



the Illinois Georgist

Spring, 2000 • Volume 11, Number 1

Economic perspectives

A few items that might interest citizens and taxpayers.

Paying twice for better schools

The April 5 Chicago Tribune described three Chicago public elementary schools where reform seems to have been effective. Children from poor neighborhoods are getting adequate attention and are making educational progress. So who is benefiting? Those who have taken **Fundamental Economics** know the answer, but for the rest of our readers, here's an extract from the article:

Homes in the immediate area of the Dixon School sell in the \$150,000 to \$250,000 range, while eight or so blocks away, the houses sell for \$55,000 to \$110,000 less.

"The difference is the school," [a local real estate agent] said. "A good school offers a lot of convenience to parents living nearby."

So if you're a Chicago parent who wants to get your children into a good school, expect to pay an extra \$55,000 to \$110,000, or the equivalent in increased rent, to do so. That's in addition, of course, to the taxes you'll pay to fund the school. Is it any wonder that people have to work long hours and commute long distances just to make a living?

Farming is still mostly by tenants, not owners

We documented in *Henry George School Research Notes* #2 that 61.6% of Illinois farmland was worked by tenants, not owners. That was based on 1992 data; the 1997 results now available show that the tenanted percentage has declined to 60.4%. In our neighbor state of Iowa, the trend is reversed. Tenanted land is 53.9% of the total for 1997, up from 52.8% in 1992.

Even in Illinois, when we look at farmers instead of acres, we see a less encouraging situation. According to the U. S. Department of Agriculture's Economic Research Service, the percentage of Illinois farmers who own all the land they farm dropped from 47.2% to 44.0% during the 1992-97 period, while the percentage who own none of the land they farm grew from 15.4% to 18.3%.

We paid \$73 million for *what*?

It looks like the infamous Block 37 (bounded by Dearborn, State, Randolph, and Washington Streets) is finally going to get some buildings. With City subsidies in excess of \$73 million, JMB Realty will build a hotel, condominiums, and retail space including a Lord & Taylor store to compete with Marshall Field's directly across State Street. The \$250 million development has been evaluated by Tribune critic Blair Kamin as "woefully out of place."

See perspectives page 3

Fundamental Economics in Evanston this Summer

This year our Summer Fundamental Economics class will meet in Evanston, at 1110 Davis Street. This is less than two blocks from the CTA (Purple) and Metra (UP-- North) stations, and parking is readily available. The nine-week course begins Wednesday, June 21, at 7:30 PM, and continues on weekly thru August 16. Register using the form on page 5, or by phoning the School at 312/362-9302. As always, this course is open to all adults interested in understanding today's economic and social issues.

We'll also offer an advanced course, **Economic Science**, at our Dearborn Street location. You must have previously taken **Fundamental Economics** to enroll in this course. This class will meet Tuesdays at 6:30 PM, beginning June 20.

Venturella steps aside

Sam Venturella has resigned as President of the Henry George School Board of Trustees and asked to be relieved of his teaching duties, in order to focus his energy on dealing with a serious illness. Sam, who has been active in Chicago Georgist work since 1942, remains a member of the Board.

George Menninger, Jr., Vice-President and Treasurer, will act as President until the Board selects a replacement.

Henry George Day Picnic

Our Henry George Day picnic, scheduled for Sunday afternoon, September 3, is moving out of the Forest Preserve and back to the Metalitz/Johnson household in Evanston. Thus, for the first time since 1995, indoor plumbing will be available.

All *Illinois Georgist* readers, and their friends, are invited. If you attended last year, we'll automatically send you an invitation once the details are set. Otherwise, call the School, stop by, or send us a note and we'll make sure you're added to the list.

New "Green Book"

A new edition of **Who we are/What we teach** was printed in March, replacing the 1998 version. Improvements include new student comments, revised course descriptions, a map showing the School's location, and a format modification that facilitates insertion of a current schedule. We'll be happy to mail one to anyone who requests it. We can also supply quantities if you would like to distribute them among your friends and colleagues or in your community.

Letters

Mountain Home, Arkansas

Thanks for sending us a copy of *the Illinois Georgist*! We always enjoy learning of your educational activities in the Chicago area! It was in 1943 that I took the basic course in economics at a branch of the Chicago Public Library. I continued my studies of the advanced courses as I commenced teaching the basic classes. The Executive Director of the Henry George School was a genius and a good friend by the name of John Monroe. After teaching classes in the Chicago area for about ten years, I was given the position of associate director in charge of administrative services which I held for about 8 years. At that time we moved to Traverse City, MI where I taught both basic and advanced courses at Northwestern Community College (adult night school) for about 6 years. Then back to Chicago where I continued teaching for the School until moving to Arkansas in 1962. I continued teaching and have conducted about 30 study groups in this part of the State.

