Nass, President of the Society for Electronic Access, a New York-based nonprofit organization devoted to research and dialogue on legal issues surrounding telecommunications, explained that the nature of the new electronic media has given rise to distinctly new civil-rights questions. We have long been accustomed to various agencies keeping records on us, she noted; such things as motor vehicle and hospital records are useful and necessary. But, when merchandisers of, say, baby products learn from your medical records that you are expecting, and start barraging you with advertising, you might feel that your privacy has been compromised. The ease - and sheer volume - of information exchange simply overwhelms traditional methods of ensuring confidentiality. We are hard-pressed to determine who knows what about our business.

The biggest area of contention at present is that of digital telephony and encryption. In the (continued on back page)

Financing Planet Management

A fruitful collaboration has ensued between two forward-thinking women in the Georgist movement, judging by the Winter '93-94 issue of *The Mercury*, the newsletter of the Northern California HGS, edited by Mary Rose Kaczorowski, and *Financing Planet Management*, a new booklet written by Alanna Hartzok (and designed by Mary Rose). The theme is "Sovereignty, World Order and the Earth Rights Imperative," applying the paradigm of public land-rent collection to the accelerating international problems of the looming millennium.

A key document, reprinted in both publications (see page six), is the "International Declaration on Individual and Common Rights to Earth." The declaration was presented at last summer's CGO conference in Los Angeles, in the form of an impressive poster (which incorporated the graphic reprinted on page two). The document was first presented, however, at the 1949 International Conference for Land Value Taxation and Free Trade in London. New supplementary text, written by Mary Rose Kaczorowski, citing facts on current concentrations of land ownership and articulating a modern international Georgist message, forms the reverse side of this powerful document.

Alanna Hartzok recognizes that the notion of international sovereignty is not widely recognized, but she asserts that the need for it is strong enough that it will be, sooner or later. She quotes the conventional wisdom of Peter Hansen, Executive Director of the Independent (UN) Commission on Global Governance, "The United Nations cannot by the nature of things, have the formal attributes of (continued on page three)

CGO Conference Update

The 1994 conference of the Council of Georgist Organizations will be held in Fairhope, Alabama's lovely "single tax community," on October 5th - 10th. Conference Program Chair George Gilmore promises thought-provoking seminars and lectures followed by "evenings filled with food and fun," including tours, a cruise and a Fairhope Fish Fry. Details, prices and registration information will follow in our next issue!

Henry George News

published by

Henry George School
of Social Science

121 East 30th Street
New York, NY 10016
(212) 889-8020

Edward J. Dodson
President

George L. Collins
Director

Lindy Davies
Editor

David Domke
Writer

AFFILIATES

LONG ISLAND

Stan Rubenstein, Director
P.O. Box 553
Cutchogue, NY 11935
(516) 734-7543

PHILADELPHIA

Mike Curtis, Director
413 South 10th Street
Philadelphia, PA 19147
(215) 922-4278

NEW ENGLAND

Ernest Kahn, Director
114 Ames Street
Sharon, MA 02067
(617) 784-3086

CHICAGO

Sam Venturella, Director
1772 W. Greenleaf Ave.
Chicago, IL 60626
(312) 338 - 6698

CALIFORNIA

Wendell Fitzgerald, President
1568 Schrader Street
San Francisco, CA 94117
(415) 661-6933

Harry Pollard, Director
Box 655
Tujunga, CA 91042
(818) 352-4141

Evelyn Friend, Director
5216 Fernwood Way
Sacramento, CA 95841
(916) 331 - 1490

DOMINICAN REPUBLIC

Lucy Silfa, Director
Apartado Postal 758
Santo Domingo,
Republica Dominicana
(809) 565 - 6725

CANADA

School of Economic Science
2267 Westman Road
Mississauga, Ontario L5K 1M7
(416) 822-4694

Gaye/Gerry Shaw, Co-Directors
3017 25th Street, S.W.
Calgary, Alberta T3E 1Y2
(403) 242-4291

The Land for the People - of the World

- by Lindy Davies

Last June, a rusty freighter tottered onto a sandbar near the beach of Far Rockaway in New York. Its patient cargo caught sight of American shores and couldn't wait any longer. They swam for it. Seven died; five escaped (New York tabloids noted reports of "wet, disoriented people offering money to use the telephone") and the rest, some 280, were shipped off to detention centers. Sympathizers tried to send in a big order of Chinese take-out, judging that the newcomers might not be cheered by the Wonder-bread American-cheese sandwiches that were being provided; that hospitality was disallowed by the I.N.S.

It turns out that for some years the United States had been uncharacteristically lenient regarding Chinese immigration. Almost every Chinese person seeking political asylum was allowed in, and many aliens were allowed to slip through. Criminal gangs quickly saw the profit to be made, and began charging as much as \$30,000 to get each immigrant here - which, in most cases, was to be paid off in years of slave labor.

