

# Henry George News

Volume 59, Number 6

November - December 1995

## Robert Clancy Memorial

A memorial service for Robert Clancy, sponsored by the School and the Henry George Institute, was held on Sunday, November 5th. Fifty-five people gathered for the occasion. Remembrances and tributes were offered by Bob's family, by representatives of the major Georgist organizations, and by many of Mr. Clancy's students and friends.

The Henry George School was represented by its President, Ed Dodson. Sydney Mayers, who refused to stay home although he was suffering with a bad flu, spoke movingly on behalf of the Henry George Institute. Other representatives were Nan Braman for the Robert Schalkenbach Foundation, Pat Aller for the International Union for Land Value Taxation and Free Trade, Mark Sullivan for the Council of Georgist Organizations (which, with Clay Berling, Bob Clancy founded), Dr. Jack Schwartzman for *Fragments* and Dr. Steven Cord for the Henry George Foundation. All remembered a humble, dedicated, unselfish man who enriched people's lives in far wider ways than just teaching the Georgist philosophy.

Speaking for Bob's family, Virginia Hynes, his neice, told the gathering of an unexpected side of Bob Clancy. She recounted how his portrayal of Santa Claus for his grandnephew was so successful that he ended up, as the years went by, becoming Santa for their entire neighborhood.

Many speakers mentioned Bob Clancy's (continued on page six)



Virginia Hynes, in front of Bob Clancy's painting of the march of earthly life

## Pennsylvania: Good News & Bad News

Tireless Pennsylvania LVT activist Alanna Hartzok reminds us that "the Chinese word for 'crisis' is the same word as 'opportunity'." The news is mixed from the state that boasts the widest application of two-rate property tax reform in the United States. On the plus side, Harrisburg, the state capital, has recently raised the land value proportion of its municipal taxes, and a number of articles in the local press have attributed Harrisburg's economic success to its adoption of "incentive taxation."

In the Pennsylvania legislature, though, a series of bills that started out favorable to the expansion of public rent-collection are being undermined in favor of various special interests. Enabling legislation to permit the two-rate tax for boroughs, for example, has been amended to make it easier for land speculators to masquerade as farmers. And another bill that linked two-rate taxation with enterprize zone status has been amended to make LVT optional.

A more serious challenge, however, represents the jumping of Pennsylvanians onto the national bandwagon against all property taxes. This trend, which began with California's infamous Proposition 13, and has recently been enacted in Michigan, berates the property tax as "an antiquated financial system that harms many senior citizens and discourages young homebuyers" and, in the words of PA's Senator Porterfield, "is an unfair and inequitable means of financing schools." (continued on back page)

## Jerome Levy Institute

### Explores the Land Question

A conference on "Land, Wealth and Poverty" was held at the Jerome Levy Economics Institute of Bard College in Annandale-on-Hudson, New York on November 2nd-4th. The conference was the brain-child of Dr. Kris Feder, who studied economics at the Henry George School in Philadelphia before going on to become a Professor of Economics at Bard College. The list of speakers represented a "who's who" of scholars whose works have considered the question of "progress and poverty" from a Georgist point of view. The Institute, a private research organization devoted to economic justice and stability, has considerable influence in public policy; its series of conferences on economic affairs bring in the "heavy hitters" of contemporary economics.

The conference opened with a dinner on Friday, November 2nd. Dinner speaker was Prof. Nic Tideman, of Virginia Polytechnic & S.U., speaking on moral issues in taxation and "The Special Place of Rent in Public Finance."

The opening address was given on Friday morning by S. Jay Levy, Chairman of the Institute. In "Land Rent, Ethics, and Capitalism's Gestating Crisis," he spoke forcefully of the disaster that capitalist economies could face if they fail to make the crucial



S. Jay Levy

distinction between the production of goods and services and the mere transferral of values and assets. He predicted that economic realities will soon force us to deal with the rising value of land -- and that in this we will be following the nations of Europe, whose rates of unemployment -- and land values -- are quite a bit higher than ours in the US.

Friday's sessions were divided into three panels, each addressing a major theme of the land question in public policy. The morning sessions were devoted to "Land and Rent in Public Finance" and "Local and State Issue in Land Taxation;" the afternoon panel considered "The Macroeconomic Effects of Land Rent." Dinner speaker on Friday was US Congressman Maurice D. Hinchey.

The first panel, moderated by Dr. Feder, acquainted the audience with general parameters of the land-rent-as-public-revenue idea. Clifford Cobb, Research

Director of Redefining Progress, revealed that he, at least, was unreservedly in favor of land value taxation and was working to educate his associates, and the general public, about the idea in the larger context of designing an economic indicator that would measure true progress, not just gross output (see our last issue).

Prof. Fred Foldvary discussed ways in which the land-rent-as-public-revenue paradigm is being implemented in microcosm by civic associations and land trusts. Assessment specialist Ted Gwartney gave an informative overview of the potential of land rent to cover public revenue needs. He reminded the (continued on page six)



Dr. Kris Feder

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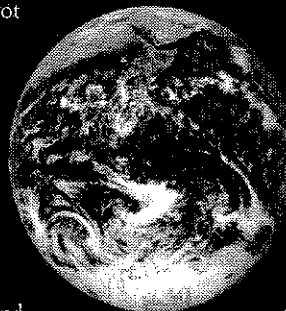
## Time to Pay the Rent on Global Warming

by Lindy Davies

A sobering report on global climate change was featured in the December '95 *Harper's* magazine. In "The Heat Is On: The warming of the world's climate sparks a blaze of denial," reporter Ross Gelbspan reviews the growing body of evidence that human activity has begun to change global weather patterns.

