

# Pay-off On Oscar's Waldorf

A few years ago a group of progressive capitalists, some with large funds and some, organized as a unit by investment houses, with small sums, got together to build New York a hotel the like of which it had not yet seen. They built it, named it the Waldorf-Astoria after a famous old hostelry, and contributed a cultural center as well as a social and civic gathering place and a distinctive dwelling place for visitors and residents to the accommodations of the metropolis.

It had to be located on Park Avenue to attract the clientele which would provide the backbone of its patronage. Park Avenue sites are, of course, privately owned. Before the capitalists could make their contribution to the city's community life, before the management and the rest of labor could employ their capital to provide valuable services, a landowner had to be found who would permit the use of his site for the purpose.

A landowner at last agreed to give his permission for a basic ground rent fixed at \$1,000,000 annually. He stipulated that if this minimum were not earned in 1935, 1936 and 1937, he would take the net earnings in full payment. In return for this, he demanded and received a guarantee that if the net income should exceed \$1,100,000 a year, the ground rent was to be increased proportionately. With a burst of generosity, he waived the first \$100,000 after the first \$1,000,000 for payment on interest and other charges for the capital invested.

Once the building was up, prices of everything, including hotel services, dropped in the business depression and the hotel's income fell off. But the net rent to the landlord, who contributed nothing to the venture but qualified assignment of the special privilege which the absurd tax laws of New York had given him. If anyone was to suffer, it was not to be the landlord, but the capitalists, who contributed a magnificent building and hotel enterprise, and the labor, who contributed an efficiently-run organization.

This year the earnings pushed past the million-mark. Last March 1, the Waldorf-Astoria Corporation paid 1 per cent on their 5 per cent income debentures, the first distribution to holders since 1932. But when the Sept. 1 interest payment became due, it could not be made. Operating results were slightly better than a year ago, officials explained, and net earnings were boosted past the \$1,100,000 mark. This made the provisions in the ground rent agreement operative which call for the sliding scale of rent dependent upon earnings.

Business is better. So business is better for the landowner and worse for the capitalist. Is it any wonder that capital thinks twice before building a hotel? Is it any wonder that the hotel and restaurant workers have among their ranks some 20 to 25 per cent unemployed?

Incidentally, the base of the hotel does not rest upon the "ground" at

all, but upon stilts over the covered tracks of the New York Central Railroad. The landowner extorts his rent for the horizontal right of way from the railroad users and for the vertical right of way from the hotel builders and the people of the city. The builders could not hitch their hotel to a star. But with this experience, they could not be blamed if never again did they hitch their fortunes to a non-interest paying hotel and instead hitched it to the star of speculative land values.

The fate of the Waldorf makes it easy to understand why capitalists are increasingly wary of investing in productive enterprise and more and more turn to non-productive speculation. They want a run for their money.

—Harry C. Maguire.

See: "Progress and Poverty," p. 337.  
 "Social Problems," pp. 206-7.  
 "Perplexed Philosopher," p. 186.  
 "Teachers Manual (P. & P.)," L.  
 VI, Q. 25; L. VII, Q. 2-6.