SMART TALK TV INTERVIEW ON ECONOMICS

By Scott Baker, New York, NY

(The following is an edited transcript of an interview of Scott Baker, president of the metro NYC chapter of Common Ground -USA by Andrew Mazzone, president of the New York Henry George School of Social Science board of trustees (http://henrygeorgeschool.org) on December 5, 2014. Also see http://www.opednews.com/Diary/Smart-Talk-Interview-on-Ec-by-ScottBaker-economics_Economists_Henry-George_Land-Value-Tax-141205-682.html)

ANDRE MAZZONE, Interviewer: So, Scott, I wanted to explain to the viewers what a modern-day Georgist thinks and how you look at the economy, some of the problems you think are worth really dealing with in 'depth', and we'll take it from there. We'll just continue based off your generalized introduction of Georgism, and then we'll go from there. So, why don't you start with why you're a Georgist, and what George would do today if he were around.

SCOTT BAKER: Well, I was looking around, like a lot of people, for what the cause of poverty and massive inequality is, because of course, like in George's day, I realized that there's a wide gap even though there's been so much progress. And Henry George realized this long ago in the 19th century, that even though you have tremendous technological progress, there's still a tremendous disparity in wealth, and there's so many people at the bottom at even below subsistence level. So I've been thinking about this. What would Henry George do today if he was somehow brought back? At the moment of his death he was put into stasis and then he was somehow brought back, having lived his life in the 19th century, and he looked around and he saw all of these taller buildings and these great new technological wonders, and airplanes overhead, once he got over all of that, what would he think of the world? Well, I think he would see pretty quickly, because he was a curious guy, that really things have not changed that much, and in fact there's more mechanisms, if you will, for promoting inequality, for keeping unequal and for keeping poverty going as a policy basically. And so basically you've got a situation where people who are in possession of land—and by land I mean all of natural resources, including locating—are able to monopolize that, and they're able to extract the rent out of everybody else for the use of that land. Because as Henry George realized, most eloquently, anybody who controls the land, who owns the land, can basically extract whatever he wants, because none of us can live without land. It's indispensable to the human condition.

AM: Well, let me just interject right there. I mean, I'm an IBM factor, and I'm occupying land upstate, and all of a sudden I decide to move to China. So, they're not holding a monopoly position in that sense. So how would you explain Henry George in a world of free trade, mobility, and factors of production and so on? I'm being the devil's advocate here.

SB: Well, a couple of things come up. First of all, you have a transportation cost, and the transportation is actually over land. The ocean is land, the ports are land, roads are land, getting from the port back to the markets that you want to serve. Now if we don't charge, if we don't collect the rent—I shouldn't say charge—if we don't take the market price of that land and, and collect it back into the local governments, then in effect we're subsidizing these international companies. So, as I wrote in one of my articles, we have all kinds of subsidies for these huge conglomerate, industrial companies that really have no national base. They're really worldwide, so that we actually are encouraging them to go overseas, to produce overseas, and we're not collecting the rent when they come back.

AM: Well, that's the point. I mean, they build up here, they use the infrastructure, the educational facilities, all of that, the freedom, the rule of law that makes it stable here. They use all that and then they can simply uplift, run to an area that environmentally isn't the best, where the labor has no protection, and they can reap a surplus for the time being until that catches up with them there. So the simple thing would be to say, "They're taking part of the land [commons] from here, over there. We tax them with the produce when it comes back here, and in effect that would eliminate that kind of problem." Or China would do the same thing. China would tax its land rents, and then essentially you'd have a quid pro quo. Now, Henry George actually believed that there wasn't that much difference between people and nations around the world. So this IBM runaway problem would not have been paramount in his mind. Your comments on that.

SB: Yeah, well he was coming from a point of view where basically people have opportunity, and if they have equal opportunity, basically they're all going to even out on a national scale. Of course individuals vary, but on a national scale they'll all even out. So he would realize right away that the Chinese are just as smart and clever and hardworking as the Americans. They can produce whatever we can produce, but the real difference is the natural advantages. We're having a condition in America that we don't have in China, and unless we put some kind of a fee (continued on page 4)
The collapse of the U.S. financial and property markets in 2008 has demonstrated again the need to restructure the laws and regulations affecting the nation's financial institutions and systems. The proposals advanced and debated are neither new nor especially innovative. Over the last century, critics of the way money is created and introduced into the economy were always trying to find a receptive audience. The reason is rather easy to understand. Throughout the entire twentieth century and longer the periods of low unemployment, low inflation and rising real incomes have been relatively few. The full employment society has proven to be an elusive objective regardless of which political philosophy - individualism, collectivism or liberalism - guided the laws, policies and regulations under which we live.

A good deal of insight into the problems caused by the conventional rules of the economic game is found in two books written by historian Frederick Lewis Allen, both of which were published during the 1930s. Allen reminds readers that involvement in the First World War resulted in the emergence of a very different sort of America from the nation that had been struggling to put the legacy of the Civil War behind. The nation experienced a dramatic shift in population from rural villages to urban cities. And, in economic activity this shift was from agriculture and resource extraction to heavy industry and what is referred to as the "FIRE" sector (finance, insurance and real estate).

