

DIRECTORS' PERSPECTIVES (CONT.)

RESTORATION OF A TWO-PARTY SYSTEM

BY: BILL BATT

The Republican Party as it was once constituted by certain principles and beliefs has ceased to exist. From the time of its founding by Lincoln in 1854, it had always stood for certain principles and beliefs, even when these changed.

The Republican Party was initially the Anti-Slavery and the Reconstruction party. With the election of Ulysses S. Grant, it then turned toward the support of Big Business. The Democrats in response turned to the support of farmers and of labor (which was, at the time, forming itself as a new constituency).

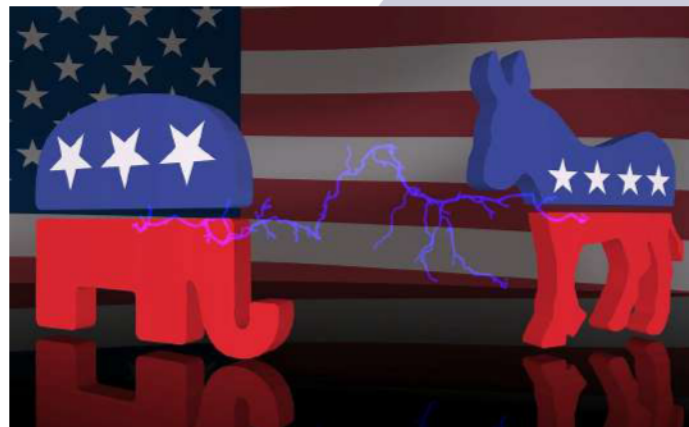
The Republican alliance with Big Business and the Democratic alliance with Labor would last until well after the end of World War II. The Republican shift to movement Conservatism during the Reagan Presidency caused the Democrats to respond by moving to the center of the political spectrum. Both Clinton and Obama represented a kind of moderate thinking that left the declining Labor movement further behind.

One result of this was that the Democrats and the Republicans no longer held strong ideologies. And this also subsequently produced an opening for the election of Trump, who is a demagogue of the first order.

If one looks at political party constituencies from the perspective of their economic conditions, then the history of these conditions offers a very different view. When this nation was first established in 1776, the two parties that would shortly emerge were a yeoman Democratic party best reflected by the thinking of Jefferson and a party of commercial interests best identified with the views of Hamilton. But in looking at economic theory, it was Adam Smith's 1776 *Wealth of Nations* that best reflected the prevailing paradigm because it identified three factors of production: land, labor and capital. Land and labor, according to Smith, were fundamental, but capital was derivative.

Why then, at the time of the Nation's founding, didn't the nascent party structure coalesce around land and labor as their two primary constituencies and thereby form the basis of national politics? The first question to ask, perhaps, is how sound the land vs. labor distinctions in politics really were.

One might then ask how widely understood was economic theory, and the land vs labor contrast, in public discourse. If economic thought, such as that of Adam Smith, could have framed the basis of political rivalry, our history might have unfolded very differently. This subject needs to be explored. (cont. page 10)



MEDICAL CARE FOR ALL

BY: FRED FOLDVARY

There are three fundamental human rights: 1) the right to do anything that does not coercively harm others; 2) the right to be free from coercive harm; 3) the right to an equal share of the benefits of natural resources. Since medical care is not a natural resource, and since the lack of medical care is not coercive harm, do we not also have a right to receive medical care?

Medical care is a necessity, but so are food and shelter. If medical care is a human right, are not food and shelter also human rights? If so, then who is obligated to provide for and fulfill these rights? If my neighbor is obligated to give me medication, and I am obligated to give my neighbor medication, would it not be simpler for each of us to provide oneself with medications?

The right to do anything that does not coercively harm others includes the right to engage in labor and to keep one's earnings. The monetary benefits of natural resources are measured by the amount of rent users are willing to pay to use these resources. In a just society, a person would be able to obtain income from labor and an equal share of resource rents. With no taxes on goods or trade, the question is, would one's income from labor and rent be sufficient to pay for the necessities of life, namely, food, medical care, and shelter? (cont. page 13)

TWO PARTY SYSTEM (CONT.)

The history of economic thought has been chronicled in numerous ways. But only recently has it been shown that a cabal of economists comprising the originators of the American Economics Association deliberately engineered a putsch of alternative thinking that would then alter subsequent economic discourse. It was Professor Mason Gaffney's 1994 book, *The Corruption of Economics*, that carefully chronicled how it was that the leading academics in the last decade of the 19th century changed economic definitions and formulas so that economics would then be transformed to favor powerful interests of the period.

The economic thought that today is known as classical economics would shortly be replaced by what we know as neoclassical economics. Classical economics, from the time of Adam Smith, through Thomas Malthus, David Ricardo, John Stuart Mill, and ultimately Henry George was all based on a three-factor framework: land, labor and capital. Henry George's book *Progress and Poverty* defined each of these clearly; they were mutually exclusive and jointly exhaustive of all factor value. George's definition of land was quite simple; it "does not simply mean the surface of the earth as distinguished from air and water--it includes all-natural materials, forces, and opportunities. It is the whole material universe outside of humans themselves." His definition of labor was equally clear: it included "all human exertion." And of course, "capital must exclude everything that may be included as land or labor." Put differently, capital constituted everything of productive value that is the product of land and labor.

The price of labor was measured in wages; the price of capital--meaning for the most part tools and other resources for productive use, was interest; and the yield measuring the use of land was called rent. It is telling that the word rent, despite its widespread use for centuries past, has essentially dropped from economic discourse, and that the word as used in today's vernacular carries a totally different meaning. The rent that flows from market uses of land sites is called ground rent, economic rent, or Ricardian rent. This is a different in meaning from the rent we pay for the use of a car, a house or any other tool.

