

THE PACE UNIVERSITY LEFT FORUM PANEL RECONVENES AND HENRY GEORGE IS REBRANDED

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<http://www.opednews.com/articles/The-Pace-University-Left-F-by-Scott-Baker-130707-495.html>)

"If there be time to expose through discussion the falsehood and fallacies, to avert the evil by the processes of education, the remedy to be applied is more speech, not enforced silence." - Supreme Court Justice Louis Brandeis, Whitney v. California (1927), <http://prospect.org/article/remedy-more-speech>

The team of panelists from last year's Pace University Left Forum panel - reviewed in the March/April, 2012 issue of GroundSwell - reconvened this year on June 8, 2013, minus Kucinich adviser Dave Kelley who was sidelined due to a back injury. The remaining panelists were Dr. Michael Hudson, Dr. Cay Hehner, and Chair Andy Mazzone. The title of this year's panel was "Wall Street's War to Impose Austerity." Here is the abstract I developed, with the blessing of the panelists:

Abstract:

Wall Street had a record year in profits last year. Bonuses were up and stock prices zoomed. Meanwhile, the productive classes continued to see their wages stagnate as they have for 40 years, while under-reported inflation figures and regressive tax schemes took more of their paychecks, if they could find work. But now Austerity threatens to siphon whatever is left from the bottom to the banking elites. Faux progressive organizations like Third Way in the U.S. are attempting to privatize Social Security to pour billions into Wall Street for further gambling. From Cyprus' confiscation of up to 70% of bank deposits to Greek pro-recession budget slashing, the road to neo-feudalism continues. Based on Professor Dr. Michael Hudson's book "Finance Capitalism and its Discontents" and "The Bubble and Beyond", panelists Dr. Michael Hudson, Dr. Cay Hehner, Dave Kelley, and Chair Andy Mazzone will discuss specific austerity measures that are designed to confiscate, impoverish, and destroy the middle class, while widening the already historic wage gap even further. Learn how the expansive forces of industrial capitalism have been subverted by today's predatory finance capitalism aided by junk economics and failure to collect the economic rent. What is the rentier class and how does it collect 1/3 of GDP? Is government regulation always wrong? What is the best tax policy? Why the 1% versus the 99%?

Current president of the Henry George School, Andy Mazzone, gave the opening, and after introducing himself as an ex-CEO of a Fortune 500 company, and a trained economist in Marxism, said he now classifies himself as a neo-Georgist - defined as "someone who believes all forms of

monopoly should be taxed" while untaxing all forms of earned income - wages, sales, capital. (In previous discussions with Mr. Mazzone, I have challenged this tax-all-monopolies philosophy a bit, relying on my experience in the fast-changing world of Information Technology where I was a Manager of Information Systems for over 2 decades, and where monopolies may last no longer than the next business cycle. I think we get into questionable territory in advocating taxing patentable innovations (though I would agree that patents are too easily granted nowadays). The land monopoly is different, of course, because land, unlike capital, cannot be created by people, is finite, and generally appreciates, while capital goods depreciate and are replaced by newer "improvements," just as Henry George said over a hundred years ago when improvements came along at a much slower rate.)

Mazzone went on to say that Michael Hudson's book "Super Imperialism" basically forecast the current crisis and the financialization of everything, and the subsequent collapse from de-industrialization. Mazzone spoke of what has become accepted wisdom among Georgists - that 1/3 of GDP, here identified by Mazzone as "surplus," is rent of some kind. (Hudson later confirmed this figure in his portion of the presentation too). This rent is taken by "guile and force," an example of which, Mazzone said, is the operations of Goldman Sachs.

After setting up a hypothetical world in which the elite owned everything (this is really not so hypothetical, after all; in a Vanity Fair article sometime rentier-critic Joseph Stiglitz says the top 1% own 40% of the wealth: <http://www.vanityfair.com/society/features/2011/05/top-one-percent-201105>), Mazzone further challenged the audience to determine why the "elite 1%" should not continue to "garner the lion's share of society's wealth as it always has, albeit within certain limits, and with some overhead for priests, rabbis, police and courts to enforce the disparity, while keeping it just low enough to prevent a revolution" (the elite are apparently quite good at figuring out how far they can push things, most of the time). He pointed out that the financial elites can create bubbles by literally controlling the creation of money, blow it up, and if their power is large enough, force government to bail them out and continue the game in an unlimited way, not because they are necessarily evil, but because there are no constraints. This gets to the crux of economics - that to change people's behavior, you have to change the incentives, and not rely on some "better nature" coming out of human beings. The clear implication is that the incentives are therefore perverse and literally counter-productive. Obama and many of the political class, says Mazzone, has no clue how to change this, and neither does almost anyone else. There is no way, under the present system, to change the outcomes, and the temptation to collect "100 million dollars at the expense of the country" instead of working, is simply too great. (Super-regulator Bill Black, who led the reform efforts of the S&L crisis and who is a colleague of Michael Hudson's at the University (continued on page 6)

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of Missouri, Kansas City's economics department, has called this a criminogenic environment, leading to fulfillment of Gresham's law – in which bad money forces out good money. His colleague at the University of Missouri Kansas City, Steve Keen, has recently published a paper showing that the stock market rise since 1982 is almost entirely due to margin expansion, i.e. "bad" credit for traders: <http://www.paecon.net/PAEReview/issue64/Keen64.pdf>). With that sobering ending, Mazzone introduced Michael Hudson.

Hudson started by saying the "whole point of classical economics was to free society from feudalism" and it could, and has, been argued that we are currently going back to feudalism. Hudson further supported this view in a post-panel paper in the Real World Economics Review here: <http://www.paecon.net/PAEReview/issue64/Hudson64.pdf>. He writes:

This is a different kind of inflation than one finds from strictly financial bubbles. It is creating a new neo-feudal rentier class eager to buy roads to turn into toll roads, to buy parking-meter rights (as in Chicago's notorious deal), to buy prisons, schools and other basic infrastructure. The aim is to build financial charges and tollbooth rents into the prices charged for access to these essential, hitherto public services. Prices are rising not because costs and wages are rising, but because of monopoly rents and other rent-extraction activities.

