Henry George News

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HGS Sponsors International Colloquium on Privatization at NYU

by Dr. Cay Hehner

On November 17-18, 1994, nine scholars came to New York from Russia, Germany, Italy, Israel and Canada, as well as from Harvard and the University of Illinois, to join a colloquium on *Privatization in the Ancient Near East and Classical World.* The NYU conference traced the dynamics of privatization through its first three thousand years, 3500-500 BC, from Bronze Age Mesopotamia through Biblical, classical Greek and Roman times. Organized by the Henry George School's Research Director, Dr. Michael Hudson, and Prof. Baruch Levine of NYU's Skirball Dept. of Hebrew and Judaic Studies, the colloquium was composed of leading archaeologists, cuneiformists and philologists representing each major period and geographic region of antiquity.

This was a groundbreaking symposium, whose main purpose was to establish a binding terminology and a framework for the subsequent exploration of economic issues in antiquity. Papers from this conference will be published under the aegis of Harvard University's Peabody Museum at the end of 1995.

Quickly it became clear that economic mores and rites in these ancient lands serve as an excellent mirror for the burning socio-economic issues of our day. Why, asked this panel of scholars, should we follow the Babylonians, Phoenicians, ancient Greeks and Romans into the abyss, if their respective mistakes can be shown to have a common thread, interpretable and therefore avoidable?

This affable team of Georgist reformers appeared on the current-affairs forum "The Harbinger Report" on Mobile's WABB-AM radio on October 11th. Gerry Shaw, Mike Curtis and Dan Sullivan explained the progress and potential of social collection of land rent to DJ David Underwood (2nd from left) and call-in commentators.

Michael Hudson's introductory paper showed from the outset that our smiling at the idea of "cyclical time" as a primitive conception is by no means adequate. It is, he reasons, rather a social expediency. The modern view of the self-regulating market may compare less favorably with the ancient wisdom than has been customarily thought. Across the ancient Near East, debts—particularly at the then-customary interest rate of 20%, could not be reasonably expected to be paid back. Dr. Hudson asked, "Has rent always been usury?"

In the ensuing discussions two paramount questions asserted themselves—issues that each discussant addressed in their research and spoke to in their conclusions. The first crucial question was articulated by Dr. Hudson: "When did property and responsibility become separated?" The second, according to Prof. Baruch Levine, concerns the fact that "public" and "private" are relative terms that must be placed in their historical context. How big, for example, does an extended family need to get to not be private anymore? If land is bestowed by a King, but periodically restored to its ancestral owners, is it "private"?

Another major issue debated at this conference concerned the methodological question of the relative importance of various kinds of evidence. The reliability of linguistic vs. *(continued on back page)*

Fairhope Holds Centennial Conference

100 years ago, the Single Tax colony of Fairhope, Alabama was founded on the Eastern Shore of Mobile Bay. The Council of Georgist Organizations held its 14th Annual Conference there, from Thursday, October 6th through Sunday, October 10th. George Gilmore of Fairhope and Sue and Scott Walton were conference organizers. Meetings were held in the Fairhope community center, and conferees were housed in the Ramada Inn, about 20 miles up the road on the "causeway" of Mobile Bay.

Pre-Conference meetings were held Tuesday and Wednesday by the Henry George Foundation of America, and Common Ground.

Mayor James P. Nix of Fairhope opened the Conference on Thursday with a speech at the Civic Center Auditorium. Charles Ingersoll, President of the Corporation, added his welcome.

The first session was addressed by Paul Gaston of the University of Virginia on "Fairhope, Past and Future." Prof. Gaston is author of a new book on the career of his ancestor, E. B. Gaston, one of Fairhope's founders. (The book, *Man and Mission: E. B. Gaston and the Origins of the Fairhope Single Tax Colony,* is available from the Robert Schalkenbach Foundation, along with Prof. Gaston's other study, *Women of Fair Hope,* which has been recently reprinted.)

Prof. Nicolaus Tideman led a late morning session on developments in Russia. Three of his Russian colleagues were on hand to share their insights: Tatiana Roskoshnaia and Tamara Chistiakova, from EKOGRAD in St. Petersburg, and Moscow city planner Yuri Bocharov, all of whom have attended previous CGO conferences. Arrangements were made to translate Prof. Tideman's response to the letter, critical of the Georgists' proposals, which appeared in the Sept.-Oct. *HGN.*

On Friday morning there were reports on the continuing movement for two-rate property reform. Dr. Steven Cord updated the group on progress in cities of Pennsylvania. He also noted recent developments in Maryland, where enabling legislation for the two-rate system has been passed in the state legislature. Albert Hartheimer reported on developments in the city of Amsterdam, New York, where a two-rate system has already been approved. Francis Peddle told of efforts by the Canadian Research Committee on Taxation to promote the system in Ontario. Eugene Levin commented on efforts by the Washington State Georgist Association, which has successfully persuaded the state legislature to study the land value tax.

HGS President Ed Dodson presided over the theoretical forum, "Georgist Analysis of Laws of Production and Distribution as a Guide to Understanding the Modern Economy." Speakers included HGS Research Director Dr. Michael Hudson, Prof. Nicolaus Tideman and Ian Lambert of the Cayman Islands.

At the Annual Meeting of the Council of Georgist organizations on Friday, with the current Chair, Richard Noyes, presiding, elections were held. Titles were changed, from *(continued on page six)*

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A Levy on Vacant Lots

(letter to the editor, *New York Times*, Oct. 26th)

In "Promises and Deficits" [on October 19th], Bob Herbert notes the ominous implications for New York City in the income tax cuts proposed by George E. Pataki.... Mr. Herbert quotes the City Council Speaker Peter Vallone: "If you're going to cut the personal income tax, you're going to have to make it up with real estate taxes and sales tax increases. Those are the only other broad-based taxes."

