

Prologue:  
**Who's Afraid of Henry George?**

Fred Harrison

**H**enry George had to be stopped. The American journalist who wrote a pamphlet in the early 1870s had, 15 years later, become a threat to the power elites throughout the world. His crime was to inflame the masses with the idea that social justice was a real possibility in this world, not just the hereafter.

Henry George had to be stopped, because he did more than develop his vision into a coherent political philosophy: he also expressed the idea in a language that could be understood by the millions of people who read his book, *Progress and Poverty* (1879).

Henry George had to be stopped, because he turned political: he took his message to London and Dublin, where he gave direction to the discontent among the workers who had been denied a fairer share of the benefits of industrial society. And then, his gravest mistake - he started to fight elections in New York with a manifesto based on the reform of taxation and land policy. This manifesto, if embodied in the law of the land, would have destroyed the privileges of those people who had become accustomed to living off the labour of others.

So he was stopped.

How do you stop what had become a global movement, in which Henry George's book had become the best-selling text on economics ever to be published? The way in which Henry George was neutralised is uncovered by Mason Gaffney in what will now be seen as one of the most heinous episodes in the history of the development of scientific knowledge. *Those*

*who opposed Henry George's vision of The Good Society paid money to buy scholars to bend the truth - to prevent people from insisting on their democratic rights.*

The way in which the scholars accomplished this feat, unwittingly aided by academics to this day, was to corrupt our language. They redefined economic terms, creating a jargon language to confuse public debate. By doing so, they prevented the evolution of rational public policy. That, in turn, meant that the existing flaws in society were preserved; flaws which, to this day, result in the unnecessary deaths of tens of thousands of people, as Dr. George Miller explains in a companion volume in this series.<sup>1</sup>

Henry George had to be stopped, because his was the rational, evolutionary path to The Good Society. The practical significance of this approach can be assessed by the response of the power elites to Karl Marx. Both George and Marx were the major influences on the development of working class consciousness in Britain in the 1880s.<sup>2</sup> Both men wanted to change the world, but each was opposed to the other's approach to change. Henry George would have nothing to do with the red-in-tooth revolutionary ideas promoted by Marx.

George and Marx employed the language of the classical economists, but they were diametrically opposed on a large number of issues. The key test relates to the rights of ownership of capital. The American said that what people created with the toil of their hands and the use of their brains and by saving was their private property; Karl Marx wanted capital to be collectively owned. The American wanted to preserve a one-man-one-vote democracy; Karl Marx wanted a dictatorship of the proletariat. The American wanted reform through social evolution; Karl Marx wanted revolution.

One would have thought that the power brokers of late 19th century Europe and North America would have been more terrified of Marx than Henry George. Not at all, and a revealing insight into the attitude towards these two men was displayed by the way in which their proposals were treated by scholars. As an example, we can refer to the 1909 edition of *Palgrave's Dictionary of Political Economy*. This described Henry George's tax and tenure proposals, and added the verdict:

The danger of these opinions has become more apparent as time goes on.<sup>3</sup>

But what was the pronouncement on the works of red revolutionary Karl Marx? Evidently there was no "danger" here, for readers of the entry in *Palgrave's* were invited to ruminate on Marx's "singularly brilliant" style, an assessment controverted by two others who, in German and Latin, were of the opinion that, stylistically, Marx was cumbersome, imprecise, obscure and unintelligible.

Marx was evidently no threat to the class interests of those who controlled society; he could be left alone to wade through his manuscripts in the British Museum, and even allowed to inspire revolution on the outer reaches of eastern Europe. Henry George was another matter; he had to be stopped, and to this day we live with the consequences of that plot to kill his message.

The story that unfolds in these pages will not be well received by the economics profession, for it explains why academic economists have spent a century taking people down blind alleys with their abstract models and algebraic equations. It will explain why governments have persistently failed in the quest for full employment and the elimination of poverty in the midst of plenty. It will explain why, today, government economists believe that the business cycle is a "natural law" which cannot be eliminated by public policy.

So absolute is the flaw in the foundations of our social system, so uncompromising are the lords over our land, so overwhelming are the crises that confront us, that qualitative reforms cannot now result unless the public first engages in a profound debate. For the dialogue to yield policies beyond the banal, we cannot avoid a radical reappraisal of the institutions and values of civilization itself. The risk for the power elites is that, if that debate occurs, the chains of power that have corrupted the rights of the individual and destroyed the cooperative basis of the community will once again be exposed.