During his presentation, Hudson went on to say that the rise of capitalism then, prior to Marx, was an attempt to garner the surplus for capitalists, at the expense of labor. There was no thought to raising the standard of living of labor, but just to how to get more of the surplus. The taking of the surplus, however, has fallen to a new and more dangerous class: the rentiers. As an example, Hudson pointed out that buildings "pretend" to lose their value over and over again, thereby garnering profits for their owners, who re-expense these "losses" each cycle. This has led to the Real Estate sector not paying any income tax since 1945, because it supposedly doesn't make any money, though that has not prevented developers from somehow becoming among the richest people on the planet. They keep on building! Thanks to Alan Greenspan and other "smart guys" said Hudson, the tax burden, meanwhile, is shifted off of capital and onto labor. We are, says Hudson, going back to primitive accumulation, and for the working person, back towards austerity.

Here (almost 19 minutes into the session), Hudson went on a bit of a rant, slipping in things like calling Henry George "self-educated anti-intellectual negative marketist", a "racist journalist" who sided with racist southern Democrats against the Chinese, and of being a right-wing libertarian – though he did finally redeem George because of his espousal of the land value tax. (To paraphrase: "Yes, he was a serial killer, but on the other hand, he was a great lover of the arts"). This sort of speech was guaranteed to raise the ire of some of the Leftists at the Left Forum, and of several Henry George fans, including those from Common Ground-NYC, who vocally interrupted. They came to me (as event organizer) both immedi-

ately after the session, and later through heated but informative phone and email discussions. I present some of these rebuttals to Hudson's characterization of George below, as well as my own. These sorts of incendiary charges should not even need refuting by anyone who has read *Progress & Poverty* (1879), as Cay Hehner also pointed out, but which Hudson called "one of the worst books I ever read," but I will do so anyway.

In *Progress and Poverty*, Book X, Chapter 2, George wrote:

A gentleman who had taught a colored school once told me that he thought the colored children, up to the age of ten or twelve, were really brighter and learned more readily than white children, but that after that age they seemed to get dull and careless. He thought this proof of innate race inferiority, and so did I at the time. But I afterward heard a highly intelligent Negro gentleman (Bishop Hillery) incidentally make a remark which to my mind seems a sufficient explanation. He said: "Our children, when they are young, are fully as bright as white children, and learn as readily. But as soon as they get old enough to appreciate their status—to realize that they are looked upon as belonging to an inferior race, and can never hope to be anything more than cooks, waiters, or something of that sort, they lose their ambition and cease to keep up."

So, George, who spent the first formative 1/3 of his too-short 57-year life in a country that had chattel slavery, evolved his views enough to believe that the supposed inferiority of the "colored" races was due to educational disadvantage and to low societal expectations rather than to innate differences. George himself admits to having changed his mind radically about this over time. This is really quite extraordinary and in a short paragraph speaks volumes of George's ability to out-think even his own deep-set prejudices (in contrast, Thomas Jefferson, scientist and espouser of human liberty, was a lifelong slave-owner). We could all, including Hudson, learn something from this ability to transcend one's past beliefs.

George is also often accused of having a prejudice against the Chinese immigrant worker. But this too, bears further scrutiny. Even if there is a smidgeon of truth from George's early days when he saw the danger of cheap foreign labor displacing American workers, and before his land epiphany, as CGNYC member and seminar attendee Toby Lenihan wrote me afterwards:

The only shred of truth (in any of what Michael Hudson said) was that H.G. complained about the Chinese bringing down wages because they worked for such low wages (which in this landlord system when there's no free land to be had, does bring it down). There was a lot of anti-Chinese feeling out west because of that. Henry George didn't start it, by any means.

About the blacks, Henry George always wrote well and he was virulently anti-slavery

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and did want to fight on the Union side but was out in California during that.

And, as far as aligning with the racist southern Democrats, Toby wrote:

The Republicans were even more Big Business in H.G.'s time than now. Even in a recent documentary on PBS about the robber barons they told about how (Republican president) Taft supported Big Business monopolies & (Democrat) William J Bryan was trying to counteract that. H.G. strongly supported Bryan & said the country was going to the dogs (or words to that effect) when Taft won. So being Democratic was what all those who favored the common working man did. And Hudson equates that with being pro-slavery because the South was Democratic.

I have left some more colorful denunciations of Hudson's view out of this family journal, but they could stand up just as well. There is simply nothing to the charge that Henry George was racist, classist, or even in the traditional sense, a free market libertarian-capitalist in the way it is meant today. As Hudson himself has pointed out on several occasions, when classical economists like George talked about the "free market" they meant a market where the economic rent was collected and business and individuals were otherwise free to produce and keep what they earned. It certainly didn't mean "free to do whatever you want and can get away with." That is a 5-year-old's definition of a free market. Not only is such a market immoral, it is unworkable and criminogenic. George recognized that and railed against it with sophisticated arguments for hundreds of pages in all of his books. It is why, as much for his economic theory, he continues to be read today, when his near-contemporary apologists like Malthus are not - except by those who love doomsday scenarios and do not wish to expend the energy to change them. (A whole sub-industry of economic doomsayers has sprung up to feed, and, in some cases, take money from, those who are too lazy, ignorant, scared, inept, or otherwise incapable of changing external events, or even their own lives. I recently wrote an article about this, "Countering Disaster Porn" for Opednews here: <http://www.opednews.com/articles/Countering-Disaster-Porn-by-Scott-Baker-130626-858.html>. I suspect some Disaster Porn aficionados were in the audience of the Left Forum, as these kinds of events attract passive onlookers looking for affirmation and inclusion, more than activists trying to change things. Often, they cheer the most those who promise the possibility of reform the least. This creates a cycle of passive-aggressive approval that few speakers may be able to resist catering to).

