

Henry George News

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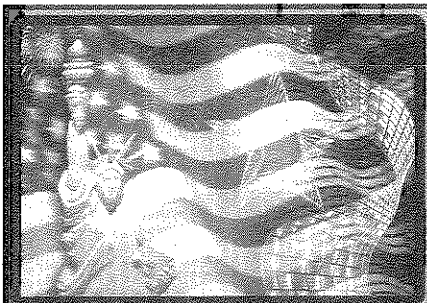
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The Earth is the birthright of all.

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HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

LAND IS THE BIRTHRIGHT OF ALL

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self, the value — the labor value of those things, the true amount of effort that it takes to produce an article of wealth, which is a man-made article that serves — services human needs, those values decline with progress. Land values — land rents — rise with progress. Land rents are completely unearned by landholders; they reflect social growth and social development.

Today it's not necessary to fence off the land. The price of land does it much more expeditiously, at a much lower cost..

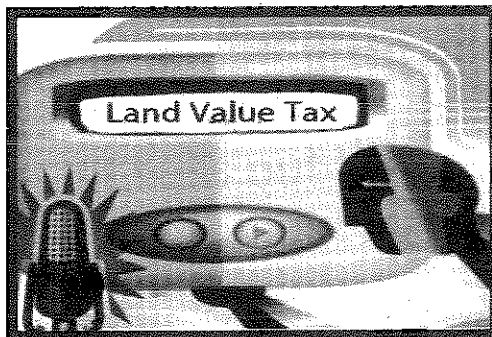
Those land values and land rents are the true economic surplus that was meant to serve as society's revenue base.

Abrams: What do you mean by unearned?

Pensack: What I mean by it is this: If you have a child or an infant or an imbecile who happens to hold title to a block of land at 42nd Street and Times Square, or if happens to be, let's say, Columbia University that holds title to a block of land in that neighborhood under Rockefeller Center, it could be worth hundreds of millions of dollars and it doesn't matter who the title is vested in. The ground rent generated is a revenue that accrues regardless of who the landholder is legally deemed to be. The landholder does nothing to generate the rental value of sites in urban areas, or the rental value of mineral lands, such as oil in the ground. It's a pure skim. It's a pure socially generated sur-

plus. And when we fail to collect that surplus for the community, and when we leave it in private hands, this engenders — anticipation of even future increases, that leads people to hoard and speculate in land, so that land all becomes engrossed.

Most of the United States, if you were to cross it in an airplane at low altitude or in a helicopter, you'd see it: virtually the whole country is still empty. But there's no access to free land of any quality whatsoever. Why? Because it's all monopolized. A worker who wanted to be self-sufficient in the United States can't do it because the price of land operates like an electric fence that keeps everyone fenced in and off of natural opportu-



nities, unless they pay the toll to the private gatekeeper called the landholder. That's the game. That's the entire situation in a nutshell.

This was done literally, the enclosure of lands was done literally, in Britain several centuries ago when land had a much lower value. Today it's not necessary to fence off, or close off, the land. The price of land does it much more expeditiously, at much lower cost, and with much less social awareness on the part of the masses of the people.

Abrams: So basically, Henry George came up with a solution to this problem. He came up with a single tax system that was to be imposed on land. Now how would this rectify poverty?

Pensack: That's a key question. The way it rectifies poverty is that you have to realize that the key to understanding the relationships in the economics of society as a whole, which used to be called political economy, which has nothing to do with politics — it just means the economics of the body politic, so to speak — is such that the key recognition is to see that wages and land prices are inversely related. High land prices mean relatively low wages. Why? Because if you

have higher land rents, that necessarily involves a lowering of the relative share of production

Today, all natural opportunities in the whole world are foreclosed.

received by workers in exchange for their labor. When you compound that situation by land withholding in the form of land speculation and land monopoly, by shutting labor off from natural opportunities because of the exorbitantly high price of land, this drives down wages. The counter example is what Henry George himself witnessed with the growth of San Francisco. Although he came here after the gold rush, he saw the city grow up from a very, very rather nascent, almost primitive state, to one of the leading cities in the world by the time he left in 1880. And what happened here in 1849 was that wages — when gold was struck in the Sierra Nevada — wages in San Francisco, for ordinary labor, for hotel maids, for clerks, for carpenters — labor in the city — wages skyrocketed. Why? Because in order to keep a worker employed, rather than have that worker go off where land was free and the worker could be assured that with a certain amount of labor he could make X number of dollars a day simply panning for gold in some stream in the Sierra Nevada, which was not yet claimed as anybody's private property, wages here had to rise to offset that natural opportunity. Today, all natural opportunities in the whole world are foreclosed.