### **War as social process**

Civilization is the history of territorial conflict punctuated by periods of peace. This tells us something terrible in its awesome significance and simplicity: civilization must be built on exceedingly unstable foundations.

It began to go wrong in the Bronze Age, 4000 years ago, when people embarked on a path of cultural diversification that is now impossible to

sustain. They developed a set of social institutions and processes that separated, on a systemic basis, the people from the land. Not everyone was thus alienated from his or her territorial roots; but the customarily unthinkable principle - that it was possible to tolerate an inequality of rights of access to land - was accepted. Falteringly, at first; but accepted, slowly transformed into what we have today: a blind acceptance of the correctness of exclusive ownership of the benefits of land. This unnatural prejudice - unnatural, because anti-evolutionary, in the Darwinian sense - was legitimised by convention and law, through Greece, Rome and its later medieval manifestations in Western Europe.

The social origins and cultural evolution of that history of property rights is explained by Michael Hudson in *A Philosophy for a Fair Society*. Here, I want to explore what we do about it, now, as a world in turmoil heads for the 21st century. For there is a general acceptance that change there must now be. The problem, of course, is twofold: first, the nature of the appropriate change; and, second, how that change can be brought about with the least possible social disruption to a fragile social system.

In the past, the impetus for change usually came after a bloody war. This was logical, for conflict over territory was the clearest expression of a fundamental misalignment in the primordial relationship of People+Land, and an expression of the need to redefine that relationship. One way was for society to turn in on itself, by victimising a part of its population: ethnic cleansing. Historically, the Jews were good scapegoats for the tensions rending civil society, for which they were in no way responsible.

The most effective way to distract a people from the intolerable strains that have built up in their society is to focus their attention on the enemy without, which involves a voyage forth on a crusade of territorial conquest. This mobilises the whole population behind a common cause, and does so by promising rewards for everyone (more land for the nation-state); with the prospect of distress restricted to the conflict "over there", on the disputed territory outside the population's boundaries. But as Saddam Hussein was reminded, when he tried to incorporate Kuwait into Iraq's boundaries, precision bombing can inflict terrible damage on the home territory.

The Second World War was a classic example of this process. Europe was in the grip of the aftermath of The Great Depression. It was imbued by

an awareness of failure - witness the derelict factories, the palsied trading systems, the unrequited demands for new wealth to raise the living standards of millions of people stricken by poverty - and the need to introduce substantive reforms. But there was no coherent expression of a viable alternative to the boom/slump capitalism that had itself been victimised by seemingly uncontrollable economic forces: by the 1930s, Marx was embodied in the Stalinist reign of terror, and Henry George was the merest flicker of an idea in the minds of a few British parliamentarians. Thus, Hitler served a purpose which, given the traditions of civilization, was valid. He did not step outside the bounds of history, to try and conceptualise a solution to Germany's problems that excluded territorial conquest. Why should he? He was a child of that civilization, an admirer of its greatest imperial achievement - the Roman empire. So it was predictable that someone like Adolf Hitler would step forward, and in this case turn his eyes on the land to the east.

Similarly, and as a reciprocal benefit, the rest of Europe benefitted from Hitler-as-stooge-of-history, by being provided with the necessity - in the postwar period - to create a land "fit for heroes". Would the Welfare State have emerged so completely in Britain, had the nation been denied the opportunity to participate in the catharsis of what turned out to be a world war? Was the ritualised murder of millions of men and women (not 20m dead in the USSR alone, we are now told, but more like 40m) really necessary, to provide the impetus for social change? (I say *ritualised* because programmed killing is a defining ceremony of civilization.)

That is one issue that remains to be readdressed by historians. Of immediate concern is whether it is possible to think another unthinkable thought: the possibility of qualitative changes to society without a war. If it is possible, we can be sure of one thing: the programme of change, if it is to serve its social purpose, has to address the problem of the distribution of the benefits from land, which was Henry George's central thesis a century ago.

Agreement on how to resolve the land question is a precondition for any substantial change, for the most serious social and economic conflicts originate with circumstances that can be traced back to the failures of the system of land tenure and public finance. When all the economic, legal, sociological and historical diagnoses have been performed, what it boils

down to is something very simple: a maldistribution of the benefits of land in society. So if we wish to avoid the civilised remedy - a war - we need the assurance that land is part of the settlement. Only in that way can we obviate the necessity for a global war at any time between now and the first decade of the 21st century.