"Global warming" has, of course, been predicted for decades—but always the evidence was deemed inconclusive. While it is interesting that, say, the ten hottest years in recorded human history have all been since 1980, we are told that small blips, decade-long hot spells, are not enough to prove a trend.

In the face of this apparent lack of hard evidence, governments have been reluctant to take costly preventive steps against a threat that might never materialize. In fact, some studies (summarized in a 1991 video, "The Greening of Planet Earth," produced by Western Fuels) claim to show that far from devastating our climate, an increase in carbon dioxide will actually make our crops—and our forests—grow faster! Considering the disruption that would be caused by a real need to re-orient production away from the use of fossil fuels — for the CO<sub>2</sub>-spewing industries of energy and transportation utterly pervade the world economy—it is understandable that decision-makers would want to believe the rosier predictions.



Unfortunately, they don't seem to be coming true. This September the Intergovernmental Panel on Climate Change, a group of 2,500 climate scientists from around the world which had been meeting since 1988, issued a more definite statement on global warming than ever before. Gelbspan reports that

*Always in years past they had been saying that we didn't yet know enough...or that our system of computer simulation was subject to too many uncertainties. Not this year. The panel flatly announced that the earth had entered a period of climatic instability likely to cause "widespread economic, social and environmental dislocation over the next century."*

The community of climate scientists is evidently not a bunch of tree-hugging alarmists; the news really is alarming. Reports of disruption of weather patterns and biological systems, associated with climatic change, are coming in from around the world. People on every continent are plagued by insect infestations and bacterial epidemics brought about by a sudden lack of killing frosts. Mean water temperatures in the Pacific Ocean have increased by 1 to 2 degrees C. over the last four decades — seriously depleting the population of the plankton that forms the basis of the marine food chain. A thousand square-mile chunk of Antarctica's Larsen ice shelf, some twenty years before the experts predicted it would look, increasingly se- ice broke free from shelf, some twenty predicted it would. look, increasingly se- patterns — long pre- ing models—are being of hurricanes, floods any single decade. ports of such things emn disclaimer that,



Nevertheless, re- usually end with a sol- bad as things might look, the question of global warming has yet to be resolved. The whole atmosphere is a very difficult thing to accurately model, and all the reports we have about the effects of climate change are simply anecdotal — although they are starting to resemble the kind of "anecdotal" evidence that connects cigarette smoking with lung cancer. Like the tobacco companies, the energy industries have mounted a well-financed campaign to disseminate the kind of "science" that is most favorable to them. For example, the American Petroleum Institute spent \$1.8 million in 1993 to a single public relations firm to defeat a proposed tax on fossil fuels — motivated largely by fears of global warming. A half-dozen other industry groups spent similar amounts that same year, while the five major organizations that focus on climate issues — the Environmental Defense Fund, Sierra Club, Union of Concerned Scientists, Natural Resources Defense Council and World Wildlife Fund — spent a combined total of \$2.1 million. The net result of this is, as Gelbspan puts it, that "at the cost of corporate pocket change, energy giants can (continued on page four)

## Georgists on the Move in Russia

*a letter from Prof. Nicolaus Tideman*

In the past five years I have made 15 trips to Russia to explain the virtues of public collection of rent (land value taxation). I have appeared on radio and television many times, been interviewed for newspaper stories, spoken at conferences, talked with hundreds of government officials, politicians, professors, businessmen and ordinary Russians. This is my annual report and invitation to participate.

In my trips, I have supported a number of activities that promote Russian understanding of the virtues of public collection of rent. Here are the principal continuing ones:

### *Radi Kushnerovich's Documentary Film*

Radi Kushnerovich is a film maker who learned about Henry George's ideas when he read about them in the works of Leo Tolstoy. He has been working for some time on funding and production arrangements for a documentary on taxation. He now has an invitation for a month-long stay in Taiwan, that might lead to shooting the documentary there. Also the owner of a good video studio in Switzerland was impressed with the project and offered to provide Radi with free editing.

Radi is also planning a trip for me to Kazan, the capital of the Tatarstan Autonomous Republic. On past visits there, I have met with the highest officials of the region, who have expressed interest in allowing some area of Tatarstan to experiment with shifting taxes from labor and capital to land. To communicate with me by e-mail, Radi obtained the help of his friend Elena Schachter, who is on the faculty at the Russian State Humanities University. Upon learning of my impending visit to Moscow, she suggested that I might give a talk or two at her university.

