Henry George News

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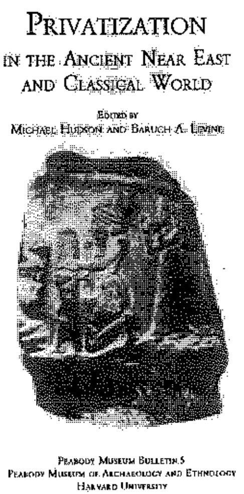
Harvard's Peabody Museum Publishes Privatization Conference Papers

by David Domke

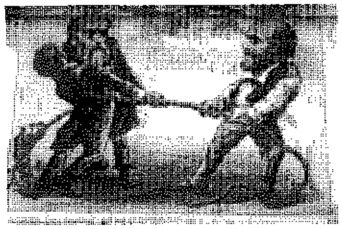
Privatization in the Ancient Near East and Classical World, recently published by the Peabody Museum of Archeology and Ethnography of Harvard University, is a collection of papers that were given at a colloquium held at NYU in the autumn of 1994. Inspired in large part by research supported by the Social Science Forum of the School, the conference attracted scholars of ancient economics from around the world. While these scholars represented diverse backgrounds and approaches, they came specifically to the conference to study the role of private land ownership in the development of the economies of antiquity.

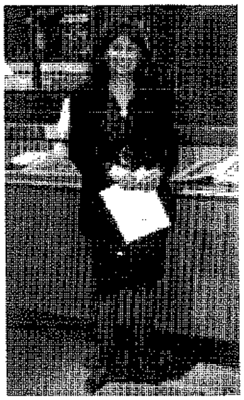


The study of land and its role in ancient economies represents an important paradigm shift in the discipline. Dr. Michael Hudson, said in his introduction to the conference, "Economists are notorious for taking private property for granted as being original and elemental in human history, and hence needing no historical explanation for its evolution. Public resource ownership and management are assumed to be symptoms of economic decadence, arising relatively late in civilization to stifle private enterprise.... What proves fatal to this foundation myth of free enterprise is the fact that it was Bronze Age Mesopotamia... that developed the earliest entrepreneurial practices. Only in the second and first millennia did Indo-European speakers adapt these practices to a more individualistic, and indeed oligarchic context."

The development of private property in land and the use of interest bearing debt as a mechanism for appropriating land and its income were the central topic of Mr. Hudson's paper. "Privatization in antiquity is best understood as part of a process of decontextualization, that is, the transplanting of holistic institutions developed in one context... piecemeal into smaller-scale, peripheral contexts." Small family land owners who fell in arrears on loans were forced to either forfeit their lands or remain tenant farmers under debt-bondage. As a consequence, "privatization of the land and other means of production ended up stripping away the traditional social obligations of wealth. Privatization thus went together with economic polarization and the debasement of the poor into permanent debt-bondage." These processes led to changes in the fundamental structures of the ancient economy. Wealthy landowners began demanding that more cash-intensive crops, such as olives and grapes, be raised for export. This radically diminished the growing of self-sustaining grain crops that could be traded at the communal level. "Culture evolved from a means of molding communal behavior *(continued on page six)*

New York Public Library Exhibits Henry George Collection





The new Science, Industry and Business Library (in the site of the old B. Altman store at Madison Ave. & 34th St.) ran an exhibit of documents from the New York Public Library's Henry George collection in November and December. Ms. Jacqueline Gold curated the exhibit, which contains a wealth of archives donated by Anna George De Mille, including the original handwritten copywright applications for George's books. In the Puck *cartoon above, George holds his own in a tug-of-war against his 1886 Mayoral race opponents, Theodore Roosevelt and Abraham Hewitt.*

Study Links Public Rent Collection with Urban Planning Goals

by David Domke

On November 25, the School hosted a special seminar with Thomas Gihring, a housing and planning consultant from Seattle. Mr. Gihring has completed a research study, which was funded by the Schalkenbach Foundation, on Land Value Taxation in Vancouver. The study's purpose was to link LVT with urban growth management in order to make regional planning policies more effective through the use of tax incentives. The objective was to see how tax incentives could help to achieve such goals of urban planners as discouraging urban sprawl and concentrating urban growth around existing urban centers.

Mr. Gihring introduced his report by saying: "Being an urban planner, I tend to take a very pragmatic, rather than a purist, theoretic approach. My interest is merely in making urban growth management more effecient. When I took the assignment to do this study, I found a great similiarity between the objectives of urban growth management and those of land value taxation."

Mr. Gihring proceeded to link property taxation with urban growth management in the making of land allocation decisions, specifically in the Vancouver/Washington urban area. "There is a strong constituency for urban growth management in the state of Washington; on the other hand if you talk about economic principles and land taxation, you do not have much of a constituency to follow development along theoretical lines...."