Hudson also seemed to be channeling his 2008 article in the American Journal of Economics and Sociology 67 (January 2008), pp. 1-46. My comments are in brackets [].

Henry George's Political Critics

By Michael Hudson

ABSTRACT. Twelve political criticisms of George were paramount after he formed his own political party in 1887: (1) his refusal to join with other reformers to link his proposals with theirs, or to absorb theirs into his own campaign; (2) his singular focus on ground rent to the exclusion of other forms of monopoly income, such as that of the railroads, oil and mining trusts; [George, writing in 1868 in "What the Railroad will Bring Us" said: "The truth is, that the completion of the railroad and the consequent great increase of business and population, will not be a benefit to all of us, but only to a portion. As a general rule (liable of course to exceptions) those who have it will make wealthier, for those who have not, it will make it more difficult to get. Those who have lands, mines, established businesses, special abilities of certain kinds, will become richer for it and find increased opportunities; those who have only their own labor will become poorer, and find it harder to get ahead - first, because it will take more capital to buy land or to get into business; and second, because as competition reduces the wages of labor, this capital will be harder for them to obtain." <http://www.grundskyld.dk/1-railway.html>] (3) his almost unconditional support of capital, even against labor; [Not so. In an article by Richard Giles, Giles refutes Hudson's repeated charge specifically:

Here one may surmise is the truth about (Hudson's) criticism of George 'his almost unconditional support of capital, even against labour' and the 'alliance of his followers with the right wing of the political spectrum.' They were not a consequence of actions that George had taken. Nonetheless, this still represents a reformist movement akin to that of the physiocrats, one designed to make capitalism work more honestly, equitably, and efficiently. Hudson just does not regard that movement as a reform movement.

Right from the start George opposed (single-tax movement leader) Shearman's narrow and fiscal-driven doctrine of the "single tax limited" but, seeing him as a 'fellow-traveller', George also opposed those who would expel Shearman from the movement. His 'alliance' with Shearman in the opinion of some like Dr. Kenneth Wenzer did not serve the movement well. Hudson makes reference to Wenzer (2000) but does not point out as Wenzer does how Shearman helped turn the movement "from a philosophy of freedom to a nickel and dime scramble" (see esp. 2000, 75). These considerations make it difficult to accept the view that it was George who turned to 'capital' for support against 'labour' and that, in turn, later Georgists followed his path. REFERENCES: Wenzer, Kenneth C. (2000). "The Degeneration of the Georgist (continued on page 8)

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Movement from a Philosophy of Freedom to a Nickel and Dime Scramble" In: *The Forgotten Legacy of Henry George*. Kenneth C. Wenzer and Thomas R. West. Waterbury, CT: Emancipation Press.

Above all, it is critical to remember that George did not conflate Capital with Land, unlike some of his contemporaries, and even more so today. Therefore, to say George was pro-capital owner is not to say he was pro-Landowner.] (4) his economic individualism rejecting a strong role for government; [Writing in *Social Problems*, albeit in 1883, before George formed a political party, George said: "It is the more necessary to simplify government as much as possible and to improve, as much as may be, what may be called the mechanics of government, because, with the progress of society, the functions which government must assume steadily increase. It is only in the infancy of society that the functions of government can be properly confined to providing for the common defense and protecting the weak against the physical power of the strong. As society develops in obedience to that law of integration and increasing complexity ... it becomes necessary in order to secure equality that other regulations should be made and enforced; and upon the primary and restrictive functions of government are superimposed what may be called cooperative functions, the refusal to assume which lead, in many cases, to the disregard of individual rights as surely as does the assumption of directive and restrictive functions not properly belonging to government." George's view was much more nuanced and cogent than Hudson would have us believe.] (5) his opposition to public ownership or subsidy of basic infrastructure; [See previous citation.] (6) his refusal to acknowledge interest bearing debt as the twin form of rentier income alongside ground rent; (7) the scant emphasis he placed on urban land and owner occupied land; [It's hard to understand where this is coming from; George clearly understood the high relative value of urban vs. rural land – indeed, concentration of population created high land value in George's view, in his theory. How could it not be thus?] (8) his endorsement of the Democratic Party's freetrade platform [this is true and acknowledged by even many of George's strongest supporters, though it could also be said that George's views on free trade don't contradict his theory, they exist outside of it, and are presumptive of Land reform already being in place]; (9) his rejection of an academic platform to elaborate rent theory [at the time, universities were already being corrupted by land-holding interests, though that is perhaps not an excuse for not trying to change the system from the inside]; (10) the narrowness of his theorizing beyond the land question [not so; besides advocating Free Trade, for better or worse, both Stephen Zarlenga (Henry George's Concept of Money,

(<http://www.monetary.org/henry-georges-concept-of-money-ful/2010/12>) and the present author (World Economics Association: [A Brief History of American Paper Money, with emphasis on Georgist Perspectives](http://www.worldeconomicsassociation.org/?paper=a-brief-history-of-american-paper-money-with-emphasis-on-georgist-perspectives-scott-baker), <http://www.pcemconference2013.worldeconomicsassociation.org/?paper=a-brief-history-of-american-paper-money-with-emphasis-on-georgist-perspectives-scott-baker>) have writ-

ten of George's support for monetary reform along the lines of his early-contemporary, President Lincoln, who introduced the nation's first debt-free paper money, United States Notes]; (11) the alliance of his followers with the right wing of the political spectrum [many of whom actually came along well after George's too-short life]; and (12) the hope that full taxation of ground rent could be achieved gradually rather than requiring a radical confrontation involving a struggle over control of government. [Point 12 is contradicted several times by George's own writings that it was even more urgent to right the wrongs of economic impoverishment via Land monopoly than to abolish chattel slavery; George said the absence of access to land meant immediate absence of life, whereas slavery at least afforded that possibility, however curtailed. George neither called for "gradualism," nor for compensation to landowners for a wrong perpetuated for centuries, though others of his day did].

