

The Progress Report

Exclusive Interview With Mason Gaffney

Is There a Conspiracy in the Teaching of Economics and History within the American Education System?

An Interview with Mason Gaffney, Author and Professor of Economics at the University of California, Riverside

By Adam Jon Monroe, Jr.

Professor Gaffney's book, The Corruption of Economics, cowritten with Fred Harrison, was published in 1994 by Shephard-Walwyn of London. Ordering information is available at the website of The Robert Schalkenbach Foundation or at the Economic Justice Empowerment Shop.

The Progress Report - In your latest book, *The Corruption of Economics*, you seem to be exposing an amazingly deep and long-standing scandal around the study of economics within the American education system. Sum it up for us. How, why and by whom do you think the teaching of economics in America has been corrupted?

Mason Gaffney - Generically, it goes back thousands of years: every system that divides mankind into rentiers and proles requires a rationale. Those with leisure have time and resources to provide it: sometimes directly, but usually through hired guns.

The need became more acute in the USA during and after the Progressive Era, with its development of the secret ballot and direct democracy. Voters could no longer be bought or intimidated directly; they had to be brainwashed. The device used was to replace the older Classical Political Economy (Quesnay, Adam Smith, Ricardo, Mill, and Henry George) with "Neo-classical Economics," which blurred all distinctions between producers and rentiers.

Henry George was the clear and present danger that triggered off the work of early neo-classicals, especially in America, but also around the world. He was not just an economic writer but a political force. He was nearly elected mayor of New York, a key position in US national politics. He communicated well with masses of people: a few who understood his reasoning, and a mass who got the general idea and resonated with his personality. He had an ethnic constituency, the Irish-Americans of New York, who carried his ideas into the Irish-English conflict, a springboard for a worldwide anti-colonial movement. He and they carried his ideas into Vatican politics, triggering off the 1891 Encyclical, "Rerum Novarum", a defining turning point in the social action views of the Catholic Church. His followers grew strong in the Radical wing of the Liberal Party in England, had a deep influence on Edwardian politics, culminating in the disempowerment of the House of Lords in 1911.

TPR - So, it goes back farther than Henry George's detractors. Who would you say was the first "professional" economist?

MG - Thomas Malthus was perhaps the first person to teach a subject of that name, although earlier writers, including church writers, said a lot about it. Thomas Aquinas had been highly influential; so had Aristotle.

TPR - They were paid to keep quiet about the land question?

MG - No more than anyone else. They lived in a society dominated by landowners. Adam Smith spent his life on the payroll of the Duke of Buccleuch, as tutor for His Grace's son. Landowners were so very secure, some of them could let their house intellectuals tweak their noses with radical ideas - probably found it entertaining. It was later, after universal manhood suffrage, that the landowners got nasty and conspiratorial and defensive, and went about brainwashing the electorate. Ricardo and Von Thunen were independently wealthy, and could afford to indulge their passion for ideas, objectively. Mill was a prodigy who built an enormous reputation, and had civil service tenure, before he ventured radical ideas about land ownership. A.R. Wallace, too, had a towering rep. as a biologist before venturing into public policy. Had he not done so, he would still be as famous as Darwin, as originally he was.

All this time there was a large majority of small intellects who catered to the landed interest. Nassau Senior was one. The weight of their numbers was enough to offset their mediocre attainments, and cast Mill as an eccentric loner, an impractical idealist, as well as a sissy who favored women's rights.

TPR - Do you believe this purchasing of economic theory still going on today, and if so, what well-known economists do you suspect of being involved with it?

MG - It pervades the culture of the profession. Most members are looking for grants and promotions to put frosting on their cake. They call it, "Responding to the incentive structure," giggle nervously, and shuffle the blame onto "the system." They abandon personal moral responsibility, and quickly become part of the system themselves. They rationalize their own dereliction by attacking those who expose it, turning themselves into a generation of vipers. Grants come from those with money. Follow the money trail. Most administrators are even worse: they push faculty members to get outside grants, whatever the source. They only occasionally decline one when faced with embarrassing publicity.