"Now as I understand it," continued Mr. Gihring, "the principle behind land value taxation is to tax mainly economic rent. And this economic rent is created over time by the community at large and not by individual capital investment in buildings. So site value becomes the important target – a value that is created by location advantages, is generated by public infrastructure, nearby public commercial facilities, natural *(continued on page three)*

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Henry George School of Social Science

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

Oscar B. Johannsen
President

George L. Collins
Director

Lindy Davies
Editor

David Domke
Writer

AFFILIATES

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

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

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

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

CALIFORNIA
Paul Johnson, President
1568 Schrader Street
San Francisco, CA 94117
(415) 661-6933
Harry Pollard, Director
Box 655
Tujunga, CA 91042
(818) 352-4141
Clifford Cobb, Director
5216 Fernwood Way
Sacramento, CA 95841
(916) 331 - 1490

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

CANADA
School of Economic Science
2267 Westman Road
Mississauga, Ontario L5K 1M7
(416) 822-4694
Gaye/Gerry Shaw, Co-Directors
3017 25th Street, S.W.
Calgary, Alberta T3E 1Y2
(403) 242-4291

Land Swaps: the Latest in Speculation

by Lindy Davies

Candidate Bill Clinton appeared at Yellowstone National Park during the '96 campaign, touting a "land swap" with gold mining concerns as an innovative win/win situation for business and the environment alike. He did not mention that this program of land swaps with developers has been going on, in a quiet way, since the Reagan administration. Typically, in such a deal, a timber or mining company (or other developer) trades an ecologically sensitive habitat area for an "equal value" of other federally- owned land, the development of which will (presumably) be more environmentally friendly.

It would appear, at first glance, that the federal government has found a brilliant way to broker the developer/environmentalist divide — and bypass miles of political red tape as well. The debate is a thorny one. On the one hand, environmentalists see an absolute value in slowing the pace of environmental destruction and preserving habitats. On the other, "property rights" advocates see private ownership of land as utterly inviolate and begrudge any intrusion of federal regulation or control.

In the past, the federal government simply purchased the land it wanted to save. A federal fund exists, earmarked for the acquisition of land for conservation purposes. That fund, according to the *New York Times* (Sept. 30), currently has a surplus of some $10 billion — mostly royalties from offshore oil drilling. But, the money (98.6% of it anyway, in 1996) is being used to lower the deficit. Swaps are much easier; they entail less red tape. The law requires Congressional approval for any federal cash outlay. Swaps, on the other hand, can be brokered through state authorities.

Are land swaps a painless way of using the market to protect critical old-growth areas? Or are they a giveaway to politically-connected developers?

In one such deal, the Phelps Dodge Corporation sought 3,758 acres of federal land adjoining its southern Arizona copper mine. In return, they offered *(continued on page three)*

Thanksgiving: The Geoist Holiday

by Dr. Fred Foldvary

The Pilgrims landed in Massachusetts in November, 1620, and founded the new Plymouth. They thanked God when they landed, but this was not the first Thanksgiving Day.

The first winter was a hard one, and half the colonists died, but from disease rather than hunger. The Indians helped them during the winter. In the fall of 1621, the Pilgrims had a hunting party with their Indian friends. This shooting party later got confused with Thanksgiving Day. They feasted for three days, but it was not proclaimed to be a traditional Thanksgiving with prayers, etc.

The English sponsors of the Pilgrims had made an agreement with them before they departed whereby all "profits" of the colony — all crops, fish, trade goods, etc. — would be "in the commonstock." This is recorded by the colony's governor, William Bradford, in his book *Of Plymouth Plantation.* All colonists were to take their goods and food from the common stock. The economic system was communism, in accord with their religious beliefs.

How did it work out? Terribly. Bradford wrote that the experience evinced the "vanity" of those who believed that putting all property into common ownership would make them flourish. Sharing everything resulted in "confusion and discontent. "The workers complained about spending time working for others."

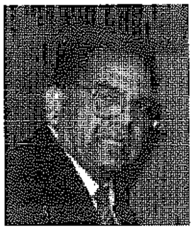
By early 1623 the Pilgrims faced a crisis. There was going to be a famine unless something changed. Some were stealing food from the Indians. Some died of hunger. So they held a meeting to decide how to "obtain a better crop."

They decided to give up communism in goods. Bradford wrote that they determined that from then on, "they should set corn every man for his own particular." The land was still common territory, but each family was assigned its own parcel to farm. Land could not be passed on as inheritance, but the family could keep what it grew.

The effect: Bradford wrote that "It made all hand very industrious. [They] now went willingly into the fields." Then in the summer there came a drought. The Pilgrims held a "day of humiliation," in accord with their custom. A "sweet and gentle" rain broke the drought. The bountiful harvest was saved. *(continued on page five)*

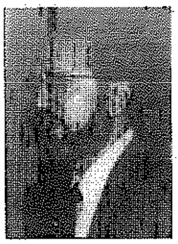
Fall '96 Graduation: A Call to Action

A packed gathering of students, family and friends attended the New York HGS Fall '96 Graduation and holiday gathering on Friday, December 16th. In the school's tradition, each class elected a speaker, who commented on or summed up the class's learning experience. As always, there was tireless applause and much popping of flashbulbs.


Ravi Karmarkar


Billy Fitzgerald

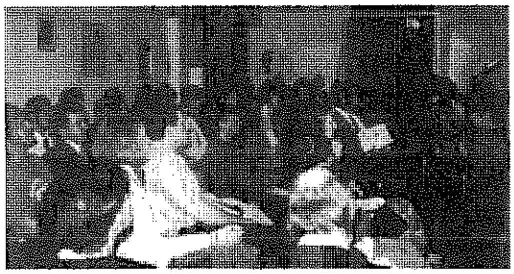
Many of the speakers dealt with the theme of the rightness of this moment in history, in so many areas, for an acceptance and implementation of the Georgist philosophy. In particular, students in the Spanish-language classes (who spoke, for the first time, primarily in their own language) challenged their colleagues, making the point that the developing nations must not wait. They must implement the Georgist remedy and become examples for the rest of the world to follow.