Allen begins his description with the America of 1919, a nation plagued with conflicting class interests, racial and ethnic divisiveness and an uncertain role internationally. Bolshevism threatened to radicalize the Labor movement, the leaders of which sought to cement the gains achieved during the First World War. Across the Atlantic, British and French leaders sought vengeance against Germany. "They wanted," writes Allen, "to bring home the spoils of war."

(1931, p.21) Woodrow Wilson's hope for a new world order based on democratic principles, equality of opportunity and peaceful cooperation received lip service but nothing more. And, at home, Wilson had made many political enemies as his administration employed harsh measures to quiet dissent. Wilson had no choice but to support the terms of the Versailles Treaty, but many of its terms were unacceptable to Americans. The Republican party leader, Senator Henry Cabot Lodge, went on the attack:

"We would not have our politics distracted and embittered by the dissensions of other lands. We would not have our country's vigor exhausted, or her moral force abated, by everlasting meddling and meddling in every quarrel, great and small, which afflicts the world." (1931, p.28)

What neither Wilson nor Lodge grasped was that the America they talked about never really existed. An increasing number of the nation's people were hyphenated Americans, people very different in cultural norms and values from the White, Anglo-Saxon, Protestants who had for generations dominated the political agenda. The nation had now entered a new era characterized by mounting insecurities. Moreover, as described by Allen, long-standing societal norms were being undermined:

"A whole generation had been infected by the eat-drink-and-be-merry-for-tomorrow-we-die spirit which accompanied the departure of the soldiers to the training camps and the fighting front. There had been an epidemic not only of abrupt war marriages, but of less conventional liaisons. . . . It was impossible for this generation to return unchanged when the ordeal was over." (1931, pp.81-82)

Many of these men were themselves recent immigrants or the sons of immigrants. Their military service brought them together in a way that would have been extremely unlikely as civilians living in towns or city neighborhoods where ethnic diversity was slow to develop. The war hastened the pace of assimilation, with all that this involved.

As the 1920s arrived with Warren G. Harding as the nation's President, the American System began to return to business as usual; or, rather, as had been conducted before pre-war Progressives, reform-minded civic leaders and muckraking journalists had joined forces to try to balance the scales of justice away from entrenched privilege. The 1920s turned into a decade of big winners and even bigger losers, but few analysts realized that the stage had been set for this zero sum outcome decades earlier. One of the most significant decisions taken by the U.S. Supreme Court occurred in 1888, when the Court confirmed, in Pembina Consolidated Silver Mining Co. v. Pennsylvania, that private corporations are "merely associations of individuals united for a special purpose." (125 U.S. 181) The implications of this ruling have had a powerful influence on how the laws of the nation have been written and enforced.

During the early part of the twentieth century, while questions of governance were being debated by activists with very differing perspectives, the majority of people were simply trying to adjust to a new manner of living. The mass production and consumption of passenger automobiles was changing the very definition of distance, from that of miles to length of time. Between 1919 and 1929 the number of automobiles on the roads increased nearly four-fold, to over 23 million. A population that had been settling down was once again on the move:

"Villages which had once prospered because they were 'on the railroad' languished with economic anemia; villages on [new roadways] bloomed with garages, filling stations, hot-dog stands, chicken-dinner restaurants, tearooms, tourists' rests, camping sites, and affluence. The interurban trolley perished, or survived only as a pathetic anachronism. Railroad after railroad gave up its branch lines, or saw its revenues slowly dwindling under the competition of mammoth interurban buses and trucks snorting along six-lane concrete highways." (1931, p.141)

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PROPERTY TAXES SHOULD FUND GOVERNMENT
Pittsburgh Post-Gazette, Dec. 11, 2014
by Herbert Barry III, Oakland (Pittsburgh, PA)

The Dec. 7 Forum article "Taxing Natural Gas" by University of Pittsburgh professor Jeremy Weber correctly advocates more tax revenue for local governments and school districts. I believe that real estate should be the principal revenue source for all levels of government.
The governed territory is the foremost asset and responsibility for all government levels. Most of the government revenues, therefore, should be from real estate. Taxation of income detracts from the desirable behavior of earning money. Taxation of sales detracts severely from people with low income by increasing the cost of their purchases.

Real estate taxes are obtained from property owners who can afford their residence or commercial building. Many of the owners are very wealthy and select the most desirable and therefore most expensive locations. Extractable natural gas and other valuable resources increase the value of the property, thereby increasing its sale price and tax revenue.

Real estate assessments should be updated often. The assessed value should be greatly influenced by the recent sale price of the same property or nearby locations. Everybody benefits when more government revenue from real estate enables less taxation of income and sales. <<

FINANCING ONTARIO PENSIONS
(Re: Liberals tabling legislation to create Ontario pension,
Dec. 8, 2014)
By Frank de Jong, Toronto, Ontario, Canada

In the absence of an adequate Canada-wide pension plan, I applaud the Ontario Liberal government for stepping into the breech. However, if it is to be financed by adding dead-weight taxes to incomes and businesses, the plan will kill jobs and damage the province’s economy.

