

Torah Based Economics

Dr. Edward Tamler and Yisroel Pensack

The Jewish Community Federation of San Francisco has recently purchased two buildings next to its present downtown location for \$28 million to alleviate pressure on other Jewish nonprofit agencies in that city which are facing expiring leases and "skyrocketing rents," according to the Jewish Bulletin of Northern California.

The Federation hopes to mitigate the problem by leasing space in these buildings to local Jewish agencies at below-market rates. Sharply rising rents and land prices -- in Northern California and elsewhere around the country -- also pose a dilemma for many other nonprofits, businesses and individuals needing affordable workspace or housing. Soaring rents and high land prices shift wealth from producers to non-producers. This translates into lower real spendable wages for most workers.

The San Francisco Federation's private subsidy approach to dealing with rising rents may solve the problem facing Bay Area Jewish agencies, but it won't help the rest of society. Interestingly, however, the Hebrew Bible offers guidance as to how to establish an economically just society for all.

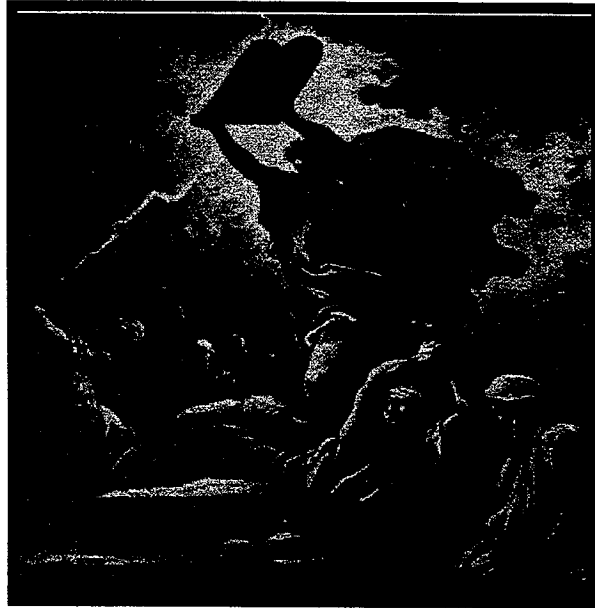
The Torah recognizes the importance and unique economic status of land, which includes not only the earth's surface but all natural resources. Land, by definition, is fixed in quantity, essential to human life and not a product of human labor.

From a biblical perspective, land is the gift of the Creator to all mankind to use and enjoy; no one has the right to monopolize it. Equal rights to land were the economic foundation of the Jewish commonwealth envisioned by the Torah. Every 50 years there was to be a Jubilee restoration of each family's equal footing in the Promised Land.

Except for the priestly classes, who were to live primarily on specified donations of agricultural produce from landholders, no citizen was to be permanently deprived of equality of land tenure. The Torah promises that if its commandments, including equal rights to

land, were maintained, poverty would be unknown and economic justice and prosperity would prevail (Deut. 15: 4-5).

In modern times, urban and suburban land are far more valuable than outlying agricultural land. Periodic restorative reallocation or redivision of the land, the Torah's approach, is no longer a practical way of securing equality of land rights. An equivalent and far simpler method is to annually collect the



ground or site rent of land for the benefit and use of the whole community by means of a tax on land values, irrespective of the value of improvements, such as buildings.

Land rent is socially created. Landholders, as such, do nothing to create or increase the value of land. Land values arise and grow due to population growth, community investment in infrastructure and public facilities and services, and as a result of advances in technology and general economic activity. It is both proper and imperative that the community recover for itself the value which the community as a whole, by its very existence, creates.

No one should be allowed to reap where he has not sown, especially not at the expense of oth-

ers. Owning valuable land is a privilege; landholders should pay rent to the community based

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on, and proportionate to, the value of land they hold. Most landholders have no qualms about raising rents they charge their tenants. But private landholders themselves are actually tenants of the sovereign public, and should be treated as such. They should be required to pay market-rate ground rents to the community through the land value tax, while taxes on houses, buildings, personal property, incomes, sales and commerce should be drastically reduced or abolished.

This reform, advocated by San Francisco economist Henry George in his 1879 book "Progress and Poverty," adapts biblical principles of land tenure to modern economic conditions. George, who though not Jewish was an outspoken admirer of Moses and the Torah (George is cited at least six times in the widely used "Hertz Pentateuch"), died in 1897 during his second campaign for the mayoralty of New York. He was a world-famous figure at that time.