Nibaldo Aguilera

A highlight of the evening was a double presentation of two speakers from Sydney Mayers's *Public Speaking* course, Evelyn Raez and Ravi Karmarkar, who ably displayed the skills thay had learned.


Roseli Meza

Happy Holidays from all of us at the Henry George School!



(photos by Ramón Alvarez)

Urban Planning...

(continued from front page) amenities and accesibility.... the purposes of LVT are to bring idle land into production, and to tax away the speculative value of property. As we all know conventional property taxation taxes the value of the property as a whole; a two-rate property tax assesses building value separately from land value, [and taxes] land at a higher rate...."

Mr. Gihring went into some detail explaining the two-rate systems as a revenue neutral, gradual shift toward full land value taxation. Such a phase-in period, he believes, would be needed to avoid economic dislocation.

In Vancouver, urban sprawl is threatening to consume resource lands at the periphery (farm land and forest); sprawling, low density development is another problem — "what we want is to focus urban growth around already established urban centers, to increase urban density to better make use of infrastructure. One benefit would be to reduce automobile dependency by encouraging greater use of public transportation; another is to encourage growth in economically depressed areas. Incentive taxation (LVT) would serve to both reward private capital investment and discourage speculative land holding. These two factors would in turn serve to discourage urban sprawl, encourage growth, development and redevelopment."

Mr. Girhing did say that as long as the shift from a building tax to a land tax under the two-rate plan remains revenue neutral, some other forms of regulation, such as stricter zoning laws, are needed to ensure centralization of urban areas. Such regulations and two-rate LVT would "be mutually enhancing."

Mr. Girhing is seeking to publish his findings in an urban planing journal to show other urban planners that "what they are trying to through regulations they can do through incentives."

Land Swaps...

(continued from page two) 280 acres of other land adjoining their site, and acquired two other sites of 240 and 680 acres that were (presumably) sought for their wildlife-habitat value. According to the figures presented in the *Times*, Phelps Dodge generously gave the United States a profit of $197,000 on the deal! This is remarkable, since the program's stated goal is to trade parcels "of equal dollar value".

Trades of "surplus" federal land for environmentally sensitive private holdings have been going on for some time, and, predictably, an "industry" has grown up around the practice. Federal land which has never been available for development before (and thus, has never had any market value, until just now) is offered to developers in return for the environmentally-sensitive land parcels they offer to trade. Those parcels have been acquired for a song, yet — suddenly — their value equals the value of development rights on the federal land in question. Land speculators pocket the difference. Magic!

In early December Maxxam, Inc. of Houston was offered real property worth at least $380 million in exchange for the largest privately-owned stand of old-growth California redwoods still extant. Not enough, though. Maxxam officials immediately stated that they could make no response until these properties were appraised. Most of them were leases, jointly owned by the US Government and the state of California, for oil and gas wells. Private companies are tapping the fields; Maxxam is merely being offered the rent. Also included in the deal were 30 acres of vacant land next to a federal building in Orange County, and 3,000 acres of less sensitive timberland in Humboldt County.

Hearing about deals like this, Georgists can feel something of what antebellum abolitionists must have felt when reading debates about compensation for slave "owners". For here, in Henry George's words, is "a bold, bare, enormous wrong, like to that of chattel slavery," that we watch being perpetrated with ever-greater sophistication. Clearly, if the rent of land were collected for public revenue, speculators would not be gathering, vulture-like, for federal land giveaways. Many argue that too many jobs would be lost, if we didn't encroach upon the public domain. But how can jobs depend on logging the few remaining old-growth forests, or otherwise degrading irreplaceable wild lands, when so many resources go to waste in our urban-sprawl economy?

Manhattan Study Shows How Assessments Block Reform

by Lindy Davies

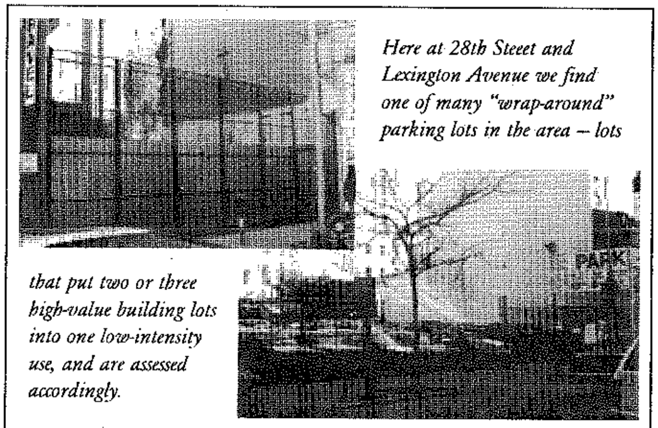
In *Fundamental Economics* our analysis of the natural laws of production and distribution shows that land speculation is the source of a multitude of ills: urban sprawl, homelessness, chronic unemployment and unnecessary pollution and waste. And we propose a comprehensive remedy: to make land common property. But it is not enough to merely demand this; we must find a way to do it that is both just and practical. Here is Henry George's advice on the matter in *Progress and Poverty:*

> *It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we have to do is to simplify and reduce it. By leaving to landowners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land.... We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.*

That machinery – the real property tax – is a standard (and despised) feature of municipal government. In order to collect it, cities must assess the market value of each parcel of real estate they contain. Assessed values of land and buildings are (presumably) updated frequently and are available for public scrutiny.

