Henry George Newsletter

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TO RUSSIA WITH LOVE: The Georgists are Coming!

- by George Collins

At the official invitation of Professor Mikhail Bronshtein, Chairman of the Sub-Committee on Economic Reform of the Supreme Soviet, Prof. Nicolaus Tideman, Prof. Steven Cord, appraiser/assessor Ted Gwartney and I engaged in a consultation tour of the Soviet Union in the spring of 1991. Our two-week tour took us to Moscow, Leningrad and Pushkin in Russia, and Tallinn and Tartu in Estonia.

The invitations to Leningrad and Estonia were made that previous summer when Director Igor Nerush and Prof. Ivar Raig attended a special conference held in New York on Concepts and Procedures for the Collection of Rent in the Soviet Union [see our Nov.-Dec. '90 issue]. Director Nerush heads the Leningrad Institute on Urbanism, and Prof. Raig is a member of the Estonian Parliament as well as the Supreme Soviet. Victor Scheglov, Head, Department of Economics and Social Research of the Central Scientific Research and Design Institute for Town Planning in Moscow, and Prof. Bronshtein, who were also at the conference, organized the Moscow component.

Standing: Dr. Elena Perepeletsina, Ted Gwartney, Prof. Mikhail Bronshtein, Nic Tideman, translator, Institute researcher. Seated: George Collins, Dr. Sofia Kabakova, Steve Cord

I arrived in the Soviet capital on Sunday, May 12th in the company of appraiser/assessor Ted Gwartney. We were met at the airport of Alexandra (Sascha) Bocharov, daughter of Prof. Yuri Bocharov, Deputy Director of Research at the Central Scientific Research and Design Institute for Town Planning in Moscow. Prof. Bocharov had conducted a seminar at the HGS in April.

I would stay at Prof. Bocharov's apartment with Sascha and her husband, Alexander (also Sascha) for two nights and two days in Moscow. Ted would be lodged at the Estonian Hotel in downtown Moscow (which is owned and operated by the Estonian government) along with Professors Tideman and Cord, who had arrived the previous day.

Early on Monday, I went by subway to meet my three colleagues at the Estonian. We were taken on a walking tour to the exhibits and grounds of the Kremlin and Red Square. Our guide, facilitator, and interpreter (except at the Kremlin museum where we had a staff member) was the charming Dr. Elena Perepelitsina, Assistant of the Supreme Soviet, member of the Committee on Economic Reform.

After lunch our work began. We met with Prof. Bronshtein's Subcommittee on Economic Reform. The group of about twelve consisted of members of the Supreme Soviet, Chair of the Agrarian Committee, and specialists from Institutes on Land Relations from other republics. An official interpreter was present at this session, in addition to Dr. Perepelitsina.

In his introduction, Prof. Bronshtein referred to the letter that had been sent to President Gorbachev urging collection of land rent instead of sale and then taxation. The letter was written by Professors Tideman and William Vickrey and signed by thirty economists, including three Nobel Laureates. His comments on the importance of our visit were underscored by another member's statement that the land rent question had gone from a purely economic to a political issue.

Before the meeting we decided that each of us would make a five-minute statement on a different aspect of collecting land rent, to be followed by questions from our audience. I led *(continued on page 7)*

To Lanc Greene & Pearl Hirsch: A Thank-You

At a nostalgia-tinged dinner on June 6th held at the handsome Sumptuary Restaurant, the Board of Trustees of the Henry George School paid tribute to two stalwarts on their retirement: venerable Board member Lancaster Greene and charmingly efficient bookkeeper Pearl Hirsch.

Lanc Greene, now in his 91st year, has served on the Board since 1935, holding the offices of Vice President and, until his retirement, Treasurer of the organization. He has been a Georgist for over seventy years, having been introduced to the philosophy by his high school teacher. High among the many contributions he has made to the school and its philosophy over this long period of service has been his professional expertise as an investment counselor. Lanc has now been elected to the status of Trustee Emeritus of the School.

Pearl Hirsch concludes twenty-six years of sterling service as the school's bookkeeper, ending her career as the Assistant for Administration. Over the years, through altered circumstances and changing administrations at the school, Pearl's adroit efficiency and personal charm in an extremely sensitive position has won her the affection of everyone, from office-supply vendor to Board member. Her respect for the ideals taught and devotion to the interests of the school is no better illustrated than in her confidentially made, personal decision to postpone the urgent need she had to retire at an earlier date in order to accommodate what she perceived the school would need for its continued success. Fond remembrances and deeply felt expressions of high praise were *(continued on page 7)*

GREENING THE CALIFORNIA DESERT:

Scrofani Reads the Wright Act

One of the most fascinating papers delivered at the Lafayette College conference was a history of water issues in California, by San Francisco HGS Director E. Robert Scrofani. The coming of modern civilization to California meant the moving of vast amounts of water. "A visit to the verdant beauty of Golden Gate Park in San Francisco," Scrofani begins, "would persuade the visitor that this fabled city had abundant water. In fact, the area of Golden Gate Park was once an immense sand dune."

The history of California's "water wars" had three distinct stages. "Under earlier Mexican rule private use of water was governed by the doctrine of *riparian rights*" -- in other words, those owning land on the banks of rivers had the right to use the water. Landowners not contiguous to a stream had no rights to its use. This led to bitter fights for many years between water monopolists and farmers who had to pay for this vital resource.