It should be funded by collecting some of the rental value of land and resources, and correspondingly be named a “Seniors Dividend” out of respect for the people who worked their whole lives building Ontario.

Economists will tell you it is always better to collect economic rent — the “unearned income” that accrues to desirable assets like land and resources — than it is to tax hard-earned salaries. <<
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on that when we import the goods from China to compensate
and maybe actually to encourage them to meet our standards
then we're actually penalizing our own workers.

AM: Now of course the interesting question is, why
wouldn't we have done that? And that's probably another topic.
If I'm an investment banker from New York, that's the last
thing I want. I mean, this is because I'm getting a nice little
premium, running back and forth, and pushing labor all around
the world down, and I reap that premium. I'm good; I'm good
with that, as an investment banker.

SB: Well, you're good with that, and the politi-
cians who you finance are good with that, and this is where
the circle is. You know, this is the vicious circle, where politicians
are getting their money from the people, the companies that are
going overseas, who are making profits overseas. They plow a
little bit back to our politicians here to keep that game going
and to keep those laws in place that let them get a free ride,
basically. So now this comes to another part of our discussion,
perhaps, which involves public campaign financing, but not in
the sense that people usually think, but in the sense that money
itself is another monopoly.

AM: Why don't you explain how we, as up-to-date
Georgists, would look at money as a very powerful monopoly
class.

SB: What we say, and as a matter of fact what
Henry George said, himself, is that money is too important to
be left exclusively to the banks to create. Now we can have a
little argument about the percentage of private creation versus
public creation by the government. But, but clearly in George's
time they had something called the Lincoln greenback, which
was public money. It was money that was created during the
Civil War, first created in three series during the Legal Tender
Acts in 1862 through 1863, and it constituted 40% of the feder-
al budget, and that's during the war. Actually the banks wanted
24% to 36% interest. So this kind of money, which was United
States notes, continued.

AM: Why don't you explain? Because I think most
of the American people would not understand or be cognizant
of this difference. Explain the difference between the two
sources of money. I think this is a key point.

SB: Well, basically what most of our money, 97%,
is issued by commercial banks privately. And, so when they
make loans, they create money in the process of making loans.
Now, in a sense, the government is actually indebted to these
banks and other institutions as well, because Treasury issues
treasuries, and in exchange for that gets dollars, or at least elec-
tronic notations of dollars in the computer. So, in order to get
more money that we don't raise in taxes into the government
accounts, the government has to issue treasuries, which are
bought by the central bank and by others. Actually our central
bank only owns 18% of the treasuries. So it's mostly foreign
buyers and institutional buyers that buy up treasuries, and that
in turn keeps our money supply going, but it does it at a cost.
You know, there's an interest cost. So we have to pay the inter-
est. I mean, we, the American people, have to pay the interest
to these buyers, these institutional buyers of our dollars. So
that, first of all, there's a permanent drain on our Treasury
going to foreign countries such as China, which we just talked
about, which is the second largest holder of these treasuries,
Japan being the first. And that allows them to get an interest
stream which is several billion dollars a year. And so there-
fore they don't have to raise that money themselves, which
means that they don't have to tax their own citizenry. So, in
effect, our treasuries are subsidizing their low taxation, and
therefore their low prices on their goods. But the worst part of
it is actually it weakens our—it weakens their currency with
respect to ours. So that, in other words, if they buy a lot of
dollars, then dollars become in shorter supply over here, so
each dollar becomes more precious. And it takes—they put
the yuan in, which means that they have to produce more yu-
an, so they have more yuan coming over here. So it weakens
their currency and it strengthens ours when they buy treasur-
ies.

AM: It makes the exports cheaper, and of course
it makes it harder for us to compete on a fair basis. But also,
when we create money that way, there's no guarantee that that
money will be directed into infrastructure or useful projects.
That money could be directed overseas very easily, and as the
current situation demonstrates, the quantitative easing, where
that money has basically stayed with the banks, because they
say there's no investment opportunity in America. And it
ends up in the securities markets, trading back and forth, mak-
ing an enormous amount of commissions for the bankers and
the hedge funds connected with that, and essentially the re-
main American industry and public basically suffered
greatly because of that. Now, the greenbacks would have a
different effect. If I recall correctly, Lincoln financed the
Civil War by direct issuance of currency.

SB: That's right.

AM: So he bought all his military supplies, and
not only that, he supplied currency to industry. Because at
the end of the Civil War, the United States had three times the
industry that it had at the start. It financed a massive military
campaign for four years, and when the Civil War was over,
the United States exploded into becoming the most dominant
in the world 20 years later. So, bringing back, you know, a
direct issuance, correctly, and especially in the national inter-
est, has tremendous power. We've lost that today. Any com-
ments?

SB: I would only add to that Lincoln was actually
an infrastructure builder. He helped the railroads connect
across country at the same time the Civil War was running.
People tend to forget that because the war was going on. But
he was like FDR. He was doing massive infrastructure pro-
jects, and so this was money directly put into the economy, in
the real economy.

AM: Plus he subsidized all the robber barons
building the railroads. So, I mean, that's the negative. So
you'd have to say—

SB: That's true. (continued on page 5)
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AM: It became a real pot-boiler in terms of grabbing concessions. I guess you would have argued that it was worth the price to industrialize with the freebooters, but he didn't re-capture that money that was created.