Abrams: Yisroel, the American Freedom Network is concerned with issues of social justice, and they're concerned with freedom and I'm wondering what would Henry George's philosophy do to further freedom and social justice in American culture?

Pensack: Well, ultimately that is in fact the purpose and goal of the Georgist economic system and the entire philosophy of Henry George. There was no greater lover of liberty, and no greater guide teaching us how to achieve that goal, than Henry George himself. He addressed that topic repeatedly. Liberty doesn't mean the freedom of two percent of the population to rack-rent the other 98 percent. Liberty means equal rights for everyone: A fair field and no favor. Henry George himself when he ran for mayor of New York, which he did twice, adopted the model of Jeffersonian democracy — and that's

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Henry George News

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Land-Use and the Markets

Jeff Smith

Jeff Smith is President of the Geonomy Society

Ordinarily, land-use planners have as much use for markets as generals do for anarchists. Yet with a little modification, markets can make life for planners much easier. Correcting the flows of rents and taxes would reverse the forces that now make markets so insufferable for planners.

Taxes - an aspect of politics, not of markets - mislead people who then change their use of land. First, since we now tax buildings (and many other goods we say we want), we discourage maintenance and breed slums. After the neighborhood really goes down hill and the owner has milked every last penny out of the structure, he just walks away from it. Thus urban cores decay - an entropy that seems natural and inevitable, yet is policy-induced.

Second, in growing areas, custom design creates more valuable homes, hence more tax liability. To avoid the penalty is one reason developers under-build or sacrifice esthetics. Cookie-cutter developments all in a row minimize built value and property taxes.

Third, taxing sales raises the cost of living while taxing income lowers the ability to afford to live. Like a vise, regressive taxes squeeze out the discretionary income of the poor who cannot afford to live in the city they may like. They have to cram into the structures that cut corners.

While taxes are creatures of legislatures, ground rent is a phenomenon of markets; what's political is what we do with it. Most of us forget it's there, letting it reward speculation and sprawl - which inflates the cost of public services. The taxpayer picks up the tab for extending infrastructure past empty lots and for erecting new schools on the edge of cities while closing old ones closer in. Old residents blame new, but don't complain when selling out at inflated prices.

Planners have a litany of great ideas for rebuilding cities - set-backs, landscaping, pedestrian bridges, etc - but have no idea of how to pay for them. One way is to let them pay for themselves. Improving a city raises its

land's value. A tax or fee can collect this ground rent that can then be used to pay off the earlier investment in ecologizing the city.

Indeed, the expected change in land value can be a perfect measure of some proposed improvement's worthiness. If it can pay its way, throw it up. If it can't, then back to the drawing board.

While collecting rent, the local government should remove the tax upon buildings. The public does not generate the value of homes and businesses; homeowners and business owners do that.

Every time it has been tried, de-taxing improvements has resulted in more and better buildings. No longer inhibited by the property tax

Collecting rent while
de-taxing buildings
puts sites to their best use...

yet spurred by the annual land dues, owners and developers get busy building apartments, stores, offices, schools, theaters, etc. To maximize their return, they mix these uses together, giving us automatically the kind of integrated city that planners drool over.

Planners have been helpless against sprawl, even with the sternest growth control measures. If planners are ever to win their holy grail of compact cities, they must first redirect the flow of site rent. Rent is higher where density is higher. Nobody by himself made density; we all do that. Via our agent, a local government, we could collect public rent for public betterment.