Look at the names and histories of major grantors and patrons of the past: Stanford, Rockefeller, Russell Sage, Carnegie, Hewitt, Cornell, Wharton ... Look at the governing boards of major private and public institutions. It's all there to see, for those that have eyes to see, minds to draw the obvious conclusions, and hearts to carry on the good fight for the public interest. Upton Sinclair spelled it out pretty well back in 1923 or so, in "The Goose Step: a Study of Education in America".

It's partly a matter of coopting people by dangling money before them, and partly a matter of selecting and supporting those whose ideas are already more simpatico to the major grantors. It's hard to tell the difference, so it's hard to say who's been corrupted, and who corrupted himself at an early age.

TPR - How can my readers find out if what you're saying is really true? Name the most widely used economics textbooks in American universities right now and what they teach that is an obvious lie for the benefit of landed interests.

MG - I no longer use textbooks much, but there are dozens available for the more common courses. Some are less bad than others.

Strategies change over time. It is no longer common to attack George virulently, as was done in the period that my book covers, 1880-1930 or so. Today Georgism has receded as a political force, so modern strategies are less frantic and overt. Today, they trivialize, misrepresent, and brush off lightly.

Paul Samuelson, Robert Solow, Peter Mieszkowski, Theodore Schultz, and Edwin Mills, for example, casually pronounce that land rent is only 5% or so of total income, so a single land tax could not support government as we know it. They offer no support for this except to echo each other, and to cite some transparently irrelevant data from the US Dept. of Commerce. They are, tragically, encouraged in this stratagem by work subsidized and influenced by the Lincoln Foundation, an outfit originally funded to promote the ideas of Henry George, but soon coopted and diverted from its chartered purposes. They simply ignore the few careful studies of the matter, as by Michael Hudson, Allen Manvel, myself, and Steven Cord, that show much higher figures.

TPR - Do you think the public education system has been 'corrupted' as well? Could you actually prove,

somehow, that Henry George should be better addressed in American history books?

MG - I do not teach history, nor own any history textbooks, but even when I was in high school in the 1930s, even during the great depression when radicalism was in flower everywhere, my history text and teacher passed over Henry George quickly, and obviously with no understanding. In fact, the evasive, garbled, confusing answers I got at that time were a major factor stimulating my own study of George.

Parts of George got into the texts, but without credit. We all learned about the vast railroad land grants, for example - a scandal first broken by George in his first book, 1871, "Our Land and Land Policy". We learned about the effect of the frontier on American character, a thesis that Frederick J. Turner cribbed from George without credit. We learned about the electoral reforms - secret ballot, direct election of Senators, repeal of property qualifications, open primaries, initiative and referendum and recall, votes for women - without a word about George and his leadership toward those reforms. No one told us, for example, that George favored enfranchising women, and his enemies like F. Y. Edgeworth and Vilfredo Pareto were male chauvinists of the most extreme kind. No one revealed that Carrie Chapman Catt, who led the fight for women's votes and then founded the League of Women Voters, ran in 1920 for vice President, on the Single Tax ticket. No one told us that Cleveland had a run of two single tax mayors, who lowered the carfares to 3 cents. One of them, Tom Johnson, was earlier a US Congressman; the other, Newton Baker, was a prominent member of Woodrow Wilson's cabinet, along with three other single taxers. No one told us that three of Wilson's closest advisers were single taxers: Joseph Tumulty, Edward House, and George L. Record.

All that interesting Georgist history is blanked out of most history books.

TPR - If what you're saying is true, this is a pretty big story; why aren't you doing this interview with Larry King, or at least Geraldo? Do you think the press is getting paid off, too or do you just need a better press agent?

MG - Once the public domain was handed over to a handful of rich, politically connected people, they consolidated their position by taking control of the media, of education, and the churches. This has become so much a part of our being that people hardly think about it, and what it implies. No one needs to pay off the press: in most cities, the biggest single downtown landowner is the press itself. No one needs to pay off radio and TV stations: their spectrum assignments are the basis of their being.

TPR - How are sales of your book going?