The effect of such tax increases has always been to depress business activity and the tax base. However, there is one broad-based tax that increases economic activity: a tax on the unimproved value of land, coupled with a reduced tax burden on structures. This would increase the holding cost of vacant or under-used land and lower the penalty for construction or renovation.

About 10 percent of the land in Manhattan is vacant. At least an equal area is grossly under-used—by rundown tenements, parking lots or peep shows.

New York City could take a solid step toward fiscal self-sufficiency with an increased tax on land assessments. Our city does not need to go begging to Albany or Washington just to meet its legitimate expenses.

A higher tax on land, coupled with a reduced levy on buildings, is working today in Pittsburgh and 14 other Pennsylvania cities, and in cities in Australia, Denmark and Taiwan. How long can New York afford to ignore this potent economic remedy? *- Lindy Davies*

Should Public Services Be Privately Funded?

Fred Foldvary writes:

I was pleased to see the review of my book, *Public Goods and Private Communities*, in the October *HGN*. On the applicability of private communities to the wider economy, Lindy Davies suggests that "the market could not be trusted to provide public goods equitably—given the existence of pockets of poverty." First of all, as described in my book, there are private neighborhoods in low-income neighborhoods in St. Louis, and there would be more if they did not have to pay taxes for services not received. Local governance is viable even for the poor because the community services are funded from the rent generated by these services. As to justice, why is it more just for a remote government bureaucracy to provide services from taxes on labor than for the residents in a neighborhood to provide services from their community's rent?

We also need to ask why poverty exists in the first place. Is poverty inevitable, or is it due to interventions that make it difficult and costly for labor to have access to natural resources? Henry George showed that poverty can be eliminated if we remove barriers such as taxes and land speculation. Politics makes it difficult to reform the current system. Privatization offers an alternative way to eliminate taxation and fund community services from rent instead, thus removing the barriers that cause poverty in the first place. I agree that justice is the key issue. Where is the justice in government welfare that only treats the symptoms of a poverty problem caused by its interventions in the first place? Justice consists of eliminating poverty, not perpetuating it.

Lindy Davies replies:

When we talk about "the market," we need to be clear about whether we are referring to market forces in the abstract, or to the economic situation that prevails at a given time with all its distortions and failures. Fred Foldvary refers to the former—the market as eternal form—when he asserts that there is no reason why markets cannot provide public goods equitably. On the other hand, I was referring to existing situations when I asserted that the phenomena we have known, thus far, as "the market" have manifestly not done so.

Fred Foldvary wants "the residents in a neighborhood to provide services from their community's rent." How many of the owners of land in today's blighted urban neighborhoods actually live there? Are absentee landlords likely to invest rent where they collect it, or where they live? Land speculation and the leverage to be gained by controlling the unearned increment of location values is a giant, pervasive influence on our economy. If businesses have a self-interested stake in providing high-quality public services in their communities, then they will view those communities as though they were firms—competing against other communities for investment and customers. If they are successful, it will be because they have designed an effective land-speculation scheme. Will this increase overall production and help to eliminate poverty generally? No, because areas that are not expected to be good rent-generators will not get the public services they need, and will spiral downward. How can the privatization of public services be anything but a polarizing influence?

Editor's Notes

The Cincinnati Enquirer published an editorial on October 29th advocating land value tax as "a powerful tool in revitalizing downtown Cincinnati." A higher tax on land values would have an especially beneficial effect in Ohio, which currently taxes buildings at a **higher** rate than land. The piece refers to the successful tax reforms in Pittsburgh, noting that new construction surged each time a higher tax rate was imposed on land. Ohio's Tax Study Commission is currently studying Cincinnati's proposals, and is reviewing written testimony provided them by Dr. Steven Cord. Former Arden resident Sandy Hurlong and long-time Georgist advocate Rev. Wiley Young deserve credit for putting this bee in Cincinnati's civic bonnet—more proof that we never know where or when our networking will pay off! CSE (Center for the Study of Economics) staffer Josh Vincent reports that officials in Cleveland (the home of Tom Johnson, Georgist Congressman and Mayor in the early 1900s) are very interested in examining the land value tax. But: a constitutional amendment is required, in Ohio, to legalize differential taxation. Letters of support are needed! Write to: Mayor Roxanne Qualls, Mayor's Office, 801 Plum St., Cincinnatti OH 45202—or—Frank Mosier, Chair, Ohio Tax Study Commission, c/o Mary Douchi, Battelle Inst., 505 King Ave., Columbus OH 43201.

Ancestral Spirits (a la Oretha and Renata Cantore) returned to bless kids of all ages at a cultural workshop on Oct. 29th.

Geonomist-at-large Jeff Smith published a Labor Day op-ed article in the *Santa Barbara News*, entitled "Untaxing Labor Would Benefit Workers." Jeff recalled the tremendous popularity of Henry George, "the third most popular public figure in America after Tom Edison and Mark Twain." But, he noted the continuing vitality of George's remedy. "While [he is] no longer a working-class hero, unions could do worse than to remember Henry George and his remedy—untax effort, untax earnings, and collect earth's worth for social advancement."

For more than 30 years Philadelphians watched as real-estate speculator Sam Rappaport bought properties when they were cheap and held them, rotting and vermin-filled, until they were dear. Now the hated Mr. Rappaport has passed on, but Philadelphians are "reacting not with celebration but with panic," according to a September 28th article by Dan Rottenburg in the *Philadelphia Welcomat*, a free Philly paper with circulation of about 100,000. The problem is that the revitalization of some depressed downtown neighborhoods could hinge on deals in which Rappaport had a personal stake. But Mr. Rottenburg, whose views have apparently been influenced by correspondence with HGS President Ed Dodson, stresses the structural problems that Rappaport and his ilk exploit, and concludes that a land value tax will provide society with a solution to "the Rappaports of the world."