### *Ekograd*

In St. Petersburg, city planners Tatiana Roskoshnaia and Tamara Chistiakova learned about the virtue of land as a source of public revenue from a talk I gave on my first visit in 1990. They formed the consulting firm Ekograd (ecological city), which explains to city officials the advantages of land as a source of revenue. They have the strong support of the leader of the city of Novgorod for implementing public collection of rent there. But he has decided to postpone any effort to implement the idea until he can include regional taxes as well, and he is running for the position of leader of the region in elections that will be held on

December 17. Tatiana and Tamara have also worked on the possibility of implementing public collection of rent in a number of other places, particularly Furgut in Western Siberia, Sayanagorsk in the Hakacia region in Southeast Siberia, and Solikamsk in Northeast Russia. A fiscal reform that will greatly increase local self-government is working its way through the Russian Parliament. Tatiana and Tamara hope that passage of this measure will substantially improve the prospects for public collection of rent.

### *Henry George Association of Moscow*

The Henry George Association of Moscow was formed as a result of conversations I had with Andrei Pavlov when he was studying at Moscow University. This Association publicizes the idea of using land for public revenue among politicians and political activists. It also works to build a network of individuals throughout Russia who are interested in studying the ideas of Henry George and implementing George's remedy to the greatest possible extent. Andrei Pavlov serves as the Association's unpaid President while working for the Kaeros Trading Company, which provides them with office space. The Association publishes a newsletter on an occasional basis and contributes articles to a variety of publications. The Association is planning to call a conference in the near future, to which it would invite supporters of public collection of rent from throughout the former Soviet Union — but funding is critical.

### *Kaliningrad*

For a while, Andrei Pavlov worked for a Moscow radio station. That led to my meeting Eugene Alioshin, who owns a radio station in Kaliningrad (formerly Koenigsberg in East Prussia). The translator for my visits to Kaliningrad, Marina Fedorova, has become an activist for public collection of the rental value of land there. She has arranged many visits for me to public officials and interviews in the media. In the past year she has published articles in local newspapers and has had many meetings with political leaders and public officials. For my visit to Kaliningrad, Marina has arranged radio and television appearances, interviews with newspaper reporters, a meeting with the head of the Regional Land Commission, and meetings with local leaders of the Russia's

Choice and House of Russia political parties. Thus far Marina's efforts have been at her own expense.

### *Yuri Bocharov*

Yuri Bocharov is an architect and city planner whom I met on my first visit. Whenever I go to Moscow, I stay at his apartment. He has traveled widely in the U.S. and elsewhere. After spending many months in the U.S. following his participation in the Fairhope conference of the Council of Georgist Organizations, Yuri is back in Moscow, working on a book-length review of the land question in Russia, commissioned by Si Winters for the

Social Science Forum of the HGS. Si and Yuri both hope that the booklet can eventually be expanded into a full book. Yuri also informed me that one of the people who participated in a short course in Public Finance that I gave at Moscow University has recently been appointed to head the Russian State



*Nic Tideman*

Bank. He offered to try to arrange a meeting with him for me. If Yuri had \$500, he could buy a computer with which to work on his review of the land question in Russia. I have a commitment of \$200 toward the cost of such a computer.

### *Moscow Assessment Experiment*

The Administration of the Moscow Region and the Moscow Region Land Committee propose to collaborate on the subject, 'Mass assessment of land in the Moscow Region for the purpose of land taxation,' through their Land Institute (Dr. Victor Tsheglov) in 1996-98 and to undertake an experiment in one of the districts of the Moscow region. From their American colleagues, they seek: consultations, methods of assessment, financial aid and training of specialists. They propose to discuss the subject in more detail during my December 1995 visit to Moscow.

With all of these things occurring, I continue to find it worthwhile to put my own efforts and money into promoting public collection of rent in Russia. If you would like to join me by making a contribution, please send it to: Nicolaus Tideman, Economics Department, Virginia Tech, Blacksburg VA 24061-0316. Please note if you wish to earmark your contribution toward one of the projects described above.

## Global Warming

(continued from page two) control our perception of the planet."

If, however, the world were to realize the gravity of the impending catastrophe and take the steps that the scientific community deems necessary to reverse the warming trend, the economic consequences would be enormous. We would have to phase out the burning of fossil fuels in, relatively, the blink of an eye. Gelbspan gulps and bravely takes his best shot at a policy recommendation — one that seems, at first glance, sensibly realistic, given the immensity of the stakes:

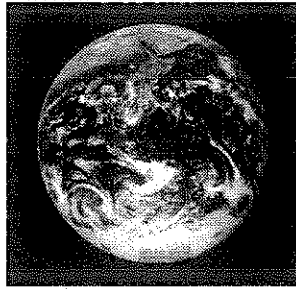
*What if the world mobilized around a ten-year project to phase out all fossil fuels, to develop renewable energy technologies, to extend those technologies to every corner of the world? What if, to minimize the conflict of so massive a dislocation, the world's energy companies were put in charge of the transition — answering only to an international regulatory body and an enforceable timetable? Grant them the same profit margins for solar energy and hydrogen fuel that they now receive for petroleum and coal. Give them the licenses for all the renewable energy technologies. Assure them the same relative position in the world's economy they now enjoy at the end of the project.*

Now, I find this proposal frustrating — not because I begrudge the energy industries their profits (necessarily), but because it is not practical. Henry George worked hard to teach us the difference between the returns to capital — those things, produced by human exertion, that expand the stock of wealth — and the gains to be had by monopolizing the natural opportunities. Unquestionably, the major share of oil company profits comes from the latter.

