

SCRANTON UNIVERSITY'S 19TH ANNUAL HENRY GEORGE LECTURE

by Dr. William Batt, Albany, NY

On the evening of Thursday, October 7, 2004, Professor Frederic S. Mishkin delivered the 19th Annual Henry George Lecture to a capacity audience of students, faculty, and visitors at Scranton University. Dr. Mishkin is the Alfred Lerner Professor of Banking and Financial Institutions at the Graduate School of Business, Columbia University. His title was "The Wealth of Disadvantaged Nations: How Emerging Market Economies Can Manage Globalization to Get Rich." The lecture constituted a preview of a forthcoming book that will likely have that title, and will follow over ten other books that he has written on the subject of money and banking. The 7th edition of his textbook, *The Economics of Money, Banking and Financial Markets*, was issued this year and is the leading textbook on the subject. Mishkin proved to be a fluid and agile speaker, so adept at presenting his material that it was difficult to keep up with his presentation, even with powerpoint visuals and a later audio tape to help.

If one takes the view that the lecture series is intended to make leading economists more mindful of Henry George's contribution, the university has been generally successful. Moreover, the speaker selection committee, now headed by Economics and Finance Professor Hong Nguyen, has been markedly prescient: some five past invitees have later gone on to win the Nobel Prize in economics. Those were Robert Solow, Robert Lucas, Amartya Sen, George Akerlof, and Joseph Stiglitz. Other past speakers are just as well, if not better known: Alfred Kahn, Alan Blinder, Charles Schultze, Alice Rivlin, Paul Krugman, Gregory Mankiw, Robert Hall, and Jagdish Bhagwati. The beforehand dinner jokes often suggest, in fact, that the path to Sweden goes through Scranton. But no stipulation now exists that the subject matter must discuss Georgist ideas. So it was that Dr. Mishkin paid dutiful homage to Henry George at the beginning and end of his speech, but those of us representing the Schalkenbach Foundation -- Pat Aller, Bill Batt, and Heather Remoff -- were hard put to discern much understanding of Georgist thought in what he offered.

The presentation opened by the speaker's observation that George's concerns were about economic development, poverty, and free trade. He also noted that (unlike contemporary economists) George was a moral philosopher. But apart from evincing a concern about poverty, Dr. Mishkin's solution differed not greatly from his peers today. He would expand the economic pie and increase productivity such that more wealth might accrue to poor people and poor nations. "Trickle Down." He conceded that many colleagues have grown skeptical of the value of globalization, especially Stiglitz, who became especially disillusioned after serving as Chief Economist of the World Bank during the Clinton years. But for Mishkin it's a matter of "doing it right" as opposed to the blind and haphazard way many nations and policymakers have pursued in the recent past. There are two dimensions of globalization, he argued: open trade in both goods and financial capital. We

are now entering a third great wave of globalization: the first was from 1870 to 1914, the second followed World War II, and the third is the present accelerated era. Much of his forthcoming book will be case studies of how certain nations have pursued sound strategies -- Japan, China, India, Korea, Singapore, and Chile, and how other nations have taken a wrong turn -- Argentina and Mexico to take two instances. It is not to say that even the now successful examples have had a stellar record over the past century and more. Progress, he argued results largely from the development of internal practices in each nation, not due to intervention or aid from international agencies. His new book, he argues, will be an argument about how to do it right.

In this sense Dr. Mishkin can't fail but to become the darling apologist for the financial community, the IMF and the World Bank. He bestowed lavish praise on a widely-touted book by Peruvian economist Hernando DeSoto: *The Mystery of Capital*. In that book, DeSoto argues that it is the tenuous legitimacy of property rights in the global South nations that prevents the capital that exists from being leveraged for more development. (See my review of this book at <http://www.progress.org/2004/desorev.htm>) If only legal titles are made more secure, goes that thesis, these countries will be then able to bootstrap themselves into sustained and comfortable growth patterns; there is no need for aid from the global North financial institutions to ensure their success. Collateralized loans, whether from within or beyond a nation's borders, will be adequate -- if well designed -- to ensure that what capital exists is harnessed in the service of further capital. Prevailing practices of corrupt markets, underground economies, insecure legal titles, currency manipulation, the lack of transparency in financial institutions, and so on need to be ended, not by further aid. Rather, tough love for these nations is the best solution, and this is best administered by such organizations as the IMF, the World Bank, and other global instruments.

So in the final analysis, Dr. Mishkin wants more trade and financial intercourse, not less. Globalization will promote more efficient production, by fostering comparative advantage, by more intense competition, and by breaking up the complicity of elites that now prevent adequate performance within nations. He argues for the enhancement of private property rights, greater legal enforcement of contracts, more transparency, better corporate governance, and removing government from the credit markets. This will promote competition and increase liquidity of financial capital.

What were we Georgists to think? We had the opportunity following his presentation, to ask only one question. It fell to me, Bill Batt, to suggest that in the Georgist scheme of things, important as titles to real property may be, the value inherent in those titles was mostly the accretion of land rent, the birthright of the total community and not something (continued on page 10)

SCRANTON UNIVERSITY'S LECTURE

(cont'd from p. 2)

leveraged for the private advantage of particular interests. Were that rent collected for the benefit of all, economic performance would be improved and governments could eliminate revenue streams that are now dysfunctional to their systems. Dr. Mishkin either missed the point or elected not to address it. To him, land was capital. He is clearly no Georgist, nor is it evident that he really understands George.

Vye Kelly, whose husband Jack once sat on the Schalkenbach Board of Directors and who continues to live in Scranton, warmly received the delegation representing the foundation. It was a warm and hospitable exchange but there is no indication that the speaker went away any more sanguine. <<