On turn-pikes through mountains, signs warn of falling rocks; "deer crossing" signs have proliferated in many wooded areas; but on the freeway outside of San Diego there are signs warning motorists to beware of crossing immigrants.

Meanwhile, middle America is in a panic. Jobs are going south! Manufacturers are finding lower costs of labor and regulation almost anywhere but here. There is a whole lot of boundary-crossing going on - of labor, and capital - and more to come.

Has anyone noticed how often questions and confusions of national sovereignty are cropping up in the news of late? Supposedly it is a perfectly stable, conventional concept: a nation's right to secure

borders. Politicians say it and people nod their heads. But there is - just beneath the surface - a general bewilderment about it. Here are a few prominent examples:

Iraq's invasion of Kuwait: a blatant attempt to seize the territory of a sovereign nation, met with Allied fortitude in the defining moment of the Bush presidency. It might be added, though, that Iraq's grievances included an infringement on its sovereignty involving a huge oil field on its territory which, because of a geological feature (and, perhaps, skillful boundary-drawing), Kuwait was draining at will.

There are many more: Japan's willingness to aid Russia in stabilizing its economy hinges on the return of the Kuril Islands, which have been under Soviet/Russian control since the end of WWII.

Puerto Rico grapples with the question of independence vs.

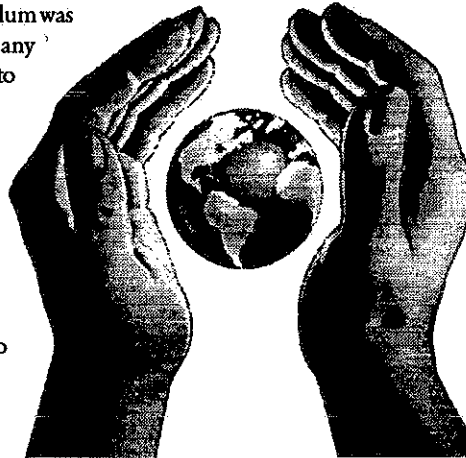
U.S. statehood. Tibet is still controlled by the invading force from China.

And the war in Bosnia is a blatant attempt to seize the territory of a sovereign nation (for Bosnia's boundaries, disputed and arbitrary as they

arguably are, are no more so than Kuwait's!)

Across the former Soviet Republics, including many that are still part of the Russian nation, ethnic factions are negotiating or fighting for national sovereignty. Their boundaries, inherited upon the breakup of the Soviet Union, were only vaguely connected with the areas in which the various "nations" historically lived. They were drawn with a concern for enforcing political stability within the planned economy and the controlled state of the Soviet Union.

In Africa, whose national boundaries were established, mostly, by colonial powers and reflect the former (continued on page six)



Henry George School Trustees Re-elected

At the annual meeting of the members of the Corporation of the Henry George School, Richard Barbuto, Herman Lazaar, Matthew Ossias, Heather Remoff, Stanley Rubenstein and Irving Starer were re-elected as Trustees of the School for the year ending January 1995. The Board of Trustees that governs the School is composed of these six, plus the nine Permanent Members, Steven Cord, William Davidson, Edward Dodson, Oscar Johannsen, Sydney Mayers, Paul Nix, Fryda Ossias, Constance Weinstein and Simon Winters.

Financing Planet Management

(continued from front page)

sovereignty - which has been defined around a territory, around a [specific] population... because centralized control of a sovereign body with a given territory and population... [is not the same thing as a sovereign UN]. To assume that it would be is not a very meaningful way, in my opinion, to define the subject."

"It seems to me," Hartzok replies, "that the UN has in fact been defined around a given territory, that territory being the planet as a whole, as well as a specific population, which is all the planet's people."

At issue are two paramount contentions: that government exists, as Jefferson said, to secure the rights of the people - and that people have the right to live, and therefore the right to use the natural resources from which they must produce their sustenance. If international relationships threaten that right, then international sovereignty must be there to protect it.

Hartzok surveys ground rent policies that exist at various levels today, from local property taxation to the Law of the Seas and the treaty governing Antarctica. Then in that spirit she proceeds to explain how public collection of land rent can be practically administered by the various levels of government, from local to global. (See box.) Not only can this be done, she declares, it must be done. "If the present political structure of democracy were sufficient for the task, than Washington, D.C. would be the New Jerusalem, Philadelphia would truly be a city of brotherly love, and every slice of the Big Apple would taste sweet."

Copies of *Financing Planet Management* are available from the Robert Schalkenbach Foundation, 41 East 72nd Street, New York, NY 10021. For *The Mercury*, contact the Northern California HGS, 1568 Schader St., San Francisco, CA 94117.

COMMON HERITAGE FUNDING: LOCAL TO GLOBAL

It has been suggested that such a system of finance would be based on principles of subsidiarity in terms of implementation. Ground rent of certain specific types of land resources could be collected by clearly delineated governing bodies from the local to the global level.