Hudson also contradicted his negative views of George or at least emphasized George's positive contribution so strongly, that they overshadowed George's other alleged failings, with his own earlier video interview here:

<http://democracyandclassstruggle.blogspot.com/2009/05/michael-hudson-on-economic-rent.html> - "The old man (Henry George) was right." In this video interview, Hudson traces the classical idea that collecting economic rent "would eliminate the need to collecting any other taxes and result in the lowest labor costs in the world." Hudson ranks George among those economists who understood this, along with J.S. Mill, Veblen, etc. (22 seconds in). Taxes on broadcasting spectrum, and ALL other income are used, Hudson said, as a "tollbooth to resources provided by nature." Property taxes would not have gone up if property was taxed at full rental value, and all other taxes would have gone away. "Rent is conflated with earnings and profit...Rental income needs to be disaggregated from other income, which can be done by going to (the) Federal Reserve's fund accounts and making (a) distinction between value of land and value of buildings and you'll find land represents over half of value of property." This is a refinement and a practicalization of Georgism, not a refutation. In this video, Hudson went on to say "(if the) original income tax (supported by Georgists of the day) did what it was intended to do and taxed the wealthiest...(the tax would fall) on the wealth, most of which took the form of Real Estate...Real Estate is the largest asset form in any modern economy...(The) original income tax fell on the wealthy. Over the last 100 years, the (continued on page 9)

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wealthy's lobbyists chipped away at the tax system and...tax shifted to lower wealth brackets (particularly labor). In 1913, the original income tax taxed capital gains." So, Hudson admits that George's first followers, however misguided ultimately, were trying to get back the value of Land through income taxation.

Hudson's attack on George was not new with the Left Forum presentation, though he has more cogently articulated it previously. See "Has Georgism been Hijacked by Special Interests?" - <http://www.cooperativeindividualism.org/hudson-michael-has-georgism-been-hijacked-by-special-interests-2003.html> (A presentation delivered to the Council of Georgist Organizations conference, Bridgeport, Connecticut, Saturday, 19 July 2003). But, according to Hudson at the time:

The Socialists agreed with the Ricardians (and for that matter with the Physiocrats and with the fiscal systems of classical Greece and Rome) that groundrent should be the basis for taxation. Kindred to this position was that of the American tax reformer Henry George, describing how land ownership had been appropriated from the public domain, often by insider dealing within the public sector...as he had seen most flagrantly in his country's vast land grants given to the railroads. Yet despite the fact that they were united by a similar analysis of groundrent, George, the Socialists and the Classical Economists moved in opposite directions politically. For generations to come, this divergence in directions shaped the coloration of rent theory and the fiscal policy that it implied.

George may not have been the most politically astute reformer, though in his defense he only had 18 scant years between the not-quite-overnight success of Progress and Poverty and his death in 1897 to learn, but we must also distinguish between what George thought and what some of his later followers believed. Still, and fittingly, Hudson's assertion from this article stands out:

Henry George was remarkably perceptive about the danger of Marxian socialism leading to dictatorships of the bureaucracy.

For some reason, Hudson did not see fit to mention that insight of George's to this often pro-Marxist crowd. Hudson continues in his article:

And the Socialists for their part were short-sighted in not seeing that the only kind of socialism that would work was one that retained market reference points. Every successful economy in history has been a mixed economy, in which the private and public sectors relate to each other through a system of mutual checks and balances. This is how Sumer and Babylonia were organized, and industrial Britain at its takeoff, and America in its rise to industrial power after its Civil War.

But today, both sides have polarized between the one-sided anti-government politics of libertarianism and the shreds of post-Stalinist socialist theory. What has been missed is the fact that government does have a legitimate role in collecting economic rent - unearned income created by and rightly belonging to the community, as Henry George advocated - and in using this revenue as the basis for public finance of public

services and inherently rent-generating infrastructure and other public enterprise...I think the failure of Georgism is attributable to the fact that it pulls its punches so seriously as to cripple its basic message - the message of economic justice that made Progress and Poverty so successful as a vehicle to advocate the taxing of land rent.

This is not a criticism of George's prescription, but of the failure of people to exercise it. In other words, there is not too much Georgism, according to Hudson, there is too little. This makes Hudson a staunch advocate of George, more so than perhaps even many other practicing Georgists.

Michael Hudson's recent essay, *Incorporating the Rentier Sectors into a Financial Model*, published by the World Economic Review, and extracted from his book, "The Bubble and Beyond," is also supportive of Georgism :

Extending credit to purchase assets already in place bids up their price. Prospective homebuyers need to take on larger mortgages to obtain a home. The effect is to turn property rents into a flow of mortgage interest. These payments divert the revenue of consumers and businesses from being spent on consumption or new capital investment. The effect is deflationary for the economy's product markets, and hence consumer prices and employment, and therefore wages. This is why we had a long period of low cpi inflation but skyrocketing asset price inflation. The two trends are linked.

Henry George helped establish the principle that land rent was the major form of economic surplus in any economy - and to make matters worse, it was unearned. The private appropriation of rent diverted this surplus income from being invested in capital formation to increase the productive powers of labor, and hence the flow of output that was supposed to increase living standards over time. Progress was subverted to an impoverishing dynamic.

With this conclusion, the present author agrees. The few successful Georgist implementations we have are two-rate systems that primarily benefit the developer sector, and secondarily the cities, but not necessarily all the city's citizens, and never to the degree that George prophesized or advocated. Hudson bottom-lines the power of George's solution: "It is true that overall functions could un-tax labor and capital and make up the difference with a land tax. This is what George said, and it is what I believe and support."