SB: This was the issue. He didn't capture the money, or rather the localities, perhaps, didn't capture the land value tax, which is, of course, what Henry George is mainly known for. So we say, okay, you can issue money into the economy directly, but in order to prevent that rent seeking, which is going to enrich the one percent, or one percent at that time, we should have recaptured that money, basically the land monopoly over the railroads, for example. We basically gave away the land. We had this checkerboard policy where we would give them an acre for every acre they bought. And so we were giving away vast amounts of land to these railroad magnates, and they, of course, would own that. And then people would build along the rail lines and make a lot of money, and not pay the increased value of those locations back to the government. So the government was, in effect subsidizing those fortunes, either by local buying property, or the railroads selling off the property to people so that they could make a profit on that along the way.

AM: Now let me take a little different viewpoint on that. You could argue that the fact we had an open frontier, and we had unlimited land, at least for a while, relieved the pressure of land monopoly, because essentially you could continue to move west, move west, move west, and in effect, bypass wherever the land monopoly might really bite. But of course there's a limit to that, and of course the limit was reached in Henry George's time. By 1890 all of the "good farmland" was taken up, and a lot of the good city land. And then the law of rent really started to bite. And if you look at the history of America, if you looked at 200 years of history up until, let's say, the 1970s, you could say that open frontiers allowed, or prevented rent gouging up until the 1890s. And then, of course, we were fortunate enough to be the active seller of war merchandise in two world worlds, which, in effect, created a synthetic open frontier twice. So the American people and the American worker were beneficiaries of things that Piketty is now documenting some anomalies that allowed America and American citizens to have quite the life up until 1970, before land rents really start to bite. Your comments.

SB: I finished Thomas Piketty's book recently, too, and the Georgist consensus, and not just among me, but among people like Mason Gaffney and so forth who review it, is that Piketty confuses land rent with capital. He conflates the two, which a lot of neo economists, the neo modern economists do, as opposed to the classical economists like Henry George who separated land and capital into two distinct categories. So when you do that and you don't recognize the rent on the land as something distinct from capital, you really can't have an economic science, because land is created by nature. It appreciates in value because of population pressure. It's finite, it can't be moved. Capital is basically the opposite of all of that. You can move capital anywhere in the world. It's manmade. It depreciates, because it wears out, it becomes obsolete. So if you conflate the two, you really have a confused field of study.

AM: Well, he argued—he would have argued, to be fair to Piketty, that he couldn't disaggregate it. The GNP accounts don't make that an easy thing to do. So he's essentially saying, "Look, I can associate great wealth increases with bad income distributions," and on that basis, by taking a massive amount of data for 200 years, he kind of makes the point that there's something inexorable about the system that creates this. And I think that's what makes his impact. You can't argue with the statistics. Of course his solution can't be implemented, to the very point you make. He's going to be taxing the wrong thing to try to correct that.

SB: Right. He's taking the wrong thing, and he's not recognizing why what his version of capital is appreciates so much more than the growth of the nation that produces it. He's got this formula r > g, where r is the rate of capital growth, and g is the rate of the growth of the country or the community maybe. So that r is always greater than g, because according to him, capital appreciates faster. Well, if you include rent among the things within capital, that's true. We would argue that if you disaggregate the rent, and we would argue you can do that, that you can actually capture that rent back, and then you'll have a more equilibrium-type of formula, where r, true capital, is pretty much equal to the rate of the growth of the country.

AM: With no financialization, without loaning on real capital. You know, with unlimited money and unlimited money creation, r could never exceed g for any continued length of time. So I mean that's really the bottom line. The real bottom line here is that once you create a land monopoly, or other monopoly—but land is kind of the big one, or natural resources, oil—and you can start lending money on that, and you can start speculating on it, and you can start bidding on it, the nominal wealth of everybody rises tremendously. And if governments, in effect, push interest rates down as they can, well, this capital will just explode in terms of nominal value. Not necessarily real value, but it's nominal, because if you sell it, you can spend it, you can take the money and you can essentially run somewhere and perhaps buy real capital. So there's an argument about Piketty in the sense that he demonstrated what people intuitively know; there's a tremendous maladjustment of income, and it seems to be systemic. Has he proven why that's so, and has he come up with an answer of what to do about it? I don't think so.

SB: I would agree with that. I mean, he wants basically a wealth tax, and it's a tax not only on income, but on imputed income, so that if somebody holds stock or if they hold land, he would tax it even while they're holding it, not just upon the sale. So this is a very difficult thing to do, and even he admits, to figure out what people own and hold all over the world—and it would have to be worldwide, because otherwise people would escape the tax—to do that is virtually impossible. The records a little better now than historically. He was collecting—it goes back 200 years or so, but they're not that good, and besides, the temptation for the Cayman Islands or Switzerland or whatever (continued on page 6)
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to not have that kind of tax would be overwhelming. It's already high, but if you had, for example, an optimistic situation where you had the big countries, like America and Japan and most of Europe, actually imposing such a tax, the money would flee like mad to any of these smaller regions that didn't have such a tax. Already, according to the Tax Justice Network, $32 trillion is invested in offshore accounts by the — actually the one percent of the one percent, not even the one percent.