Thus, cities and counties would draw their funding from the ground rent of surface lands, regional authorities would collect the ground rent of oil and minerals, and global governing agencies be funded by a percentage from these two levels as well as that of deep sea resources, the electromagnetic spectrum, satellite zones, and other transnational resources.

Democratic rights to the planet can be vested in the people as a whole in a way that can be easily understood and practically administered. The advent of the information revolution combined with the personal computer enables such a system to be monitored by the masses. Who owns what, where, and how much ground rent do they pay into the common fund could become the most enlightening computer game on earth.

- Alanna Hartzok, *Financing Planet Management*

NYC Property Tax Study (continued from front page)

What economic effects could we expect from the shift? Here in brief is what Barry foresees: because of the shifted incentives caused by the new property tax structure, the propensity to invest in new construction should increase by about 0.8%. Assuming that each dollar invested in new construction will bring about another dollar's worth of related spending (a conservative multiplier of 2), gross city product would improve by 1.6%, or an annual increase of \$5.9 billion in economic growth. This would translate into nearly 54,000 more jobs - and an unemployment rate of 7.9% instead of the current 9.5%. Increased economic activity would also bring in an increase in revenue from income tax to the tune of \$356 million. All this, without a dime in new taxes, but with a significant relief in tax penalties for building!

The methods used in this study are those which have been implemented with such success in sixteen Pennsylvania cities. While they don't get us all the way to the Single Tax, they do provide a proven, fair and politically palatable way for municipal governments to start collecting more land rent - and less of our hard-earned wages and interest.

Current New York City Property Tax Structure

class	av/mv	rate	effective rate	LAND		IMPROVEMENTS	
				market value	revenue	market value	revenue
1	8%	10.900%	0.872%	53,424,319,238	465,860,064	53,092,314,713	462,964,984
2	45%	10.369%	4.666%	25,539,021,798	1,191,663,527	28,789,726,638	1,343,343,040
3	50%	7.404%	3.702%	-0-	-0-	12,619,538,552	467,175,317
4	45%	10.724%	4.826%	44,720,715,400	2,158,132,284	44,206,990,213	2,133,340,934
TOTALS				123,684,056,436	3,815,655,875	138,708,570,116	4,406,824,275

Proposed New York City Property Tax Structure

LAND				IMPROVEMENTS			
class	proposed rate	effective rate	revenue	class	proposed rate	effective rate	revenue
1	13.608%	1.089%	581,598,550	1	8.175%	0.654%	347,223,738
2	13.291%	5.981%	1,527,476,124	2	7.777%	3.500%	1,007,539,668
3	-	-	-0-	3	5.553%	2.777%	350,381,488
4	13.374%	6.018%	2,691,426,815	4	8.043%	3.619%	1,600,005,700
TOTALS			4,800,501,489	TOTALS			3,305,150,594

THE SOUTH SEA BUBBLE

Part II

by David Domke

*As Fishes on each other Prey,
The Great ones swallowing up the small,
So fares it in the Southern Sea,
The Whale Directors eat up All.*

- Jonathan Swift

The 18th Century was not an era of free trade and laissez-faire competition. Quite the contrary - trade and commerce were seen as very efficient tools for a country to use in its quest for hegemony and Empire. Business and commerce on any large scale were monopolized and manipulated from their inception. There was a very fine line, and frequently no line at all, between government minister and "private" entrepreneur. As we shall see, the South Sea Company debacle served to catalyze arguments in Britain for free trade.

As the speculative boom caught the public's imagination, even the venerable East India Company felt the need to get on board, in order to appear more "respectable." They contracted with a clergyman and sold stock subscriptions to fund an expedition to the Middle East in a scheme to find King Solomon's mines.

On the coat tails of the Bubble were some 175 new companies, many of them with tangential interest in the South Sea Company (such as insurance companies designed to insure various components of South Sea trade - ships, cargo, slaves etc.), others seeking exclusive control of such things as coral fishery, garden improvements, even companies claiming to be inventing perpetual motion machines. All of these companies traded their stock in Exchange Alley, the stock exchange of its day. Not all of the companies were actually incorporated by the Government. Officially, companies were supposed to apply for charters to be granted by an act of Parliament, by which they would receive a seal of incorporation which entitled them to exclusive trade in their chosen area. In actuality, some companies would start up and go into business in anticipation of a later granting of a seal of incorporation - or they would start up and sell their stock on the sly, never really intending to apply for official recognition. This created a sort of black market in joint stock companies, fostering dubious speculative ventures - such as perpetual motion.