In a similar discussion, Professor Mason Gaffney said that Georgists should abandon the notion that a Land Value Tax (LVT) will lower land prices because in the few instances where it has been applied it has actually raised them. However, as Hudson pointed out (continued on page 10)

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then as well, the problem is that LVT has been so little applied as to fall below the inflection point where land prices are negatively impacted by the tax. This is not a fault of Henry George, but of either his followers to fully implement his philosophy, or of political realities, or both. As Hudson points out (emphasis in the original) "The theory of rent and its implications for land taxation is more radical than Marx's labor theory of value." In the back and forth emails that ensued among a list of nearly 80 Georgists during this debate, Hudson finally exasperatingly bemoaned "Haven't any of you read Henry George?"

This writer, along with many other Georgists, also worry that too many Georgists have become a "lobby for the construction industry," as Hudson phrased it, but that is not what George had in mind. Whether this 2-rate tax is a limited form of Georgism done for temporary political expediency or is simply exploiting modern Georgist support while mainly (or only) supporting the developer lobby, is something that is hotly debated by the neo-Georgist community. In fairness, those who have been most successful in getting the 2-rate system adopted point out that neither Hudson nor George ever implemented actual land value taxation anywhere in their lifetimes.

Continuing in his lecture, Hudson said that whatever the past, today, "the European Socialists are to the right of the Georgists." This just goes to show how slippery and unreliable mere labels are. They can be used to confuse as well as enlighten.

Getting back to the larger theory, Hudson pointed out that we are living in something Marx never predicted, because he was an "optimist," and that is how much rent would be collected by the landowners, who are now mostly the banks. Hudson cited Fannie Mae and Freddie Mac, which allow up to 43% of the worker's income to go towards their mortgage; this is a form of extreme land rent given over to private parties, and a good bit beyond the historical rent-as-1/3-of-GDP tipping point that Mazzone had earlier warned could lead to social unrest, though half of this is perhaps for the house (Yet, this is not the only source of rent collected either).

Hudson went on to say that whatever the conflicts between capitalist and laborers, it is surrounded by the rentier economy, where rent itself, including monopoly rent, is "technologically unnecessary." This is why, Hudson says, Marx thought rent would disappear eventually. The die-hard communists in the audience might not like to have heard it, but Marx was wrong.

In his presentation, Hudson brought in his own experiences of having George's teachings suppressed when he was teaching at the New School in New York City in 1959. He says he was told not to "confuse people" when talking about how workers are exploited by adding in the taking of rent. The New School, of course, is a school originally set up by Marxists.

But perhaps the best guidance can again be found in Hudson's own writing: "The guiding principle here should be just what Henry George insisted on: the principle of economic justice.

He sought to create a level playing field - within the context of freedom and capitalism."

And this is why I invited Hudson to participate —indeed lead panel discussions the last two years at the Left Forum.

Not because he praises the ideals of latter-day Georgists (Hudson also points out that the phrase "Georgist" did not even come into being until the mid-twentieth century; before that, there were simply "Single Taxers"), but because he praises, and advocates, the highest ideals of Henry George. For some reason, he chose to impugn George with the actions of some of his perhaps misguided, or perhaps simply less effective, later followers. Should we then hold Jesus responsible for the Inquisition, the crusades, and other intolerant acts of more modern "Christians?" Perhaps Hudson is right that modern Georgists have been the enemy of Socialism, but the history of Socialism itself, if indeed it is more theoretically sound than Georgism to begin with (not something I or most Georgists believe), has its own roster of failures from Lenin to the mass murderer, Stalin, a fact that Hudson himself acknowledged during Q&A by acknowledging that Marxism was taken over by Stalinists. To those who would say Stalin is not a true Socialist (or even Communist), well, let us equally discount those who say they are true Georgists, but whose actions belie their stated ideals as well (I have a list of such people myself, as do others, I'm sure). These false Georgists do far more harm to the movement than do other progressives pushing other social justice themes, to whom George may or may not have given proper weight. Internecine fighting is the main enemy of all social movements, much more so than their identified opponents. Progressive reformists' self-destruction, rather than destruction by outsiders, is much more frequent and less attended to; perhaps it is too gratifying to "rage against the machine." It's important to get the theory right, yes, but it's at least as important to pick your battles and to coalesce against a common adversary, in this case, the rentier class. Too much energy is spent, in my opinion, on getting Henry George's theory perfectly right, past and present, while 99% of the public says, "Henry who?"

Common Ground-NYC member and former Director of the Henry George School, and now instructor at the New York Institute of Technology, Cay Hehner, had the unenviable task of speaking next, after Hudson had stirred the pot to the boiling point.

Hehner began by citing an article that showed how hedge funds have been buying up depressed properties and land throughout the "recovery" since 2009, thereby driving the prices up and creating a new land bubble (some of them are even now, flipping those properties, perhaps anticipating the next crash. This is further confirmed by the latest Fannie Mae National Housing Survey, which showed an accelerating trend of those who say it is a good time to sell housing vs. a good time to buy, though the latter category is still less (40%) than the former (76%); a year ago the results were 72% good time to buy and just 16% good time to sell). (cont'd on pg. 11)

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Yet, he pointed out, the recession continues for most people. "This crisis has not gone away," he said, though there is hope for a new period of openness, hope, and an end to government secrets from the example of people like Julian Assange.

George, Hehner continued, turning to Hudson, has to be distinguished between being a theorist and a politician. "As a theorist, you may call (George) simplistic," Hehner said, but he did stress the ecology of resources a hundred years before almost anyone else and the concept of one planet. Meanwhile, the failures of the current system, Hehner continued, have resulted in high unemployment figures, two lost decades in Japan, and even here where "some have made some money" the overall picture is still abysmal. The next bubble is forming. Increasingly, as this author and many others have also noted, the FIRE sector lives in its own world, pumped up by nearly free monopoly money, while the real economy, boring and unrewarding to such speculators, goes wanting for funds; it is possible to have an inflationary boom in a subsidized FIRE sector and a deflationary depression everywhere else, as Hudson has written. This finding also reinforces a previous conclusion of Mazzone's – that the top 15% basically sells to itself. (And, increasingly what that 15%, and especially the top 1%, is reselling, has no price basis in reality). In the old definition of a recession being 2 quarters of negative growth, said Hehner, an economy that was down for 6 quarters (2008-2009) would have been said to have been in a depression.

