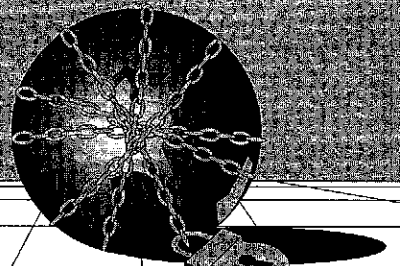


# GROUND SWELL

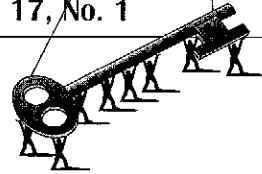
A BI-MONTHLY PUBLICATION OF  
COMMON GROUND USA



January-February 2004/\$3.00

Volume 17, No. 1

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## HAS GEORGISM BEEN HIJACKED BY SPECIAL INTERESTS?

by Dr. Michael Hudson, New York, NY

[The following speech was presented by Dr. Hudson July 19, 2003 in Bridgeport, CT at the annual conference of the Council of Georgist Organizations, in a session, "Missed Opportunities, Great Economics but Terrible Politics."]

Ideas have consequences. There is a tendency to infer that the largest and best ideas have the greatest consequences. But this assumption is not borne out by history, and the reasons should be fairly obvious once one thinks about it.

For one thing, ideas don't exist in a vacuum. They are put forth in the context of a world composed of vested interests. Each interest, and even each pre-existing idea, has a specific gravity of its own. This gravitational pull affects the trajectory of new ideas introduced into the system.

The biggest ideas are those that affect the vested interests most strongly. For this very reason the vested interests either pull these big new ideas into their own sphere, or seek to repel them much as a lion would repel a powerful rogue outsider from coming into the pride.

Matters are further complicated by the fact that ideas are themselves immaterial. They must be introduced into the world on a vehicle, and this vehicle in the first instance is a person, in the second instance an institutional context - a context composed of newspapers and journals, books and their reviews, universities and their status systems, lobbying institutions and the politicians they influence, and finally lawyers and policy makers or even religious leaders and their doctrines in the case of the highest and most powerful ideas.

Each of these vehicles, from individuals to institutional structures, comes with a more or less idiosyncratic and often accidental set of characteristics that influence the ideas much as a clarinet or other musical instrument introduces overtones into the notes being played.

Nowhere are these worldly and material dimensions to the history of ideas more clearly expressed than in theories of land rent and other forms of economic rent. One hardly would expect matters to be otherwise in view of the fact that rent has been the major economic phenomenon throughout history. It has been the major path to wealth, and once obtained it has been the major way of maintaining wealth and social status. In this respect the economy and even

society is all about rent - and its associated land pricing and land tenure, as well as the value of mineral rights, monopoly rights and other rent-yielding resources.

A great economist said these things. And we all know his name: Thorstein Veblen.

Ideas about rent and its taxation are ideas about how society should organize and dispose of its economic surplus. Because these ideas are political, one would expect all the forms of individualism and idiosyncrasy that have been found with reformers throughout history.

From the Ricardians came the criticism of rent from the vantage point of bankers and industrialists seeking to channel rent revenue into capital formation, and using it as the tax base so that profits would not be taxed, or the spending and income of workers whose expenses would be added to the minimum wage cost of industrial employers. From the Socialists came the criticism that rent was unearned, and that land was simply one of those pressure points where owners could act as economic toll-takers and demand a rental fee for access to what was a precondition to production - land sites - but did not in itself entail outlays to produce and hence did not add value. 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.

The explanation is to be found in the positioning of rent theory within its holders' overall view of society - how society functioned and how it ideally should function. In this respect the social destiny of the idea of land rent became a function not so much of the theory of rent itself as of broader theories of overall society. This broad context shaped the sonorities and (continued on page 2)