George's proposal, which came to be known as the "single tax" on land values, would raise wages and liberate labor by putting an end to land monopoly and land speculation -- the systemic withholding, non-use or suboptimal

use of valuable land in expectation of future price increases. Land monopoly and land speculation cause an artificial market shortage of reasonably-priced land, which in turn raises rents and land prices beyond normal levels. This discourages economic activity and drives down wages because of excessive private tolls charged by landholders for merely al-

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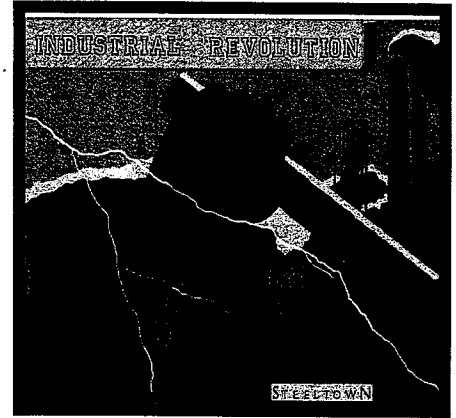
lowing others access to land. All man-made wealth comes from applying labor to, and on, land. Heavy taxation of land values -- by means of an annual ad valorem property tax on market-determined land valuations -- will compel holders of valuable land to use it optimally or sell it to someone who will, because the annual carrying charges on such land will increase significantly. This will tend to reduce land prices and rents, because the land value tax cannot be passed on to tenants.

Without resort to public or private subsidies, this simple but far-reaching reform will extirpate involuntary poverty by opening up natural opportunities to labor, thus dramati-

cally raising wages and increasing employment. It will greatly alleviate urban decay and suburban sprawl, with their attendant traffic congestion and adverse environmental effects. It will also help cure the shameful plagues of homelessness and beggary in our cities.

Edward Tamler and Yisroel Pensack are Jewish Georgists who live in San Francisco. Dr. Tamler is a retired ophthalmologist. Mr. Pensack is a former newspaper reporter and founder/president of the Alliance to Raise Wages and End Poverty (ARWEP), a Georgist group. Mr. Pensack is a regular contributor to these pages. We recently printed his national radio interview on the philosophy of Henry George.

UPCOMING SEMINARS



Industrialization: Past, Present and Future Friday, April 20 6:30pm

When did the Industrial Revolution really begin? How is our future being shaped by technological change? Mr. Karl Dennis, an industrial engineer and management consultant, shares his insights into the history and process of industrialization. Discussion follows.

Friday Film Forum Friday, April 27 6:30pm

The River - Story of the conflict between a landowner and eight hard-working farm families as they struggle against both the ravages and the power of greed. The landowner wants to divert the river for the irrigation of his own land and as a source of hydro-electric power; the families simply want to work their farms in peace. Discussion follows.



Labor Market Dynamics Friday, May 18 6:30 pm

Has the career been replaced by a "portfolio of skills?" What is the future of tele-commuting? Will unions make a comeback? Mr. Henry Silverman, a manager in the Community Services Division of the NY State Department of Labor, explores current trends in the labor market. Discussion follows.

Spring 2001 CLASS SCHEDULE

The Production & Distribution of Wealth

PART I: PROGRESS AND POVERTY

(All classes 6-8 pm)

Mondays: Vesa Nelson
Tuesdays: Quisia Gonzalez (in Spanish)

- ◆ Learn how our economy is structured to ensure an imbalance in the distribution of wealth and opportunity.
- ◆ Make a distinction between the natural opportunities of the Earth and those values produced by human labor.
- ◆ Explore the relations between the individual and society and principles of private and public property.

Progress and Poverty (accelerated)

Mondays: Billy Fitzgerald
A three week intensive study of Progress & Poverty, focusing on theoretical issues as well as the practical solutions behind our society's major problems. **First Course:** 4/16, 4/23, 4/30
Repeated: 5/14, 5/21, 6/4

PART II: APPLIED ECONOMICS

Thursdays: Mike Curtin
Beneath political problems often lie social problems caused by the maldistribution of wealth. This course confronts those problems directly and examines the current global economy and free trade initiatives. Will the World Trade Organization increase your wealth or reduce your wages?

PART III: ECONOMIC SCIENCE

Thursdays: Dan Kryston
Thursdays: Tito Ortiz (in Spanish)
This course enables students to understand and evaluate economic theory and demonstrates how economic behavior is the engine of civilization's development. This class may be taken as the second part of the three course program.

Foreign Policy

Mondays: Bruce Oatman
The daily media are our "textbook" for each session of this course. We'll examine the timeliness of the economic and social philosophy of Henry George over a wide range of issues. This course will depend heavily on student participation in seeking to establish a logical means of coping with today's problems.

Choice: Market & Social

Tuesdays: Vesa Nelson
There are goods that society needs but no firm has the economic incentive to produce. How does society obtain these goods in the absence of a "market" offering them for purchase? This course examines the relationship between the functions of government and the market place. Our analysis will cover a broad range of "market failures" and their solutions.

U.S. History & Government

Wednesdays: Manuel Felix (in Spanish)
A survey of American politics and culture, from the Colonial period to the challenges of the post-Cold War era, focusing on U.S.-Latin American relations. This course will also focus on current trade issues.

ALUMNI NIGHTS
Graduates of P&P are invited to join us for analysis, discussion and debate on contemporary economic and social issues. Alumni Nights will be open 6-8pm and will be held April 24, May 8, May 22 (in Spanish) and June 5.