Collecting rent while de-taxing buildings puts sites to their best use organically; it unplugs the "metro tub." Like removing a dam from a river, the flow of development would return to its natural course, filling in the vacant lots and abandoned buildings. No longer able to tax willy-nilly and thus more dependent upon site rent, newer cities would squeeze streets, overly wide to accommodate cars (not people), replacing parking lanes with space for sidewalk cafes beneath rows of shady trees, alongside lanes for bikes, and thereby drive up site values.

Might collecting rent work too well? Might it spur edge-to-edge development, leaving no lot unbuilt? On the contrary, collecting rent would open the heart of the city to all citizens. The

very center, being the most valuable location, would carry such a high annual dues that the only ones who could afford it would be the public. With just the tiniest bit of cooperation from planners and politicians, land dues turn the core into a new commons. The new plaza, and perhaps even an open-air market, would quickly become as popular as a watering hole in the Serengeti.

To pay their high land dues, owners of large lots that cover fragile marshes or steep hillsides might want to develop, until they figure out how much higher would be their surcharges. Requiring an Ecology Security Deposit and Restoration Insurance from owners would steer them away from the riskier sites: cliffs and river banks.

These owners might then want to exchange their property margins for local bonds. The locality could then link the margins up into wildlife corridors and hiking trails.

Not only would land use be better organically, politics, too, adhering to the bottom line, would stand up for open space. In New York, the city council keeps Manhattan's Central Park unbuilt not because Greens rule the Big Apple, but because property values overall are higher with the park than with luxury condos on the site.

Since the land tax or fee or dues would eat up the gratis profit in land speculation, there'd be less wrangling over land use. The biggest US geonomic city, Pittsburgh, PA, taxes land six times more than buildings. The city converted its most valuable location, the Golden Triangle where the three rivers meet, into a park without developer resistance or an agonizing grassroots effort. Pittsburgh also renewed itself without federal subsidy and enjoys the lowest housing costs and crime rate of any major US city.

While each owner may want to build, the community may prefer to keep some space open. Too much in-fill lowers overall site value. Land value is at its maximum when land use is at its optimum - mixed use including non-use. The higher land value is, the more rent government can collect, putting localities squarely on the side of the land's health. Municipalities would try to optimize land use - build here, leave pristine there - not maxi-

The New Economy in the Old Kingdom

Cooperation and Trade in the Rise of the Egyptian State

David Domke

Looking over what we know of the history of the world, we thus see civilization springing up where men are brought into association, and everywhere disappearing as this association is broken up.

Progress and Poverty

With the beginning of exchange or trade among men [the] body economic begins to form, and in its beginning civilization begins.

The Science of Political Economy

It was the pyramid and not the pharaoh that ruled Egypt. Kurt Mendelssohn, *The Riddle of the Pyramids*

The popular image of the building of the Egyptian pyramids, for the most part gleaned from the Technicolor fantasies of Hollywood writers and directors, is that the Ancient Egyptians used a huge labor force of slaves to erect monuments to the vainglory of despotic rulers. However, modern scholars are now in agreement that the Ancient Egyptians had very few slaves, and the few they had were domestic household slaves, and that the pyramids were built by a

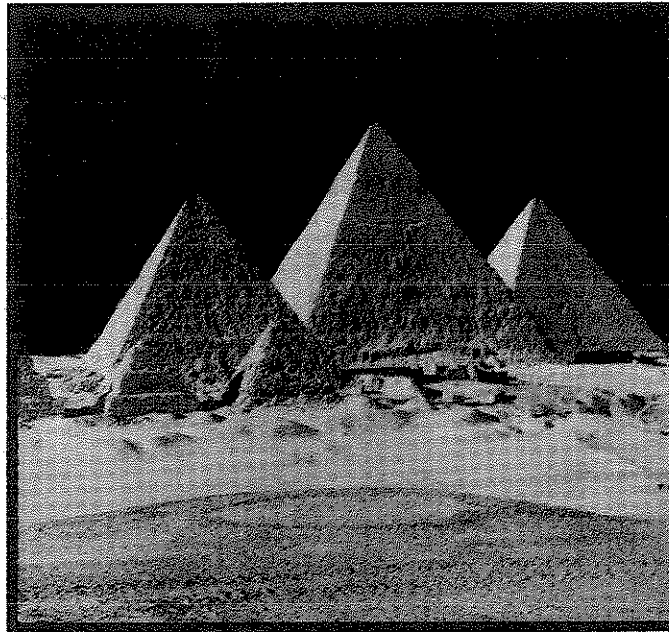
some basic economic principles.