MG - Fair, which is excellent compared to most Georgist books. It's being translated into Russian and Spanish. It's been reviewed in two major scholarly journals, a good sign.

TPR - What about the screenplay? You're a charismatic, underground, economic prophet; why don't you narrate a documentary, do some interviews...

MG - I'm willing.

TPR - Would you wear a hidden camera and pull a 20/20 on them?

MG - Spying is not my style, and it's not necessary: corruption is out in the open. Go to any meeting of economists and just listen with the inner ear. What's lacking is general sensitivity to it as a problem.

TPR - How far do you expect your book to go towards exposing the scandal you suggest is going on?

MG - Only a little way. It's addressed to people with some background in economics, and most of them are already corrupted and/or coopted, in the manner I described earlier. I am hoping that someone will take it as background, though, to justify a more populist approach to stir up lots of concerned citizens.

The economics profession today has mostly retreated into obscure irrelevancy, spinning out empty subtleties to boggle the mind and keep students too busy to look at real social problems. It's become a

great financial burden on society, especially those who pay college tuition. The numbers of majors keep falling away. At some point, society will rebel, as it has in times past against theological establishments that became arid, pedantic and too expensive. Then there'll be a wide open opportunity for new ideas to arise outside of academia.

TPR - You are also a professor of economics at the University of California, Riverside. Are you a popular professor or do your students dread having to take your classes?

MG - That's not for me to judge, but it's hard on students to have one Prof. whose ideas do not blend easily with the majority. The serious students are mostly serious about their future careers, and shy away from those whom the other Profs. tell them are eccentrics, or out of favor with future employers, or whatever. Even in the 1960s, when we had a culture of rebelliousness and public service among students, it was dominated by a kind of anti-intellectual drop-out mentality that discouraged serious thinking.

TPR - Ever go to a kegger?

MG - Sure, but the level of discourse there is pretty low.

TPR - Do you try not to talk to your students about the corruption going on in the teaching of economics and history or is there a "Corruption 101"?

MG - I assign parts of the book now and then. It tends to confuse many students. They are looking for certainty, and authority, and simple formulae to learn for the exams. It takes a mature student to learn the standard stuff, and at the same time learn how it has been twisted to control his mind in certain ways.

TPR - What is their usual reaction? Are they shocked by what's going on; do they think you're some kind of conspiracy-theory kook; do they have trouble swallowing that the teaching of economics has been intentionally manipulated to benefit the rich few at the expense of the impoverished masses?

MG - A substantial minority end up preferring George to other leading economists. Some may do this to please the instructor, and soon get over it.

Some of them think of themselves as among the rich few. They know when their special interests (or what they expect to inherit) are being attacked, and they don't like it.

TPR - How do you counter attacks that classical economic theory is old fashioned, out of date, no longer relevant in our new, more complex global economy?

MG - If they produce specifics, then we have something real to chew over, and the person is engaged, and we have a good talk. I generally present George as one whose policy prescription reconciles the grand dilemmas posed by the conventional wisdom, and therefore highly relevant to whatever dilemma people pose.

TPR - If you were a student with a 'corrupted' professor today, what would you do, ask difficult questions, shut up and get a good grade, form a student union, what's your advice?

MG - Every student has to play that one so as to make peace with his inner morality. Jesus solved the problem by earning his living as a carpenter. It's a hard row to hoe, being a college professor and being known as a Georgist. It is harder than ever now, for the supply of jobseekers is much greater than the demand, docile foreigners are imported to beat down salaries and discourage rebelliousness, etc. The best way to advance today is to major in math or stat, then switch over to econ and intimidate people with your technical expertise and obscurity. In a small way, both Nic Tideman and I did that, in our times. Once you get tenure that way, you can relax and tell the truth without running.

TPR - What's it like on campus? Do you think there are professors or board members at your school that knowingly push a 'corrupted' version of the science of economics for money? Do you poke fun at them

or vice-versa? Any good stories?