David Remnick, in his New Yorker review of the oddly frightening thought patterns of Mr. Newt Gingrich on December 5th, says that Gingrich is "reminiscent of middle-brow thinkers [like Henry George] who won their fame explaining all in a single volume." William F. Buckley, Jr. takes exception with this view in his Dec. 5th *New York Post* column: "Henry George a middle-brow thinker! What would that make of Albert Jay Nock, one of George's biographers, who deemed George among the seminal minds of the economic renaissance?"

Want to explain to your friends—or to your city officials—how American cities are taxing themselves out of existence, and how sensible property tax reform could bring them back to life? One could scarcely ask for a more lucid and terse presentation than *The Urban Dilemma*, a new pamphlet by Mike Curtis, available from the Robert Schalkenbach foundation for $1.50.

The 1995 North American Georgist Conference will be hosted by the Henry George School of Chicago, from June 30th to July 4th. The conference theme is "Continuing the Revolution," and Dr. Jack Schwartzman is scheduled to deliver the keynote address. Also planned are an economist's tour of the city and a visit to Evanston's public-access cablevision studio. Hosts Sam Venturella and Chuck Metalitz promise an exciting conference with plenty of time for spontaneous gatherings.

Pauline Juckes, the New York-based Georgist author whose work on settlement houses graced two of our recent issues, is hard at work on a book tracing the history of land speculation's malignant influence on the social and political development of New York City. Over a year's worth of research and writing has gone into her project thus far, and she has exhausted all sources of funding. Contributions or inquiries may be sent to Pauline Juckes, via the HGS.

Seminar Probes Business Improvement Districts

by David Domke

On October 1st the School hosted a seminar entitled "Business Improvement Districts: Public Service, or Private Government?" A business improvement district (BID) is a commercial area declared by city government to be worthy of special assessment. The district agrees to pay the city a supplementary tax and receives special and improved services in return. Typically a group of business and community leaders petition the city government to have their area designated as a BID. If the petition is successful, a plan is tailored to that specific area. At present there are thirty-three such districts in New York City.

The seminar was presented by Barbara Wolf, Assistant Commissioner for Neighborhood Development in the Department of Business Services and a coordinator of city services and BIDs and Nicholas Fish, Chairman of Community Board #5. Ms. Wolf, the first to speak, began by giving some of the historical background behind the improvement districts. She then went into some detail describing the process by which an area becomes a BID. This process begins by establishing the boundaries of the proposed district and determining if there is a sufficient tax base to both sustain the supplemental assessment and generate the revenue necessary to run the district. No district, for instance, can assess more than 20% of its original property tax as its supplement. For areas with already low property taxes, 20% is usually not enough to qualify as a sustainable area. The additional assessment should be enough to pay for increased sanitation, security, landscaping, additional street lighting, capital improvements and—especially important for BIDs—promotion and marketing. BIDs that are just getting started often need to clean up the area's image. The usual media are newspaper ads, street fairs and advertising signs.

Barbara Wolf

Nicholas Fish

Ms. Wolf said that any formula for modelling a district "is left up to the community board and the business leaders themselves" as long as it is within the guidelines established by current state and city legislation. Then follows a *(continued on back page)*

Privatization: Economic Progress—or Devolution?

by Dr. Michael Hudson

Part I

Pots and statues from antiquity do not tell much about social institutions that produced them. Bronze Age written records are laconic, consisting mainly of receipts and accounts from the public temples and palaces; such documents take their economic context for granted, rather than explaining it. Nevertheless, much important research is being done by scholars trying to infer a plausible context for just what kinds of societies made those transactions within the temples, palaces and private households. Their conclusions, presented at the recent N.Y.U. symposium, stand at odds with many now-orthodox economic assumptions.

The symposium found general agreement that from Bronze Age Mesopotamia down through biblical times in the Levant, classical Greece and Rome, each society progressed through broadly similar (but by no means identical) experiences as they commercialized their economic life. The "wild card" proved to be how they handled interest-bearing debt, and the limits they placed on debt bondage and forfeiture of the land to foreclosing creditors.

In antiquity, as today, debt was the major economic lever of privatization. But whereas today's privatizations stem mainly from public debt pressures forcing governments to sell off lands and forests, mineral resources and public utilities, there were no public debts in antiquity. Temples and the palace typically were creditors, especially in Bronze Age Mesopotamia. However, private debts with the land pledged as collateral led to its forfeiture for arrears. Personal indebtedness catalyzed the process of transferring subsistence lands to absentee owners, even in an epoch when the outright sale or alienation of land was prohibited.

Economists have long been notorious for taking private property as an elemental and original institution in human experience. This assumption is a carry-over of the Social Contract theories of John Locke and Adam Smith. No role is played in these theories by the idea of land originally held by communal groupings and allocated to members who bore a military responsibility and other public obligations attached to the land. Whatever does not belong to the palaces and temples has generally been deemed "private" *ipso facto*. Yet the idea of private property as understood in modern times developed relatively late.

The temples of Sumer (and in time, the palaces) were the major profit-seeking entities. All the basic elements of modern enterprise —including the charging of land-rent and interest, developing standardized production runs, weights and measures, and monetary exchange standards—were innovated by the Sumerian temples in the fourth and third millennia BC. The non-public communal sector, meanwhile, functioned mainly on a subsistence basis.