AM: Let's talk about the amount of monopoly rent. We'll generalize land rent into land rent, resource rent, and to a certain extent, a rent on the commons. For example, you could explain a Microsoft commons, let's say, or a Google commons, where just by the nature of network effects it reaches a critical mass, and then everybody has to use their formulation simply because it becomes a massive thing, and it doesn't pay to do anything else. But let's — we'll leave that out. We'll just talk about land and resource rents. A number of Georgists have done studies, just on the United States, to identify just how much money are we talking about. What percentage of the GNP are we talking about here? Are we talking about two percent, one percent?

SB: Well, it's far more than that, because if you look at Nick Tideman or Mason Gaffney, they're saying more than one third of the GDP is actually in some sort of economic rent. There's a video on the OpEdNews which I put up there, with Fred Harrison where they talk about $5.3 trillion of economic rent, which is obviously more than one third of our $17 trillion [fee]. Now it's not all in obvious places. I mean, some of it may be in radio spectrum and airplane slots and congestion in the city and so forth, but the point is, we're not collecting that. If we did collect that, which is collected privately anyway, it wouldn't hurt the economy, and in fact it would allow us to untax actual production in terms of wages and true capital sales, that kind of thing. And so therefore people would have more incentive to work. They would have more opportunity to buy. They wouldn't be penalized for commerce. So we would have a greater velocity of money, and you would have greater opportunity for people to earn money. And so if we collected this rent which is now privatized, and put it in the public purse, you would also have an opportunity for a citizens' dividend, which is actually just, because it's actually our collective demand for these things in the commons, including land that drives the price up in the first place. This is an important point that people really have to understand. If you build a skyscraper in the middle of New York City, the value of that skyscraper is because of the location. And if you move that location from the middle of New York City to the middle of New York State, well, it's basically going to be worthless at that point, because you have no infrastructure. You have no population. There's no point in doing that. But it just goes to show how valuable the location is. And this is not something the developers created. This is something that they took advantage of.

AM: I could argue the other way. There was a great land tax captured maybe 50 years ago. Joseph Stalin was collecting all the land rents in the Soviet Union, and it didn't turn out so well. Do you have any comments about that? I mean, that's a good argument. Why would a libertarian say, "Okay, we understand that monopoly is not a competitive return, that if made capitalism run the way it should run, with no monopoly, and you prevent the monopoly, whether you broke up corporations or anything, to keep it so that all the factors were competitively earned, it would be a very balanced system and it would work indefinitely." Okay. So now we collect the rents, and government has to disburse them, or somebody has to disburse them. Now, Joseph Stalin collected the rent, and he disbursed them according to his own will. I know that's being unfair here. He not only collected the land rents, but he collected output from industry and so forth. He collected everything that was a surplus.

SB: I mean, basically, all the property was owned by the government. The communist system is that the government controls the means of production from beginning to end. So that's not the Georgist system at all.

AM: Why don't you explain the difference, why—well, first of all—but we still have to answer the issue, if a central group of very smart guys — for example, I appointed — and I hate to use any particular name — but let's assume I used New York investment bankers to manage this collective land rent. Uh, they can think of all kinds of things.

SB: That's the last thing I would want to do.

AM: Okay, to take this, create investment pools. We're going to invest over here; we're going to do that.

SB: That would be a circular movement. You'd be taking the rent and putting it back into more private collection of rent. That would be the last thing we'd want to do.

AM: So how would you do it, then?

SB: I would have first the government — some Georgists will disagree with this, but I would say if we're going to fund the government through taxation, then we should take the land rent and use that as the basis of that. And we believe there'll be enough left over from that for some sort of citizens' dividend. For example, Alaska has the citizens' dividend from their oil riches, and I think that's about anywhere from $1,500 to $3,000 a person per year, depending on the price of oil. So we could have something like that, and it would be a consistent dividend that would go back to the people after the government has [spent] through all of its expenses. Now, further, I would argue that we don't — we would have this kind of investment banker relationship, because there wouldn't be any need for it. Its government was truly funded independently, either through land rent and/or through issuing its own money via greenbacking, direct issuance. There would be no dependence on the corporations, and they would truly be able to represent the people. They wouldn't have this dependence, really, basically on the corporation to continue feeding them money, or the campaign—

AM: Eliminate campaign financing private, and that would close the loop, and (continued on page 11)
The writer acknowledges the role and value of abstract reasoning in economics. He has done his share of it, and is not reacting against rationalism or marginalism. Abstract, however, should not mean abstruse or obscure; theoretical should not mean irrelevant or impractical; ideal should not mean intolerant or imperialistic. Theorists are increasingly scorning those rules and carrying their work beyond its proper role to extremes of abstrusity, irrelevancy, and presumption that are damaging and screening out students and writers whose purpose is to understand and apply economic reasoning to the human condition. This paper seeks through historical parallels to understand the animus behind that movement, and suggest how to check its excesses.

1. Six kinds of cognition

There are different methods of cognition (knowing, understanding and ordering the data of the senses). Our concern is with cognition of social life, including relationships of property, markets, contracts and inheritance. The Greeks had a word for each method of cognition.