We have been told again and again that it would really be nice if clean, renewable energy sources could be widely used, but, alas, they simply aren't cost-competitive with fossil fuels. The main reasons for this are that the finest engineers have been working away for a century to develop the most profitable ways to utilize fossil fuels — and they have done so with the aid of monumental government subsidies. Even in the late 70s, when it was fashionable to subsidize renewable-energy research, a considerable portion of federal energy funding went to oil companies who had no interest in developing any kind of solar or hydrogen energy systems anytime soon. And, just this year, engineers at General Motors unveiled their latest electric car prototype — from which, alas, the gasoline-powered cars of today need not fear any threat to market share.

So, if the G-7 nations mandated a phase-out of fossil fuel in ten years, and gave the energy companies the licenses to today's finest solar and renewable energy systems, would the energy giants be capable of maintaining "the same relative position in the world's economy they now enjoy?" Don't bet on it. It is entirely likely that the finest solar and renewable energy systems of the next decade are merely gleams in the eyes of researchers now — and while some of those researchers might work for oil companies, most of them don't. Oil companies devote considerable resources to maintaining their protected status in the economy. It seems likely that the lean & hungry developers of solar technology today, underfunded, doggedly working toward cost-effectiveness, would have an edge over the fossil fuel-burners, groggy from decades of protection. That is what today's energy giants fear — which is why Mr. Gelbspan's proposal is ultimately unrealistic.

Is the situation hopeless then? Not at all, not where Georgists are concerned anyway — for we have an analysis that locates the fundamental problem in this dilemma, as in so many others, and points to a workable remedy. The public collection of rent is, I believe, the key to establishing sustainable energy systems that do not wreck the world's economy.

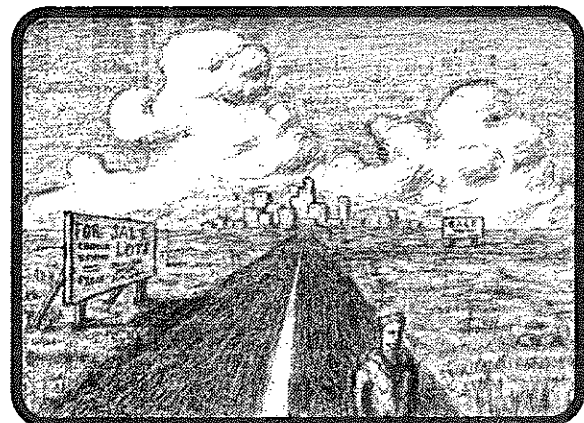


What rent are we talking about here? Remember that in political economy, land is defined as the entire material universe, exclusive of human beings and their products. It includes, in other words, both subsurface minerals and the atmosphere. We also remember land has no value *per se*; it acquires value only in comparison with land that can be had for nothing. Now, it is becoming evident that the atmospheric equilibrium of the earth has acquired value in comparison with atmospheric equilibrium that can be had for nothing. What? There's no other air to choose? Well, there you have it.

If you believe that the cost of global warming can be reckoned in the costs of the recent warmth-intensified insect infestations, disease outbreaks, sea-level rises and exceptionally severe tropical storms, then you are looking at a rent that is quite steep, indeed. And if the primary cause of this climatic change is the increase in CO<sup>2</sup> levels caused by the burning of fossil fuels, then the energy companies are the ones who are making out like bandits. No wonder they are willing to spend whatever it takes to hire scientists to say there is nothing to worry about.

How can we go about collecting land rent on the atmosphere, when public revenues are collected nationally, and the atmosphere is shared by all? A proposal has been made, by the United Nations Council on Trade and Development, to create a market in net decrease of CO<sup>2</sup> emissions by issuing tradable credits to those nations who emit less carbon dioxide per capita than an international standard that the UN would set. (See the Nov. - Dec. '92 HGN) Such liabilities to the industrial countries (which would be well above the standard due to their high consumption of energy) could be charged in the form of taxes to energy companies. What's more, third-world countries would have no incentive to court the energy-giants' relocation to avoid those taxes — for the establishment on their soil of, say, oil refineries would cut the foreign exchange they could get in the form of the clean-air credits.

It might be said that such a program would place a huge burden on energy companies. Surely they would hire battalions of lobbyists to cry foul. But Henry George made an eloquent case, in *Progress and Poverty*, for why landowners deserve no compensation for the loss of rent that they did nothing to create, and his logic is perfectly apt in this case. In a world economy where the rent of atmospheric equilibrium were made collectable through international clean-air permits, and actually collected by governments sensitized by their own green constituencies, the prevailing incentives would be turned right around. Then: it would be really nice (for oil companies) if fossil fuels could be widely used — but, alas, they just wouldn't be cost-competitive with clean, sustainable solar and hydrogen fuels.



## Georgists Light Out for the (Virtual) Territories

The wide-open, mind-boggling interconnectedness of the internet lured a growing number of Georgists into cyberspace in 1995 — and the trend shows no signs of slowing down. The internet seems made to order for a movement that lacks huge resources and is dispersed all over the globe. Entry-level access to the internet is surprisingly inexpensive. All one needs is a computer — any computer will do, even the old & slow ones that people throw away — a modem, and access to the internet. Many providers charge as little as \$10 a month for the bare-bones level of access — but those bare bones allow one unlimited electronic mail to anywhere in the world, and access to some 5,000 discussion groups on every conceivable subject!