MG - Poke fun? It's not funny. There are all kinds of corruption. There are physics Profs. who consult for nuclear firms; entomology Profs. who consult for pesticide firms; Profs. of medicine who switch mothers' eggs around; Profs. of natural resource economics who are promoted for protecting the privileges of water hogs and land speculators; Profs. of agronomy who tailor their work to the needs of giant landowners; etc. They instinctively recognize their common interest in corruption, and gang up on anyone who bucks the system. They did gang up on my department, and tried to destroy it. Failing that, they arranged to pack it with conventional irrelevant theorists and give them control over hiring and promotions.

TPR - Does UC let you teach public finance?

MG - Yes, curiously enough, but only at the undergraduate level, and only to students previously brainwashed by having to be screened through the conventional theory courses. Thanks to such screening, the numbers and quality of our students keep dropping.

They called off the dogs after taking away my power to give graduate degrees in resource economics. What ticked them off most was my opposing a 1982 boondoggle proposal to waste taxpayer money carrying water from 500 miles north of us to enrich a few giant speculators in desert areas of our semi-arid "Inland Empire." It was even worse when my side won.

TPR - What's your take on the Pennsylvania story? Are the landlords running scared from the new 'Whiskey Tax Rebellion'?

MG - Pennsylvania allows its cities what is called "local option" on property tax policy. This gives each city the option of down-taxing buildings and up-taxing land. An accelerating number of cities have chosen this option, the latest being Allentown.

Landowners can't run, not without leaving their land behind; and the idea is not to scare them, but show most of them they have more to gain from un-taxing buildings than they lose from up-taxing land. Un-taxing buildings encourages new building, with all the gains that brings. When a city gets old and rundown, a lot of people get the point.

The opponents have several points from which to attack. Now they are focusing on the State Legislature. As it happens, Harrisburg itself is one of the cities that has adopted the option of down-taxing buildings, and the good results may be seen by looking out the window; but many legislators get their ideas and motivations from elsewhere. The great danger to the movement in Pa. is that about when half the cities will have chosen to down-tax buildings, the legislature will follow the bad example of California and replace the property tax by raising state income and sales taxes.

TPR - What's your opinion of the Multilateral Agreement on Investment, to be signed this May?

MG - It's been derailed, I think, but will pop up again. It's another effort to use the treaty power of the US Constitution to overpower local democracy. It would jeopardize all local authority over property taxation, and enhance the power of absentee landowners to kill any local movement toward raising land taxes.

TPR - What is the real story behind the stock market 'exuberance' these days? Does it have anything to do with corporate globalization or the pending MAI?

MG - It's the market's recognition of the growing power of corporations, their power to shed taxes and control governments. This shows itself in many walks of life, including what passes for the discipline of economics.

TPR - So, if America were to begin the transition to sane economic reform, would there be some kind of breakdown? Are we past the point of no return?

MG - The point of "sane" reform is to avoid breakdowns, not to trigger them. One of the many beauties of Georgist reform is that it is non-catastrophic. It may be done incrementally and piecemeal, at several levels of government, by degrees, using existing institutions.

A stock market collapse, should it occur, is not a "breakdown." No real values are destroyed; it is just a transfer of wealth from present owners to all potential buyers, i.e. new savers.

TPR - Explain exactly what would happen if America began shifting taxes off of everything else and onto land value.

MG - Exactly? The effects are too great, too pervasive to predict exactly. It would unleash massive forces of production, exchange, capital formation, and building, forces now trapped and frustrated in the coils of our complex, counterproductive tax mess. It would enhance the supply of goods and services while simultaneously lowering taxes on the poor and the workers, thus reconciling the needs of both efficiency and equity, in one stroke. It would raise taxes on the richest Americans, and alien landowners, too, without diluting in the least their incentives to work, to create capital, or to hire workers: it would actually fortify those incentives. It would spring people loose to renew large parts of our older cities, and rehab what they do not replace. It would let local school districts support education at much higher levels than now, without fear of driving away business. It would satisfy the demand for housing on land that Nature suited for housing, without invading flood plains, steep slopes, remote deserts, and other places that cost society dearly to serve and rescue. It would raise the demand for labor, taking people off welfare and keeping them out of jails.