A. Chaos, raw data without ordering or understanding. Viewed favorably, chaos is liberating and objective. Observing data chaotically, without preconceived ordering, is a precondition of creative work and inductive reasoning that leads to generalizations, hypotheses and theories to serve as premises for later deductive reasoning. Viewed pejoratively chaos is scatterbrained. Viewed as mediocrity, chaos is description and reporting, or mindless bean-counting, answers without questions.

B. Pathos, elemental feelings: love, hate, security, anxiety, comfort, hunger, excitement, boredom, compassion, greed, loyalty, ambition, pride, guilt, lust, jealousy, community, alienation, fellow-feeling, rivalry, charity, possessiveness, service, selfishness, etc. These are the basis of consumer wants. Merely to list those few gives a notion how hard it is to reduce them to symbols and abstractions.

C. Mysterion, or mystery: faith, belief, hope, fear, devotion, piety, consecration, sanctification, worship, prayer, occultism, mysticism, animism, spiritualism, aspiration, convictions about the unknown and unknowable.

D. Hierarches, or corporate organization, with ranking and authority, creed and dogma, orthodoxy and heresy, law and order, pageant and ritual, test and certification, code and discipline, income and property, fund and disbursement, owner and tenant, taboo and enjoiner, text and censor.

E. Logos, or pure metaphysical a priori reasoning from axioms, using mathematics, logic and dialectic, with allegories, symbols, abstractions, universals and generalizations.

Theologians use Logos as divine wisdom; we use it here for human attempts to attain something comparably universal, attempts some might consider presumptuous.

F. Sophia, or wisdom: reason applied to human problems, tempered by experience, judgment, circumstances, ethics, justice, mores, institutions, administrability, etc. The evolution of social thought leads ideally through E to F, but historically E has been a roadblock. Logos, partly from its difficult nature, more so from the exclusionary pretensions of its practitioners, repels many persons, who take refuge in A, B and C. In addition, leaders of D are skilled at coopting practitioners of E.

2. Logos run wild: neo-Platonism

Neo-Platonism, in the decadent period of Roman-Hellenistic power and culture, developed E to extremes which identify and symbolize the genus Logos, pure and picked clean of any Chaos or Pathos. Abstract forms are the only realities (Plotinus of Alexandria, 3d century A.D.). Matter and spirit are mutually hostile elements. The body is the prison of the soul, an emanation of the divine mind which contains all the “real” Platonic forms. Objects (events are not mentioned) in the apparent world are just poor imitations of these ideal forms.

The system of Platonic forms is logically rigid in detail. Allegories explain more than apparent events. Thought is rarefied, ethereal, otherworldly. In Plotinus’ period, asceticism and mortification of the flesh were in vogue. The object of the soul is to escape the confines of matter and regain the divine essence whence it came. Through repeated exercises of mysticism (combining C and E) one may reach “the one,” the all-surpassing glory of life. What most people call “life” is merely what happens while anchorites and monastics meditate on its deeper meaning.

Rene Descartes, founder of analytic geometry, led a revival of neo-Platonism in the early 17th Century. Ambition and his “dream of reason” led the great mathematician before a fall. He aspired to impose mathematical method on all fields of knowledge. Mind was separate from matter, and prior to it: “I think, therefore I am.” His “Vortex Theory” of astronomy, however, defied plain facts and was soon demolished by an earthy observer and cogitator who began wondering why an apple fell on his head. Newton’s apple was clearly from the Tree of Knowledge, forbidden by both Mysterion and Descartes’ a priori Logos.

3. Hierarches: order and assimilation

In the 4th century, it is said, “The Church supplanted Christianity,” meaning D, Hierarches, supplanted C, Mysterion. D did not destroy C, but absorbed it. That was easy, mystery and hierarchy had long histories together. Over centuries The Church proved adept at coopting wave after wave of evangelical reformers moved by spontaneous Mysterion. It converted them to religious orders: Chuniacs, Benedictines, Cistercians, Carthusians, Dominicans, Franciscans, Jesuits, ... it is a long list. The idea was to bring contagious movements within control of The Church, where they could absorb critical tendencies under watchful eyes. The operative rule is that wealth undermines zeal. Zealots who would not hold property and had communist ideals were particularly trying, therefore, especially while their dedicated founders retained control. (continued on page 8)
LOGOS ABUSED (from page 7)
The stubborn cases (Albigensians, Waldensians, Anabaptists) had to be exterminated by burning. The Church prevailed even over the saintly, gentle Francis of Assisi: not long after his death in 1226 A.D. Franciscans with stipends were helping Dominicans administer The Inquisition.

Assimilating evangelicals was perhaps enough to satisfy the credulous majority. However, for the troublesome intellectual minority Logos is always an issue. To placate or dominate the intellectuals, Hierarches also absorbed E, Logos. Platonic formalism made that easier; formalism tends toward authoritarianism. Plato's Republic is acknowledged today as a fascist model.