Now, economic theory tells us that if real estate assessments are to remain accurate over time, land and improvements should be assessed separately, because their values respond to different market forces. Land rises and falls in value with the state of the general economy, and the surrounding economic activity that makes sites more or less desirable. Buildings, on the other hand, can only rise in value when labor is applied to them — left untouched, they eventually fall apart, losing their value entirely.

With these facts in mind, then, it would appear quite easy to begin the Georgist transformation: just follow the instructions repeated each month in *Incentive Taxation*, the newsletter of the Henry George Foundation of America: apply a higher tax rate to the land assessments and a lower tax rate to the building assessments. The benefits are readily apparent. Every city that has made the shift has experienced a substantial increase in construction, with no loss of public revenue!



Here at 28th Steet and Lexington Avenue we find one of many "wrap-around" parking lots in the area – lots that put two or three high-value building lots into one low-intensity use, and are assessed accordingly.

To sell this reform to local governments, reformers have usually appealed to self-interest. Most homeowners in most cities have a reasonably high level of development on their sites. In other words, their ratio of building value to land value is higher than average, and so the two-rate shift will save them money. Two-rate advocates can demonstrate this point with information readily available in city budgets and public assessment rolls.

Most two-rate reformers admit that the shift is only a first step. Successful implementation should be followed by a gradual increase of tax rates on land and decrease of rates on buildings. Ideally, this process should go on until taxes on improvements are eliminated, and close to the full rental value of land is collected. That process has actually advanced rather far in Pittsburgh; after beginning in 1913, it has extended it many times. Pittsburgh's current tax rate on land is 4.6% of market value (according to current assessments), while its tax on buildings is only .08%! These figures demand scrutiny. A reasonable capitalization rate would be around 8% – but surely no one would assert that more than half of the ground rent in Pittsburgh is captured by the property tax! The portion of Pittsburgh's property tax revenue raised from land is 57.42%. If those assessments were correct, Pittsburgh's land would be worth very little indeed!

Fortunately, the effectiveness of two-rate tax reform does not depend (initially, at least) on the accuracy of assessments. Pittsburgh still collects a significant amount of public revenue from land values, and its economy has benefitted therefrom. However, a shift in assessments toward the lower-taxed buildings would gradually decrease the positive impact of LVT. Landowners whose bills go up will challenge their assessments in terms of ability to pay, and over time, assessments can shift in their favor.

Although the effectiveness of two-rate reform does not depend on accurate assessments, in New York City the inaccuracy of assessments may well prevent it from being implemented. In many ways, New York City's land assessments are more an artifact of taxes and regulations than a true reflection of market value. Adjoining land parcels of identical size, zoning and frontage are often assessed at wildly different values.

The HGS Graduate Research Committee has collected data on over 200 properties in Manhattan's Murray Hill neighborhood. Fully 92% of the parcels studied had building to land value ratios lower than the reported city average – a figure one might expect from a bombed-out area in the South Bronx, but not a bustling midtown district ten blocks from the United Nations. Using current assessment figures, only eight per cent of the buildings in Murray Hill (the behemoths that line Park Avenue South, primarily) would benefit from a two-rate shift.

How can this be? Much of the answer lies in the perverse way that New York's property tax system is put together. In 1983 a new property tax system was established, whose objective was "to provide for an equitable tax distribution system that was responsive to market trends while still insulating homeowners from sharp increases in their tax burden." It could be argued that the law went too far, protecting speculating homeowners from virtually any increases in property taxes!

The reported market values of class 1 properties in our study were generally quite similar to sale prices for comparable properties. That is not surprising, for the city states in its "Taxpayer Guide" to assessed valuation that Class 1 properties are primarily assessed via the comparative sales method. Not a single Class 1 property in our study would save in a shift to LVT. The city-wide average building/land ratio for Class 1 is 1.12 to 1; in the Class 1 properties we studied the average ratio was 0.41 to 1. Clearly, three-story brownstones in Manhattan are a good investment!

By and large, Class 1 properties seem to be assessed accurately in terms of their overall value. But are the land/building ratios accurate? So far, we have no sales figures for vacant lots with which to check them. But the reported land values for Class 1 are probably fairly accurate; it is unlikely that the city would over-value the land.

Class 1 property owners are shielded from the effects of accurate assessments because they are only taxed at eight per cent of market value! The reason why Class 1 homeowners would not save with a two-rate system is that NYC's property tax system subsidizes their hoarding of land.

What about the "income producing" properties in Classes 2 and 4, whose target assessments are a whopping 45% of market value? It is immediately apparent that to keep the tax burdens anywhere near equitable, something has to give. What gives, it turns out, is the accuracy of land assessments.