Something like perpetual motion seems to have been on the minds of the Directors of the Company. Their ambition was to extend the issuance of stock indefinitely, to keep pumping up the price, and therefore their own profits, in perpetuity. "The advancing by all means of the price of the stock is the only way to promote the good of the Company," said one member of the South Sea Company Board at a Directors' meeting. This "by all means" was to prove the downfall of the Company, the bursting of the bubble. In their obsession to keep the whole thing afloat, coupled with the necessary complicity of a large part of the public willing to believe and buy into the bubble, the Directors went to great lengths to insure the continued upward spiral of value, into the speculative stratosphere, as it were. At its highest point, £100 of stock was selling at £1,050. The on-paper

profit of the Company was tremendous, the stock that remained in the hands of the Company itself was now worth 20 million pounds at market rate. In fact, of twenty trading

voyages to the South Seas, only one had actually been profitable, and only moderately at that. Despite the incredible "success" of its stock, the whole venture was creating very little new wealth. It was slowly dawning on certain people that in order to survive beyond the sale of its stock and beyond its ability to line the pockets of its Directors, the company would have to actually make a profit of 15 million pounds a year just to pay its many shareholders the dividend due them. Meanwhile, there was political wrangling over a piece of land whose ownership had been historically contested for decades - the Island of Gibraltar. King Philip of Spain was insisting on the return of Gibraltar before agreeing to any trade concessions in Britain's favor. The British government, feeling one of its military outposts threatened, decided it would go to war, if need be, to defend its possession of Gibraltar. This position was not conducive to the negotiations needed for commercial concessions from Spain. The Mississippi Bubble in France, fueled for the most part by the issuance of new paper money, was rapidly deflating, causing widespread panic. Foreign investors, suspecting a shift in the 'trade winds,' as it were, began telling their London agents to sell out their stock in the South Sea Company. At the same time, there was a growing 'Whig opposition' to the whole scheme - that is, an increasing number of members of Parliament within the Whig party were objecting to the enormous graft and corrupt practices their fellow members were profiting from. They were calling for an independent investigation of the whole South Sea Company. The bubble was a confidence game and confidence in the speculative apparatus was quickly eroding.

Adding to this erosion of confidence in the Company was a decision that was to have very negative effects on all speculative schemes. Eager to bolster trust in its own scheme and to perpetuate the seemingly unending flow of money, the Directors of the South Sea Company decided to go after all other speculative competition - those smaller, unincorporated companies that traded their stock in Exchange Alley. The Company, being a government chartered enterprise, had the right to issue writs of *scire facias* (meaning, "make known by what right you do this") against any company whose legitimacy was suspect. Any company served with one of these writs had to justify its existence in a law court or cease its business. The companies driven out of business included those smaller insurance companies that had insured many of the ventures of the Company itself. More than 100 companies were forced to close. The principle of monopoly and non-competition, on which the Company was founded, was what brought about the bursting of its bubble.

South Sea shares began to quickly decrease in value. As the holders of shares in other Alley companies were forced to sell their South Sea stock to make up for money lost in those companies that were closed by the *scire facias*, the market was quickly flooded with South Sea stock. Those insiders who had read the writing on the wall, Sir Robert Walpole, British Prime Minister and leader of the Whigs and the Prince of Wales, sold out and made huge profits. The Prince of Wales made off quite handsomely and so did some of the Company's Directors. But now the market was rapidly collapsing and the majority of investors found their stock verging on worthlessness. John Blunt, one of the founding directors, was shot "in the street by an exasperated speculator."¹ He survived but his nephew Charles Blunt did not - he slit his own throat after losing a

Thus ended the great delusion, alike memorable and melancholy.... There is nothing to sanctify, there is nothing to redeem it.

The great delusion of the period stands alone in its infamy, its disgrace, and its misery; and though we dare not venture to hope that the spirit, which shook the country to its centre, has passed away.... yet let it be hoped that, if witnessed again in England, a Prince of the Blood may not sanction it....

-John Francis, History of the Bank of England

large sum of money. Another unfortunate investor with insider knowledge, Eustace Budgell, cousin to the famous journalist and essayist Joseph Addison, leapt into the Thames with his pockets full of stones. The Duke of Portland, who had invested his family fortune heavily during the Company's boom, lost so much that he had to petition Parliament for a colonial position. He was made governor of Jamaica, in which position he lived out his days. Even King George lost 40,000 pounds.

Many land speculators who in the heyday of the Bubble had invested in both fashionable London and in the countryside were now left holding large country estates they had purchased on credit - "land, whose value as the ultimately desirable investment had soared with the South Sea, remained hitched to its star on its downward course."² Likewise, many landlords had been paid with Company stock and now found that stock virtually without

government activities covered-up - he used the threat of foreign invasion and the need to protect national security. There were rumors that Charles II, the last of the Stuart pretenders to the throne and now exiled in France, had planned to invade England (as he was unsuccessfully to attempt in 1745).