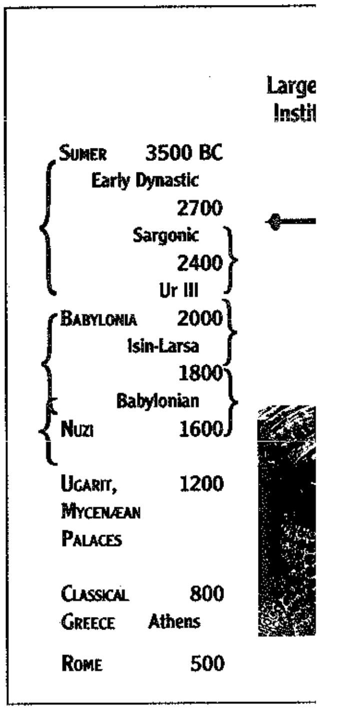
Why were entrepreneurial techniques first developed by public institutions, above all by the Sumerian temples? Indeed, why was there public enterprise in the first place, rather than autonomous private enterprise to be taxed or otherwise made subject to social overrides? Why did civilization take the seeming detour represented by the Sumerian temples and, later, the palaces?

The fact that the first commercially organized enterprise is found in Sumer's temples as early as the fourth millennium BC indicates that the state is not inherently antithetical to private property. It seems that public enterprise was needed as a catalyst.

Evidently some social blocks had to be overcome by creating the techniques of commercial enterprise—rent-yielding land, interest-bearing debt, account-keeping and production planning—to generate economic surpluses at least nominally for the community at large (in Sumer's case, the city-temple) rather than for purely personal gain. This community-wide social purpose is what seems to have made gain-seeking socially acceptable; in traditionally organized chiefdoms it was considered "bad manners" to take a surplus for oneself. Sumerian cities needed to generate exports to obtain foreign metals, stone and other raw materials. The city-temples solved this problem by putting widows and orphans, the sick and infirm to work in temple weaving workshops and other public welfare/workfare hierarchies.

Every early society ended up privatizing its land, industry and credit systems. Some did this in ways that protected traditional social values of equity and freedom; others, such as Rome, did it in such a way as to polarize and indeed, pauperize its society.

Three types of landed property emerged in southern Mesopotamia's cradle of enterprise: communal land (periodically reallocated according to widespread custom); temple land endowments, sanctified and inalienable; and palace lands, acquired either by royal conquest or direct purchase (and often given to relatives or other supporters). Of these three categories of land, "private" property (alienable, subject to market sale without repurchase rights by the sellers, their relatives or neighbors) is first found emerging within the palace sector. From here it gradually proliferated through the public bureaucracy, among royal collectors and the Babylonian *damgar*, "merchants." However, it took many centuries for communal sanctions to be dissolved so as to allow the new appropriator to use it as he wished, free of royal or communal oversight.



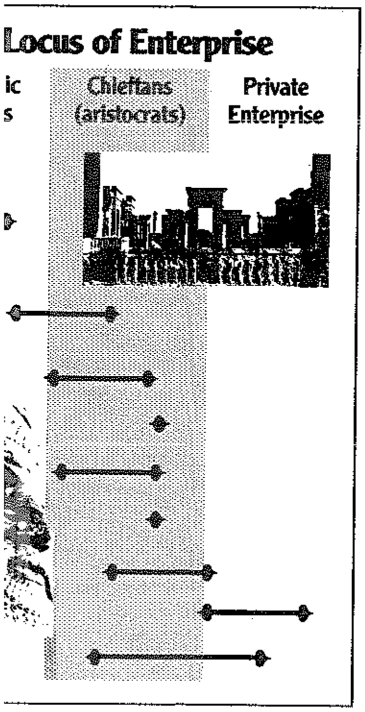
Modern advocates of private enterprise argue that gain-seeking individuals manage resources more efficiently than do public agencies. Yet no such economic rationale was developed to support antiquity's property transfers. Just the opposite: For century after century the acquisition of land by public officials or merchants was reversed repeatedly and indeed, almost regularly, by royal Clean Slates cancelling personal debts (including back taxes) and returning the land to its traditional holders. Rulers sought to maintain a free land-tenured body of citizens to serve in the infantry and provide *corvée* labor services. Loss of land rights would have meant a loss of citizenship and also military rank. Hence, rulers had an interest in avoiding social polarization between large landholders and uprooted landless individuals. Clean Slates also deterred the consolidation of a wealthy aristocracy as economic rivals to the palace.

In Roman times the Stoics denounced personal gain-seeking, hoping to return to what they imagined to have been a Golden Age—the Bronze Age—of social altruism. But by late antiquity the memory of royal Clean Slates to restore economic order and equity had faded. The rich themselves were Stoics, and although they tended to preach in favor of a return to a broader distribution of land and economic self-reliance, they did not actively back this in practice. Pliny claimed that the vast *latifundia* estates had ruined Italy, much as Isaiah (5:8f.), a half-millennium earlier, had decried the great landlords "who add house to house and join field to field, till no space is left and you live alone in the land." But as Christianity became the "political correctness" of its day, it removed the Judaic Jubilee Year from its original Near Eastern context, postponing it until the Day of Judgment. This effectively turned the Pentateuch's core of debt and land-tenure legislation into a utopian, even otherworldly ideal.

Why were the warnings of Isaiah and Pliny not heeded? Why were they on the losing side? Was there a choice? The answers are to be found more in the forces of social power than in a reasoned economic rationale. Throughout antiquity, political and military forces were deemed more important to social efficiency than economic ones. Land traditionally was to be used to support a self-sufficient citizenry, which originally comprised the armed forces and supplied public labor services. Yet from Bronze Age Babylonia through the Roman empire, privatization led to fiscal, economic and military collapse as local subsistence lands were cut away by outsiders (creditors, royal collectors, war chieftains and merchants.)