"LandAccess" is the apt name of the mail list established by Pittsburgh Georgist rabble-rouser Dan Sullivan. A mail list is a discussion group that takes place through e-mail — so, it is accessible to any and everyone on the internet. So far some fifty people have participated in discussions which range from the theoretical to the practical. It is a way for Karl Williams in Australia, Fred Foldvary in California and Victor Ledenyov in Ukraine to keep up-to-date on the latest Georgist developments. In this issue of the *HGN*, the information on two-rate progress in Pennsylvania, the letter from Nic Tideman on endeavors in Russia, and the poem on the back page were all taken from LandAccess material! You can join "Landaccess" simply by sending e-mail to

**LandAccess-request@pobox.com**

The body of your message should contain nothing but the word "info".

"Gopher" is the codename of the interconnected file-archiving system, initially developed at the University of Minnesota (whose mascot is the Gopher) and subsequently used everywhere. Thousands and thousands of gopher servers contain information on every conceivable subject from recipes to the Roman Empire to... well...rodents. This mindbending wealth of material is all connected (regardless of its physical location; distance is not a relevant notion in the internet) through a system of menus. "Gopherspace" can be searched through a program called "Veronica," which will go through all the vast files of gopherspace to find your key-word entries.

You can try it yourself, if you have internet access. Call up your gopher program, tell it you'd like to search with Veronica, and type in the words "Henry George." You will arrive at the Henry George School's gopher menu, which includes some two dozen articles on all manner of themes in land, economics and human rights. The abridged text of *Progress and Poverty* is there for the downloading, as well as the text of Prof. Mason Gaffney's "Neoclassical Economics as a Defense Against Henry George." A new addition is the text of Chief Justice John Marshall's 1823 decision establishing the Constitutional basis for "Acquisition of Property by Discovery" — a key document in the legal debate surrounding land tenure.

The internet phenomenon that is making the big news-flash these days, though, is the World Wide Web, the fancy graphical application that is changing the face of the internet. With the Web, we are no longer restricted to text-based information and navigation by means of arcane commands. The internet suddenly becomes user-friendly — and, in the judgement of an ever-growing number of corporations, commercially viable.

Access to the World Wide Web is a bit more expensive than plain-vanilla access, but many people are finding it worthwhile. To get it, one must have a Windows or Macintosh computer, at least a 14.4 kps modem, and a type of service (usually called SLIP, or PPP) that allows your home computer to emulate a full-fledged station on

*Here is what you see when you call up The Banneker Center's Web Site. A mouse click on any of the highlighted words will take you to another site — either another page that Hanno Beck has produced, or another site entirely. The process is called "hypertext." Distance is irrelevant! As you can see, one of the links provided here brings you files from Australia!*

### The Benjamin Banneker Center

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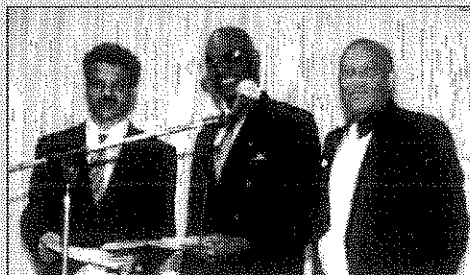
the internet. Today, however, many companies are offering preconfigured "internet-in-a-box" packages that can get you up on the Web in minutes.

A group of students at Syracuse University recently published a "Web Site" (as such "places" are called) on Henry George and his role in the progressive movement. Their site, alas, is no longer in view, but they have promised to make their files available to the HGS for incorporation into our upcoming presentation.

Hanno Beck, whose new organization is called The Banneker Center, has recently gone live with a spiffy new Web Site. It has links to a wealth of fascinating and informative sources of information, as well as some humor. The address (what internet people call a "URL") for Hanno's opus is

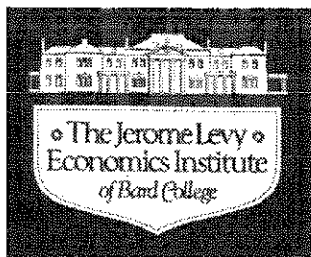
**http://www.smart.net:80/~banneker/index.html**

Be sure to send him some mail, while you're there, and tell him how you liked it — a handy mailback utility is provided.



*Twenty-three students completing Applied Economics in Spanish at the headquarters of the Partido Revolucionario Dominicano in Washington Heights received their certificates at a graduation ceremony on December 5th. With instructor Rev. Elias Paulino (r) are George Collins and Manuel Nolasco.*





(continued from front page) gathering that land, properly defined, includes all natural opportunities, including "...subsurface resources, airwaves and waterways and charges for pollution." While he acknowledged that no reliable estimates exist of our aggregate land value, a group of land economists made the (undocumented) estimate of a total US land value of \$30 trillion. A collection of four per cent of that value would be enough to eliminate all other taxation in this country.