One positive outcome of the whole South Sea Bubble debacle was that it catalyzed arguments in favor of free trade. Free traders were provided with empirical evidence, with something to point to, in their debates against protection and monopolistic control. First it drew attention to the difference between the speculative value of a company's stock and the actual value of the company. "The boom occurred in an environment where no connection had been drawn in the public's mind between earning power and share values."⁴ This distinction was valuable because it could disabuse people of the illusion that the authority of a Prince or King,

by itself, was sufficient for the creation of value in a corporation.

The main British free trade advocate of the 18th Century was Adam Smith. A number of times in *The Wealth of Nations* Smith points to the South Sea Company scandal as an example of monopolistic protection going radically wrong, as in: "...the loss occasioned by the negligence, profusion and malversation of the servants of the (South Sea) company, had been a tax much heavier than all the (import duties). That a joint stock company should be able to carry on successfully any branch of foreign trade, when private adventurers can come into any sort of open and fair



The South Sea Bubble - An Allegory (early 18th century print from the collection of Bob Clancy)

value. Others had borrowed heavily on the inflated value of their estates and had now little means with which to pay their creditors. Many who lost money were forced either into debtor's prison or into foreign exile.

Meanwhile, the Whig opposition had formed a select committee. An investigation of the company affairs did take place but many of the account books had been doctored. A bill in Parliament was proposed forbidding any South Sea Company members from leaving the country, but many of those who would have been affected by the law simply left before it became law. "A Parliamentary commission investigated the behavior of the company's directors and moved to confiscate their improper gains. But like the S&L crooks of the 1980s, the directors concealed most of their assets... [A] South Sea Sufferers' Bill was passed in July, 1721, and raised money on the estates of the directors, but did not send them to prison. When a group of annuitants who had lost on their exchange of fixed incomes for South Sea shares went to Parliament to plead their case, they were read the Riot Act and arrested."³ Walpole did his best to stymie anything more than a cursory look into the matter and when the questions and probing threatened to become heated, he used a ruse that many politicians have since used to keep unseemly

competition with them, seems contrary to all experience."⁵ Or again: "Negligence and profusion must always prevail, more or less, in the management of the affairs of such a company. It is upon this account that joint stock companies for foreign trade have seldom been able to maintain the competition against private adventurers. They have, accordingly, very seldom succeeded without an exclusive privilege; and frequently have not succeeded with one. Without an exclusive privilege they have commonly mismanaged trade. With an exclusive privilege they have both mismanaged and confined it."⁶ The confinement of trade was certainly an odious part of the South Sea Company's operations, for, despite its royal and exclusive privileges, only one of its trading endeavors proved to be profitable.

NOTES

1. Carswell, John, *The South Sea Bubble*, Stanford University Press, 1960, p. 181
2. *ibid.*, p. 198
3. Hudson, Michael, work in

manuscript, p. 38

4. *ibid.*, p. 34

5. Smith, Adam, *Wealth of Nations*, University of Chicago Press, edit. Edwin Cannan, 1976, pgs. 269-270

6. *ibid.* p. 265

The Land for the People - of the World (continued from front page)

landholdings of various nations in Europe, tribal and nationalist rivalries have helped to make many countries all but ungovernable. Factions are beginning to call for some new version of colonial rule to straighten things out.

Then there are the sovereignty issues that constantly bedevil international trade negotiations. Developing nations, eager to nurture domestic industries, bristle at attempts to impose the safety and environmental standards of wealthier countries. Who are you to tell us what to buy, and from whom, and how much (or which sea mammals to kill, or what trees to cut)? Don't forget that we are a sovereign nation. Are they simply being obstreperous? Not quite: we ought to remember that industrial nations put out far more carbon dioxide per capita than developing countries do. Rather

than carping at their landless peasants for cutting down trees, perhaps we should be paying them to let the trees stand. After all, those trees provide a valuable pollution-reduction service.

And at home: recessionary times always strengthen the hand of protectionist politicians. It is always easier to defend farm subsidies on the grounds of patriotism than to oppose them in the name of international cooperation.

There is no escaping the fact that communications, travel and trade get easier all the time. This has made production both more efficient and more interdependent - and has tended to increase the polarization of rich and poor. It seems that the nations of the Earth today are on an uncharted course. The organization whose task it is to monitor and mediate all these develop-

ments, the United Nations, does its best - but the task is enormous and the proper direction is necessarily unclear because it is still evolving.

Here at the Henry George School we tend to look to the analysis of the "Prophet of San Francisco" for guidance on such matters. Can George help us on this issue?

Henry George regarded nation-states as perfectly suitable organs of civilization, having certain collective rights (such as restricting immigration) by virtue of their nationhood. That policy is implied in *Social Problems*, and stated explicitly in a letter to William Lloyd Garrison on the question of Chinese immigration in 1893. George had long been an opponent of the importation of "Coolie Labor" to work on railroads and depress wages in the US. Garrison, the old anti-slavery crusader, retorted that "The humblest Chinaman has as much natural right to use the earth of California as yourself, and it is your inalienable right to change your residence to any land under the sun." Henry George denied that assertion, replying "Are men merely individuals? Is there no such thing as family, nation, race? Is there not the right of association, and the correlative right of exclusion?"