To the banks and the railroads, the two most politically and economically powerful interests of the day, land and capital both constituted assets and could therefore be viewed together, and in contrast to labor. Moreover, by merging them in what would now be two-factor theory, their tax liability could be greatly reduced as well. Since the taxable value of land, with the most valuable places of course being

close by rail stations, was highest, it could be balanced against taxes on capital, most of which was rolling stock. This allowed for reducing, or zeroing out, tax burdens for which the railroad corporations were most liable.

The banks too, also among the most wealthy and powerful interests of the period, gained by the reduction of their tax burdens. Their clientele was heavily indebted to both land and capital interests, and by reducing the tax burden on this constituency, it was able to expand its ambitions across the westward continent. As time went on, and when the growing economy needed more revenues, what was left to be taxed? Ultimately taxes would move toward labor.

The history of taxation today is confused and pretty much lost to most people. Since two-factor economics has come to prevail almost universally, there is little appreciation of the merit there is in land taxation. Economists still widely accept the principle, just as Adam Smith first held, that "ground-rents and the ordinary rent of land are...the species of revenue which can best bear to have a peculiar tax imposed on them." But politically powerful interests, today relying on neo-classical economic teaching as well as general public ignorance, have managed to ensure that the preponderance of tax revenue rests on wage-labor and capital goods. Land and property taxes are generally the most hated of taxes.

So, what does this do for the configuration of our political party structure? First, it is evident that land parcels, as well as all the more recently identified resource rents that today are properly categorized as land, remain undertaxed or even untaxed. Another instance of this is the kind of property known as the electromagnetic spectrum. The same applies to all patents and copyrights that have a market price and are widely traded on the market. Still other properties are pollution sinks, airport landing slots, as well as minerals and fossil fuels. (cont. next page)



"A DIVISION OF THE
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~ John Adams

TWO PARTY SYSTEM (CONT.)

All these goods of nature have a market value but tend to be overlooked when tax policies are applied. Industries which rely on all these resources and properties have become the core that decides, if not dictates, political party structure. One might assume that the Republican party is therefore the greatest protector of these industries. But this doesn't necessarily obtain in view of the rapidly changed technocratic economy of today.

Nor is it clear that the Democratic Party today relies more heavily on the working electorate in the labor force. Because labor unions no longer have the political strength they once possessed, the Democrats are today a coalition of several factions: government workers, ethnic minorities, indigent populations, academics, and public interest groups like environmentalists. It also relies on elements of the technocracy for its strength, but this constituency is tenuous.

What is clearest above all is that today there is little logic to either political party's base. The configuration of each party's constituency rests most on its donor base, which means ideology now subordinated to special interests. Dr. Joseph Stiglitz calls the present U.S. structure a "rentier economy." If, however, it were to happen that the interests most protective of landed property and other resource rents were to become the basis of one political party, and labor producers reliant on wage labor were the basis of the other, our American political party competition, along with the discourse that accompanies it, might regain some grounding and some rationale. If this were to occur, it would likely occur after a more widespread and sounder understanding of how the primary factors of production are land and labor, and which, again as Adam Smith said, leaves capital as the derivative.

GEORGISM AS A TOOL (CONT.)

This is why Dr Martin Luther King, in his 1967 address 'Where Do We Go from Here', was so insistent on the elimination of poverty as a tool: "The poor, transformed into purchasers, will do a great deal on their own to alter housing decay. Negroes, who have a double disability, will have a greater effect on discrimination when they have the additional weapon of cash to use in their struggle."

It is no coincidence that Dr. King approvingly cites Henry George's work *Progress and Poverty* in that address. George was not primarily a racial reformer, and while his own views on race were ahead of most of his white contemporaries, they were still imperfect. Nonetheless, he set out a comprehensive economic vision for the elimination of poverty from society. Both George's understanding of the etiology of poverty and social problems, and his specific understanding of land and economic rent, are needed to help bring about greater material equality in the United States.

The first and perhaps most fundamental truth George laid out for 19th century Americans, and which still must be grasped today, is that poverty is not natural. He professed that it is indeed a symptom of profound injustice. In his essay, "The Crime of Poverty", George wrote: "the thing of things I should like to show you is that poverty is a crime. I do not mean that it is a crime to be poor. Murder is a crime; but it is not a crime to be murdered; and a man who is in poverty, I look upon, not as a criminal in himself, so much as the victim of a crime for which others, as well perhaps as himself, are responsible."

Too often the response to deep poverty in this country is 'yes, that is terrible, but that's the way of the world'.

When it is brought up that perhaps working conditions or wages are unfair, workers are simply told that 'scarcity' is the reason for their suffering – goods are simply scarce, and can't possibly be provided to everyone if those in need aren't working precisely according to the whims of their employer. Georgism takes a fundamentally different view – in a productive industrial society, the continued existence of poverty is an indictment of the economic structure.

George's works also deny that people in poverty are responsible for their own condition. Too often, the inequality and misery of Black people and other poor people in the U.S. is blamed on their own behavior – if only they committed fewer crimes, or didn't have children they couldn't afford, all would be well. George explodes both arguments. In the aforementioned essay, he plainly states that "Poverty is the mother of ignorance, the breeder of crime". In *Progress and Poverty*, he explicitly lists both the costs of crime and the costs of police as part of the unavoidable burden of "the present unjust and unequal distribution of wealth".

Moreover, in the same work he flatly and boldly denies the validity of Malthusian arguments for the source of poverty that had been accepted by previous generations of liberals, with unequivocal language: "I assert that in a state of equality the natural increase of population would constantly tend to make every individual richer instead of poorer."