

Capitalism? Don't take mainstream economics too seriously

Book review by Edward J. Dodson

An effective author writing on a subject of concern will first describe the nature of the problem, support this description with logic and examples, then offer solutions and an explanation of how the world might be improved by adopting their solutions.

Michael Horsman's new book achieves both objectives in a very readable style.

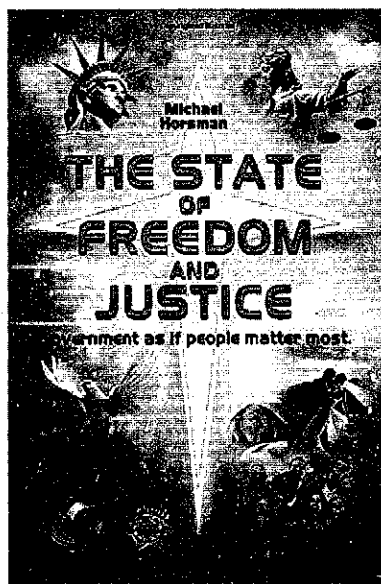
He begins by challenging readers to set aside any ideological bias they have toward changes in public policy. He sees such knee-jerk reactions based on traditional left-right positions as "worse than useless." He calls for "a new way of looking at politics." He asks readers to consider as a core principle an essential relationship between the person and the community, or society:

"True and successful individualism is always socially cooperative and responsible; ... To take care of those in need around you is actually long-sighted caring for yourself; one day you may be in need and the measure with which you have given is the measure with which you will be given." [pp.2-3]

The term that comes to mind is reciprocity, although the author chooses responsibility. What results, he concludes, is a state of cooperative individualism.

The book is his personal story of discovery, the answering of questions as they presented themselves to him. He begins with a study of the great thinkers of history on the creation of The State and the pivotal role played by taxation. He offers insights into how fundamental changes in the means by which societies raise revenue can change the course of history.

He explains that the economic and political system widely described as "capitalism" has delivered far less than what true capitalism offers. The collapse of state-socialism in Russia and Eastern Europe convinced leading figures and most citizens living in



*The State of Freedom and Justice:
Government as if People Matter Most* By
Michael Horsman Shepherd-Walwyn
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the social democracies that the capitalist system is superior, even with its history of periodic "booms and slumps." And so, Horsman joins a small but growing cadre of thoughtful observers who have accepted the challenge of explaining the cause and identifying the cure. He describes the challenge this way:

"Either we believe that the universe is built on reason and order, and that we are destined to master its systems, or we believe that it is built on chaos and random, and will forever be the domain of the insane." [p.8]

A study of the history of the movement for societal change initiated by Henry George finds passionate supporters among dedicated individualists as well as passionate cooperativists. Horsman explains why he counts himself among the former. The lesson of history is that the State is

inherently dangerous to our liberty. Its powers and its size must be kept to an absolute minimum.

Another important lesson involves the rise of modern economics as a discipline in service to the State and to private privilege. He warns readers against taking mainstream economics too seriously:

"Neo-classical economics (the current standard global model) has destroyed sense and reason by suggesting that there are only two factors of production, Labour and Capital, thereby blinding the world to the wholesale theft operation conducted by the political elite and their cronies, thus condemning the world to regular, deep and protracted periods of economic failure. By including Land within Capital they cunningly deflect the question of private ownership of natural resources." [p.20]

Hopefully, readers will stop to think deeply about what this brief passage really means. What has happened in the world from the establishment of the first civilizations is the redistribution of wealth from its producers to non-producers who managed to gain control over what nature provides to all for free. The

agent of this redistribution is, the author argues, "the State itself." And yet, we do need governance, as expressed cogently by James Madison in the Federalist Papers:

"If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions."

Even when an internal balance (of sort) is achieved, there is the ongoing risk of external groups seeking to acquire territory, natural resources, or a captured supply of labor and capital goods. To eliminate conflict, Horsman expresses hope in "the transcendent wisdom of faith that points to individual transformation as the cure for society." [p.30] One might reasonably wonder whether we have already run out of time, but that is an expression of defeatism the result of which moves us from probability to certainty.

The author's greatest source of hope rests on generating widespread support for Henry George's proposed shift from taxation to the economic rent of land as the source of public revenue. He takes the time to explain what this would accomplish and offers an implementation plan. Those with a deeper understanding of the subject could argue with some of his analysis, but this takes nothing from his overall presentation. Far more important is his forecast that "[t]he abolition of all taxes upon the active components of the economy, Labour and Capital, will I believe be a transformation akin to the abolition of slavery." [p.56]

This transformation also involves the sustainability of human exploitation of the planet. Where we work and live, how we work and how we use land and natural resources are markedly changed by moving to "the Single Tax solution." One challenge he has not considered is that of revenue sharing between levels of government. Which level of government is best to collect the rent of land, and by what mechanism is this revenue to be shared based on services provided by other levels of government?

The third and final section of the book offers assurance to readers who have a difficult time accepting that life would be better, even much better, without all of the departments, bureaus, authorities and programs today administered by government. For good measure, the author might have suggested readers find a copy of Henry George's masterwork, *Progress and Poverty*, and at least read the chapter (near the end of the book) titled "The Law of Human Progress." I was somewhat disappointed reaching the end of Horsman's provocative and penetrating journey not to find something similar. However, he shares one important belief with that of Henry George:

"In the end ... the truth will win out and Justice will triumph."

Henry George wrongly thought the momentum was sufficiently strong that Justice would soon be achieved. Michael Horsman has added his name to the list of those who have done what they could to keep the torch of liberty from falling to the ground, its embers growing cold.