It might be tempting to view these views of George's as racist or xenophobic. It is more likely, however, that their true source was his zeal in focusing on the true cause of exploitation and industrial depression: the land question. This point is shown in the biography by Henry George, Jr.:

...while approving of Chinese exclusion "under present conditions," Henry George could conceive of a state of things under which such a policy would not be necessary. In a lecture in San Francisco while writing Progress and Poverty he said, "Ladies and gentlemen, it is not only more important to abolish land monopoly than to get rid of the Chinese; but to abolish land monopoly will make short work of the Chinese question...."

It should be noted, however, that such things as the breakup of the Soviet Union or the increasing power of transnational corporations are beyond Henry George's experience. How, for example, are we to consider the national sovereignty of a nation like the Dominican Republic, where huge blocks of land are idly owned by foreign corporations, and almost half of the nation's people live packed in the capital city, where there are no jobs for them?

"But now wait a moment," you may say. "Nations have enough land for their people; it is just kept from them by the land barons. If each nation were to solve its own land problem, the inequities and exploitations that bring about the Golden Ventures (and the perilous San Diego freeway-crossings) would disappear."

AN INTERNATIONAL DECLARATION ON INDIVIDUAL AND COMMON RIGHTS TO EARTH

We hereby declare that the earth is the common heritage of all and that people have natural and equal rights to the land of the planet. By the term "land" is meant all natural resources.

Subject always to these natural and equal rights in land and to this common ownership, individuals can and should enjoy certain subsidiary rights in land.

These rights properly enjoyed by individuals are:

1. The right to secure exclusive occupation of land.
2. The right to exclusive use of land occupied.
3. The right to the free transfer of land according to the laws of the country.
4. The right to transmit land by inheritance.

These individual rights do not include:

1. The right to use land in a manner contrary to the common good of all, i.e., in such a manner as to destroy or impair the common heritage.
2. The right to appropriate what economists call the Ground Rent of land

The Ground Rent is the annual value attaching to the land alone apart from any improvements thereon created by labor. This value is created by the existence of and the functioning of the whole community wherein the individual lives and in justice the property of the community. To allow this value to be appropriated by individuals enables land to be used not only for the production of wealth but as instrument of oppression of human by human leading to severe social consequences which are everywhere evident.

All humans have natural and equal rights in land. Those rights may be exercised in two ways:

1. By holding land as individuals and/or
2. Sharing in the common use of the Ground Rent of land.

The Ground Rent of land can be collected for the use of the community methods similar to those by which real estate taxes are now collected. That is what is meant by the policy of Land Value Taxation. Were this community created land value collected, the many taxes which impede the production of wealth and limit purchasing power could be abolished.

The exercise of both common and individual rights in land is essential to society based on justice. But the rights of individuals in natural resources are limited by the just rights of the community. Denying the existence of common rights in land creates a condition of society wherein the exercise of individual rights becomes impossible for the great mass of the people.

WE THEREFORE DECLARE THAT THE EARTH IS THE BIRTHRIGHT OF ALL PEOPLE.

Public indignation over the waves of immigrants pouring into California has become so pervasive that "even the most Draconian proposals have become centrist," according to Angelo Ancheta, director of the Coalition for Humane Immigration Reform in Los Angeles. Nevertheless: a Los Angeles County study found that the estimated 2.3 million legal and illegal immigrants and their US-born children received \$947 million in county services - while they paid federal and local government \$4.3 billion in taxes in the 1991-92 fiscal year.

- New York Newsday, March 14, 1994

"Is there not the right of association, and the correlative right of exclusion?" In other words, the land of a nation belongs to the citizens of that nation. But can Henry George really have meant to teach us that each citizen of the United States (per capita GNP: \$22,000) has an equal right to 9.4 acres of U.S. land, and each citizen of Bangladesh (per capita GNP: \$180) has an equal right to 1/3 of a Bangladeshi acre?

Nations are on very different starting lines in the race for development. The Western industrial powers realize that the other three-quarters of humanity cannot possibly consume as many resources, burn as much fuel, and create as much garbage as they do without devastating the environment. This creates a situation in which corporations, forced by domestic pollution regulations to (at last) internalize the costs of polluting, seek to externalize those costs once more by moving their plants overseas.

Transnational corporations have developed something very much like a *de facto* sovereignty of their own. They are, of course, subject to laws regulating pollution, worker health and safety - but because they are free to move their operations to wherever those costs are lowest, they can exert great pressure on poorer nations to keep standards weak. Large, diversified corporations also have the ability to relocate only the simplest parts of their operations - those which are least compromised by the inefficiency of low-skilled labor. This retards incentives to improve working conditions and pay.