One could go on at length, but Henry George summed it up in three words: "Association in Equality." Civilization advances when those conditions are met, and declines when they are denied. America has been denying them; we are all paying the price.

TPR - For an economics professor, you're said to be quite an expert on the environment, what's the connection?

MG - Economic analysis, properly used, can serve the cause of environmentalism. The neo-classical economists abused both economics and the environment badly, as a byproduct of their drive to discredit classical political economy, and Henry George. John Bates Clark wrote that land is not scarce, that mankind can convert capital into land without limit, and create as much as we please. He wrote that natural resources have no value to mankind until and unless they are privatized; that privatization itself is what creates value. Our universities churn out thousands of new economists yearly, imbued with such attitudes. When Rachel Carson kicked off the new environmentalism in 1962 with her "Silent Spring", most economists trashed or disdained her: they'd been trained that way.

Faced with the obvious growth of environmental sentiment, economists dealt with it as they have with other problems: they absorbed it in the discipline, then marginalized it. Now they can say it is part of economics, while they proceed to ignore or trivialize it in their major policy pronouncements, wherein endless territorial expansion continues to be not just a goal, but a necessity to make the system work.

The legitimate goals of environmentalists, they coopt and distort. Here are two examples. They'll tell you that it's not OK to promote oil conservation by taxing withdrawals, but it is OK to do so by monopolizing the industry - monopolists are our best friends. They'll tell you it's not OK to check polluters by taxing their effluents, but it is OK to give them property rights to pollute, based on past emissions, and then buy those rights back from them at their price. You think I'm just making that up? I wish I were! The EPA is actually applying that idea around the country. Thank you, John B. Clark; thank you, neo-classical economics. It all follows from Clark's efforts to avoid any recognition that natural resources are common property: in this case, the air itself is turned into private property. Your very right to breathe, you have to buy from major owners of the air. And how did they establish that ownership? By their track records of dumping their crud in the air in the past. It beggars belief, but there it is: it shows what the war against Henry George has made of the discipline of economics.

TPR - If Earth's ecosystem and poorest people will be the largest beneficiaries of the reform you advocate, how will it ever gain public acceptance in America's increasingly money-driven political system? If the press will never acknowledge it and the education system is so lost and blind, how can this reform ever happen? Are Georgists like the character in 1984?

MG - Every system must purify itself from time to time, or be destroyed. How long that takes depends on how strong a base you started from, and how strong your rivals are. The USA started from a strong base, built in part by the Progressives (including many Georgists) and the New Dealers (in spite of some of their destructive moves). Now, our leaders think we are riding high, just because the stock market is rising, even though real wage rates have fallen for 25 years, our debts are staggering, our liabilities and contingent liabilities exceed our assets, our biggest growth industry is building jails, our population is losing its literacy, our major cities have decayed, and so on. Marx was right about one thing, at least: the system carries the seeds of its own destruction.

Our leaders have done a good job of subverting our rivals, in part by forcing on them the ideas of neo-classical economics, the ideas that originated as part of the anti-Georgist campaigns. Japan gave us a good run for a while, but got suckered into aping our worst habits, and hence a good old-fashioned American-style land boom and bust that has knocked them out of the race for a while. Most of S.E. Asia has now followed suit.

It's a delicate balance. The haves can brainwash the have-nots just so long, until reality breaks through, as in 1929. When it does, you want to be ready with a plan tailored to the times, which Georgists at that time were not. Meantime, we keep the idea alive by recording and publicizing important facts, such as that the prosperity of Hong Kong was a product of Georgist policies; likewise that of Taipei, Sydney, Johannesburg, and other great cities. We support object lessons like those in Allentown, Pa., and go for a really visible one like Philadelphia. We combat moves to raise sales and income and payroll taxes, and awaken people to the benefits of lowering them. We awaken people to the possibilities of including more land income, and less payroll income, in the base of the income tax. We support efforts to democratize the media. We alert people to the corruption of academia and the kept think-tanks, and provide alternative venues by mobilizing the resources of the few Georgist-oriented foundations. We get on social action committees of various churches, and try to give their well-meant but often foggy-minded efforts some clearer focus, with more punch and less platitude. We remind people of their common rights, and the history of common property in land. We expose and ridicule the inconsistencies and hypocrisies of kept economists, hoping that embarrassment will convert those whom truth will not.

