

George and the Global Gurus

by Fred E. Foldvary

On May 1, 1996, the *Wall Street Journal* published a review of Paul Krugman's new book *Pop Internationalism*. The review by Charles Wolf, Jr., was entitled "Taking On the Global Gurus." Krugman, himself a global guru, criticizes gurus such as Lester Thurow who claim that today's global economy is something radically new and requires an industrial policy favoring key export industries, a policy that Krugman himself earlier favored.

What is striking in the global-economics literature and current debates on NAFTA, GATT, trade deficits, and competitiveness is how little the issues have changed since Henry George wrote *Protection or Free Trade* in 1886. What is even more striking is how shallow much of the current thought is compared to the solid logic presented by Henry George in that classic work.

Lester Thurow's books include *Head to Head* (1992) and *The Future of Capitalism* (1996). In *Head to Head*, Thurow forecast a coming economic battle among Japan, Europe, and the United States. In *The Future of Capitalism*, Thurow says today's global economic changes are like the shifting geological plates of the earth, creating a new economic era.

If there are tectonic economic plates, surely one big one is the eruption of land prices during a boom, followed by the earthquake of crashing economies. But Thurow discusses Japan without any clue about this eco-geological force. Thurow does not really tell us what the future of the global "capitalism" will be, or how to really remedy the problems. Reading such a book is like the joke of eating in a restaurant and still being left hungry.

Paul Krugman also wrote another widely read book, *The Age of Diminished Expectations* (1994). As to why productivity has recently diminished in the U.S., Krugman says "we don't know" (p. 18). Krugman's remedy is more capital investment, which he says requires the sacrifice of less current consumption. That we can transcend this tired old neo-classical trade-off by a tax shift from production to rent is not mentioned at all.

Another global guru is Charles Morris, author of *The Coming Global Boom*, written in 1990. A journalist and entrepreneur, Morris says because of the aging of the baby boom generation, we are experiencing a major shift in investment in the U.S. from real estate to the stock market, and an increase in capital investment. Morris has a hopeful scenario of a coming global boom due to demographics, technology, and more market-oriented economies. But Morris does not tell us how to prevent the boom from crashing.

In contrast to these works, Henry George gets to the foundation of the problem. The genius of Henry George comes not from his argument against tariffs, but in the remarkable turn the book takes in Chapter 21, two-thirds of the way into the book. George switches sides and argues the protectionist case better than any protectionist: the benefits of free trade do not go to the worker because of tax and land-tenure policy that concentrates the benefits to owners of property rather than to labor. The remedy presented by Henry George is true free trade, with the rent benefits of the global economy being shared by all.

By not confronting the central causes of poverty, unemployment, and insecurity, the global gurus make names for themselves writing book after book that offer no real solutions. We need to show the world that we had a global guru back in 1886 with *Protection or Free Trade*, and that what Henry George wrote then is even more vital and true in today's global economy.

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