Gene Wunderlich, Economist for the US Dept. of Agriculture (who announced his recent retirement to warm applause) discussed the implications of LVT on agriculture—a particularly sensitive issue in the clean-and-green Hudson valley, where preferential assessments, which lower the property tax bills on farmland from the land's market value to its value in current (farm) use, are popular. Dr. Wunderlich's findings show that preferential assessments do little to protect open land, and in some cases even encourage land speculation. The market pressure of increased demand due to urban sprawl exerts a very strong pull on a small percentage of all farmland. Indeed, a small contingent of local farm and open-land advocates arrived later in the day, stridently posing the very questions that were cogently answered in Dr. Wunderlich's paper.

One thing that this conference demonstrated, especially the afternoon session on "Local and State Issues in Land Taxation," is that the "Georgist Movement" in its various forms has amassed, over the years, a well-stocked arsenal of theoretical firepower. Many of the questions asked sounded familiar to teachers of the Georgist philosophy, and had to be dealt with at what might be called an elementary level, before the speakers could explore the substantive issues they had been invited to address. Two Georgist activists, Alanna Hartzok and Al Hartheimer, spoke of the ongoing efforts on behalf of Georgist property tax reform in Pennsylvania and New York State, and Prof. Tideman, reviewing research done by him and PhD. candidate Florenz Plassman, went over the numbers on the positive effects of the two-rate reform in Pennsylvania, showing a strong correlation between the two-rate shift and significant surges in new construction.

The second panel was rounded out by Dr. Robert Wassmer of Wayne State University, on "The Economics and Politics behind Michigan's Property Tax Reduction." This was followed by an engaging, if somewhat exhausting, presentation by Douglas Roberts, Treasurer of the State of Michigan, on the strategic ins and outs of the recent Michigan initiative by which a state sales tax was defeated in favor of a flat state income tax as a substitute for the property tax to fund public schools. Mr. Roberts felt that this was a victory, since the flat income tax lacked the inherent regressivity of the sales tax. Many in the audience, however, felt that the net economic differences between the two paled in comparison to the positive effects that could have been gained from a land-only shift.

The afternoon session on the Macroeconomic effects of land rent showcased the statistical research on national income done by Dr. Michael Hudson (See our July-August issue). Hudson's work shows that because of extremely generous depreciation allowances on buildings and improvements, virtually no rental income is claimed by real-estate owners in the US. In our current tax system it is only when real estate is sold, and land appreciation turns up as a capital gain, that it is taxed at all. Dr. Mary Cleveland, a Board

*We may be weak on hard numbers, but we are clearly strong in workable remedies to economic problems that continue to baffle the well-credentialed.*

Member of the Robert Schalkenbach Foundation, showed her statistical modeling work that demonstrated how great inequalities in the distribution of income (which correlate very strongly with inequities in land ownership) cause not only suffering but market failure as well; her statistical models underscore Henry George's assertion that "in justice is the highest and truest expediency."

With a twinkle in his eye, Dr. Mason Gaffney suggested that the current economic devastation in California is very probably due to the state's insistence on collecting virtually none of its land rent in taxation at any level. Perhaps only such a stylist as Gaffney could have succeeded—without rigorous data to prove his assertion—in nearly convincing a very skeptical audience of its truth. He did note that, although many attribute California's current hard times to the sudden reduction in defense-related spending there, the state came through a much steeper reduction in defense dollars, with flying colors, after WWII. He admonished the tax-reformers from Michigan, and others who may follow suit in the rush to rescind property taxes, to learn from California's mistakes.

The concluding session, Saturday morning's "policy roundtable," was moderated by Dr. Dimitri Papadimitriou, Executive Director of the Institute. There, Robert Einsweiler, Director of Research at the Lincoln Institute of Land Policy and and renowned authority on city planning, reiterated his statement that we lack hard evidence on the positive results of existing LVT reforms. Although analysis by Professors Tideman and Cord of the amounts and value of new construction in Pennsylvania LVT cities show a significant correlation with the two-rate reform, some economists consider this evidence inconclusive because it is difficult to isolate the precise cause of the surges in building. Others, however, note that theoretically the effect of the LVT remedy depends on the degree to which it is applied—and many of the two-rate cities in Pennsylvania have yet to collect sufficient land rent to sound a clear note among the noise of other economic forces.

It was thought that this conference served as a good measure of what the Georgist movement currently has to bring to the public dialogue—phrased in the argot of modern economics. We may be weak on hard numbers, but we are clearly strong in workable remedies to economic problems that continue to baffle the well-credentialed.

## Robert Clancy Memorial

(continued from front page)

appreciation of the arts and his ability to inspire creativity in others. George Collins, for example, recalled being introduced to opera by



Don Hurford

Bob, and Bob's choosing of arias especially suited to George's voice. Bob Clancy's other artistic pursuits were also in evidence at the memorial; four of the large paintings from his series depicting the development of civilization were on display. Lindy Davies read from Bob's Georgist writings, of which there are many. In addition to his book, *A Seed Was Sown*, Bob Clancy's cogent wit appeared in

columns over the years in virtually every Georgist publication. Many students and friends, old and new, rose to say good-bye—and thanks—to this gentle renaissance man who meant so much, for so long, to the Georgist movement. And, finally, as Mr. Clancy would no doubt have approved, many of the guests shared a glass or two of wine.