In *Social Problems*, Henry George states that "with the beginnings of society arises the need for social intelligence — for that consensus of individual intelligence which forms a public opinion, a public will, and is manifested in law, institutions and administration." The importance of social cooperation is a theme that runs throughout the works of George. Further on in *Social Problems*, George

cient Egypt.

Before the Pyramid Age, Egypt was an aggregate of different tribes living in relative isolation from each other, ruled by a central authority invested in the Pharaoh, but each

The pyramid project created a type of community which had never existed before.



practicing different customs and holding different religious beliefs. Indeed, much of early Egyptian mythology involved a seemingly compulsive telling and retelling of a mythic unification of the country under one or more "strong men" and the very compulsiveness of the recounting suggests, perhaps, a constant fear that the country could relapse back to a loose grouping of competing or warring factions.

Recent writings by Egyptologists and other scholars, however, offer a much different picture of the unification of Egypt and present the role of the building of the Pyramids as crucial to the unification of the country and

the rise of the administered Egyptian State.

One book in particular, *The Riddle of the Pyramids* by Kurt Mendelssohn, a fellow of the British Royal Society, puts forth the thesis that pyramid building was essentially a huge

The natural progress of social development is unmistakably toward cooperation ...

Henry George

paid work force comprised of the common citizenry of Egypt. The actual story behind the building of the pyramids and the effect that had on both the early economy and the formation of the Old Kingdom Ancient Egyptian State, is at once fascinating and illustrative of

states "the natural progress of social development is unmistakably toward cooperation... [c]ivilization is the art of living together in closer relations."

The Pyramid Age, in which the major pyramids were built, lasted a relatively short time; from roughly 2700 BC to 2500 BC (the middle of the Old Kingdom) and in that brief period an almost unimaginable construction project took place. This project involved the moving of millions of tons of stone, the gathering of an immense labor force capable of working together cooperatively toward that end and the creation of monuments that were not to be equaled in size and majesty for thousands of years; indeed, not until the 20th century was a civilization capable of constructing buildings rivaling those of An-

Tribal villagers were welded by common work into people with a consciousness of nationhood.

public works project, one that involved a division and administration of labor unparalleled in the ancient world. Mendelssohn's thesis states that "the pyramid project created a type of community which had never existed before," and that for the first time what had been a loose conglomeration of diverse peoples

became, through work and cooperation, a unified people — and Egyptian citizenry.

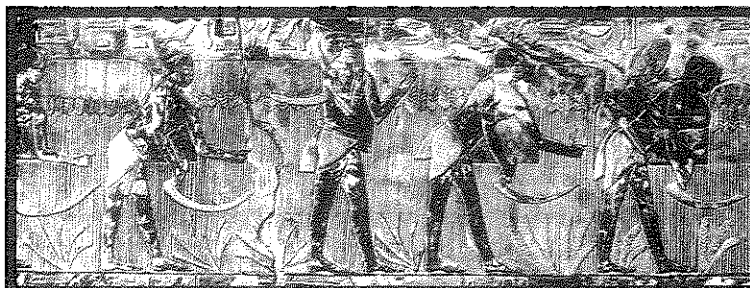
The building of a large edifice such as a pyramid (ostensibly a tomb for the reigning king) requires, of course, much more than a very large workforce. It involves expanded trade to ensure that that workforce has provisions; it involves the administration of those provisions by bookkeepers and distributors; it involves foremen to oversee work crews which in turn creates new hierarchies of authority and responsibility. Perhaps above all, it requires the creation of a substantial literate administrative class — scribes and accountants — record keepers to keep track of it all on a daily, weekly and monthly basis.

