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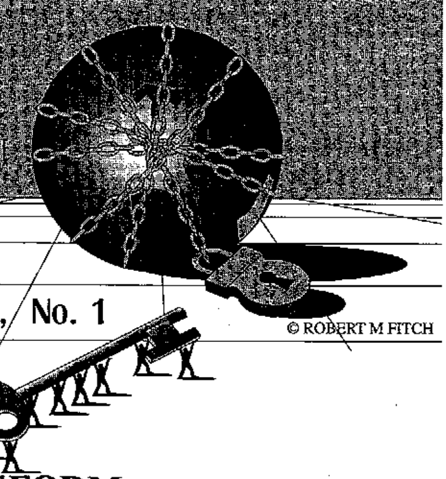

HENRY GEORGE AND MONETARY REFORM

by Stephen A. Zarlenga, Valatie, NY

[The following presentation was made August 24, 2002 at the Council of Georgist Organizations conference in London, Ontario, Canada. Stephen Zarlenga is the Director of the American Monetary Institute, established in 1996, and has published 20 books on money and banking. In 12 years of research, he drew on over 800 monetary books for materials for data for his newly published book, "The Lost Science of Money" (see separate column in this GroundSwell issue.)]

Reading "Progress and Poverty" I found strong indications that Henry George, at age 40, held an advanced view of money. One line stood out:

"The laborer who receives his wages in money (coined or printed it may be) really receives in return for the addition his labour has made to the general stock of wealth, a draft on that general stock, which he may utilize... and that neither the money, which is but the draft, nor the particular form of wealth which he uses it to call for, represents advances of capital for his maintenance..." (P&P, 29)

This distinguishing between wealth and money is usually the first key step on the road to monetary awareness. It's not an obvious step. It requires abandoning a more comfortable view of money as a tangible physical thing and adopting a view of money as an abstract social power embedded in law. For example, those insisting on gold backing for "money" have not yet taken this step.

Why is this so important? Because all that is necessary to plutocratically undermine and eventually destroy society is for the monetary power to be in private hands; and the mechanism used to place that power into private hands has been to misdefine the nature of money.

George identifies the modern source of this problem:

"That this universal truth is so often obscured, is largely due to that fruitful source of economic obscurity, the confounding of wealth with money... since Dr. Adam Smith made the egg stand on its head..." (P&P, 62)

The regression to metallism in the 19th and 20th centuries is traceable back to Adam Smith's monetary errors. The Greenbackers of the mid-1800s, including Henry George, overcame this. But "hard money" advocates have regressed back to Adam Smith's primitive notions.

Research graciously funded by Schalkenbach more than confirmed George's high monetary awareness especially in his book "Social Problems". Compared to Adam Smith, Karl Marx, Von Mises, and Keynes, George was a highly accurate writer on money.

What led to that? - George's methodology and orientation!

George used logic and deduction in what he called "mental experiments":

"There is at our command a method... what may be called mental experiments. You may separate, combine or eliminate conditions in your own imagination, and test in this way the working of known principles."

But the problem with that method is that the tiniest error gets magnified, the further one gets from the initial definitions and assumptions. Like firing a long-range rifle - the smallest deviation at the rifle sight gets magnified the further the bullet goes.

George usually controlled this problem through a healthy respect for the facts: "Bring it to a test of the Facts," he wrote, and "To the supreme and final test of facts we can easily bring this theory." (P&P, 140)

The phrase "supreme and final test" is very telling. If the facts contradict theory, the theory falls.

George's outlook was humanistic, and seeking justice. He saw Mankind on a path of Progress and he used two core principles to evaluate that path: equal rights and self-determination. Yet Progress is his great value, defined this way:

"Association in equality is the law of progress. Association frees mental power for expenditure in improvement..." "The law of human progress, what is it but the moral law?" (P&P, 508, 526)

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