### **Power and public finance**

There is one proposal only for restoring order to the chaos of contemporary society which locates at its heart a solution to the land question. This approach entails a reform of the system of public finance.

In the conditions of industrial society, any package of reforms has to resolve two distinct problems. One: if people are to be free to work and invest their resources in wealth-creating enterprises, they must have a legally protected right of private possession of land. Two: there is not enough land to go round, but the rest of us *must* share in the benefits of land - somehow. Solution: those who occupy land pay rent to the community for the use of land or the natural resources beneath, on or above land.

This is the principal policy of the Georgist paradigm. Henry George (1839-1897) did not, in fact, originate the policy, but he rediscovered it, and his genius was to represent it in terms that could be understood by peasants on the remotest crofts of Scotland and Ireland, and by semi-literate factory workers in Burnley (Lancashire) and Birmingham (Alabama). The policy of sharing the economic benefits of land via the system of public finance predates civilization. Indeed, the fate of that policy is another one of the defining characteristics of civilization: the privatisation of the traditional source of public revenue (the rent of land).

In modern terms, the policy was first articulated by the French Physiocrats. The proposal found its way to the British Isles via Adam Smith and *The Wealth of Nations*. So we could have called the social paradigm implied by this fiscal policy by one of a number of names, but in contemporary terms it happens to be most closely associated with Henry George.

The contributors to this series of books share the view that, at this historical juncture, we would all benefit from the implementation of the key fiscal policies that flow from the Georgist paradigm. Could it happen? Could the world transform itself without the self-indulgence of another world war? If so, why is the policy ignored in the corridors of power? The

answer is a simple one: those who have power wish to retain it, and this is most effectively accomplished when those without power are distracted from the source of their sorrows. In other words, confusion about the nature of power itself is the most effective weapon for retaining it where (in what is supposed to be a democracy) it does not belong.

One of the remarkable features of the social sciences in the past century has been the failure to identify the roots of power. By failing correctly to analyse the defects in 19th century capitalism, the philosophical field was left open for a vulgarised Marxism to emerge in opposition to the social system which has at its heart the economics of the market.

This was not entirely the fault of Karl Marx. This we can detect from his horror when he read the programme that was drafted for European socialists, who met in congress in Gotha in 1875. Marx strongly dissociated himself from the wording of the programme. At the heart of the disagreement was the nature of power.

Marx got it right. In his *Critique of the Gotha Programme*,<sup>4</sup> Marx traduced those socialists who claimed that labour was the sole source of wealth. "Labour is *not* the source of all wealth," he wrote. "Nature is just as much the source of use-values (and surely these are what make up material wealth!) as labour."<sup>5</sup>

But what of power? Well, according to Marx - if we are correctly to interpret his words - the capitalist was as much a victim as the worker. Why? His single most important pronouncement was thrown away in a parenthesis:

In present society the instruments of labour are the monopoly of the landowners (the monopoly of landed property is even the basis of the monopoly of capital) *and* of the capitalists.<sup>6</sup>

The Gotha programme reserved its vitriol for capitalists. But Marx pointed out that the landowners were a class in their own right, and he stressed the significance of that distinction when he noted: "In England, the capitalist generally does not even own the land and soil on which his factory stands".

For the sake of analytical clarity Marx ought to have added that if the workers suffered from the primary power of the land monopolist, then so did the capitalist who also relied on access to land for his activities. He

could not have done so, of course, because had he added these words his house of cards - the one built on the theory of exploitative capitalists - would have crumbled in one swift sentence!

Marx was to reiterate the primary significance of the power of land monopoly in Vol.3 of *Capital*. Unfortunately, this was published posthumously; by that time the damage was done by the lopsided analysis in the first two volumes, which were not perceived as a fatal threat to the interests of the power elites and were therefore not subjected to the forensic examination that they deserved. That ought not to have been fatal for the evolution of culture in the 20th century, however, for the radicals of the 1880s were provided with a full analysis of land as the basis of power from the pen of Henry George.

At the time of the Gotha congress, the American was in San Francisco, where he was working towards an understanding of how land monopoly - when placed in the hands of a minority - was the most destructive force in history. If the socialists had built on Marx's laconic observations with an appreciation of Henry George's analysis, they would have been directed along a more fruitful path of social activity. Instead, the flow of historical influence was to be in the reverse direction. People like George Bernard Shaw were inducted into an understanding of economics by Henry George, but they then went on to become Fabian-style socialists.<sup>7</sup>

The general public was not so gullible, and its response set the alarm bells ringing among the conservatives in society. Henry George was recognised as the most serious threat to the *status quo*. It was therefore necessary to neutralise him, but the price of this retaliation was the betrayal of economics as a social science.