It is Mendelssohn's belief that this new and expanded division of labor, coupled with the rapid spread of literacy needed to ensure its administration, and the cooperation among what had once been diverse, competing tribes, created an economic revolution that transformed Ancient Egyptian society, creating a unified people. "Tribal villagers," Mendelssohn writes, "were welded by common work into people with a consciousness of nationhood. It was probably for the first time that they thought of themselves first and foremost as Egyptians."

Eventually, as this new economic life be-

maintain trade, further strengthening the economy and what had now become the Egyptian nation. Mendelssohn also suggests that much of this new trade was beyond the immediate purview of State authority.

"Once a few large pyramids had been built," Mendelssohn continues, "the organization and welding together of a village



Egyptian workers till wheat fields in the Old Kingdom

population into a new, more diversified, pattern had become an established fact. Human labor could now be channeled into a multitude of other activities..." Eventually those forces set into motion by the project of building a pyramid took on a life of their own and sought more natural channels of production and distribution.

Summing up, Mendelssohn says: "The pyramids do not represent an aim in itself but the means to achieve an aim - the creation of a new form of society."



This new and expanded division of labor, created an economic revolution that transformed Ancient Egyptian society ...

came established, as pyramid building 'grew' the economy — for as the Classical economists knew, an increase in the division of labor enhances the productive power of labor — the economy no longer needed to build pyramids to keep itself afloat. Labor and administration had become diversified to such a degree that workers and the new class of civil servants, Mendelssohn says, soon discovered "common interests among themselves" to expand and

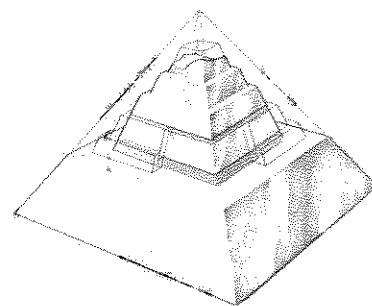
Recently, Dr. Zahi Hawass, Egyptian Undersecretary of State, has written on the social and administrative organization that supported the building of the pyramids.

The complexity and size of the Old Kingdom monuments, allows important insights into the more prosaic details of governmental organisation. The sheer volume of stone moved, especially during the first three reigns, is a powerful indication of the vast agricultural and mineral wealth of the country, administered by a powerful civil service. In the Old Kingdom, pyramid building was the country's foremost national project. The

precision of the engineering and orientation of these colossal stone structures imply a profound knowledge of astronomy and mathematics for which there is as yet no written evidence. The enormous work force required must have been drawn from villages throughout the country and organized into teams, probably based on their home district. Their housing and food supplies were probably administered through the same system of teams. The success of these mammoth building projects indicates that the necessary social organization and the administrative skills were well developed.

A few years ago, a chance discovery in the low desert margin south of the Great Sphinx was made by a rider whose horse stumbled into a hole, revealing a mud brick wall. When I sent a team to investigate, we uncovered a small densely-packed cemetery of mud brick and stone tombs of a variety of shapes and sizes: tiny, flat-topped rectangular tombs, vaulted corridors and all sorts of in-between variations, often constructed with chunks of granite and basalt. Excavation showed that this was the burial ground of workmen and labourers connected with the pyramids.

Building A Pyramid



The pyramid at Meidum's first stage rises to 60m. Over this was built a second stage comprised of 8 tiers, bringing the structure to 80m. In the third building stage, the entire structure was covered with white limestone which smoothed the sides, creating a true pyramid shape.

Reflections on the WTO

Mike Curtis

The World Trade Organization is a Federation of about 130 countries. The W.T.O. is currently negotiating a reduction in trade barriers; negotiating rules for foreign investment and financial services such as banks and insurance companies with customers in other countries. And the enforcement of each other's patents and copyrights within the federation.

The W.T.O. does not represent the consumers of each nation. It is not about creating the opportunity for consumers to buy at the cheapest possible price. The W.T.O. is an organization of corporations and the governments that represent them in the process of negotiating the opening of each other's markets, and investment opportunities. In order to be a member in good standing, no nation may restrict the sale of foreign products, unless there is scientific evidence that it poses a health or safety risk to the consumers or the environment based on a standard negotiated by the representatives of 130 nations.

