

PACE UNIVERSITY LEFT FORUM PANEL

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of Missouri, Kansas City's economics department, has called this a criminogenic environment, leading to fulfillment of Gresham's law – in which bad money forces out good money. His colleague at the University of Missouri Kansas City, Steve Keen, has recently published a paper showing that the stock market rise since 1982 is almost entirely due to margin expansion, i.e. "bad" credit for traders: <http://www.paecon.net/PAERreview/issue64/Keen64.pdf>). With that sobering ending, Mazzone introduced Michael Hudson.

Hudson started by saying the "whole point of classical economics was to free society from feudalism" and it could, and has, been argued that we are currently going back to feudalism. Hudson further supported this view in a post-panel paper in the Real World Economics Review here: <http://www.paecon.net/PAERreview/issue64/Hudson64.pdf>. He writes:

This is a different kind of inflation than one finds from strictly financial bubbles. It is creating a new neo-feudal rentier class eager to buy roads to turn into toll roads, to buy parking-meter rights (as in Chicago's notorious deal), to buy prisons, schools and other basic infrastructure. The aim is to build financial charges and tollbooth rents into the prices charged for access to these essential, hitherto public services. Prices are rising not because costs and wages are rising, but because of monopoly rents and other rent-extraction activities.

During his presentation, Hudson went on to say that the rise of capitalism then, prior to Marx, was an attempt to garner the surplus for capitalists, at the expense of labor. There was no thought to raising the standard of living of labor, but just to how to get more of the surplus. The taking of the surplus, however, has fallen to a new and more dangerous class: the rentiers. As an example, Hudson pointed out that buildings "pretend" to lose their value over and over again, thereby garnering profits for their owners, who re-expense these "losses" each cycle. This has led to the Real Estate sector not paying any income tax since 1945, because it supposedly doesn't make any money, though that has not prevented developers from somehow becoming among the richest people on the planet. They keep on building! Thanks to Alan Greenspan and other "smart guys" said Hudson, the tax burden, meanwhile, is shifted off of capital and onto labor. We are, says Hudson, going back to primitive accumulation, and for the working person, back towards austerity.

Here (almost 19 minutes into the session), Hudson went on a bit of a rant, slipping in things like calling Henry George "self-educated anti-intellectual negative marketist", a "racist journalist" who sided with racist southern Democrats against the Chinese, and of being a right-wing libertarian – though he did finally redeem George because of his espousal of the land value tax. (To paraphrase: "Yes, he was a serial killer, but on the other hand, he was a great lover of the arts"). This sort of speech was guaranteed to raise the ire of some of the Leftists at the Left Forum, and of several Henry George fans, including those from Common Ground-NYC, who vocally interrupted. They came to me (as event organizer) both immedi-

ately after the session, and later through heated but informative phone and email discussions. I present some of these rebuttals to Hudson's characterization of George below, as well as my own. These sorts of incendiary charges should not even need refuting by anyone who has read *Progress & Poverty* (1879), as Cay Hehner also pointed out, but which Hudson called "one of the worst books I ever read," but I will do so anyway.

In *Progress and Poverty*, Book X, Chapter 2, George wrote:

A gentleman who had taught a colored school once told me that he thought the colored children, up to the age of ten or twelve, were really brighter and learned more readily than white children, but that after that age they seemed to get dull and careless. He thought this proof of innate race inferiority, and so did I at the time. But I afterward heard a highly intelligent Negro gentleman (Bishop Hillery) incidentally make a remark which to my mind seems a sufficient explanation. He said: "Our children, when they are young, are fully as bright as white children, and learn as readily. But as soon as they get old enough to appreciate their status—to realize that they are looked upon as belonging to an inferior race, and can never hope to be anything more than cooks, waiters, or something of that sort, they lose their ambition and cease to keep up."

So, George, who spent the first formative 1/3 of his too-short 57-year life in a country that had chattel slavery, evolved his views enough to believe that the supposed inferiority of the "colored" races was due to educational disadvantage and to low societal expectations rather than to innate differences. George himself admits to having changed his mind radically about this over time. This is really quite extraordinary and in a short paragraph speaks volumes of George's ability to out-think even his own deep-set prejudices (in contrast, Thomas Jefferson, scientist and espouser of human liberty, was a lifelong slave-owner). We could all, including Hudson, learn something from this ability to transcend one's past beliefs.

George is also often accused of having a prejudice against the Chinese immigrant worker. But this too, bears further scrutiny. Even if there is a smidgeon of truth from George's early days when he saw the danger of cheap foreign labor displacing American workers, and before his land epiphany, as CGNYC member and seminar attendee Toby Lenihan wrote me afterwards:

The only shred of truth (in any of what Michael Hudson said) was that H.G. complained about the Chinese bringing down wages because they worked for such low wages (which in this landlord system when there's no free land to be had, does bring it down). There was a lot of anti-Chinese feeling out west because of that. Henry George didn't start it, by any means. About the blacks, Henry George always wrote well and he was virulently anti-slavery

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