The anti-monopoly writings of Henry George, a prominent California journalist in the 1870s, had considerable influence, particularly on a young state representative named C. C. Wright. George proposed in his San Francisco *Post,* that dams be built in the Sierra Mountains for the watering of farmlands, urging "Make the land benefited pay for the expense, and give the people interested the management." Wright authored a bill, which was enacted in 1887, to do just that. It enabled special assessment districts to be formed which had the power of eminent domain, thus allowing irrigation dams to be built, financed by bonds, which were in turn paid off by means of a tax on land values.

This law was ingenious in that it made water available to thousands of farmers, who then paid for it themselves, through the enhanced value of their land. The act was amended to make it even more effective, exempting from taxation "all trees, vines...growing crops and all the structures of whatever class or distinction." The law was tremendously successful. In 1915, L.L. Dennet, a former legislator, told the *Los Angeles Times,* "I doubt if any law ever enacted by our legislature has even approached the beneficial effects of this law."

In the early 20th century, though, the federal government, with the Reclamation Act of 1902, began to get into the dam business. The intent was to subsidize family farms by building dams and irrigation systems at public expense. The result, however, was to favor "agribusiness" over family farms. "Water in the California desert is cheaper than sand," Scrofani notes -- and this subsidy vastly increases the profitability of large corporations farming vast domains, crowding the small farmer out of the game. Today, cheap, subsidized water is squandered on water-intensive crops such as rice or alfalfa -- or sprayed profligately in urban sprinklers or car washes. Meanwhile, small farmers and farm laborers are in trouble.

The environmental costs of cheap water have been high. Huge areas of diverse habitat have been "reclaimed", thereby eliminating many native species of mammals, birds and fish. And California uses a third of the pesticides in the nation. As a result, many communities -- particularly those of poor farm workers -- have abnormally high cancer rates.

"The Greening of the California Desert" provides an eloquent testimony for the social and environmental efficacy of financing public infrastructure needs through the value of land. "The current system of water allocation in the West has been called 'socialism for the rich' by some, and 'wasteful' and 'harmful' by others. As California looks to its future it may well want to look to its past when smaller farms, conservation and growth were generated by the simple economic act of letting those who benefited from the water pay for it....Will a new C.C. Wright arise to apply the old lessons to new problems?"

RUSSIA

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off with the ethics of the measure; Tideman addressed efficiency; Gwartney discussed the practice of determining value, and Cord the experiences of cities in America and around the world. A more that two-hour long probing followed, with what might be thought of as a culminating statement from Prof. Bronshtein: "Our ideal is to have what you have." All the questions and comments indicated that the committee's report would be favorable. To close the day our hosts treated us to a Russian ballet.

On Tuesday, I accompanied (Ms.) Sascha via trolley-bus to her workplace, the Central Scientific Research and Design Institute for Town Planning. She is an architect and planner. Her father, Yuri, is Deputy Director of Research. The organizer of our program at the Institute was Victor Scheglov, head of the Dept. of Economic and Social Research.

Some 35 planners and economists engaged in the seminar. It included reviewing the maps and computerized data on their "zoned valuation" system. Gwartney's assessment was that they had used sound initial criteria, but had neither the data nor the technique to do site-specific valuations.

After lunch -- dinner, to Russians, -- we were driven to the Institute of Management, a formerly secret facility, for a tour led by Igor Portyansky, Head, Sector of Regional Settlement Systems. We were told that only one floor is still engaged in secret operations. At this facility Dr. Paul Chelotnaryov of the Institute of Central Sciences, demonstrated the computer mapping system of "zoned valuation" he developed for the city of Dnepropetrovsk. Gwartney called this a unique computer program which could have application in the west, a prospect that Dr. Chelotnaryov had been entertaining. Our land rent proposal met with wide interest and strong support from many members of the Institute. Victor Scheglov said, "I like Henry George's ideas, they make sense and they seek justice."

We then went to Scheglov's home, a flat in a high-rise complex in one of the better sections of Moscow, for a delightful supper. Later, a tour took us past the house in which Gorbachev lives, Lenin Hill and Moscow University, before Nic, Ted and I left on the night train to Leningrad.

To be continued in our next issue.

A Thank-You

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offered by Trustee after Trustee. Members of the families of both retirees were there to share in the honors bestowed upon them.

Our very fond good wishes follow Pearl and Lanc through all the new discoveries they may now explore.

The staff and Director of the HGS expressed very fond good wishes to Pearl at a dinner at Hart's Restaurant on June 25th. Joining them to launch her into her career change were Pearl's husband, Adolph Hirsch, Bob Clancy (who had hired Pearl for the HGS 26 years before), Susan Klingelhoefer of the Schalkenbach Foundation and HGS teacher Pia DeSilva.

- George Collins

CHICAGO UPDATE

Summer classes are being offered at 2 and 7 PM on Monday, Tuesday, and Wednesday for ten weeks starting June 24.

Teachers are Director Sam Venturella (retired City Planner), George Menninger (real estate developer), and Scott Walton (real estate broker).

The Illinois Georgist includes, in its Spring/Summer issue, a feature on the West Virginia conference of Mountaineers United for Sane Taxation (MUST) led by Arthur Rybeck, Jr., and an analysis of "The Savings and Loan Bailout" by Bob Jene.