For instance, if the French government decides that English beef may be unsafe due to the possibility of Mad Cow Disease, it must appeal to the W.T.O. judges for a ruling, or be in violation of the agreement, with stiff penalties. Or, the United States can ban the use of certain pesticides, but it cannot unilaterally ban food that has been sprayed with those same pesticides in other countries. In other words, no member nation has the right to decide for itself what products are safe for its own people.

The W.T.O. representatives say it is broadening democracy. Its detractors say that the U.S. is not all that democratic, given the amount of money in American politics, and many of those 130 countries are oligarchies which in no way represent their people. We can see, clearly, there is a difference between negotiating access to foreign markets with universal standards of health, safety and the environment, and an independent country which allows its people the freedom to trade legal products with foreigners.

The advocates of labor contend that free trade exports jobs, lowers wages and causes unemployment. We know that during recent years a large number of high wage manufacturing jobs have been lost. Many American workers have accepted far lower paying jobs, and many are still unemployed. And during this same recent period statistics show that the total number of Americans who are actually working is greater, and the average worker, is actually earning more.

However, one thing that all sides agree on, whether it's the President and Congress or the advocates of labor, is that the more a nation exports above and beyond the amount it

We should institute true free trade and strengthen our representative government.

imports, the more it contributes to our prosperity. And this we called a favorable balance of trade.

Now, I believe that restrictions of imports-protection - does not and can not create jobs or raise wages, but neither can free trade. Free trade does increase production, but free trade does not and cannot increase wages by itself. Why do we want to trade with the people of other nations? We trade with the people of other nations for the same reason we trade with the people of the same nation - to satisfy our desires with the least exertion. The diversity of nature impels people to trade. Everything does not grow equally well in all parts of the world; minerals are not found in equal abundance everywhere in the world.

By trading, we enable each nation to produce that for which it is best equipped. And we multiply the total body of knowledge and skill, increase the potential from economies of scale, and disperse the regional peculiarities of nature to everyone. As Henry George says: with a protective tariff, we attempt to do to ourselves in time of peace what we do to our enemies with a blockade in time of war. Keep them from getting desirable products from other countries. Capital always seeks the path of the highest return. When the supply of cars increases due to the fact that more people are building them, what will then happen to the price of cars? The supply of cars will increase until the profits from

making cars is no greater than the profits from making anything else.

Although the profits from producing a protected product may be no higher, protected products may still cost more if the domestic

The diversity of nature impels people to trade.

producers are less efficient, or the cost of their materials are higher.

Clearly, protection can't create jobs, and it can't raise wages. The number of jobs in any country, is simply a matter of physics. The more land is accessible to labor and capital, the more jobs are created. With every advance in technology, every extension of the infrastructure; and every increase in population, the value of the land tends to increase; people tend to hold on to it, the way they hoard gold and silver when the price is going up.

As long as it is profitable to speculate in land, we will have some segment of our population unemployed. In fact, as freer trade increases production, it also increases the value of land. And this increase encourages some land owners not to sell.

So, in the long run, free trade cannot itself create jobs or raise wages. Therefore, *in my opinion*, we should not be a signer of the W. T. O. agreement. It will only remove the standards of health, safety, the environment, and all considerations of morality, that much further from the people. Nor should we in any way restrict the opportunity of our citizens to trade with the people of other countries. For that would only impede cooperation and diminish production. We should institute *true* free trade and strengthen our representative government.

Now, how do we create a job for every worker, and raise their wages until they're equal to the full value that each worker has produced? Only after there is free land, which results from an end to land speculation, can Free Trade, which raises production, also raise wages.

Mike Curtis is Director of the Henry George School of Philadelphia, located in the birthplace of Henry George. This article is excerpted from a talk he gave at this year's CGO conference in Des Moines, Iowa.

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mize the area with border-to-border buildings, and would buy the frustrated owner out.

Presently, owners can profit only from developing. Were residents to receive a share of collected ground rent then everyone would gain most when this dividend is fattest. The dividend is fattest when site values are highest. Site values are highest when land is healthiest. Land is healthiest when its use is not maximized but optimized, leaving some parcels blank. Thus owners are partially compensated for non-use of their land.