Babylonian texts illustrated how rapidly debts mounted out at the customary 20% interest rate, doubling in five years—and multiplying 64 times every 30 years. Rulers such as Hammurapi who lived long enough to celebrate their 30th anniversary on the throne proclaimed Clean Slates, as they did at the first New Year festival after they took the throne (and when circumstances warranted it at other times).

In antiquity, therefore, the public sector was not the enemy of economic freedom and private enterprise. Not only did most of civilization's entrepreneurial techniques begin in the Sumerian temples, but rulers preserved widespread economic liberty by periodically annulling the overgrowth of agrarian debt, freeing debt bondmen and restoring to their customary holders lands (and hence, citizenship status) that had been forfeited for debt arrears. The policy finds its final expression in the Biblical Jubilee Year of Leviticus (ch. 25). What hitherto was a royal act was sanctified as the centerpiece of Judaic religion. The Jubilee Year restored the *status quo ante* by wiping out the overgrowth of agrarian debt, freeing debt bondmen, and restoring subsistence lands to the cultivators who had forfeited them to creditors. In these respects, Biblical economic law represents the last major repository of Bronze Age Near Eastern practices.



One result of privatization of the land was a rural exodus of men uprooted from their land. In 18th-century England this rural exodus following the enclosures of the commons provided a key element of the Industrial Revolution, in the form of cheap urban labor. But in archaic times there was little industrial wage labor market. Manual labor in Mesopotamia's temples and palaces was composed of persons who could not make a go of things on the land, mainly because of physical infirmity or the misfortune of having lost their husbands and/or fathers through war, and not been incorporated into the households of relatives. (Skilled craftsmen were formed into company-type unions run by the palace, not by the craftsmen themselves.) Much of the displaced labor joined floating vagrant bands of migratory workers who either found work as mercenaries or became *hapiru* (landless poor, c. 1600-1400 BC) pressing out of Mesopotamia into the Levant. Thus, the result of rural uprooting was to create a military force, unlike the industrial labor force found in post-feudal Europe.

Privatization represented more than merely a shift of resources from public to private hands. This shift went hand in hand with economic polarization, fiscal crises, and the inability to field an army of land-tenured soldiers. Often the process involved civil warfare, such as the overthrowing of landed aristocracies by popular tyrants in 7th-century BC Greece, the popular walkout in Judah under Zedekiah (*cf.* Jer. 34; c.590 BC), contemporary to Solon's cancelling the rural debts and banning debt-slavery in Athens in 594 BC, and the reputed refusal by Romans to fight behind Coriolanus until their debts were annulled or they were promised lands of their own.

Privatization in feudal Europe often took the form of seizure of lands by individuals through force or legal stealth (as in England's enclosures of the Commons), but there is little evidence of this in the Bronze Age. There were three major types of privatization, each with its own set of dynamics.

The first real "privatizer" turns out to have been the palace ruler. Rulers acted in an ambiguous capacity, treating royal property —and even that of the temples, which they took over in time—as their own, giving it to family members and supporters. In this respect "private" property, disposed of at the discretion of its holder, can be said to have started at the top of the social pyramid, in the palace, and spread down through the royal bureaucracy (including *damgar* "merchants" in Babylonia) to the population at large.

Bronze Age Mesopotamian rulers are found acquiring property mainly by purchase (with tribute money), but royal appropriation of land within the ruler's own community was strictly circumscribed. When the Israelite king Ahab sought to obtain Naboth's vineyard, for instance, he was constrained to operate within the bounds of popular tradition, dictating that kings could obtain property only by voluntary sale, or by confiscating it as punishment for a capital crime.

A derivative form of private ownership developed as rulers gave away land to family members (as dowries), or companions, mainly military leaders in exchange for their support. The recipients of this land tended to free themselves from the conditions placed on what they could do with the land and the fiscal obligations associated with such land. As early as the Bronze Age, such properties and their rents are found managed autonomously from the rest of the land. Likewise, the modern system of private landholding was catalyzed after England's kings assigned property to the barons in exchange for military and fiscal levies which the barons strove to shed, as can be traced from the Magna Carta in 1215 through the Uprising of the Barons in 1258-65.

Much as modern privatization (de-accessioning national patrimonial assets) often follows from the collapse of centralized governments, as in the former socialist states and third world kleptocracies, so in antiquity the dynamic tended to follow from a falling apart of centralized palace rule. Royal properties were seized by new warlords, or sometimes simply kept by the former royal managers, e.g. the Mycenaean *basilae*, not unlike how Russia's bureaucrats (the *nomenklatura*) have privatized Soviet factories and other properties in their own names.

A third kind of privatization occurred in the case of communal lands obtained by public collectors and merchants—above all through the process of interest-bearing debt and subsequent foreclosure. Ultimately, subsistence lands in the commons passed into the market, to be bought by those who had surplus to invest.

As private creditors and merchants appropriated the land in each region, they did not themselves take on the *corvée* labor, military or tax obligations, but shifted these onto the expropriated sectors of the population. Antiquity's privatizations thus went hand in hand with a fiscal crisis not unlike those of modern-day America and Britain, Latin America and the former Soviet sphere. Landlords managed to cast off the social obligations originally attached to their property, starving the public sector for funds. The fiscal problem was aggravated by the fact that the public sector was no longer self supporting as industrial enterprise passed out of the large public institutions (the Sumerian temples, emulated by the palace workshops in northern Mesopotamia and the Levant).