I have no groups at this time, but Lindy Davies sends me students and I usually have about a half-dozen taking the home-study course by regular mail. Over the years, I have had the pleasure and challenge of working with an estimated 2400 to 2500 students. I have some materials that John Monroe used in promoting the work of the School and I believe you will appreciate having them for your archives. One item is a copy of our teacher's manual we used for many years. John Monroe wrote most of it but I had the privilege of contributing some ideas to it. We ran off a great many copies on our old mimeograph machine! If you would like to have these materials for your School history, I will be happy to send them on to you at the Chicago Henry George School.

Sincerely,

Ben Russell,

Council for Economic Inquiry

www.mtncom.com/cip/econinqu.htm

P.S. I am still active and productive while celebrating my 90th birthday on August 26th[1999]!

Clarification

Thanks to West Virginia Georgist Carl Shaw for pointing out that John Arthur Demuth, who played solo cornet with the U. S. Military Academy band in the 1860's, did so as a professional musician rather than a cadet. Demuth, who was also an inventor, was memorialized last year by a major gift to the School.

Publication Schedule

We seek to publish *the Illinois Georgist* quarterly. This is, however, the first issue of the year 2000. The previous issue was Volume 10, Number 3. Please send letters and reports to us at 417 S. Dearborn #510, Chicago IL 60605.

Historical Note #1:

Commerce & Industry Division

The "teacher's manual" Ben Russell sent is entitled "Conference Leader's Guide: Round-Table Study of Fundamental Economics." It's undated, but apparently was created in 1951, and it's over 100 pages long. It's full of



exercises and examples enabling a group to cover the subject without having to read *Progress and Poverty*, although suggested readings were provided.

The School's Commerce & Industry Division was established in 1946. Classes met — on company time — at major Chicago enterprises. Employers believed that it would be good for their workers to understand basic economic principles. Conference leaders, comparable to the instructors we have today, were often fellow employees who had previously taken the course. The manual advises them to encourage discussion and inquiry, and not to be dogmatic nor get bogged down. "Free inquiry does not presuppose consideration of a particular point until all is known about it or until the group is agreed . . . Let the student feel that in each area he is establishing a foothold which can later be broadened . . ."

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perspectives from page 1

The total cost of purchasing the land, when the site was originally cleared in 1989, was apparently nearly \$100 million, of which the City contributed \$34 million. The City is now giving an additional \$39.5 million to JMB. The latter funds may well come from the TIF (tax increment financing district) in which the project is located. A TIF, for those who may not be familiar with it, starts from the bizarre assumption that nothing would have been built unless the City provided special incentives, and then allows favored developers to essentially keep part of the money that ordinary property owners would have been required to pay in taxes.

(Sources: Chicago Tribune, April 15 and April 21, 2000)

More about TIF's

Chicagoans who want to know the details about TIF's, how they operate in theory and practice, can consult the Chicago TIF Encyclopedia recently produced by the Neighborhood Capital Budget Group. Concluding that "The City is giving away enormous amounts of public wealth with very little public scrutiny," NCBG recommends improved reporting and accountability, as well as a shift of TIF dollars toward "basic public works investments in neighborhood[s]." Detailed information about each of the City's 69 TIF's (which cover about 20 of Chicago's 228 square miles) is included, but unfortunately does not report land value. HGS has a copy of the Encyclopedia, or contact NCBG at 312/939-7198.

More millions given away

O'Hare airport handles over a thousand takeoffs every day. There is a limited number of "slots," effectively restricting the number of flights. The Tribune tells us (February 25, 2000) that airlines can treat their assigned slots as property, and that they have traded for "as much as \$3.5 million." These are for peak times; let's assume that an average slot is worth \$1 million, or in total about \$1 billion for all flights. The appropriate interest rate might be 7%, indicating an annual rent of \$70 million collected by the airlines. Or perhaps the interest rate is higher, which would mean the annual rent is greater.

Whatever the amount of rent that the public failed to collect in the past, the rules are changing. Airlines will now be permitted to schedule any number of flights at any time; when capacity is exceeded passengers (and crews and aircraft) will simply wait in the terminal, on the runway or in the air until they can be accommodated. While the airlines won't collect rent any longer, everyone will apparently pay in wasted time.