Continuing on in a larger theme, Hehner said the problem with economics as a science is that scientists have been able to make accurate predictions, whereas only Georgist economists have made accurate predictions as to the economic cycle. Without the ability to predict, a field of study cannot be called a science at all. (Although not covered in this talk, Hehner, a career educator, has hit upon a revolutionary theme now spreading across campuses, and beyond: that economics has little relation to the real world, and needs to be reinvented from the ground up). Hehner cited Fred Foldvary as one such accurate predictor, but Hudson interrupted here to say that Foldvary is basically a 'stopped clock' who had predicted a downfall for years. A more useful example, in my opinion, would have been Fred Harrison, who follows the 18.6 year land cycle, or even Phil Anderson, who wrote "The Secret Life of Real Estate," and who uses it to time the stock market, to the betterment of his high net worth clients, perhaps cynically (not cyclically). Recovering from the interruption, Hehner went on to say that what is needed is a "coalition of the Left and Right, and to get a fresh start." By way of example, Hehner cited China as an example of a new kind of economy – a Market Communism. China introduced the Free Market when they realized that things were not working, and we need to do something just as radical. Supposed free-market worshiper George Bush began the largest bailout in history. Yet today, both American and Chinese systems are broken, said Hehner, and in need of further reform.

Hehner, while agreeing that George's ideas were sometimes hijacked by right wing libertarians and reactionaries, ar-

gued that progressives need to come together to support taxing value from monopolies, value from obligations, surplus, and resources, and to provide a citizen's dividend (Common Ground-Oregon/Washington chapter member's Jeff Smith's idea as well). An example is the tax on resources in Alaska, which also makes sure the resources are not destroyed and are used most efficiently, Hehner noted. Instead we have a system that covers up environmental damage. Hehner's example: the Deepwater Horizon oil spill that was treated with a chemical that made it worse, while removing it from sight. (This author sometimes worries that a system based on charging for environmental damage would still be gamed. Just as Georgism needs honest assessors, neo-Georgism needs honest pollution monitors).

Hehner continued: today, we instead have a false two-party system, which is really a one-party system. There is no left wing party, no party for the workers. They have been crushed.

Taking the stand again, Hudson rebutted to explain where he felt he (and by inference, other Socialists) and Georgists including Hehner disagreed. He said that "Marx was the last free market economist...free from the banks, free from the rentiers, free from the landlords" – a radical idea that he also claimed was opposite of Henry George. But here there were audible audience guffaws and denunciations of "Wrong! Wrong!" over his claim that George was "for the landowners, and the rentiers." Hehner exasperatedly interrupted to say that one should not confuse George's followers with George himself. "To say that George was for the landlords is complete nonsense," Hehner said, with visible restraint. Mazzone made a similar comment later as well, to absolve the Henry George School of such unhealthy alliances, to which Hudson good-naturedly agreed.

Hudson attempted to discredit George's environmental background (the concept of environmentalism, he said, came into being in 1860), who, he said, opposed a former Whig party idea, then taken up by Republicans, that statistics on soil depletion should be kept and included in the balance of trade as a form of deficit. Hudson claims that George worked with southern ex-slave-owners to attack ecology – a word coined in 1870 and, Hudson claimed, the root of protectionist doctrine, which George opposed, particularly in his book "Free Trade or Protectionism." Perhaps due to an audience interruption, Hudson never finished citing the reference specifically, but here is what George said in two of his other books:

"Man produces by drawing from nature...In the production of wealth land cannot act; it can only be acted upon." – p.p. 408-409, *The Science of Political Economy*.

In *Social Problems*, George goes even further, complaining:

"...12,000 head of cattle (are) killed weekly in...New York...as to the elements of fertility, which, instead of being returned to the soil from which they come, are swept out through the sewer of our great cities. The reverse of this is the destructive character of our agriculture, which is year (continued on page 12)

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by year decreasing the productiveness of our soil, and virtually lessening the area of land available for the support of increasing millions.” – p. 234, *Social Problems*.

So, George, writing in 1886, when the American population was about 1/6th of what it is today, and our resource usage an even smaller fraction, was already concerned about waste effluence (at a time before commercial fertilizers) in the cities, and about destructive soil erosion on farms. George was worried about the exact thing that Hudson claims he was not worried about! Further, this hardly sounds like the anti-environmentalist Hudson paints George as.

George remains ahead of his time in so many unappreciated ways. We are still catching up.

The argument returned to Hudson’s take on George’s views of slavery, but his claim that George worked with slave-owners is demonstrably false: George was not even politically active when slavery was abolished by Lincoln’s emancipation proclamation in 1863, and George was just 24 years old, and learning about the world through his travels (Perhaps this is a good time to point out that Henry George’s life would be the good basis for a dramatic movie; a thought which has crossed the mind of at least one film-maker, Charles Ashira, http://backhomepictures.com/#section_development). So, George could not have been pro-slave-owner, as there were no such people to support, later on. Hehner also reminded Hudson of one of George’s earlier writings in which he came out against slavery.

The record is clear on this.

Furthermore, as Toby Lenihan noted above, the Democratic Party and newly formed Republican Party underwent radical changes during Reconstruction, and the Republicans had already started to adopt the pro-business policies that they continue to espouse today. George then, would have been left with little choice but to promote the interests of the working-man in the Democratic Party, or to form a party of his own...which he did, in New York, running twice for NYC Mayor in 1886 and 1897. There is not enough space here to delve into George’s mayoral campaign, but the reader is invited to decide for him/herself whether he supported the Establishment and Big Business, or the common man, perhaps by reading his acceptance speech for the first Mayoral run here:

[Throwing His Hat in the Ring: Henry George Runs for Mayor](http://historymatters.gmu.edu/d/5321/): <http://historymatters.gmu.edu/d/5321/>.