It is at this point that states were obliged to begin taxing the population. The taxes were used to hire mercenaries in place of the peasantry that was losing its lands (most notoriously in Rome), and to purchase from private suppliers the services and goods that formerly were produced by public institutions and the community's land.

Fairhope Centennial...

(continued from front page) Chair to President, Deputy Chair to Vice-President; and two officers, Secretary and Treasurer, will now be elected, instead of one Secretary/Treasurer as has been done in the past. Drew Harris was elected President, Mark Sullivan Vice-President, Susan Klingelhoefer Secretary and Jacob Himmelstein Treasurer. It was proposed that CGO be incorporated in Pennsylvania, where it would be simple to do so, and this was received favorably.

Gail Rowe

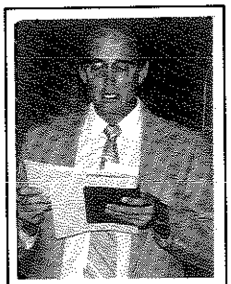
The Henry George School spent Saturday morning updating the conferees on its work in a panel chaired by Executive Director George Collins, who described the school's new curricular offerings. Extension activities were updated by Philadelphia Director Mike Curtis, Chicago Director Sam Venturella, and Sacramento President Ann Reeves. Michael Hudson outlined the new research department that has been launched by the school.

At Sunday's ecumenical service, the conferees observed a moment of silence remembering a stranger who was struck and killed, in a freak accident, by a conference tour bus. Readings were presented by Mark Sullivan, Susan Klingelhoefer, Ian Lambert and Pat Levin.

Next came a panel on liberation theology as expounded by Robert Andelson and James Dawsey in their book *From Wasteland to Promised Land: Liberation Theology for a Post-Marxist World.* Participants were Lindy Davies, whose course based on the book has been offered at the NY-HGS, Prof. Michael Johnson, Ian Lambert and Dr. Andelson himself.

In many ways, the pivotal session of this year's conference was the Sunday afternoon session on Single Tax communities. The featured speakers were Gale Rowe from Fairhope and Mike Curtis from Arden. Mike Curtis pointed out that Arden still relies on land rent for revenue; it pays the taxes on improvements imposed by higher taxing bodies entirely out of the rent of its land. The definition of "full rental value" in Arden has long been disputed—for the town's charter stipulates that land-holders are to be charged rent on this basis. For years, Arden's board of assessors have defined full rental value simply as equal to the property tax liability imposed by the surrounding taxing jurisdictions. Georgists have argued that this definition is arbitrary and that a proper assessment should be made. Most of Arden's residents, however, are not familiar with Henry George's ideas, and are leery of any changes that might increase their tax bills, since other taxes are not abated in any case.

Mike's presentation highlighted the difficulty of sustaining an enclave of sensible taxation amid the powerfully distorting pressure of the larger economy. In the ensuing discussion on Fairhope, it became clear that in Fairhope, for now at least, the fight has been lost. Conferees learned that the Corporation, in addition to collecting land rent from its lessees, has imposed a tax on improvements to pay for such taxes imposed by higher taxing bodies. Except for a small additional fee on land to pay for expenses of the Corporation, the rental charged by the Fairhope Single Tax Corporation is identical to the property taxes levied outside its jurisdiction.



Conference Advisor George Gilmore

It was noted that, unlike Arden, Fairhope's holdings are not contiguous. They are scattered over a wide area, and even in the center of the town are interspersed with land parcels that are subject to conventional taxation. This odd mix led to a situation in which more residents stood to benefit from speculation than from the land-use incentives created by exempting improvements from taxation.

In the evening was held the Conference banquet at the Grand Victorian Hotel. The keynote speaker was Prof. Michael Johnson, Chair of the Business Department at Mobile's Spring Hill College. Dr. Johnson also conducts a course in Fundamental Economics for new members of the Fairhope Single Tax Corporation. His remarks, on the theme of "What Will You Do If You Win?" cited Henry George as a well-intentioned visionary whose analysis is quaintly impracticable. A number of the conferees questioned the wisdom of inviting a keynote speaker who was so unreceptive to the economic philosophy his audience had traveled so far to study and refine.

Ed Dodson, George Collins, Yuri Bocharov, Dian and Claude Arnold

The Argentina House in Flushing, NY hosted a Progress and Poverty class this term, taught by Nibaldo Aguilera. Here, he and George Collins present a certificate to Ramiro Lucero, who organized the class. Twenty students graduated at a ceremony onDecember 3rd.

HGS Posts "Net" Menu

"Gopher" is an internet program (developed at the Univ. of Minnesota) that helps users navigate the vast amount of available information. The HGS has recently made a selection of articles available through the Gopher. They can be downloaded—for free—by anyone who has internet access. To find them, gopher to echonyc.com, and look in the "arts and cultural resources" menu. Some of the titles available are:

☞ **The Greening of the California Desert,** The history of water rights in California for the last hundred years, by E. Robert Scrofani.

☞ **Some Thoughts on Enterprise Zones** - Can we create true, permanent enterprise zones through a sensible tax policy? by Lindy Davies

☞ **An International Declaration of Individual and Common Rights to Earth** - the 1948 document of the International Union, updated for the 21st Century.

☞ A summary of the book **From Wasteland to Promised Land: Liberation Theology for a Post-Marxist World,** by Dr. Robert Andelson and Dr. James Dawsey.

☞ **Neoclassical Economics as a Defense Against Henry George** - A scholarly paper by Prof. Mason Gaffney.

☞ The text of the abridged edition of Henry George's **Progress and Poverty.**

☞ **The Physiocrats** - The first modern economists, and the history that shaped their views, by David Domke.