IRS targets the poor

An unintended consequence of the earned income tax credit (EITC) has been the concentration of IRS audits on lower-income people. It seems the reason is that a considerable portion of EITC claims are believed to be fraudulent. The Chicago Tribune (April 16, 2000) reports that in 1999 returns reporting less than \$25,000 "earned" had a 1.36% probability of being audited, compared to 1.15% for those reporting more than \$100,000.

The Tribune did not choose to compare this to the real estate tax, where the taxpayer, not the tax collector, decides whether to audit.

Thanks to our contributors

Since our last issue, donations have been received from the following individuals:

Judy Broske
Helen Fleischer
Lidia A. Garvin
Everett Gross
Eugene Horcher
Robert & Ruth Kennedy
Yul Kwon
Heather Remoff
Aarón M. Renn
Gerry Shaw
Sam Venturella
Peter Zelchenko

The School's volunteer instructors, staff, and students value your support!

Graphic Artist/Cartoonist Wanted

The Henry George School (Chicago) seeks assistance in design and graphic content of its advertising, promotional, and informational materials. We work primarily in print although the web page (<http://pages.ripco.com/~taxpayer>) also needs attention.

Part of the challenge is to represent visually some of Henry George's key ideas on such subjects as the causes of poverty and economic distress, methods for analyzing economic issues, and the nature of monopoly power. Accordingly, the person who can aid us should be familiar with these concepts, whether thru study at the School or otherwise.

As we currently use WordPerfect 7 under Windoz98, someone similarly equipped may be best able to assist with some aspects.

All work would be done on a freelance basis. Our budget is quite limited but we intend to pay fairly. For more information contact us by email (hgchicago@pobox.com) or telephone (312/362-9302).

More *Progress* at the Chicago Public Library

Recently we discovered that there were only three copies of Progress and Poverty in the entire Chicago Public Library system. Through the generosity of the Center for the Study of Economics, six additional copies have been obtained. Two have been placed in the Business Information Center (at the Harold Washington Library), and two in each of the regional libraries (Woodson and Sulzer). Thanks to CPL librarian and HGS grad David L. Williams, for arranging this.

If your local library doesn't have a copy of Progress and Poverty, the all-time best-selling book about economics written by an American, ask a librarian to call the School to obtain one.

Who owns Chicago?

By what right can any of us claim to own land?

The beginning of land ownership in Chicago goes back to the Treaty of Greenville, signed in 1795 after U. S. troops under "Mad Anthony" Wayne defeated a number of Indian tribes at the Battle of Fallen Timbers. While the action, and most of the land involved, was in Ohio, the treaty also ceded to the Federal government a number of tracts elsewhere, including

One piece of land six miles square, at the mouth of the Chikago river, emptying into the southwest end of lake Michigan, where a fort formerly stood.

That, of course, is the central portion of the City of Chicago (and some close suburbs). Today we might define it as bounded by Lake Michigan, North Av., 39th St., and Cicero Av.

The defeated Indians retained certain rights, including the right to hunt within the ceded areas, "without hindrance or molestation, so long as they demean themselves peaceably, and offer no injury to the people of the United States." Furthermore, they were to be given goods worth \$20,000, plus an annuity of \$9500 worth of goods per year.

The remainder of Chicagoland was acquired by the Federal government under the Treaty of 1833, which covered 5 million acres. The Indians in this case were to be given an equivalent amount of land in Iowa, and assistance in moving to it, plus:

- ▶ \$100,000 going to specific Indians, in lieu of land claims which were denied.
- ▶ \$100,000 in "goods and provisions"
- ▶ \$175,000 to whites having claims against the Indians (These claims were not audited and most were probably unsupported.)
- ▶ \$280,000 to be paid as an annuity, \$14,000 per year for 20 years. Apparently only the first two payments were made.
- ▶ \$150,000 for infrastructure and social services, to be provided by and at the discretion of the Federal government
- ▶ \$ 70,000 for educational purposes, to be provided by and at the discretion of the Federal government

The Indians, of course, were in no position to dictate terms, and so agreed to relocate from valuable to remote land in exchange for much less than \$1 million— 20¢ per acre.

By 1836, speculators had pushed the price of just 2½ square miles of land comprising the central part of Chicago to \$5,900,000, or \$3687 per acre.