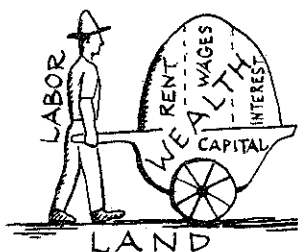


Nevva Bianco, Mark Sullivan, Pat Aller, Nan Braman, Matthew Ossias

## What We're Talking About

Teaching political economy is an odd endeavor — and not much has ever been written about it. True, universities have departments where Something Like What We Do is commonly taught, but we can't look there for pedagogical pointers. University students commonly have stronger motivations for their studies than the mere search for truth — and have little incentive to question the logical basis for what they are being taught (nor, in most cases, do their professors!). The search for truth, on the other hand, is exactly what motivates our students. They come to our classes because what they know about the economy fails to illuminate the deepening economic problems that surround them. Yet, paradoxically, students come to our classrooms weighed down by what they know.

It is sometimes said that our adult-education programs attract the "wrong" kind of students — but I think that they attract the very best kind of students, those who enroll in classes that do not promise prestige, credentials or social mobility — just education. I make it a point to praise them for that, as well as for the courage they show in taking on this most unpleasant of topics. (Yes, I know: Henry George makes political economy "radiant with hope" — but to most people it's still the Dismal Science.)



Henry George saw that the teaching of political economy is absolutely vital — not to the best and the brightest only but to everyone who is willing to think about it — and so his essay "The Study of Political Economy" particularly

suits our pedagogical purposes. In it he speaks of his boyish mental experiment to figure out how an iron boat can float. His companion is sure it's because the iron skin is filled with wood, which is a buoyant material. Little Henry can't refute the argument then and there, but on his way home he mentally fills the boat with more wood and watches it sink. Then he mentally drills a hole in the hull and watches it sink even faster. Hmmm...must be because it is hollow, and so it displaces water!

He goes on to make this utterly trenchant observation:

*Now, just such mental operations as this are all that is required in the study of political economy. Nothing more is needed (but this is needed) than the habit of careful thought — the making sure of every step without jumping to conclusions. This habit of jumping to conclusions — of considering essentially different things as the same because of some superficial resemblance — is the source of the manifold and mischievous errors which political economy has to combat.*

Or as Lao Tzu puts it, even more pithily: "The Sage learns to unlearn his learning."

We have all had the dismaying experience of reviewing the definitions of wealth, rent, interest, etc. again and again with students who seemed to know them quite well, just a week ago. Is there an epidemic of amnesia in our society? Or are our students hopelessly slow on the uptake? No — and no. They are simply remembering what they have known all along. Yes, it makes sense that money is not wealth, and that the production of tangible goods is what makes the economy go. But it also makes a powerful amount of sense that money in the bank, a portfolio of stocks and bonds, or even some vacant land, are pretty darned nice things to have and sure seem like wealth. So what was "wealth" again?

Many huge confusions can be headed off by making sure we keep a grasp of **What We Are Talking About**. In this class we are talking about political economy. Are our students dolts for forgetting the definition of wealth? No! They just went back out into their

daily lives and stopped thinking like political economists. One thing that is very easy to forget is whether we are referring to the economies of individuals or of the whole society. Clearly, we are concerned in our study with the production and distribution of wealth in society. But our students, by their (understandable) real-world predilections, are disposed to think in terms of individuals. This can create tremendous confusion, and as teachers we have to be careful to keep this distinction clear.

For instance, in discussing the definitions of rent, wages and interest, it is tempting to refer to an individual entrepreneur who owns land and capital and works for himself. This person receives rent for his land (imputed, because he pays this rent to himself, its opportunity cost being what he could have gotten letting out the land to someone else), interest on his capital (similarly imputed) and wages for his labor. "But what earthly good," asks our sensible student, "are these categories of yours? The entrepreneur, after subtracting his costs, ends up with some wealth left: his profit, the goal of the whole endeavor. Does he care one whit whether that profit came to him from land or labor or capital? It's his profit and he's happy to get it." Who can argue with that?

No one can, and you shouldn't try to. It is perfectly useful and appropriate for individual entrepreneurs to analyze their economic behavior in terms of profit. Not so for the whole society. For once all the workers are paid their wages, all the capital owners are paid interest, and the rent of land (we hope) is collected to fund public services, what is left? Nothing! So, our scheme of three mutually exclusive factors which add up to 100% of total production, is the most appropriate, and useful, way of analyzing a whole nation's economy.

— Lindy Davies

## TEACHERS' CORNER



## How-ever...

*what's profit for the goose may also be profit for the gander, in the final analysis. Suppose we take a moment and look at the individual entrepreneur's production not in terms of business accounting but of political economy. In other words: once the entrepreneur pays rent for land (actual or imputed), interest for the use of capital, and her/his own wages — these factors which account for the whole product, remember — what is left for profit? A most ingenious paradox, that. If the three classical factors account for the whole product, where does profit come from anyway? The conventional wisdom is that it comes from monopoly — or, failing that, at least from some temporary force that inhibits competition. In the theoretical ideal state that economists like to call "perfect competition," profit will be zero. In Georgist terms, then, unless the rent of land is publicly collected, profit really contains a significant amount of rent. This fact gives us some insight into why the conventional wisdom claims that rent is so low: a mere 3-5%, they claim, of US income. But that only counts rent that is actually paid to landowners for rented land — none of the imputed income or "capital gains" of land speculators. Those gains are normally referred to as profits, the honestly-earned rewards of real risk-taking entrepreneurs in our free-market system: but we know better.*

## Uncivilized

by Edmund Vance Cooke

There was an ape in recent times  
who liked to eat but not to climb.  
He picked the jungle's finest tree  
And said, "This tree belongs to me!"