☞ **The Concept of Human Rights** - from the course written by Bob Clancy, and offered at the HGS; with the classical American and French Declarations.

☞ **How Large Is Russia's Land Rent? How Will It Be Used?** - By Dr. Michael Hudson

☞ **We May Be Brothers After All** - The classic speech, attributed to Chief Seattle, ca. 1854.

☞ **The Undersea Land Grab** - a "gold rush" for the 90s, by David Domke.

Old Words, New Pictures

by Lindy Davies

Why do we have business cycles? Economists have debated this question for at least a century, offering theories upon theories—but the boom-and-bust cycle persists. Considering that a conclusive answer to this question is one of the main things that *Progress and Poverty* promises (and that the answers provided by mainstream economics have been so lackluster) you would think that our lessons on the business cycle would be one area where our curriculum would truly shine. Yet, somehow, the analysis presented in Book V, "the primary cause of the recurring paroxysms of industrial depression," is apt to strike many students as, well, quaint. A great deal of theoretical water has gone under the bridge since 1879, after all; modern students want the kind of updated macroeconomic analysis presented by, say, Samuelson's *Economics*, in neat, scientific-looking charts. Mightn't it be interesting to combine the two? How about if we try illustrating *Progress and Poverty* with the graphic tools of modern-day macroeconomics?

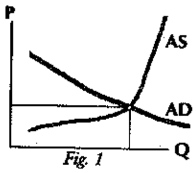


Fig. 1

We are dealing here with an **aggregate** supply-and-demand chart. The equilibrium point is the level at which unemployment is as low as it can get without inducing an unacceptable increase in inflation: the economy has reached a state that is called "full employment." That would seem to be good news. Unfortunately, though, it does not mean that everyone who wants to work can find a job; modern economics has given up on **that** utopian ideal. A look at the shape of the aggregate supply (AS) curve will help to show why.

Up to that point, anyway, an increase in demand will bring on a very moderate rise in prices. But once existing production facilities are working full tilt, it will cost more to meet increasing demand, and the supply curve turns sharply upward. Further increases in demand (which we can expect, because unemployment is low, the economy is growing and people have money to spend) will tend to sharply increase prices. This dynamic—what economists call **demand-push** inflation—is the main reason why we (apparently) must accept a trade-off between inflation and unemployment.

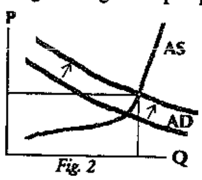


Fig. 2

Shifts in the supply curve can also change price levels, as one might expect. In fact, we have to look to the supply curve to understand the mysterious phenomenon of **stagflation**—a condition of simultaneous high inflation and growing unemployment. One thing that could bring about such a woeful state of affairs is a "supply shock"—a sudden increase in the cost of some very important resource. Classic examples of supply shocks are the mid-70s hikes in the prices of grain and oil, due to cold-war political conditions. There, the entire AS curve shifted; supply was more expensive at any level of demand.

If we were to face a situation in which a growing economy with robust demand happened concurrently with a supply shock, we would see both curves move at once.

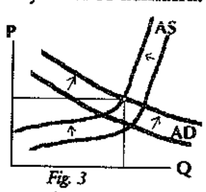


Fig. 3

Enter Book V of *Progress and Poverty*, for this is exactly the situation George describes. He shows how a growing economy tends to increase land values and the return to land speculation, because of high and growing demand for a fixed amount of natural opportunities. Land is, undeniably, a very important resource, vital to production; the increase in its value due to prosperity and speculation has the character of a supply shock, raising prices and dampening economic growth.

Henry George also has a few things to tell us about the shape of the AS curve. The fact that prices increase rapidly once the economy gets past the point of "full employment" is usually interpreted as something like the phenomenon of diminishing returns—if production reaches the capacity of existing plants and work forces, the marginal cost of increasing production goes up rapidly. But that's not all there is to it. Pressure on existing labor and capital isn't the only thing that pushes costs up. In a growing economy, existing workforces will be forced do make to with **fewer** resources than before, because of the increased incentive to hold land for speculation. That makes the upturn in the AS curve more abrupt than it has to be—increasing the inflationary effect of prosperity!

TEACHERS' CORNER

Would it be possible for us to postpone that ominous AS upturn? Yes—by making more efficient use of existing resources. Improved technology is one thing that will do that; a better educated labor force is another. Both of those things, however, tend to increase rent in the long run, leading to those inflationary/recessionary effects we've seen already. Is there any way to use existing resources more efficiently **without** spinning out on the sharp curve of supply?

Yes—there most certainly is, and it is the remedy proposed by Henry George. By creating an incentive to put land—particularly the most valuable—to its most efficient use, we can reduce unemployment **while** reducing inflation. It is by no means a natural law that wages must stagnate while prices increase. That distortion is the work of powerful vested interests: land speculators and their finance-industry jackals (aided, of course, by the tax system).

In inflationary periods, not all of the increased buying power comes from production; a great deal of it comes from the ability to collect rental income on necessary resources. That is why wages do not keep pace. The increased demand is coming from an unproductive transfer of wealth, or what Henry George called "value from obligation." Nevertheless, this extra buying power results in higher prices which must be paid by everyone. On the other hand, if the rent of land went to the community, thus stimulating efficient land use and removing land speculation, the great structural cause of "price shocks" would be removed. In our healthy, single-tax economy the demand shift seen in Fig. 2 would have this effect.

