

PACE UNIVERSITY LEFT FORUM PANEL (from pg. 8)

wealthy's lobbyists chipped away at the tax system and...tax shifted to lower wealth brackets (particularly labor). In 1913, the original income tax taxed capital gains." So, Hudson admits that George's first followers, however misguided ultimately, were trying to get back the value of Land through income taxation.

Hudson's attack on George was not new with the Left Forum presentation, though he has more cogently articulated it previously. See "Has Georgism been Hijacked by Special Interests?" - http://www.cooperativeindividualism.org/hudson-michael_has-georgism-been-hijacked-by-special-interests-2003.html (A presentation delivered to the Council of Georgist Organizations conference, Bridgeport, Connecticut, Saturday, 19 July 2003). But, according to Hudson at the time:

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.

George may not have been the most politically astute reformer, though in his defense he only had 18 scant years between the not-quite-overnight success of Progress and Poverty and his death in 1897 to learn, but we must also distinguish between what George thought and what some of his later followers believed. Still, and fittingly, Hudson's assertion from this article stands out:

Henry George was remarkably perceptive about the danger of Marxian socialism leading to dictatorships of the bureaucracy. For some reason, Hudson did not see fit to mention that insight of George's to this often pro-Marxist crowd. Hudson continues in his article:

And the Socialists for their part were short-sighted in not seeing that the only kind of socialism that would work was one that retained market reference points. Every successful economy in history has been a mixed economy, in which the private and public sectors relate to each other through a system of mutual checks and balances. This is how Sumer and Babylonia were organized, and industrial Britain at its takeoff, and America in its rise to industrial power after its Civil War.

But today, both sides have polarized between the one-sided anti-government politics of libertarianism and the shreds of post-Stalinist socialist theory. What has been missed is the fact that government does have a legitimate role in collecting economic rent - unearned income created by and rightly belonging to the community, as Henry George advocated - and in using this revenue as the basis for public finance of public

services and inherently rent-generating infrastructure and other public enterprise...I think the failure of Georgism is attributable to the fact that it pulls its punches so seriously as to cripple its basic message - the message of economic justice that made Progress and Poverty so successful as a vehicle to advocate the taxing of land rent.

This is not a criticism of George's prescription, but of the failure of people to exercise it. In other words, there is not too much Georgism, according to Hudson, there is too little. This makes Hudson a staunch advocate of George, more so than perhaps even many other practicing Georgists.

Michael Hudson's recent essay, *Incorporating the Rentier Sectors into a Financial Model*, published by the World Economic Review, and extracted from his book, "The Bubble and Beyond," is also supportive of Georgism :

Extending credit to purchase assets already in place bids up their price. Prospective homebuyers need to take on larger mortgages to obtain a home. The effect is to turn property rents into a flow of mortgage interest. These payments divert the revenue of consumers and businesses from being spent on consumption or new capital investment. The effect is deflationary for the economy's product markets, and hence consumer prices and employment, and therefore wages. This is why we had a long period of low cpi inflation but skyrocketing asset price inflation. The two trends are linked.

Henry George helped establish the principle that land rent was the major form of economic surplus in any economy - and to make matters worse, it was unearned. The private appropriation of rent diverted this surplus income from being invested in capital formation to increase the productive powers of labor, and hence the flow of output that was supposed to increase living standards over time. Progress was subverted to an impoverishing dynamic.

With this conclusion, the present author agrees. The few successful Georgist implementations we have are two-rate systems that primarily benefit the developer sector, and secondarily the cities, but not necessarily all the city's citizens, and never to the degree that George prophesized or advocated. Hudson bottom-lines the power of George's solution: "It is true that overall functions could un-tax labor and capital and make up the difference with a land tax. This is what George said, and it is what I believe and support."

In a similar discussion, Professor Mason Gaffney said that Georgists should abandon the notion that a Land Value Tax (LVT) will lower land prices because in the few instances where it has been applied it has actually raised them. However, as Hudson pointed out (continued on page 10)