Sources:

Homer Hoyt, One Hundred Years of Land Values in Chicago, p. 33

A. T. Andreas, History of Chicago from the Earliest Period to the Present Time, pp. 124-128

Treaty of Greenville

(http://paperbacks.homepage.com/docs/treaty_of_greenville.html)

Chicago Public Library Chicago Timeline: 1795 The Treaty of Greenville

(<http://www.chipublib.org/004chicago/timeline/gtreaty.html>)

Human Resources Survey

George states that 100 people working together can do much more than 100 people working separately. Unfortunately, we Georgists are too often like the 100 people working separately. Not only do we accomplish less, but we also tend to feel overwhelmed.

If we are going to be successful in getting George's ideas known, we are going to have to work together.

We need your help. If you have an idea, an area of expertise, or anything that will help give us a call, a letter, or an email.

If we set our minds to it the human potential is unbounded. Armed with the truth, the only way we can fail is not to try.

— George M. Menninger, Jr.

North American Conference set for September, Des Moines

The Council of Georgist Organizations has announced that their annual North American Conference will be in Des Moines, Iowa, September 21-24. Local hosts are Damon Gross and Bob Willis.

The conference is structured around five themes: Research, Education, Political Action, Publishing, and CGO Development. The first of these will include the results of work being done by Bob Jene and others, analyzing the property tax base of Iowa counties and showing how economic principles can be applied to make best use of it.

Conference announcements will be mailed in July. For further information contact CGO at 847/475-0391.

[O]ur statute-books are full of enactments which could, with advantage, be swept away. It is not the business of government to make men virtuous or religious, or to preserve the fool from the consequences of his own folly. Government should be repressive no further than is necessary to secure liberty by protecting the equal rights of each from aggression on the part of others, and the moment governmental prohibitions extend beyond this line they are in danger of defeating the very ends they are intended to serve.

— Henry George "The Functions of Government" (Social Problems p. 173)

I would like to register for . . .

☐ **Fundamental Economics** (see details on page 1).

☐ **Economic Science** (must have previously taken **Fundamental Economics** or equivalent).

Please . . .

- ☐ send **Who We Are/What We Teach** (the "green book"), including course descriptions.
- ☐ add me to your mailing list.
- ☐ change my address/name as indicated on the reverse.
- ☐ accept this contribution of \$_____ to help in the School's work.
- ☐ contact me about tax-advantaged giving.
- ☐ contact me about volunteering to work for the School.
- ☐ remove me from the mailing list.

HGS

Be sure that your name and address appear correctly on the other side of this form.

Mail this form to:

Henry George School, 417 S. Dearborn #510, Chicago IL 60605
or fax it to 312/362-9303 with your name & address. If you register for a course you will receive a confirmation letter.

Historical Note #2:

Henry George Fellowship & More

We have received about 8 boxes of materials from William R. Gwin, who was an active Chicago Georgist in the 1930s and 1940s. Bill later moved to Wisconsin, where he still lives.

A highlight of Bill's donation is bound copies of *Henry George Fellowship News* from 1936-1939. This was a four-page monthly published by the Chicago chapter of the Henry George Fellowship. Its reports include news of the Henry George School; in May 1937, the Chicago Extension (as we were then structured) had enrolled 300 students in 23 classes for the spring term. The editorial staff included not only Bill Gwin, but also Samuel N. Levin (later changed to Leonard), whose 1986 bequest to the School helps pay our expenses nowadays.

Levin also wrote scripts for a weekly radio program which the Fellowship presented over WCFL (owned at the time by the Chicago Federation of Labor).

Included in the binder are several speeches presented to the School's annual Commerce and Industry Luncheons, which were held at the English Room of Marshall Fields. Speakers were prominent Americans, such as William N. McNair (Mayor of Pittsburgh, Pa), who said in 1948:

The city should collect its earnings even if it has to abolish all its taxes to do so. We've started to do that very thing in Pittsburgh, I'm glad to say. We are recapturing some of Pittsburgh's earnings made valuable by our transportation system that dumps thousands of customers an hour in front of these business locations. We've started sending out some of the bills for furnishing services there by putting a heavy tax on the value of these sites, at the same time cutting the tax rate on buildings by fifty per cent and abolishing all our other taxes.

Pittsburgh, of course, continues to use elements of this system today, with favorable results.

A separate binder contains several issues of *On the Campus*, published by the School in the 1940's. At the time, the School had an active speakers bureau. Lewis F. Scott, Henry L. T.

Tideman, and John A. DeVos addressed such groups as the Berwyn Economics Society, South Side Swedish Club, Ki-anis and Lions Clubs. Topics included "The Businessman and the Economist," "Will Atomic Energy Raise the Standard of Living?" and "Can We Legislate Full Employment?"