At the turn into the 20th century, economists abused their discipline by sieving off the reality of life. They turned political economy into a pseudo-science. They did so by abandoning the real world in favour of metaphysics, a device they concealed by glossing their new terminology with the comforting rigour of abstract models. Their legacy has been a discipline which, far from clarifying the real-world processes, is now used to prescribe policies that are as mystifying as the preachings of Schoolmen of the Middle Ages. That much is now being recognised on both sides of the Atlantic. For example, Prof. Paul Ormerod notes:



Good economists know, from work carried out within their discipline, that the foundations of their subject are virtually non-existent....Conventional economics offers prescriptions for the problems of inflation and unemployment which are at best misleading, and at worst dangerously wrong.<sup>8</sup>

So far, however, no-one has exposed the origins of the problem. For that, we have to turn to the work of a professor of economics at the University of California.

### **Neo-classical mystification**

Mason Gaffney is a life-long student of the economics of America's most famous home-grown social reformer, Henry George. As a teacher of economics, he has long been disconcerted by the surreal streak in his subject - the streak that happens to dominate the lecture theatres of universities throughout the world. He has had to explain how his discipline became detached from the real world during the course of the 20th century.

Prof. Gaffney questions the motives of the neo-classical economists. He charges many of his predecessors with wilfully distorting some of the key concepts of classical economics. In particular, they emasculated their discipline when they conflated "land" into "capital". This was not an exercise designed to elevate economics to a higher level of usefulness to society, so why should they do that? In Gaffney's view, this was a ploy to avoid coming to terms with the inexorable logic of one of the most clear-cut findings of their discipline. And what was that? Over the preceding 150 years, economists had rigorously defined the elements of the best, most rational, socially just approach to public finance; and the economists at the turn of the century (or their paymasters) did not like the conclusion.

Prof. Gaffney's accusations are serious. He charges professional economists with confusing their obligations as scientists with their private interests as citizens. In the process, they abused the minds of generations of students. This is how he put it in correspondence to me:

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.

This is a serious charge that invites scrutiny, but of one thing we can be sure: today's politicians, when it comes to formulating fresh policies that address the root-cause of social problems, cannot expect much help from their professional advisers. For they are frankly at a loss to *understand* why, for example, in the 1990s, the world economy slumped into the deepest depression since the 1930s.

The neo-classical economists, by abusing the language of their discipline, exposed the world to the Soviet experiment. It need not have been so. The rational policies that flow from classical economics, especially on the subject of public finance, had they been adopted, would have changed for the better the world of the 20th century.

It was not to be. An understanding of how - and why - economists reworked the language of economics to suit the ideology of "capitalism" is crucial. It is a pre-requisite of any attempt to rescue the much discredited practice of economic thinking.

### **Economic with the truth**

The restoration of economics as a tool for analysing problems is imperative in today's turbulent world, in which local fissures are magnified to global proportions by the interconnectedness of people on the planet. But we will not get far if we rely on the theoretical and institutional conventions that were established by neo-classical economists who, because of their conceptual prism, are unable to comprehend the precise nature of the problems that are now faced by humanity.

This claim can be illustrated by re-examining the intellectual biographies of the leading economists: influential men like John Kenneth Galbraith, the Harvard University professor of economics who is famous for his critique of what he called the affluent society. By discovering how their sincere desire to improve society has been frustrated by their distorted language, we can glimmer the policies that must be adopted.

Embarrassed by the global depression of the 1990s which they failed to predict, economists ought to be reappraising radically their understanding of how the world really works. Galbraith's approach, as an exemplar of the would-be reformer, remains locked in the discredited perceptions of the past century. Today, he is one of the few remaining critics of capitalism who still offers a vision of The Good Society that relies on a confused

combination of the analytical tools of neo-classical economics and the ideology of welfare capitalism.

The legacy of economists like Professor Galbraith is a reaffirmation of the poverty of conventional economics. This assessment was confirmed by Professor Galbraith in January 1994 in his lecture at the Cardiff Law School. He said:

Once all economic and social thought turned on a bilateral economic and social structure. There were capital and labour, the capitalist and the worker. There were also a landed and a peasant population: the landed often serving in government as the surrogate of the capitalist class, the peasants scattered and politically irrelevant. Capital and labour; capital versus labour: this was the basic dialectic.<sup>9</sup>

Galbraith's association of land, its ownership and use, with the peasant economy, safely relegated the third factor of production to an age that even predated the era of the allegedly exclusive capitalist/worker nexus. Land, its power, and the role of landlords, are subordinated to the capitalist, conceptually smothered by a dualism that conveniently simplified life for economists, but condemned economic thinking to irrelevance (at best) and the socially injurious (in the main).