A free-ranging, even raucous, Q&A session followed the main presentation for about half an hour, much of which would be nearly impossible to summarize here. I even contributed to it myself, when the issue of Public Banking came up, since I am the New York Coordinator for the Public Banking Institute. Hudson added that Marx had expected banking to become a public utility as well. This is why China cannot have a banking collapse, despite high debt – it can simply be forgiv-

en.

During Q&A, Hudson stressed further the point that the current version of capitalism emphasizes profiting from debt, not production, and is actually responsible for de-industrializing America. Mazzone challenged the audience further to answer why someone who had wealth and power wouldn’t continue to operate along such lines, especially when any failures would be propped up with freshly printed money from the government (technically, this is freshly issued money from the Federal Reserve, created to pay for “toxic assets” of the banks, and George would have almost certainly been opposed to this, as he believed money creation was too important to be left to private banks). “Failure pays today in that kind of world,” Mazzone argued. He agreed with a questioner that austerity – also the thematic challenge in the title of the seminar – was a symptom of the current system. Added Mazzone, the arbitrageurs don’t care about America; they just move their money offshore and into protected accounts (the Tax Justice Network calculates this may be as high as \$32 trillion: http://www.taxjustice.net/cms/front_content.php?idcat=148). Hudson said this is a form of short-term looting via bonuses and high salaries and that the Federal Reserve gave “cash for crash” money to the TBTF banks.

Later, Hudson said that the Tea Party is pulling both parties to the Right, since the Democrats move to the Right in order to reclaim the vacant center the Republicans have now abandoned.

A questioner asked about the Trans-Pacific Partnership and how that would wreck economies (by driving labor and environmental laws to their lowest common denominator). Mazzone said, “It’s a (President) Clinton world.” I added that TPP negotiators have said they want to get rid of state institutions, including public banks.

Ending on a reconciliatory note, Hehner said that though reactionaries may have infiltrated the Georgist movement, they are in no way representative of the movement or of George’s views. Hehner, who was born and brought up in Germany, brought up the example of his own ancestors as pro-labor, and who believed in worker’s rights. George was first and foremost pro-labor and for taxing the surplus of the land, said Hehner. Whether you are a neo-Marxist or a neo-Georgist, Hehner said, taxing surplus, funny money, and the idle gain of people who get something for nothing, is something all the panel should agree on. Hudson smiled and conceded, “these guys are OK, it’s the Georgists I was talking about.”

It’s puzzling to hear Hudson denounce Henry George to the extent he did at the Left Forum. The fact is, Hudson has been the first to promote the Georgist ideal of collecting the economic rent, especially on Land, whenever applicable, even sharing the advice with the government of China – which is in the middle of an enormous land bubble and in desperate need of land value taxation (Fred Harrison (continued on pg. 13)

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has suggested this as well). Hudson regularly ranks George among those who "get" the concept of economic rent, along with other classical economists like Ricardo and Marx. Whatever his personal negative experiences with later-day followers, or with those who ran the Henry George School when he worked there, it is a shame that this has interfered with his otherwise sound scholarship. Hudson does have a point in that the Georgist economic philosophy does not fit neatly into Right or Left boxes. However, if one looks at the theories of Henry George, and drops any ideological bias before doing so, one can decide if they are valid or not – and that should be the only criteria for judging economic theories. As Cay Hehner taught me from my first classes at the Henry George School, it is best not to try to determine if Henry George was to the Right or to the Left, that will just make it much harder to understand his theories. Perhaps Hudson should heed this advice as well.

Beyond that, this author cannot speculate as to Hudson's motives.

After this article went to press on Opednews, I received an update from panalists Cay Hehner and Michael Hudson.

From Cay Hehner:

I didn't call for a "coalition of the right & the left", but for a coalition of all progressive forces. I've often said in class that I'd call for an across-the-board coalition, following George's rare magnanimity in political matters. You may have had that in mind when you wrote this sentence.

Truthfully speaking I do not care for the right or far right and am as uneasy with reactionaries as is Michael. In my political analysis the far right creates fascisms and totalitarianism, two pitfalls to be avoided at all times & costs. I can coalesce more easily with a neo-Keynesian or a liberal Marxist than I can with a neo-classical economist or a right-wing libertarian. Climate change deniers and Heartland institute people are off-limits for me as are, say, white supremacists. If you wanted to identify and classify my position you could say I'm a neo-Georgist, like Mazzzone, and a progressive libertarian, like George, philosophically speaking I'm a progressive Hegelian Platonic, and spiritually speaking I follow Sri Aurobindo. Anyway, that might be breaking the boundaries of your summary a tad.

When I was in college my first year I had a neo-Keynesian professor named Michael Bolle, brilliant man who had taught at Harvard, who urged us to always identify our own position, economic, social political, philosophic upfront before engaging in a free-for-all discussion. I believe till today that this is a sound piece of advice and if followed it would clarify discussions and obviate much misunderstanding.

The concept of "libertarianism" is radically different in different contexts, cultures, and settings. In French,

for instance, there is no such thing as "right-wing" libertarianism, if you designate some one or yourself 'libertaire', the word comes from *liberte* after all, that automatically denotes a progressive position and mind set. It also is connected to a very precise anti-authoritarian, emancipatory political and economic philosophy. Ct. Kropotkin would stand as one of the spiritual fathers of that movement, even the Great and incomparable Lev Tolstoy. It took me a while to realize that here on this side of the Pond "libertarian" can mean anything and everything not excluding the kitchen sink. For not just historic reasons but reasons of plain common sense and brotherly ethicality I am fundamentally ill at ease to be put in bed (ideologically speaking) with any kind of conservative or reactionary. Fox News, and its various reactionary offshoots & commentators are not viable news distributors, they are ideological machinists, slanderers, and character assassins. The Reagan-Bush era or the Thatcher/Kohl era overseas was an abomination in my eyes that did incalculable damage to national and world history. By contrast the Progressive Era of the beginning of last century carried (domestically) by TR and (internationally) by Woodrow Wilson as well as after the Harding/Coolidge/Hoover national bankruptcy by FDR's WPA went broadly speaking in the right direction and it carried the U.S. and humanity as a whole forward in leaps and bounds. As if you needed a physical proof the Harding/Hoover years led in the worst financial crash of the century, and so did the Reagan/Bush deregulation. The Italians foolishly voted in this speculator/monopolist Berlusconi only to have him preside over the worst financial debacle of this venerable country. I let you draw your own conclusions regarding politics in our town. Just because someone has the nimbus of being rich doesn't mean he or she will make you rich when you vote them into office. Likelihood is on the contrary that they will continue to pick your pockets as they have done all along.