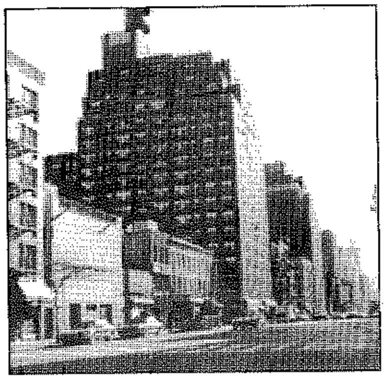
The assessment method used by the city to determine "market value" for Classes 2 and 4 is the "direct capitalization method." What this means is that a capitalization rate is applied to the annual income from the property regardless of how that property is being used. New York City assessors apparently believe that they live in the best of all possible worlds: for them, every land use, no matter how slight, is defined as highest and best.

It follows logically that if we could compute the city-wide average discrepancy between assessed land values and actual sale prices, then we would have an accurate measure of the degree of under-use of land in the city. Why? Because sale prices reflect the highest and best use of a property. Barring special cases (in which we would say the sales are not "arms-length" sales and thus not valid indicators), property owners are not willing to part with their idle or underused land for anything less than the opportunity cost: the capitalized value of the land's potential rent.

These observations are borne out in the Class 2 parcels in our study, which tend to sell for a much higher price than their assessed market value. Also in Class 2 there is a wider range of discrepancy between sale prices and reported values.

But there is (as usual) more to the story. It would be unfair to attribute the different assessment methods to sheer stupidity or corruption; in large part, income-producing properties are assessed by their income streams because of the fact that in New York City, identical buildings on equal-value sites often have very different annual incomes, due to differing levels of regulated rents in individual apartments. Under rent-stabilization rules, apartment rents can only go up to market levels on new leases; for old leases the difference between market value and actual rental income can be substantial. So, to conform to the "ability to pay" principle of taxation, assessors must consider the income actually generated by the property under existing conditions. By itself, this procedure is not as economically arbitrary as it seems, for it recognizes the fact that when rent regulations alter the income potential of a property, what changes is the land value, not the building value. The building still has the same cost of reproduction whether its apartments rent for $200 or $2000!

Alas, this means that residential and commercial parcels that are grossly underused are also assessed using current income, and therefore the city's estimates of the market value of its land are far from reliable. There is no particular scandal in this; city assessors will tell you that their figures are for tax purposes and are quite different from the figures that appraisers would come up with as true market values. The purposes of tax collectors are mainly to raise revenue in a way that ruffles as few political feathers as possible. Assessors have no particular objection to using accurate figures; they do so for Class 1 properties, which are taxed at a painless 8% of market value. "Income-producing" properties are taxed much more heavily at 45%, but assessment methods bring actual tax liabilities for those properties much closer to those in Class 1.


A look down Third Avenue at a typically bizarre pattern of development

The most astounding thing in our Murray Hill study is how many of the properties have a lower than average level of development, according to the assessors. For Class 2 properties, under-use is built right into the assessment figures. But the unfortunate upshot of all this is that a shift to a higher tax rate on land assessment would have no chance of passing in the current system.

With this reality in mind, the Center for the Study of Economics has proposed one innovative plan, under which Class 2 **land** would be taxed at the Class 2 rate (45%) while Class 2 **improvements** would be shifted to the Class 1 rate (8%). This would accomplish the goals of two-rate reform (collecting more revenue from land values and less from buildings, using existing assessment figures). However, it would also increase the complexity of an already bewildering system.

A close look at big-city assessments shows the bluntness of two-rate property tax as an instrument of land reform. It appears that assessments can be expected to shift away from accurate market values and toward politically advantageous figures. This may have a great deal to do with why the two-rate reform has not advanced in the big cities that need it the most. Indeed, if one were to design a property tax system to be impervious to any threat of LVT reform, that system would look very much like the one now used in New York City.

(photos by Ramón Alvarez)

A Brief Assessment Primer

The three basic approaches to real property assessment are **market, cost** and **income.** Appraisers typically use a combination of all three methods, in order to compensate as fully as possible for incomplete data.

The **market** approach simply notes the sale of comparable properties in the area, adjusting for differences in the parcels that would affect their value. This is generally the most accurate method, because the fluctuation of land values is the most volatile element of real estate value. Written as a formula:

$$\text{value of comparable property} \pm \text{differences} = \text{estimate of value}$$

In the **cost** approach, which is useful when there are few comparable sales figures, the appraiser starts with an estimate of land value made by examining comparable sales. The value of improvements is arrived at by finding the cost of replacing the improvements brand new, and then subtracting the cost of depreciation. This method is most accurate when the improvements are relatively new. The equation looks like this:

$$\text{land value} + \text{cost of new improvements} - \text{depreciation of old improvements} = \text{estimate of value}$$

The **income** approach is based on a comparison with the anticipated return on an investment. It is based on a capitalization rate: the rate of return an investor could expect on the same value of investment (at the same level of risk). To wit:

$$\frac{\text{net income less taxes}}{\text{capitalization rate}} = \text{estimate of value}$$

If land is being under-used, the market value of land cannot be accurately determined by capitalizing its **current** income. The correct value can only be found by using what the income would be if the land were put to its highest and best use.