The idea of a bilateral conflict never was a realistic characterisation of the industrial economy (as Marx had noted). Its restatement by Galbraith illustrates the source of the continuing confusion in economic thinking.

The professor's views have moved on; alas, to yet another bilateral dichotomy. We now have the managerial bureaucracy of the big corporations and "the comfortably situated who have replaced the once-dominant capitalist". Unfortunately, this is likewise of no help in trying to figure out what is wrong with the economy.

Professor Galbraith's economic analysis fizzles into sociological categories, the imprecisions of which distract him from the causes of the poverty to which he addresses himself. The analytical problem is illustrated by Galbraith's attempt to explain the recession that gripped the industrial nations in the 1990s.

There is no simple reason for this, but two factors stand out. There was the extreme speculation of the 1980s, especially in the United States of America and Japan, with its depressive aftermath. Banks, builders,

corporations generally, and individuals were led or forced, in consequence of debt or financial disaster, to restrain investment and employment. And in the 1980s, there was a marked redistribution of income to the very rich....<sup>10</sup>

Here was a description that offered the starting point for developing remedial policies. Deeper reflection would have revealed that the primary target of speculation was land in all the market economies - not especially the USA or Japan.<sup>11</sup> Destabilisation was the consequence of speculation; which, surely, was not beyond the wit of mankind to eliminate? Professor Galbraith is pessimistic:

Perhaps there is something we can do to restrain the speculative mood and to avoid its aftermath. I am inclined to believe, however, that it is a basic tendency of the market system, of its deeper character and motivation.<sup>12</sup>

If speculation is "a basic tendency of the market system"; and if the Left now accepts "the market" as it is at present constituted (said Galbraith: "The basic market system and its managers the good society accepts") then we might have to share this pessimism. In fact, such resignation is not warranted once we realise that the major problem is with that variety of speculation associated with land; and that an effective remedy does exist, one that is consonant with the optimum system of public finance and private welfare.

Unfortunately, generations of students have been misled by pronouncements from the lectern. Today, we are told, pragmatism rules: "This is not the age of social and political doctrine," says Professor Galbraith. "It is the age of practical decision." The world has not been short of practical decisions, these past 100 years, and the scale of poverty and of social distress in its varied forms continue to mount.

So we are left with a gospel of despair; one that calls for the alleviation of suffering rather than the demand for preventive action; which deepens dependency on the State rather than personal liberty. The Left - now aligned with the Right in accepting the inevitability of the business cycle and the misery which this causes - has no strategy for neutralising the forces that destroy private initiative and productive enterprise. We have come to the end of a philosophical epoch.

**Economists close their minds - and ours**

Economists have a remarkable achievement to their credit. They have banished from public discussion a policy that is grounded on impeccable theory and which evokes a beautiful vision of a healthy society based on justice.

This they could accomplish only if they closed their minds to the Georgist paradigm. That was the challenge set for what we now call the neo-classical economists. Their brief was to stop the debate on the Single Tax. And they are paraded for this purpose to this day, most recently - as Dr. Feder explains in her contribution to this volume - in South Africa. Frank Knight is the guru of an author representing the views of The Free Market Foundation, which exists "to promote economic freedom". President Nelson Mandela may wish to harmonise the interests of black and white citizens in the post-apartheid society, but if the "free marketeers" have anything to do with it, he is certainly not going to be allowed to put the Single Tax to the test! (The Free Market Foundation's chairman is a director of Anglo-American, which operates the diamond cartel and has little interest in providing its customers with the benefits of the free market.)

The influence of the turn-of-century economists could not have been sustained to this day without the compliance of successive generations of academics. How did the latter-day economists convince themselves of the need to close their minds to the Single Tax; and, in the process, close our minds as well? How, during the age of the Welfare State, when scholars were genuinely concerned about the plight of millions of citizens who were excluded from the productive capacity of the capitalist economy, was the neo-classical propaganda fed into society?

