

EXPOSED!

The Stratagem to Defeat Henry George

A PROFESSOR of economics has nailed the plot to thwart the popular democratic demand for a change to a rational system of public finance.

Mason Gaffney of the University of California turned sleuth to uncover the truth behind the remarkable campaign to silence public debate about the Single Tax.

During the 1880s, American social reformer Henry George was popularly acclaimed for his account of how the industrial economy was prevented by land speculation from delivering prosperity for all.

His book, *Progress and Poverty* (1879), revealed how speculation in the land market prevented sustainable growth and full employment and reduced wages to poverty levels.

He also forcefully explained how the privatisation of public value (land-rent) had deprived governments of the most efficient method of raising revenue for public expenditure.

His book was read by millions of people from the United States, Britain, Ireland and down to Australia and New Zealand. Mass movements emerged to campaign for a reform of the tax system, at the heart of which was the demand for social justice. George had explained that the socialisation of the rent of land was a precondition for an ethical society.

LANDOWNERS could not rely on democratic means to defeat the case for the Single Tax, because they were in a numerical minority. But they had one potent weapon at their disposal: money.

They hired professors to develop economic theories which obliterated the distinctive social character of rent. By this device, they were able to argue that there was no reason why land should be singled out for special treatment for tax purposes. Over the fol-

lowing two decades, the academics poured out a torrent of articles and books against the Single Tax, heaping scorn on those who dared to analyse economic problems in terms of the concepts defined by the classical economists like Adam Smith and David Ricardo.

Henry George - not Karl Marx - was Enemy No.1.

The result was a steady collapse in public interest in the Single Tax until, finally, the policy received no hearing in the corridors of power.

The new school of thought came to be known as neo-classical economics. It is the paradigm that prevailed throughout the 20th century, and it succeeded in its goal. Economic textbooks now barely mention land. Rent is treated as an income received by labour and capital, as well as land.

As for the rent-as-public-revenue policy, it rarely receives a mention. Those economists who refer to the Single Tax do so, by and large, as a means of affording their readers a little light relief. Fun is poked at Henry George and people who continue to favour the policy in place of taxes that undermine jobs and investment.

THE FLASHPOINT for the stratagem was the New York mayoral elections. One of Henry George's opponents was Seth Low, a major landowner who was president of Columbia University.

In 1895 he was preparing to challenge Henry George at the polls. That was when he recruited John Bates Clark; to do so, he had to outbid a wealthy railroad baron and anti-Georgist, Daniel Coit Gilman of the Johns Hopkins University. Clark began his hatchet job the following year, in *The Philosophy of Wealth* (1886).

Seth Low was determined to disparage his opponent. His strategy was to use a rewritten economics as a tool

against Henry George. Others joined in the stratagem, including Frank Knight, the doyen of the Chicago School who "made no secret of his firm opposition to Henry George and ideas that might aid or comfort Georgists".

These neo-classical economists continue to exercise influence to this day (see the use to which they are being put in post-apartheid South Africa: page 13 below).

THE FULL story of this disgraceful episode in the history of economic thought is told by Prof. Gaffney in *The Corruption of Economics*, which has just been published in London by Shephard-Walwyn (Publishers) Ltd. in collaboration with the Centre for Incentive Taxation.*

Prof. Gaffney indicts neo-classical economists for the damage they continue to inflict on students: "Systematic, universal brainwashing is the crime, tendentious mental conditioning calculated to mislead students, to impoverish their mental ability, to bend their minds to the service of a system that funnels power and wealth to a parasitic minority".

Prof. Gaffney's wide-ranging analysis combines biography with economic analysis to demonstrate that contemporary failures in government policy can be traced to the stratagem against Henry George a century ago. He concludes:

"Neo-classical economics, forged as a stratagem to discomfort Henry George and Georgists, is intellectually, morally, and practically bankrupt".

* Available from bookshops in Britain or direct from CIT Ltd., 177 Vauxhall Bridge Road, London, SW1V 1EU, £9.95.