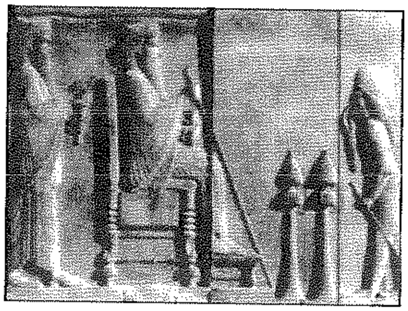
(thanks to Ted Gwartney and Cathy Orloff for technical help)

Privatization...

(continued from front page) to the production of luxury goods and services."

C.C. Lamberg-Karlovsky, Peabody Museum, Harvard, picks up several of these threads. "The manner in which the political economy is embedded forms the material foundation for any complex society.... the specific structure which this political economy takes will establish the distinctive mechanisms used by elites to maintain their power and legitimate their role." He cites the archeological record for evidence of a "co-existence" of public and private forms of ownership in the ancient world, suggesting that it is only with the formation of the political state that the balance shifts in favor of the elites.

In his essay "The Role of Socio-Political Factors in the Emergence of Public and Private Domains in Early Mesopotamia," Giorgio Buccellati, University of California, says, in a point similar to Hudson's "decontextualization" of integral parts of a "public" economy into private hands, that "we should restrict the beginning of the notion of private property to the moment when the concept of alienation is introduced... the idea of a private dimension makes sense only if it can be seen in its polar opposition to the public domain." It is the emergence of a state-controlled "public sphere," dominated by a royal and/or temple elite, that sets the foundation for the private appropriation of public goods. The state controls the legal superstructure that mediates property relations and defines ownership on either side of the public/private boundary.



The first form of privatization may be considered to be the exploitation of controls made newly available by the public domain.... This is how social stratification and economic differentiation made a quantum leap in the wake of the urban revolution [in early Mesopotamia]. Control of the public domain became a launching platform that catapulted a few individuals rapidly to socially stratospheric heights. It also plunged others into abysmal lows.

The state differentiates and dichotomizes the public and private into separate spheres, according to Buccellati, and controls the relationships and exchanges between them. In early Mesopotamia, the state also seems to have recognized the need to preserve the rights of the small homesteader. "This was done by setting aside certain parcels of real estate as inalienable property.... The economic efficiency of the state was better served by virtue of having a class of homesteaders able to maintain themselves. Their homestead was protected not so much against encroachments by the state, as against purchases by private capital holders intent on increasing their investment." The state in early Mesopotamia may have sanctioned the appropriation of the land's usufruct by a ruling elite, but stopped short of fully alienating the people from their lands and creating large land monopolies.

Muhammed Dandamayev, Institute for Oriental Studies, St. Petersburg, offers an essay titled "An Age of Privatization in Ancient Mesopotamia." He describes a complex mixed economy that developed out of a state command economy that had proved unwieldy and largely stagnant.

In the third and early second millennium, the Palace ("state") economy played the leading role in Southern Mesopotamia. Without a market economy, this enormous state-controlled sector was an inevitable and even a natural means of coping with the difficulties of procurement of raw materials. But this economy proved inefficient, and was replaced by private and temple households employing mainly free labor, supplemented by slave labor.

Out of this grew, by the mid-first millennium, a mixture of three sectors: the royal economy, temple estates and private households, both large and small. Over the next 1100 years, the various sectors shifted their positions in the economy, mostly on the basis of the amount of land each sector controlled. Dandamayev concludes:

In theory, a state-controlled economy is an advantaged sector. It can concentrate large resources and carry out major projects. It can provide people with jobs or otherwise support them. The private economy for its part tends to polarize society between rich and poor. Yet human factors make state-controlled economies inefficient in comparison to the more entrepreneurial and competitive private sector. If the price of this superior efficiency is a concentration of economics gains in the hands of the well-to-do and powerful, this phenomenon is not absent from state economies either.

(continued on back page)

Thanksgiving...

(continued from page two) To celebrate the abundant harvest, wrote Bradford, the Pilgrims "set apart a day of thanksgiving." This is the first mention of any thanksgiving day in the chronicles. Thanks to their new economic system, instead of famine, they had plenty of food, and would never have a famine again. So the Pilgrims were not just celebrating God's giving them rain, but their good fortune due to their conversion to the new form of enterprise which was so successful. In subsequent years, the Pilgrims reenacted this Thanksgiving Day so they would not forget what made the harvest possible. For God had indeed blessed their efforts.

The holiday became an American tradition, yet Americans forgot the reason for the occasion, the economics lesson that the Pilgrims learned. Most Americans and even history books confuse Thanksgiving Day with the hunting party with the Indians of 1621.

The Pilgrims gave thanks to the abundance that follows when people are given equal access to natural opportunities and may then keep the fruits of their efforts. The greater loss was not the holiday's origins but the economic insight gained by the Pilgrims. So on Thanksgiving Day, let us celebrate not just the memory of the Pilgrims but also the freedom that makes possible today's abundant harvests.

Editor's note: The article above appeared the week of Thanksgiving on the Land-Theory e-mail discussion group. In the subsequent discussion, Prof. Mason Gaffney added these points:

How could they forget, when market enthusiasts remind us at least once a year? Most (but not you) just want to hide rent-taking under the skirts of free markets, and leave out the equal distribution of land, and prohibition of inheritance. They tailor the story to their propaganda mission. That's the greatest loss, and the great danger we should be watching for.