The methodology is illustrated by the treatment accorded the Single Tax in the history books. Again, we shall take the words of Prof. Galbraith as exemplar. *A History of Economics: the past as the present* (1987) is widely available as a Penguin paperback, a resource to which students resort when they need to set the diagrammatic strokes of the chalk on the blackboard against the facts of history. Does Prof. Galbraith offer enlightenment? Or does he colour people's views with his subjective preferences?

That the views of Henry George may be of interest - if not relevance - to us, is suggested by this acknowledgement:

In his time and even into the 1920s and 1930s, Henry George was the most widely read of American economic writers both at home and in Europe. He was, indeed, one of the most widely read of Americans. (1984: 166)  
*...Progress and Poverty...* in various editions and reprintings, had a circulation in the millions. (p. 53, n.5).

In terms of public appeal, the impact of Henry George was so substantial as to merit attention by scholars - at the very least, by those who purport to provide a history of their discipline. Henry George's theories may have been wrong, and therefore of no practical value to us today. But they could hardly be ignored in a work of history. And yet, notes Prof. Galbraith

His *Progress and Poverty*, despite its continuing social influence notwithstanding, receives only passing mention or none at all in the standard works on the history of economic thought. (pp. 166-67: emphasis added)

Why? A century ago the neo-classical economists, who perverted their integrity for the benefit of their paymasters, were so successful that their prejudices have been deeply implanted into the minds of their successors. They, in turn, have joined the brigades that patrol their discipline, to ensure that young minds are not contaminated by this allegedly dangerous theory. That most teachers perform this function unwittingly does not diminish the damage that they, ultimately, are responsible for inflicting on society.

The first step in the process of mind-control is self-censorship of ideas. This is achieved by exiling the Single Tax into the nether regions of theology. Thus, Prof. Galbraith's characterisation of Georgists as "a small but fervent band of believers". (Page 53, n.5). The language has its subliminal effect. Students of the economics of Henry George are mere *believers* of the gospel! Are the advocates of Adam Smith and Karl Marx less *fervent* in their commitment?

Every "band of believers" needs a bible. Sure enough, the word pops up in Prof. Galbraith's reference to *Progress and Poverty*. That book he declares to be "the bible of a small but articulate group of true believers". (p.166)

But the reputation of the leader of the "band of believers" must also be neutralised, if the process of discrediting the theory is to be complete. This is how Prof. Galbraith executes that little exercise. Henry George, he says,

...was also an early but lasting demonstration of the fact that no journalist can ever be taken quite seriously as an economist. (p.166)

Ironically, few professionals today enjoy less credibility than do economists!

How can economists continue to disparage a treatise that rates as one of the most remarkable literary achievements since the Industrial Revolution? By claiming that there are problems with the theory. They do not generally feel obliged to substantiate their claims; merely to assert the statements, *ex cathedra*, and we are supposed to, well, *believe them!*

Prof. Galbraith identifies four problems with Henry George's formulation, "and they may perhaps account for some of the disdain of the professional economists". (p.167) First problem:

Increasing land values were far from being the only fortuitous form of enrichment. Many others besides landowners, not excluding passive investors in all manner of industrial, transportation, communications and banking enterprises, were similarly enriched and had similarly a free ride. (Pp.167-68)

This is a curious form of argument that does not lend itself to common sense (which was the whole point of the neo-classical stratagem). There is an adage which says that "two wrongs don't make a right". If we accepted this argument of the economists, slavery would not have been abolished (as we note below).

Prof. Galbraith triumphantly caps this argument with a question: "Why single out the owners of land as uniquely culpable?" For the good reason, as Prof. Gaffney explains in *land and Taxation*, that the characteristics of land are unique. The claim that there is no difference between land ownership and the ownership of capital (as in railroads and steel mills) is not based on fact; it is part of neo-classical metaphysics.

But there is an element of truth in Prof. Galbraith's observation. Insofar as transportation and steel mills benefit from the exploitation of the rent of location and depletable natural resources, they fall within the embrace of the Single Tax. Second problem:

Nor should the return from the increased value of the land be confiscated after the fact. (p.168)

This argument was used in defence of slavery. Prof. Galbraith revives the argument in these terms:

...to come later and by taxation reduce, even confiscate, the property values of those who had bought land as distinct from those who were investors in railroads, steel mills or other appreciated property was surely discriminatory.

The asset that appreciates in railroads, steel mills and other property is land, not the rolling stock, mill or other real property which depreciates, so this objection is meaningless. There is no discrimination.