This point was eloquently summed up by Agnes de Mille in "Who Was Henry George?"

...we are yielding up sovereignty. The nation is no longer comprised of the thirteen original states, or the thirty-seven younger sister states, but of the real powers: the cartels, the corporations.... These multinationals are not American anymore. Transcending nations, they serve not their country's interests, but their own. They manipulate our tax policies to help themselves. They determine our statecraft.... They do not need to coin money or raise armies. They use ours.

Henry George showed that recurring economic slumps are a symptom of the untenability of the system of private land tenure. It may well prove that the deepening crises of trade, war and nationalism are symptoms of an equally untenable system: the exclusive private ownership of land by nation-states, enforced by restricted immigration: for that is how the land-barons of our time maintain their advantage. A day may come when the politics of survival forces us to realize that the land of the world belongs to the people of the world.

If we did, then, people would go where they wanted to go, and stay where they wanted to stay. Nation-states could have a chance to become exactly what the "Body Economic" would wish them to be: units of culture, not of power - reservoirs of history, language, heritage and art.

One thing that the Georgist movement lacks is a good villain. Our efforts in support of political-economic goals, however laudable, however buttressed by logic, miss one element that would give them popular punch: a bad guy, someone to go out there and get. The Libertarians have one: government, the venal, greedy, bloated, ineffective, self-perpetuating, arrogant public sector. The Left, of course, has basically the same things to say about its own capitalist villains. "Workers! Smash your chains! Seize the means of production!" has a good beat, and you can dance to it. "Organize economic relations according to the natural laws of production and distribution and the moral basis of ownership" lacks drama. Even "Tax land, not labor!" sounds pretty tame on a bumper sticker.

Who do we have to play the villain's role? The landowner? But **everybody** wants to be a landowner; it's the universal dream. One oft-cited statistic around here is that 97% of the privately owned land in the United States

is owned or controlled by 3% of the population. It's also true, however, that nearly a quarter of the people in the US own some land - not much, but some - and our students often come from that much larger group. Should we vilify them? Let's not forget the Henry George School itself - an organization that has been compelled (as have many others) to rely on real estate appreciation to fund its efforts to educate the public on the evils of land speculation.

Searching for a villain will not help us, and the general inclination to do so can lead to serious misconceptions. It might be helpful, incidentally, to consider the original meaning of the word, villain: "a member of a class of half-free persons under the feudal system who were serfs with respect to their lord but had privileges of freemen with respect to others, hence, a low-born rustic..." The evil is not that people act in their own self-interest; rather, it is in those legal and social arrangements that allow them to do so at the expense of the rights of others.

The habit of hunting for "bad guys" is, I think, one of the big obstacles blocking our students' understanding of the laws of

TEACHERS' CORNER



by Lindy Davies

wealth distribution. The laws of rent and wages, for example, describe tendencies that determine the proportional distribution of aggregate production. The "general level of wages" and "potential rent" do indeed have important impact on individuals in the economy - but no more on one individual than on any other.

A common example of the kind of confusion that can arise is when students start thinking about landlords they know. Most people who own property have plenty to worry about, to maintain, to pay out. Certainly they don't seem responsible for skimming all the cream off of our economy. We respond, of course, by pointing out the need to eliminate taxes on improvements - but the student is all-too-often left thinking, "Big deal." In the micro-economic place where we all live, it is often difficult to see how these macro-economic tendencies work.

It is the macro-understanding that holds the power for meaningful change, though. This puts us in a bit of a tough spot as teachers. For examples of the bad effects of land speculation, we really have nowhere else to go but specific places, such as surface parking lots, slums, grand and inefficient cattle ranches, and so forth. Our students, then, envision those places in terms of their specific proprietors and think, "What choice do they have but to collect land rent - that's their livelihood!"

In other words, that "class" of people which we are (apparently) trying to vilify have, more often than not, the *sympathy* of our students. In truth, of course, we have no intention of vilifying any class of people. But that sort of thing - identifying, and vilifying, the villains - is what people tend to expect from social reformers.

Therefore, we need to be very clear on this point - clear enough for real-estate agents who happen into our classes to feel comfortable about staying.

Electronic Frontier

(continued from front page)

(not very) distant past, the tapping of telephones by law enforcers (or by criminals) was a process that left physical evidence. But digital telephone technology thwarts traditional wiretapping methods; tapping must be enabled through a "trap door" in the equipment. Senate Bill 266 in 1992, which ended up being scuttled in committee, tried to mandate "tappability" for all phone systems in the US, so that conversations could be tapped without any traces whatever. The feature of untraceability, argued Simona Nass, has ominous implications for our right to privacy. The analogy of a search warrant no longer holds. Because wiretaps would become untraceable, laws prohibiting their misuse would be unenforceable.