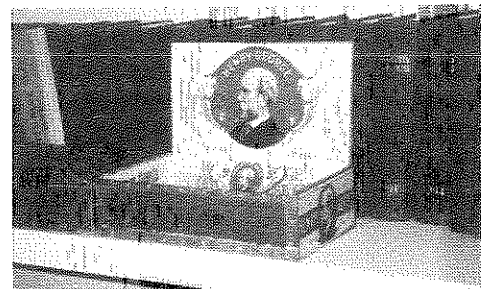
In an *On the Campus* interview, Georgist lecturer John Z. White recalled his early years.

"I was a rebel and I tried to make my neighbors rebels. My mother cautioned me several times that I was making enemies. Finally, I said to her, 'Look here, Mother. The Lord gave you a good head to use if you want to. You get a copy of Progress and Poverty and read it. Then you'll know what we are arguing about.' She did — and she became a more vicious exponent of just economics than I was."

Perhaps the rarest items among the boxes Bill sent us are three empty boxes — Henry George Cigar boxes. Some of our readers may be

unaware that Henry George was the only economist ever to have a cigar named after him.

Bill's donation also includes about 75 books of Georgist and historical interest. These include works by such important Georgists as John Z. White, Tom Johnson, Louis F. Post, Frederick C. Howe, Henry George, Jr., and Albert Jay Nock, as well as several political economists, significant (Adam Smith, John Stuart Mill) and otherwise. Bill also provided two editions of *Olcott's Land Values Blue Book* and a copy of Homer Hoyt's *One Hundred Years of Land Values in Chicago*.



When you learn of everything that happened at the February 9th meeting, you'll never want to miss another one.

— Bill Gwin, reporting on a 1937 meeting of the Henry George Fellowship (Chicago Chapter)

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Reasons NOT to Take a Course at the Henry George School

George's ideas may have been important in the 19th century, but today we're in an information economy, land doesn't really matter, and besides, poverty really isn't much of a problem anymore.

George described fundamental principles that always apply as long as people need a place to live and don't want to work for nothing. Sure, the economy has changed, but land remains extremely important—ask anyone struggling to remain in a gentrifying neighborhood. Poverty no longer a problem? Worldwide, by any measure, billions of people remain in poverty. In the U. S., few of us starve but many of us suffer from low wages and poor working conditions. Why should supporting a family require both parents to have full-time employment? Why should people have to commute an hour or more from areas with affordable housing to areas with decent jobs? These thoroughly modern problems are clearly analyzed and explored in our courses.

Progress and Poverty may be great literature, but it's a big book written in 19th-century style, and I don't enjoy reading stuff like that. It's too much work.

That's why we offer versions of **Fundamental Economics** based on the abridged edition of the book. The Relaxed version asks you to read less than four pages a day. Furthermore, you don't really have to do all the reading. All the important concepts are discussed in class, and our instructors will never make you feel like a dummy just because you didn't read, or didn't understand, part of the book. And it is great literature.

I'm just not interested in this stuff. Economics is complicated, and I've got enough complications in my life already.

Economics affects you whether you're interested or not.

Do you really want others to do your thinking for you? Anyhow, it isn't as complicated as you may think, and you might even enjoy the class.

George's ideas couldn't be very important, because hardly anybody seems to know about them.

So you only want to know about things that lots of other people know? Wouldn't you like to try thinking for yourself?

I'm too busy. By the time I've earned a living, fulfilled my family obligations, taken care of eating and sleeping, and had a little fun, there's no time left for learning.

Yes, that's a problem for a lot of us. Want to know why? It's covered in our courses.

I'm really much smarter than most people. I don't need to spend time in a class in order to learn.

Then read Progress and Poverty. It should be in your local library, or you can buy it from Sandmeyer's Books (312/922-2104), Illinois Labor History Society (312/663-4107), or Robert Schalkenbach Foundation (800/269-9555). After you've finished it, you might say, "This is interesting. I'd like to discuss it with somebody, get some of my questions answered, and see how it applies today." That's what we do in our classes.

Henry George's fundamental idea is simple: tax land heavily, and don't tax anything else. I already know that, so I don't need to read a big book and spend hours in a classroom to learn it.

Henry George's fundamental idea is that, by observing what happens in the world, maintaining consistent definitions, and applying common sense, one can determine the basic principles which explain, among other things, the causes of poverty and periodic recessions. Our **Fundamental Economics** course takes you through his reasoning process and equips you to apply it in any situation.

And be sure to bring your doubts. At the end of the course, we review practical and philosophical objections to George's analysis, and we don't want to omit yours.

— Chuck Metalitz