The private appropriation of the rent of land is the primary discriminatory act. It has to be corrected before economic efficiency and social justice can be achieved. Are we to lock into our system, forever, the discrimination that consigns millions of people to unfair treatment such that, if they are born into the working class, their children are more likely to die at birth, and they are more likely to die before they can enjoy their pensions?

Prof. Galbraith, a humane man, would not endorse such a prospectus. Indeed, his proposals for the discriminatory taxation of people's earned incomes were supposed to correct the flaw in the system. Alas, they did not do so. Third problem:

There was also solemn discussion and some calculation as to whether Henry George's tax would, indeed, pay all the costs of the modern state. (p.168)

The discussion was rarely solemn, in fact; more often, passionate, both by the advocates and opponents of the proposal. But be that as it may, at the end of the 19th century there was little doubt that the Single Tax afforded a sufficient tax base to finance the needs of the state: which is why the policy had to be scotched! Economists today certainly question the proposition: in their (completely uninformed) view, the rent of land is assumed to be a derisory sum, of anywhere between 2% to 8% of national income. Prof. Galbraith, in alluding to the alleged problem, offers no evidence to suggest that the doubts were justified. The reader is left with the impression that the rent of land and natural resources does not provide a sufficient tax base for the modern state.

But notice a curious feature of this argument against Henry George. Economists who are hired to advise governments on fiscal policy do not exclude from their proposals the need for a tax on wages, or a tax on



corporate profits, on the grounds that the revenue from one of these taxes would not be sufficient to pay for all the needs of the state. So why emphatically exclude from debate, in the corridors of power, a tax on the unearned income from land?

Modern economists limit their reflections in a manner that they need to explain. First they fail properly to calculate the revenue that would flow from land in a *tax-free society* (Henry George's prescription). They then assume that revenue from the rent of land would be insufficient to meet the finances of the modern state - finances that had to be rigged to compensate for the shortcomings in an unstable system. And they then proceed to ignore land a Welfare State source of revenue, while turning their attention to labour and capital (thus capitulating to the ideology of their neo-classical predecessors). Fourth problem:

A final and most considerable difficulty went largely unmentioned: that was the very large number of landowners, rich and less rich, and their certain, strongly motivated and decisive political opposition. (p.168)

In fact, there was a massive debate about the wrecking power of the landowners. And at the time, they were not numerically significant (in democratic terms); they just happened to control the fortunes with which to finance the propaganda campaigns against the Single Tax. As Prof. Galbraith notes:

Though a compelling idea, [the Single Tax] aroused no enthusiasm from owners of real estate, who were not a negligible political force. (p.53)

Today, the vast majority of landowners are the owners of residential land: the small plots beneath their homes. They would be financially richer if their wages and profits were untaxed in favour of the Single Tax, a fact that is not explained to them by economists.

In Henry George's time, the Single Tax proposal aroused the support of millions of ordinary folk. But they were not the paymasters of the economists. In fact, they were the victims of those paymasters, who hired the economists to close their minds. Today, we pay the price for the corruption to which the science of economics was subjected by the rent-seekers.

#### ERRATUM

Page 23, line 11.

For "a Welfare State source" read "as a source".

**Quest for alternatives**

To leap across the vortex into which society is now sinking, we need the help of a comprehensive description of how the world really works. The Georgist paradigm constitutes such a framework. It yields some large claims about the transformation of society, starting with self-esteem, moving on to a renewal of interpersonal relationships, then on to the quality of society and a redefinition of our basic relationship with Nature. It exposes the weakness in the foundations of society, and it specifies the conditions for achieving the optimum balance between the private and public sectors, by removing monopoly power from the market and funding the public sector out of public value (the rent of land). Thus is the union between individual liberty and social welfare consummated.

Henry George, in advocating this prospectus, recognised that he would be stirring controversy. But that controversy was not so much because of question marks over his theoretical or moral arguments: theological, philosophical and economic thinkers through the ages have consistently endorsed the principal tenets which he integrated into a programme of action in *Progress and Poverty*. This was recognised by the audiences that received him with rapture in most places where he spoke. His engagements took him from the United States to the debating chamber of the Oxford Union; to the town halls of Ireland and Scotland, and all the way to Australia and New Zealand. No; Henry George became the target of special opposition because his remedy did not seek to disturb society by revolutionary means. But he did seek to undermine - by democratic means, through the system of public finance - the monopoly power exercised by people who were misappropriating the income of society to finance their private lifestyles.