The second danger, she said, is that if an opening were built into phone systems that allowed coded signals to be tapped, it is possible - likely, in fact - that unauthorized listeners would tune in as well.

These dangers are at the heart of the debate over the "Clipper Chip," an encryption device that scrambles your digital data according to its own internal code. No one can listen in - except the government, because the two keys to your Clipper-chip codes are to be held by two separate agencies in the Executive Branch. If a warrant is issued to tap your wire, these codes are brought into play - and their use is undetectable. Vice President Gore, the Clinton Administration's technological point man, supported the plan initially, but popular opposition to it is mounting.

Roland Rakotonirainy, an aerospace engineer who researches the trends of the day for his own edification (and ours) rounded out the program with a presentation on the impact that computers and telecommunications have had on banking. He reminded the audience that far more of the world's money circulates in the financial economy than in the "real economy," where consumers buy and sell goods. Information-processing technology is making such trading more efficient and profitable all the time. In rapidly changing markets, the faster one can complete a transaction, the more profit one can make, and modern systems have cut that time dramatically.

The danger of all this processing efficiency, Rakotonirainy noted, is that it creates incentives for more and more money to be devoted to financial speculation - draining resources from production, and further concentrating economic power in the hands of the wealthiest players with the best tech-

Spring '94 at the New York HGS!

Basic Courses

Fundamental Economics

Mondays, Mr. Irving Kass, 5:30 - 7:30
Tuesdays, Ms. Vandana Chak, 6:30 - 8:30
Wednesdays, Mr. Alton Pertilla, 6:00 - 8:00
Thursdays, Dr. Cay Hehner, 6:00 - 8:00

Understanding Economics

Weds., Mr. Lindy Davies, 12:30 - 1:30

Progress & Poverty (In Spanish)

Weds., Mr. Nibaldo Aguilera, 6:00 - 8:00

Advanced Courses

Applied Economics

Tuesdays, Mr. Lindy Davies, 12:30 - 1:30
Weds., Mr. Sydney Mayers, 6:00 - 8:00
Mondays, Mr. Nibaldo Aguilera, 6:00 - 8:00 (in Spanish)

Economic Science

Tuesdays, Mr. Michael Botwin, 6:30 - 8:30
Wednesdays, Mr. Manuel Felix, 6:00 - 8:00 (in Spanish)

Current Events

Mondays, Mr. William Brown, 6:30 - 8:30

Money & Banking

Mondays, Mr. Richard Barbuto, 6:00 - 8:00

History of Economic Thought

Tuesdays, Mrs. Fryda Ossias, 6:00 - 8:00

A Philosophy of Life

Weds., Mr. George Collins, 6:30 - 8:30

Friday Evening Forums

Land in the Movies - Far and Away - April 15th, 7 - 10 PM ☞ Tom Cruise and Nicole Kidman in an epic of poverty and destiny in the Oklahoma land rush.

How Wall Street Works - Mr. Frank Sposato, May 13th, 7 - 9 PM ☞ Sources and methods you can use to fathom market trends and guide investment decisions

The New Age Movement: Myth? Magic? Religion? - Mr. Dennis King, June 10th, 7 - 9 PM ☞ Popular author King explores the fads and facts behind crystals, channeling and reincarnation. What does science say about the claims of the New-Agers?

Saturday Seminars

To Trade, or to War - Prof. C. Lowell Harriss, Prof. Michael Hudson, and Goshiyuki Yokota, April 30th, 1 - 3 PM ☞ Who does what to whom in foreign trade? Three noted experts discuss trade issues.

The United Nations in the New World Order - Mr. Hamid Abdeljaber, May 21st, 1 - 3 PM. ☞ How will the U.N. execute its new mission now that the cold war is past? What role should the US play?

William Shakespeare: The People's Bard - Mr. William Brown, May 7th, 1 - 3 PM ☞ Shakespeare's plays, now considered high art, were "pop" in their day, appealing to scurvy-knaves as well as scholars.

nology. The potential for tightening control, he warned, is ominous.

Both speakers stressed how very important it is for more people to consider the implications of these issues concerning the online world - because rules and procedures set up now will become important precedents. Among the people who know about the Clipper Chip, for example, the overwhelming majority are against it. The law enforcement community is the only group that enthusiastically supports it. The prob-

lem is that most people are not aware of the issues. The online world, Simona Nass concluded, is a brand new medium. We are in a process of learning which laws can be extended to these new forms of communication, and which ones must be rethought. Thus it is vital, just now, that people become informed about how to ensure both security and privacy in the electronic realm.

You can contact the Society for Electronic Access at 595 West End Ave., #9D, NYC 10024. (or Email them at sea@panix.com) ☐

Henry George School of Social Science
121 East 30th Street
New York, NY 10016

Address correction requested

Non-profit Org.
U.S. Postage
PAID
New York, NY
Permit No. 7759