Anyway an alliance with right-wing libertarians is not something I would recommend or stand for under any circumstances. Anybody who knows me or has taken five minutes of class time or discussion time w/ me would be in the clear on as much.

From Michael Hudson:

The problem with "Georgist scholarship" (an oxymoron, I realize) is that they only read George from the late 19th century, not the other contemporary literature of his time. The idea of ecology -- above all the return of urban waste (nightsoil, slaughterhouse refuse, etc.) -- was a fundamental tenet of American protectionism. On my website you will find my PhD dissertation on E. Peshine Smith, who emphasized this. Henry Carey picked it up and pointed out that under free trade and the specialization of labor, urban/rural balance of this sort was blocked. Protective tariffs were needed to balance the economy and its ecology.

I give a long history of this ecological argument in America's Protectionist Takeoff, and also in my Trade, Development and Foreign Debt. George often plagiarized Carey and others, removing their (continued on page 14)

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trade and tariff arguments. His argument for free trade rejected the very ecological concepts you are trying to give him credit for.

So when I said that George worked with former slaveholders whose attitudes he opposed, I was referring to the free trade South -- Solidly Democratic -- as opposed to the protectionist Republican North and West. My verbal presentation may not have made clear what I meant by the free-trade alliance with the Southern (mentality). But it's what my history books are about.

Regarding George's views on rent, I of course applaud his support of this basic classical concept. Unfortunately, despite his advocacy of taxing rent, George lacked a conceptual framework of price and value. So this prevented him from defining an idea of rent that could be measured in practice. This blind spot to classical economics is largely responsible for his followers for the past century-plus never measuring rent statistically, or even in theory.

In that respect, George's anti-intellectualism (an expression of his "not invented here" lack of formal education himself) has poisoned his followers, blocking them from being able to communicate with economists or other academics trained in classical doctrine. This is what made the Single Taxers and Georgists a cult, with its own vocabulary.

What George REALLY was railing against was absentee ownership. Veblen made this clear in his book of that title. Now that two-thirds of Americans own their own homes -- on credit -- should they be taxed fully on the land? Or as I -- and also Ed Dodson -- have suggested, should there be a "basic allotment" that is untaxed, in order to lower the cost of living?

I have suggested to Andy Mazzone that he join me in calling ourselves post-Veblen economists. I prefer this to my UMKC colleagues' post-Keynesianism. And inasmuch as Veblen wrote nearly half a century after Marx, it is preferable to post-Marxist, with all the baggage that moniker would entail. George's fatal failing -- and what cripples his attempt to create an overall economic theory out of his head in *Progress and Poverty* -- is his failure to understand money, credit, debt, interest and the financialization of economies. His theory of interest -- as Böhm-Bawerk calls it, a naive productivity theory -- is entirely non-monetary, and shows his lack of understanding Price Theory 101, or the relationship between cost of production, price and value. This makes his book best suitable for the wastebasket as far as modern readers are concerned.

His blind spot has crippled his followers into imagining that landlords end up with today's rent -- not the bankers as "Rent is for paying interest." So they miss the point that the major defenders of the real estate interests are the banks, who sit on the landlord's shoulders so to speak (or if you prefer, lurk in the landlord's intestines as a tapeworm to extract the nourishment). This is what I meant when I characterized George as pro-rentier.

Today's dominant rentiers are bankers and bondholders, that is, financial investors. That is why Occupy Wall Street focused on Wall Street.

By missing the target and not understanding the economy -- largely by leaning on P&P as a crutch, instead of reading classical economics or George's more effective contemporaries who analyzed rent (Patten, Veblen, etc.), Georgists have fallen off the right wing of the political spectrum.

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MAXIMIZE VALUE (from page 3)

in tax revenues would be minimized because Allegheny County taxes land and buildings at the same rate, while most of the assessed value of a typical property is on the building instead of the land. Overall tax revenues could be increased by obtaining more from the value of land and less from the value of buildings.

Prior to 2001, Pittsburgh benefited from a lower tax rate on the value of buildings than of land. Also helpful would be more frequent property reassessments. <<

LAND VALUE CAPTURE

Toronto Star, June 1, 2013

By Frank de Jong, Toronto, Ontario, Canada

New taxes on sales, gas and HOV lanes may be "fair and balanced" but they will be aggressively opposed and politically damaging to any government imposing them. A far more politically defensible way to finance Toronto transit is Land Value Capture. The Ontario and municipal governments should finance the new transit by collecting the rise in land value that the new projects produce - a process that makes transit self-financing, with no need for other taxes. Land values are "community created" - without the surrounding community land would have little value. When public infrastructure like transit, hospitals, schools, bridges are built, the quality of life rises and more people want to live there, so land values rise. The community - not the individual land owner - should receive the benefits of publicly-financed projects.

Without land value capture, the benefits of Toronto's new transit will accrue exclusively to private land owners who live near the infrastructure, but this wealth should rightfully be captured to pay for the projects. In fact, land value capture is not a tax, as it doesn't "tax" money that people actually earn, it simply returns to the community what the community creates by its collective hard work. <<