George said a healthy society is one that will study "Association in Equality." Privatizers leave out the "Equality" part, and substitute privatization for association.

What we have today falls well short of either freedom or equity. And it takes more than harvests to feed the hungry – it takes a lot of equity. That's why hunger and homelessness are widespread today.

Bradford also describes how equal areas of land had unequal values, so he who got a better paid something more to the common fund than he who got worse, "as ye valuation wente." Now there is Georgism!

Thanks to HGS Volunteers!

The Henry George School has always depended on volunteer contributions—ever since Oscar Geiger founded the school as a volunteer, after-work activity back in 1932. The school simply could not function as it does without the dedicated help of the alumni and friends who perform many tasks, from envelope-stuffing and housecleaning to publicizing the school and teaching its classes. In this year-end issue we are proud to list the names of those who have given us volunteer help in 1996. We couldn't do it without them!

First, to those intrepid souls who have undertaken the teaching of Georgist philosophy and related subjects in the classroom: Nibaldo Aguilera, John Alexander, John Bruschi, Melba Campbell, Vandana Chak, George DeShields, Alixan DuCreay, Billy Fitzgerald, Irving Kass, Sydney Mayers, Esq., Fryda Ossias, Rev. Elias Paulino and Alton Pertilla.

Vital behind-the-scenes support was provided by a stalwart group of folks who could be counted on to help us complete piled-high office tasks on schedule, from library cataloguing to bulk mailing: Ina Armstrong, Kathleen Cummings, Dorothy Gallo, Dolores Kluga, Kasoundra Kasoundra, Beth Nash, Betty Martinez, Maria Palacin, Patricia Pardo, Sheila Rowe, Evelyn Samuels, Yiming Shi and Eugenia Tan. When graduations and other programs stretched the staff's endurance, Ravi Kamarkar, Robin Robertson and Mary Walker were there to help out.

For the first time in a long time, Henry George School alumni have gathered to form a new Graduate Research Committee, to work on providing data to back up their theoretical understanding. In-the-trenches work was provided by: Paul Kahane, John Kobelski, Don Le Vor, Gabriel Luis, David Rosa, Rita Rowan, Pearl Silverfine, and Margaret Williams.

Special thanks to Robin Robertson, who organized and promoted an alumni study group, and to John Alexander, who helped to bring about a very successful special seminar, "Minefields in the Political Landscape."

TEACHERS' CORNER

by Lindy Davies

The Basics

In thinking back, it comes to me as something of a shock to realize that I did actually learn a few useful things in high school. I'm not talking about the social or character-development things that one can't help but learn (or so we fondly imagine, at least); no, I picked up a few useful points from the actual curricula. There weren't, alas, many of them – and I can't expound on any of them in much detail – but they remain useful, sturdy places upon which piles of subtler notions can stand balanced – or topple. It is greatly to be hoped that today's public schools provide these things to their students, because without bulwarks such as these it is very hard to build much of an intellectual life.

A few examples: In literature, I learned that Shakespeare used iambic blank verse to pen poetic lines that flowed like conversation, and that the Globe theatre's patrons came from all walks of life, from royalty to rabble. In geometry I learned of the marvelous universality of triangles, and all the useful information you could glean simply by identifying three-sided figures. In biology I picked up the amazing fact that plants exhale the oxygen that animals inhale, while animals go right on breathing out the carbon dioxide that plants soak up. There was a social studies class back there somewhere that went into the three branches of the US government, the existence of the Bill of Rights and how we pass laws (and impeach Presidents). They even forced us to take a music class (a rarity in these budget-conscious times) that taught the families of instruments in the symphony orchestra and how to recognize each one, when heard on record.

There are a few things like that, basic facts that can be traced to the high school curricula, bits that are not subtle or comprehensive in any way, just signposts, really, so that when more complex ramifications came my way I didn't feel completely lost. I was lucky enough to go to college afterward, which extended and reinforced all those earlier bits – but without them, I suspect that much of what the university presented would have been ungraspable for me.

These days, I teach economics – I teach *Fundamental Economics*, to boot – and it's astonishing to realize that prior to my first HGS class I can remember no salient fact, no basic brick of knowledge in this area, nothing comprehensible whatever. My college transcript shows a passing grade in a basic econ course, but I retain nothing from it. I have no idea what it was about; it had charts in it, and graphs and tables.

What we are doing at the Henry George Schools is, with small resources, trying to rectify a monstrous deficiency in our educational system. Other important disciplines manage to identify a basic body of knowledge that can be imparted to students at an introductory level for the purpose of general public education. Economics, by and large, does not.

Some may say this is because it is not possible, the true principles of economics being – unfortunately – so rarefied and counterintuitive that only those fortified with higher calculus and much Fortran can hope, tremblingly, to approach them... but folks: that's not so. In the wonderland where billions in profits hinge on correct prediction of swings in currency values (say), the study of economics can get rather complex. But if we want to understand why there is poverty and what can be done, as local or national policy, to fix it, we can. Students come to classes at the Henry George School and realize that it is possible to learn what wealth is and how it gets distributed among the factors that produce it. In other words, they learn what they should have learned in high school. Most of them are a bit shocked – and very grateful.