Augustine's City of God was a Platonic prototype of spirit separated from flesh. In this city an elite, chosen by God, were "predestined" for salvation hereafter (and to rule today). Clement and Origen taught the Sacred Writings are allegories. They were moving from C, Mysterion, toward E, Logos. The simple may take Scriptures literally; the sophisticated read between the lines. They see deeper truth in the metaphor, the significance behind the meaning. Some of this significance is social. The social corollaries of Platonism add powerful political-economic support. Imputing reality to abstractions helps give binding force to commitments made in the names of universals (The United States, Dartmouth College, General Motors, City of Chicago) by particular individuals: commitments like land titles, bonds, franchises, etc. Hierarchies themselves are Platonic forms: tables of organization that transcend individuals. Thus it may be that Platonism has socially conservative implications, if by "conservatism" we mean not individualism but tradition, vested interest, property, statism, corporatism, etc. In Education, Platonism is prized to combat the menace of social relevancy. Universities do not become ivory towers and sanctuaries from reality by accident. Pragmatism applied to public policy leads inevitably to questions about origins and validity of property, distribution of wealth, basic values of consumption, the costs, benefits and beneficiaries of public works, and leadership of the polity. For example, John Dewey the pragmatist was a social radical, troublesome for Columbia President Nicholas Murray Butler. John Locke was exiled; his contemporary Isaac Newton was spared that fate. Newton may have been more radical intellectually, but not socially. Thorstein Veblen, John R. Commons and other Institutionalist economists were social critics. The Hierarches feels threatened and may strike back. Platonic detachment is a refuge for besieged or lazy Administrators, a very present help in time of trouble.

Mysterion, Hierarches and Logos also merge when reasoning is so difficult, or made so difficult it mystifies and intimidates. Abstract reasoning and theory have an important place in economics, but in evaluating specifics the sincere inquirer must always judge them on grounds of clarity and utility. He rejects whatever works to mystify or intimidate, rather than edify and empower the audience.

Hierarchy, however, usually takes the opposite view. Its task is to absorb and neutralize what is socially challenging, pertinent or threatening. To this end it converts problemsolving reasoning to arid abstractions and conundrums of the Logos, leading students on an endless paper chase. Hierarchy does not deliver on the implied promise of a Holy Grail of Enlightenment at the end of the chase. The exhausted survivors, like hazed fraternity members, turn their frustration and spite on the next generation in a treadmill of futility.

4. Intellectual Imperialism
Mysterion, Hierarches and Logos join in their claims of exclusiveness. They define and enforce orthodoxy. As independent prophets disturbed the constituted authorities of the medieval Church, so they threaten authorities of modern Academe. The Churches at times persecuted heretics. It was necessary to establish that no priest is free to ignore the statutes of the Apostolic See. Forgery, murder, torture, even extermination were acceptable methods, failing friendly persuasion or ordinary intimidation. In modern Academe Liberalism proscribes overt Inquisitions on the old models. The new technique is crowding-out: Orthodoxy and Authority crowd Here-sy out of the curriculum by piling on required "theory" studies, controlled by Orthodoxy. The idea is to preempt students' limited time and attention, just as monopolies control markets by preempting key resources. Economists who teach the science of allocating scarce means among competing ends know full well students' time is one of those scarce means. Time may be infinite, and that informs the rhetoric when new requirements are added; but students' time is finite. Therefore "Exclusion is also part of knowledge," an observation worthy of an economist but coming from physicist Michael Faraday.

To doubly limit students' time hierarches press us to lower the "normative time to degree," constricting the later end of students' freedom. The other pincer attacks the earlier end, extending the required core theory courses. Together the pincers curtail the creative period of restless, troublesome innovation. Such are the ways of orthodoxy, suffocating and oppressive. The pincer at the front end not only crowds out, it screens out. Screening is doubly important today when Hierarches has lost its ancient weapons of Interdiction and Excommunication, reinforced by The Curse of Anathema and the fear of hell. Now scholars get tenure; mistakes are unerasable, and must be aborted. Orthodoxy keeps the gate and judges who may enter. In the process of judging and screening it indoctrinates, by establishing a monopoly over theory. "Intelligence," says Henri Bergson, "is the faculty of manufacturing artificial objects, especially tools to make tools." Theory supplies the machine tools of thinking. Who controls theory has a powerful grip on how students are to think. Students seeking order from the chaos of disputed data and swirling, competing models in a complex discipline grasp for a system, an ordered framework offering refuge from Chaos. The first and only system they have to study gets a long jump on the competition.

These theory requirements are metaphysical, that is Logos, pure reason, whose application to the actual human condition is a Mysterion which never gets to Sophia (wisdom). The metaphysic may be highly formal, rigorous and demanding, which enhances its exclusiveness. The tendency in modern Academe, as in the medieval (continued on page 9)
LOMOS ABUSED (from page 8) church, is toward ever more ceremonial formality to crowd out content. Isidore of Seville, a 7th Century authoritarian, at least sought to preserve the work of the past. Modern metaphysics crowds out not just Sophia but Clio as well, with her large portion of Sophia. Thus surviving students gain Doctorates knowing neither where we are, nor how we got here.