We avoid the temptation to play Jeremiah, but seek to join the system and make it work better, even as Henry George and his friends did.

TPR - Do you think your phone is tapped? Do men with dark suits and perfect haircuts follow you around?

MG - That did happen for a brief period, in 1982, when I was leading the campaign (in my county) against a major water-supply boondoggle, "The Peripheral Canal." It was then I learned that the Metro Water District of Southern California (MWD) is, for historical reasons, the center of the club of land speculators.

TPR - Do you ever have to use karate?

MG - As a young man I thought I might, so I went out for the wrestling squad in college - hated the smell of that gym, the mat burns, the liniment, the dumb coach, the sadistic undercurrents - but that's not how they work these days. They talk and conspire behind your back. They attack your credentials, accuse you of letting students hang around too long, of not cooperating with other departments, of filing reports late, of alienating local businessmen ... anything they can dig up or invent, mostly invent, and they are shameless about that. Bureaucratic infighting is the game, and administrators rise by knowing the rules.

TPR - Any death threats? Any hate mail?

MG - Sorry, nothing so melodramatic. As I say, these people work indirectly, mostly behind the scenes. When they come out in the open it is with trumped-up charges, delivered by some front-man, that give no clue as to who they are and what motivates them. For example, I was on the city utility board, and tried to change the rate structure so as to stop overcharging small businesses and middle class homeowners for the benefit of giant businesses and luxury homeowners in the hills, and land speculators in the boonies. In response, they had their tools accuse me of missing meetings, and revealing confidential personal matters. Both charges were lies, which I demonstrated and documented, but the press paid no heed, and went along with the plot. That's how they operate. The council waffled by cutting my renewal term in half (to make sure I never got seniority and the power of chairmanship). The university administration played along by gutting the graduate program of the whole department of economics, based entirely on the charge that our student turnover rate was too slow. Again, I demonstrated and documented that the charge was a lie, but the steamroller chugged right on anyway, and the press played along. They didn't care about the student turnover: something else was moving them.

TPR - Do you ever feel frustrated by the power of the forces stacked against you or are you just glad to be part of the solution rather than a 'liar for hire'?

MG - Both.

TPR - So what do you do when you're not exposing the seedy underbelly of the American education system? Please don't say snow skiing!

MG - I am a family man who enjoys staying home. I have given up most land-hogging recreation like golf; the most space I use is playing tennis on free local courts. Jogging, hiking and biking with my wife and children, vegetable gardening, reading, studying, fixing up the old house, these are my recreations. I have six kids who come home a lot and keep me busy.

TPR - What's next for Mason Gaffney? Do you want Pete Wilson's job?

MG - If they were giving it away, I'd take it - but they aren't. I once filed for city council here, impulsively, seizing a last minute opportunity when the incumbent bowed out suddenly. They immediately bent the rules to let someone else file after the last minute, and threw lots of money and newspaper support behind him. As the saying goes, "If you want to know who's in charge here, just start something." I didn't campaign; just wanted to see what would happen. I lost: you do have to campaign, and make a career of it. Someone has to do it, but it's not for me, at least not here, not now, after Prop. 13 has tied the hands of local councils. Even before Prop. 13, city councils have no power to change the property tax base, which is defined by state law, and administered by county officials.

I decided I could be more productive writing books like the one that caught your attention. I hope you are proving I made the right choice.

TPR - Well, I've read the book and find it positively inspirational, so I certainly couldn't say you should have done something else! In your opinion, how is the Georgist movement doing these days?

MG - It's pulling itself back together after a long interlude of desuetude.

TPR - How would you feel about the formation of a Georgist political party? Would you be a candidate, if asked?

MG - Circumstances alter cases.

TPR - How do you like our chances, Professor? Do you think Earth is going to be a loser planet or will the good guys somehow snatch victory from the jaws of defeat?

MG - A bit of each. Keep hassling, and things will be a bit better than if you gave up.