A dispute over the use of some site could arise yet be easily resolved. After land dues have lowered land prices, then some sites become affordable to purchase and set aside for parks and open space. The Nature Conservancy does as much of this as it can, but after prices fall, even a local ecology club could raise enough money to buy land for a preserve. Assigning the land for non-use, their bond and insurance would be zero.

Were all the acres held in private speculation and in public procrastination put on the market, the augmented supply would drop the price. Saving money, buyers and builders could invest more in esthetics and efficiency. As in land-taxing Pittsburgh, more residents could afford to own their own homes. As owner occupants, people have more motivation to plug heat leaks and conserve energy, put in south side windows and sun decks, convert a garage to a granny flat, etc.

How long would it take to ecologize cities after shifting its property tax? The South African city of Johannesburg levied a rate of only 3% on site value - yet, while doing so enjoyed the fastest site-recycling rate in the world, a little over 20 years. As cities grow more livable and lovable, their site values rise. The resultant increase in land dues would push owners to continually convert to highest and best use automatically. Thus cities would constantly renew, in a positive feedback loop.

Correcting the market, so that taxes and rents no longer interfere with the choices of owners and developers, would attain esthetic architecture, creative infrastructure, and best use of sites automatically. What's left for planner to do? Plenty, really, but doing it will be much easier when planners swim with, not against, the mighty current of rent.

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how he labeled his political campaigns: *The Democracy of Thomas Jefferson*. And what he meant by that was, in order to really have true liberty and independence, you have to have independence economically for the large mass and large body of the citizenry. If you have that, which means a high level of wages and access to free land for anyone who wants to work the land, you have true liberty.

Abrams: Where did Henry George do most of his work, his writing?

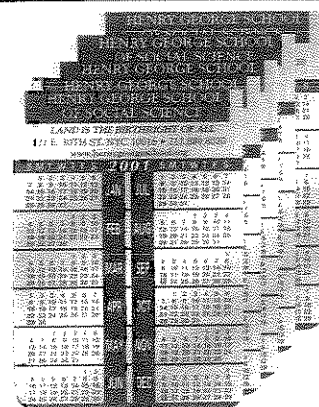
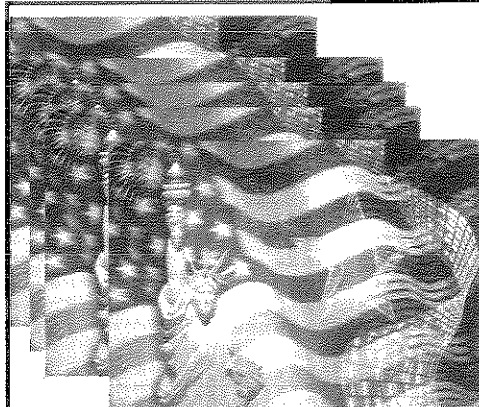
Pensack: Well, he certainly did his most important work here in San Francisco, coincidentally. He came to San Francisco as a young man in 1858. He was born in Philadelphia in 1839. He left school before graduating from high school. He went to sea, and he sailed around much of the world. He saw the very, very intense poverty in the Far East, particularly in India. And then, on a subsequent voyage, he jumped ship here in San Francisco, in 1858. And he settled here, and he stayed here until around early 1880.

Abrams: And so he wrote his book *Progress and Poverty* in San Francisco?

Pensack: Yeah. Well, the book which is generally recognized as Henry George's masterpiece and as a masterpiece of world literature, and a masterpiece of economic thought, is in fact *Progress and Poverty*, which was first published — was written here in San Francisco from approximately 1877 to 1879. It was published here in a limited author's edition in 1879 and then was published in a regular edition by Appleton & Company in New York commencing in early 1880.

Abrams: And how many copies of his book sold?

Pensack: His book literally sold in the millions — in the multi-millions. It's by far, even to this day, probably the best-selling book on economics ever written. And in its time it was probably the best-selling book in the world other than the Bible. And it continues to sell. All the works — all the major works of Henry George, most particularly *Progress and Poverty* — are still in print.



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