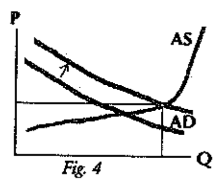


Fig. 4

Mere theory? The principles described here have had at least one convincing large-scale demonstration. In Denmark, the Danish Justice Party implemented a platform in 1957 that included **the collection of land rent, a tax freeze and liberalization of foreign trade.** In three years' time the effects of their reform were:

- A balance-of-payments deficit turned into a surplus.
- Interest rates declined, and capital formation increased.
- Unemployment was nearly eliminated, and production increased along with wages across-the-board.
- There were no new taxes and no strikes from '57 to '60
- Inflation was brought to a standstill.

In the 1960 elections, however, a well-financed campaign led by conservatives and real estate organizations mounted such an attack that the Justice Party was unable to hold enough seats in Parliament to stop the repeal of its reforms. In 1964 the land tax law was fully repealed. In 1965 Danish inflation stood at 8.6%. *(from "Economic Liberalism" by Knud Tholstrup, Copenhagen, 1974)*

BID Business...

(continued from page three) series of formal meetings between community boards, the planning commission, and the city council. The city council meeting allows a forum for objections that any other community members may have to the plan. If it is approved, the entire enterprise it is managed by a district management association whose board consists of property owners, residential tenants, and four city officials.

Ms. Wolf went on to list some of the more successful,and high-profile, neighborhoods that have lowered crime, beautified themselves and attracted business once they were BIDded. Bryant Park, which was once a "drug and crime infested wasteland" behind the NY Public Library on 42nd street, is "now a focal point of the community, a beautiful and well-used park that hosts events like the recent Seventh on Sixth fashion show." Another success story is the Grand Central Partnership, which boasts a 50% drop in crime since it floodlighted the entrances to the Grand Central Terminal.

Not only are BIDs good for business, Ms Wolf said, but they can enhance the quality of life for a whole community. She cited the Manhattan Bowery Corporation, which has programs for the homeless and the drug-addicted. Other BIDs are getting into the social services areas too, providing outreach programs for many of the troubled citizens of afflicted communities.

One of the complaints made against the BID concept is that communities are paying extra taxes to fund services that the city should already be providing. Some also say that communities with already established business areas reap an unfair advantage; these communities benefit most because they have a commercial tax base already in place, making them naturally better off than a poor neighborhood which has perhaps only one or two small grocery stores and a newspaper stand. Most likely, the latter community would not qualify in applying for BID status.

Nicholas Fish was up next. As Chairman of Community Board #5, Mr. Fish oversees seven BIDs in his area, including some of the most successful—those in the 42nd St. area that Ms. Wolf referred to. Mr. Fish covered three topics: the levels of consultation between community boards and the communities they represent, the tension between public and private interests and upcoming reform proposals of the BID system. Mr. Fish said his prime concern was in strengthening the relationship between BIDs and the neighborhoods they serve. To do this, he said, it is necessary to achieve a more equitable balance between public and private interests, making sure "that the broader community has a voice in all decisions made regarding business interests and community interests." As it stands now, a community board has the right to review BID projects and present proposals, but actually have no voting rights. Mr. Fish mentioned time lags between which business interests are made and the subsequent informing of the community board. Many community boards are "precluded from full participation in the BID decision making process." Mr. Fish proposed mandating a greater period of "consultation time" between the two entities, allowing for fuller involvement by the entire community. "Sadly, in many BID cases, we cannot deliberate as a board because the presentation to us of a decision seems almost an afterthought." Mr. Fish concluded by saying that he fundamentally agrees with the concept of BIDs and recognizes their many successful implementations. However, he believes reforms are necessary to make the process more democratic.

HGS Hosts Privatization Conference at NYU...

(continued from front page) archaeological evidence was debated, and the special concerns and pitfalls entailed in both were discussed.

A particularly rich and detailed source of evidence on all manner of social structures, including economic ones, is the Hebrew Bible, the specialty of Dr. Baruch Levine. If one reads the Old Testament with an eye toward the interpretation of economic practices (as has seldom been intensively done,) one will be well-rewarded.

The conference was received with tremendous enthusiasm by its participants. Plans were set in motion for further symposia to build on the work begun here, and the published papers are eagerly anticipated by others in the various fields.

Participants in the NYU - Henry George School Symposium on Privatization

Michael Hudson (NYU-Institute of Fine Arts - *Economic History*) The Dynamics of Privatization, from the Bronze Age to the Present; From "Communal to Public to State to Private"

C.C. Lamberg-Karlovsky (Harvard University; Peabody Museum - *Bronze Age Archaeology*) The Archaeological Evidence for International Commerce, Public and Private, in the Third Millennium BC

Dietz Otto Edzard (Univ. of Munich - *Sumerian Languages*) The "God" and the "State": Extended Families and Individuals as Owners of Property and Slaves in Sumer and Akkad

Georgio Buccellati (UCLA - *Sumerian Philology and Archaeology*) The Interconnection of Economic with Socio-Political Factors in Ancient Near Eastern Economies

Maynard Maidman (York Univ. - *Hurrian Philology; Nuzi*) Privatization and Private Property at Nuzi: The Limits of Evidence.

Michael Heltzer (Univ. of Haifa - *Semitic Philology and Society*) The Transition from Royal Economy to Private Enterprise in Phoenicia and Judah (12th to 8th Centuries BC)

Muhammad Dandamaev (St. Petersburg, Russia - *Babylonian Language and Society*) The Age of Privatization in Mesopotamia in the 7th to 4th Centuries B.C.E.

Baruch A. Levine (NYU - *Biblical Philology and Analysis*) The Hebrew Bible as a Repository of References to Economic Developments in the Ancient Near East.

Richard Mitchell (Univ. of Illinois-Urbana - *Roman History*) From *Ager Publicus* to *Latifundia:* The Development of Private Property in Imperial Rome.

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