



• On the way out: High rent victim Danny McGivern outside his hardware store in northern Manhattan

CHURNED TO DESPAIR

A JUDGE has decided that begging is not a legally sanctioned right on the underground trains. Beggars abound; if it wasn't for the skyscrapers, you could be forgiven for thinking you had stepped through a timewarp into Calcutta.

Some of the beggars who accost you were probably customers of Thomas Mickens, who made his millions from selling cocaine.

Unemployable because of their habit, the addicts have to beg to get the money they need for their next fix. Mr Mickens was happy to take the dollars collected in the tin cans, money which he laundered through legitimate businesses in the Big Apple.

The cops caught up with the 26-year-old dealer with a weakness for flashy cars. He has just been sentenced to 35 years in a Federal penitentiary. But the merchants and real estate agents who "wash" drug money won't go out of business; there is always another Thomas Mickens around the corner. Which makes Danny McGivern mad.

He's a rough diamond. At 16 he was a heroin junkie who fed his habit by burglary. He learned his lesson when they locked him behind bars, and has been going straight ever since.

THE sociological impact of the property tax on New York was assessed by FRED HARRISON in our last issue. Here, he looks at the way the rent-fixing process affects neighbourhood communities.

For 15 years he has successfully operated a retail shop selling hardware goods and cutting key rings.

Danny is now a victim of "churning". The *Village Voice* defined that concept in these terms: "As businesses are churned - bumped out for their inability to pay huge increases (in rents) - speculators have relied on the flow of immigrant entrepreneurs to keep prices rising."

The politicians are not unhappy with the squeeze on the tenants. Explained the *Voice*: "For city government, this speculative trend is manna from heaven. As property values soar, so do real estate tax payments, and the city increases revenues without having to impose new taxes. But the result is yet another regressive tax. Landlords don't pay it, tenants do."

Danny fought the steep rents, and has lost. He's being forced to quit his shop in a mixed Irish-Jewish area off Dyckman Street, at the north end of Manhattan, another statistic in the accelerat-

ing trend of a process that is eating away at the social structure of residential communities. The beneficiaries, he told *Land and Liberty*, are the crooks who hawk death-dealing drugs on the street corners.

"If a person can't raise the income to pay the rent, he has to look to the illegal way," says Danny. "Our neighbourhood stores are going to be deserted, or infested with drug dealers."

Rent controls, he says, are the answer: "We don't want the landlord not to have an income, but the rent should go up in line with inflation."

With new waves of immigrants, the demand for commercial premises is intense. But that is no way to create social stability, warns Danny: "When the landlord says he can get a 'market rent' that is more than you can pay, he means he's found a sucker who will offer to pay a higher rent - but with no consideration given to the fact that the sucker won't be able to keep his business going for five years."

The small businessman is being driven out, which is why New York now has another name: *FIRE* City - Finance, Insurance and Real Estate. But residential neighbourhoods need the jobs and services that these

businesses provide. What they do not need is racketeers like Thomas Mickens.

The churning process, however, has thrown together the likes of Mickens and local businessmen. And that suits the crooks looking for uncomplicated ways to launder dirty money, rather than going through Swiss bank accounts. This is how it works, explains Danny McGivern:

"If you were into drug trafficking or numbers, making \$500,000 a year, wouldn't it be nice to come to a small guy like me and say, 'Why don't you run a store for me?' I know people all over the city who own laundromats where they do this. The drug pushers keep a shop for one year, to clean their money. Then the shop closes.

"Or they go to a legit shopkeeper who is struggling with his rent, who agrees to put money through his books and pay it into a bank account on behalf of the drug pusher. The taxman would soon see what was going on, if he looked at the books, but everybody is making money so they look the other way."

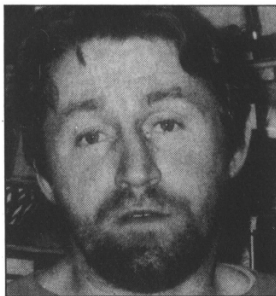
Danny knows the crooks are exploiting the shopkeepers in his way, because "two years ago I used to sell two safes a week, but now I don't sell any. Why? Because the drugs pushers have found ways to launder the money. Two years ago there was nowhere to put the money. Now, after it has been laundered, it is sent to Santo Domingo to buy real estate".

THE New York real estate market is beginning to enter a phase of crisis. But while capital values may be weakening, rents continue to rise as landlords try to match the expectations created by speculators.

If a recession hits the city, Danny has no doubts what the result will be. In past recessions,

he says, "small businesses could stay afloat, because rents were moderate. But now, they will disappear. The stores will be empty, because the drugs pushers will be gone."

The social fabric of the residential neighbourhoods suffers in the process. What Danny calls rent "gouging" is forcing the small family businesses like butchers and bakers to give way to the glitzy boutiques which are not making money legitimately: a transient commerce which adds to the decay.



• Danny McGivern: Harsh words

Meanwhile, Danny points out, the kids are learning that the alternative to working for \$3.50 an hour from McDonald's is to make \$2m in a couple of years from drugs, then get out - if you're smart.

Russell Baker, writing in the *Voice* (October 17, 1989) concluded: "New York City has become one giant, mean Monopoly game. Small and medium-sized businesses, health professionals, arts organisations, and others are falling prey to the virulent greed of real estate speculators and the complicity of elected officials."

The "For Rent" signs are going up everywhere, as the dynamism of a proud city starts to ebb away down the Hudson River. The economists do not fully recognise the implications of this "gouging" for the wealth-creating base of the city; nor do

the sociologists acknowledge that the rent-determining mechanism can have a causal impact on the quality of life of the citizens.

Real estate is sacred: awkward questions are not asked, least of all of the politicians whose electoral war chests are filled with cash provided by realtors.

No one person is to blame, of course. It's the system. The law not only condones, but encourages, speculation in land. The public is kept ignorant, because the scholars who ought to be analysing the underlying dynamics of the rent process turn blind eyes. It's only an innocent game, called Monopoly.

Baker's perception is out of step with the popular vision of deal-making in real estate. Angrily, he wrote that the process began when a "new breed of hustlers came in, and speculating like crazy, began buying into buildings with the sole intent of increasing their property value quickly and selling for a huge profit.

"A growing number of rent gougers, their public visibility usually confined to mentions in the society columns that highlight their charitable activities, are busy from nine to five doing irreparable damage, through their so-called 'investing', to the fabric of neighbourhoods and the lives of New Yorkers.

"Nobody was safe any more. Even many fair, longtime landlords changed; caught up in the feeding frenzy, they became speculators, too. This explains why more than 800 viable, small and medium-sized New York City businesses have been shutting down every month, according to merchant association surveys."

The beggars do not realise it, but their plight is not unconnected with this sordid process that eats away at society's fabric.