It would be a better world if fundamental political economy as taught by the Henry George Schools were part of our basic high-school foundations, along with bio and physics and the rest. The only problem is, in such a world the HGS would have to find something else to do.

> *The progress of civilization requires that more and more intelligence be devoted to social affairs... not the intelligence of the few, but of the many. We cannot safely leave politics to politicians, or political economy to college professors.*
>
> – *Henry George,* Social Problems

Privatization...

(continued from page five) Baruch Levine, New York University, who co-edited this volume with Michael Hudson, surveys biblical references to land tenure in ancient times. "The Hebrew Bible incorporates within its codes of laws, in narratives and court literature, and even in its prophecy and wisdom, extensive references to ancient Near Eastern social, legal and economic practices known to us from comparative cultures." Land was not completely alienable through forfeiture or sale because ultimately all land belongs to God. The land would return to the original owner at the Jubilee year.

A general statement in the opening section of Leviticus 25 guarantees the restoration of land forfeited by debt to its owners at the Jubilee. This is followed by a specific law prohibiting alienation of arable land.... An Israelite who sold or purchased arable land to his fellow citizen must calculate its purchase price based on the crop years remaining until the next Jubilee, because at that time the field would revert to its original owner. Such sales... were more like long term leases... title was not transferred, with only an arrangement resembling usufruct rights coming under contract.

Levine further states that this teaching came into being because of a "substantial breakdown of the clan system in favor of private owners" of land. Again, we see an example of Hudson's idea that the development of private property in land reflects a decontextualization, an alienation from an original "holism."

Other papers from the colloquium address land issues in Ancient Rome, Palestine and Babylonia. In his summary, Hudson states that "an essential characteristic of privatization is its surreptitiousness, above all in periods of weakening palace rule and social breakdown... over the course of antiquity the trend was to weaken sanctions against the overgrowth of debt, debt bondage and land forfeitures." Hudson points to Babylonia as a case in point where "well-placed families operated within Babylonia temple or palace bureaucracies to obtain the land's crop yield and interest on their own account. Their economic assertiveness represents an almost timeless phenomenon, akin to the drive of Europe's feudal barons seeking to keep the land's rent for themselves, and to 'privatize' what hitherto had been royal privilege or traditional communal rights." Hudson points to the "economic polarization resulted from the unchecked dynamics of interest bearing debt and land monopolization."

Historically, Hudson says, privatization "has been associated with absentee landlordship. A natural upshot has been that large land acquirers manage to shed the social obligations hitherto attached to their property by custom. This starves the public sector of revenue."

An upshot of the 1994 colloquium is that another was held this year, the papers of which are also to be published by Harvard, and a future symposium is planned to be held in at the Hermitage in St. Petersburg. The refocusing of the study of ancient economics around the question of landownership and privatization is about to spawn a new journal, *Ancient Economies*, which will also be published by Harvard University's Peabody Museum.

Privatization in the Ancient Near East and Classical World is available through the University of Pennsylvania Press (320 pp., paper, isbn # 0-87365-955-4).

Winter 1997 at the New York HGS

Basic Courses

Fundamental Economics

Mon., Mr. Irving Kass, 5:30 - 7:30
Tues., Mr. Alixan DuCreay, 6:00 - 8:00
Weds., Mr. John Alexander, 6:00 - 8:00
Thurs., Mr. George DeShields, 6:00-8:00

Understanding Economics

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

Progress and Poverty (In Spanish)

Weds., Mr. Manuel Felix, 6:00 - 8:00
Thurs., Ms. Melba Campbell, 6:00 - 8:00

Advanced Courses

Applied Economics

Tues., Mr. Lindy Davies, 12:30 - 1:30
Weds., Mr. Lindy Davies, 6:00 - 8:00

Economic Science

Mon., Rev. Elias Paulino (*in Spanish*) 6:00 - 8:00
Tues., Mr. George Collins, 6:00 - 8:00

Law & the Layperson

Mon., Mr. Dan Kryston, 6:00 - 8:00

Human Rights

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

Great Decisions '97

Weds., Mr. John Bruschi, 12:30 - 1:30

Current Events

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

Money & Banking

Thurs., Mr. Billy Fitzgerald, 6:00 - 8:00

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

Land in the Movies

January 10th, City Hall — *Big-time city politics, developers and dealmakers, starring Al Pacino and Danny Aiello*

March 7th, Kingfish — *The story of Huey Long, starring John Goodman as Louisiana's larger-than-life political boss and "champion of the little man."*

Diplomacy and Development in the Caribbean

Feb. 21st, Robert E. Millette, Ph.D. — *The Professor and UN Ambassador analyzes the history and politics of this volatile, beautiful region.*

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

Tax Planning for the Self-Employed

January 25th, Stephen Friedman, Esq. — *Vital know-how for sole proprietors or independent contractors: a guided tour of the tax forms.*

Re-Creating the Livable City

Feb. 8th, James Howard Kunstler — *The acclaimed author of* Home From Nowhere *details the modern movement to restore sense and beauty to our trashed communities.*

Using Taxes to Save the Earth

March 22nd, David Malin Roodman — *An environmental researcher and author shows how we can put a price tag on the social costs of pollution.*

Henry George School of Social Science
121 East 30th Street
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