"These monkeys haven't brains nor guts,  
And I can make them gather nuts  
And bring the bulk of them to me  
By claiming title to this tree.

Next morning, when the monkeys came  
To gather nuts, he made his claim.  
"All monkeys climbing on this tree  
Must bring their gathered nuts to me,  
Cracking them on equal shares.  
The meats are mine; the shells are theirs.

"But by what right?" they cried, amazed,  
Thinking he was surely crazed.  
"By this!" He answered, "If you'll read,  
You'll see it is a title deed,  
Made in precise and legal shape  
And sworn before a fellow ape,  
Exactly on the legal plan  
Used by that wondrous creature, man.  
Unless my deed is recognized,  
It proves you all uncivilized.

The monkeys all began to pout.  
They couldn't make the whole thing out.  
Clearly, by precedent and law,  
The ape's procedure showed no flaw.  
But still, no matter what he said,  
The stomach still denied the head.

Up jumped one spunky monkey then.  
"Monkeys are monkeys, men are men.  
This ape should try his legal capers  
On men, who might respect his papers.  
We don't know deeds, we do know nuts.  
There are no ifs or ands or buts.  
Whoever gathers and un-meats them,  
By monkey practice also eats them.  
Let's show this ape and all his flunkies,  
No man tricks can be played on monkeys!"

Well, apes still climb to get their food,  
Since monkeys are so crass and crude,  
And monkeys, all so ill advised,  
Still eat their nuts, uncivilized.

## New York in Winter '96

### Basic Courses

#### Fundamental Economics

Monday, Mr. Irving Kass, 5:30 - 7:30  
Tuesday, Mr. Lindy Davies, 6:00 - 8:00  
Weds., Mr. John Alexander, 6:00 - 8:00  
Thursday, Mr. Alton Pertilla, 6:30 - 8:30

#### Understanding Economics

Tues., Mr. George Collins, 12:30 - 1:30

#### Progress and Poverty (In Spanish)

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

### Advanced Courses

#### Applied Economics

Weds., Mr. Lindy Davies, 6:00 - 8:00  
Weds., Rev. Elias Paulino  
(in Spanish), 6:00 - 8:00

#### Economic Science

Tuesday, Mr. George Collins, 6:00 - 8:00

#### Great Decisions '96

Weds., Mr. John Bruschi, 12:30 - 1:30  
Monday, Mr. George Collins 6:00 - 8:00

#### Human Rights

Monday, Mr. Vesa Nelson, 6:00 - 8:00

#### Current Events

Weds., Mr. Sydney Mayers, 6:00 - 8:00

#### U.S. History & Government (In Spanish)

Thurs., Mr. Manuel Felix, 6:00 - 8:00

#### Taxes, Real Estate & Urban Decay

Special Graduate Class, open only to  
students who have completed *Applied  
Economics* or *Economic Science*,  
Thursday, Mr. George Collins  
& Mr. Lindy Davies, 6:00 - 8:00

### Friday Forums (7:00 to 9:00 pm)

#### Land in the Movies

Jan. 12th, The Piano Lesson — *Alfre Woodard & Charles Dutton in a powerful presentation of August Wilson's Pulitzer Prize-winning drama.*

#### In the Line of Fire: the UN at 50

Feb. 9th, Ann Zanes, James Olson and Jim Morgan — *Three representatives of UN conferences and NGOs discuss what the UN needs in order to fulfill its mission in the 21st century.*

#### The Politics of Health Care

March 8th, Eleanor Litwak — *Who will make your health care decisions: your physician, your insurer or a bureaucrat?*

### Saturday Seminars (1:00 - 3:00 pm)

#### Funding & the Future of Cities

Jan. 27th, Dr. Kris Feder & Dr. Steve Cord — *Two public-revenue specialists discuss how cities can raise public revenue without driving away residents and businesses.*

#### Public Transit Winners & Losers

Feb. 24th, Felice Gruskin — *Transportation is the city's lifeline, but fare increases are strangling commerce. Are there better ways to fund public transportation?*

#### Closing the Virtual Frontier

March 23rd, Paul Wallich & Lindy Davies — *Who stands to clean up in the new "gold rush" to cyberspace?*

## Pennsylvania (from front page)

Georgists realize, of course, that the property tax is not one tax but two taxes. Such statements as Porterfield's are correct—but only about the property tax on improvements. Unfortunately, the truth about property taxes is being overshadowed by a political juggernaut fueled by public disgust with wasteful and corrupt government. Pennsylvania has the same economic and social

problems as other states—but it has, in its two-rate property tax cities, the genesis of an effective reform. Therefore, Alanna Hartzok urges that all Georgists contribute to the tax-reform efforts in Pennsylvania as quickly and as much as they possibly can. "If we exert our determination to turn this tide," Alanna says, "I feel certain that our movement could indeed make the breakthrough that is required."

Happy  
Holidays  
from the  
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