One consequence of that state of affairs, noted George, was the relationship between poverty and scientific and technological progress. There was no paradox, he explained, once we recognise what happens when the relationship between man and land is broken. And that was where the neo-classical economists stepped in - to sever the conceptual tools which, in Henry George's hands, had exposed the causal mechanisms.

To what extent would the prescriptions embedded in George's paradigm lead to the abolition of poverty? He was confident about committing himself to a large claim. Everybody who was not work-shy, he insisted, would be

able to enjoy a decent standard of living.

What I mean is, that we all might have leisure, comfort and abundance, not merely of the necessities, but even of what are now esteemed the elegancies and luxuries of life...I do mean to say that we might all have enough wealth to satisfy reasonable desires; that we might all have so much of the material things we now struggle for, that no one would want to rob or swindle his neighbor; that no one would worry all day, or lie awake at nights, fearing he might be brought to poverty, or thinking how he might acquire wealth.<sup>13</sup>

Today, the men who lie awake at night worrying about being unemployed or being made redundant have a statistically greater chance of dying than their neighbours who are secure in their jobs. This is a tyranny that no "civilised" society ought to tolerate; Henry George's analysis leads to the inexorable conclusion that the only circumstance under which such deep-seated terror can be abolished is through the reform of public finance.

Was Henry George over-optimistic? Did he overstate his claims? He did not shirk the challenge of the sceptic, for he immediately confronts his vision with the question: "Does this seem an utopian dream?" His provocative claim that poverty can be abolished confronts scholars with an obligation to test George's insistence that the correct system of public finance would liberate us all from the existing restraints that deprive millions of people of their material needs.

Such an enquiry is now inevitable, because the Welfare State is fast discovering that it can no longer find the money to supplement the lowest wages. Could the market economy be reconstituted in such a way that poverty would be abolished?

And what of the business cycle? In 1993, over 30m people were without jobs in the rich nations that are members of the Organisation of Economic cooperation and Development. Economists have resigned themselves to the belief that booms and slumps are "natural" - an epidemiological feature of the industrial economy. Solutions to the cyclical disruption of production have escaped their algebraic equations. Henry George claimed that business activity would be smoothed out if we removed the parasite in the body politic - the private appropriation of the rent of land, the pursuit of which drives people (through speculation) to feverish distraction. This is a testable hypothesis that needs to be subjected to empirical research. Alas, it is a subject that is ignored by economists. Result: pessimism.

Little, it seems, can be done to change substantively the structure of the market economy. Every possible twist and turn has been tried, and policy-makers are now retracing their steps - re-creating, in fact, institutional conditions that bear a striking resemblance to market conditions of the 19th century. In contrast, Henry George's paradigm encourages us to be optimistic, for it deepens our understanding of the meaning of freedom and equality. There is much work still to be done, and precious little time left in which to do it if we are to avoid what one French commentator<sup>14</sup> regards as the onset of a New Dark Age.

The need for a reappraisal of the foundations of capitalism is necessitated by the overwhelming scale of today's economic, political and environmental problems. These are systematically defeating governments throughout the world. Could Henry George's remedy - untaxing people's wages and profits, and relying on the rent of land for public revenue - carry the burden we now collectively face? Reflect on the assessment of Professor Galbraith himself:

If a tax were imposed equal to the annual use value of real property ex its improvements, so that it would now have no net earnings and hence no capital value of its own - progress would be orderly and its fruits would be equitably shared.<sup>15</sup>

Is that not what we want? Orderly progress, in which the "fruits" would be equitably shared? Within such a framework, would we not be able to correct the accumulated problems of the past? I believe so. Yet it is the dogged determination not to translate this one theoretical insight into a set of practical policies that is at the heart of the crisis of western political philosophy. There is no practical reason for refusing to treat the rent-revenue policy seriously. The administrative apparatus for implementing the policy exists in countries as diverse as Denmark and New Zealand; Jamaica and South Africa.

Curious, then, that economists should by their silence circumscribe the choice of people. They do so, because they presume to know what is politically feasible - acceptable to the electorate. This intervention in the democratic process, using ideology disguised as scientific expertise, forecloses people's options by closing their minds. This, surely, is intellectual totalitarianism that warrants further investigation?

Whether the process of social disintegration is reversed, now, or corrective action is postponed until after some planetary-scale tragedy, depends on democratic pressure from the citizen. There is reason to be hopeful; for most people have less invested in the old ways of thinking about the world than those who have most to lose from change. This series of books on the Georgist paradigm is dedicated to helping people to come out of hiding and challenge the failed wisdoms that afflict our age.

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