Waldensians in the 12th Century, and soon Franciscans too, preached without formal training or ordination. When Hierarches assimilated the Franciscans they insisted university training was necessary for efficient preaching. Hierarches conferred (or withheld) the right to preach. Soon Francis’ original sense of mission was lost, and Franciscans were part of the hierarchy. Viewing modern university training in economics it is easy to imagine how the process worked then, and crystal clear how it works now.

5. Exclusionary Codes and Languages

Exclusionists enhance their claims by proscribing Vernacular communication. Donatus, Latin grammarian and stylist of the 4th Century, made an art of Latin which served as the intellectual medium for a millennium. Dark-Ages’ scholars were so uncreative they limited themselves to commenting on Donatus most of that time.

Boethius, famous for translating Aristotle in the 6th Century, translated the Greek only into Latin. That was reasonable for him, a Roman, but it went no further. So narrow was the circle that we find St. Thomas Aquinas and the Scholastic movement in the 13th century reviving Boethius’ favorite project of reconciling Faith and Reason (Mysterion and Logos). Not until printing and the Gutenberg Bible was the Scripture, the basis of medieval intellectual life, available in any Vernacular. Exclusiveness was assured by restricting discourse to a dead foreign language, known only to an elect few who, having learned Latin developed ipso facto a vested interest in it. Understanding was not the main idea. As Anselm said, “If he can understand it, let him thank God. If he cannot, let him not raise his head in opposition but bow in reverence.” Anselm was canonized.

The method of modern exclusionists is no longer the use of Latin, but of new Cabalistcs symbols impenetrable to most readers. A few persons may enter the cartel by accepting indoctrination through these new Codes, but entry of new scholars provokes the development of new, more abstruse Codes. The Cult of Progress having replaced the Cult of Antiquity, all this is done in her good name, on a sweaty treadmill going nowhere.

Baruch Spinoza, 17th century philosopher, laid down a few rules of teaching. Rule #1 is “To speak in a manner comprehensible to the people…” He was called arrogant. If this be arrogance, the standard curricula of today are humble indeed, where “comprehensible is reprehensible,” and standard authorities patronize plain talk as vulgar populism. Is it really appropriate that the people’s University should communicate only internally and in private glossalalia? In our competitive pursuit of specious prestige and respectability, as connoted by difficulty, many use obscurity in lieu of authentic high standards with useful substantive content and constructive purpose.

Spinoza exemplifies the danger to hierarchs of philosophers who communicate with common folk. He strayed into a Tractatus Politicus presuming to deal with public affairs, where his policy positions were quite leveling. “The military basis of democracy should be universal military service, ...; its fiscal basis should be the single tax. ‘The fields and the whole soil ... should be public property, ... let at a yearly rental to the citizen; ... and with this exception let them all be free from every kind of taxation in time of peace.”

Spinoza was prescient, anticipating the brain drain that besets cities, states, provinces and countries that support education handsomely by use of job-aborting tax systems (like the high VAT of Ireland, the sales and excise taxes of The Philippines) which in turn close off opportunities for the graduates, who then emigrate along with their stored-up human capital.

6. The Cult of Rigor

Authority (apomnemonysia) and Obscurity are reinforced by a call for Rigor, perhaps echoing Calvin’s revival of the ascetic notion that penance improves the character. What is “Rigor” that we should be mindful of it? Rigor is “Harsh inflexibility in opinion, temper, or judgment; the quality of being unyielding or inflexible; severity of life; strictness, severity or cruelty; a condition that makes life difficult, challenging, or uncomfortable; strict precision; rigidity or torpor of organs or tissue that prevents response to stimuli.”

The last meaning is most familiar, and just a step short of rigor mortis, its logical extension. Rigor without morts is a cruel punishment. Excessive Rigor atrophies the right hemisphere of the brain, the creative, intuitive half that thrives on Chaos and Pathos. The trick of course is to bring order out of Chaos and Pathos without killing creativity. The Cult of Rigor would maintain order, its own order, at whatever cost.

None of the values in the definition of Rigor look very positive except for the “strict precision,” and we might well even sacrifice that if the rest of the baggage must come along. Even strict precision may be useless in evaluating imprecise but important economic ideas and phenomena such as expectations, uncertainty, animal spirits, taste formation, the interface of law and economics, paranoia and the military budget, or the case for inheritance taxation.

There is little Rigor in the relevant and important observation “Corporations have neither bodies to be kicked, nor souls to be damned”? Where do we stand on Matthew Arnold’s thought, “Inequality materializes our upper class, vulgarizes our middle class, and brutalizes our lower class”? Or Confucius, “The superior man understands what is right; the inferior man understands what will sell.” Or Cicero, “...there is nothing so characteristic of narrowness and littleness of soul as the love of riches; and there is nothing more honorable or noble than indifference to money.”

Francis Bacon wrote “There are four classes of idols which beset men’s minds: Idols of the Tribe, of the Cave, of the Market-place, and of the Theater.” Is our supposed rigor just another Idol, after all, and we Idolaters? Bacon went on “all the received systems of (cont’d on p. 10)
LOGOS ABUSED (from page 9)

philosophy are but so many stage-plays, representing worlds of their own creation after an unreal and scenic fashion....And in the plays of this philosophic theatre you may observe the same thing which is found in the theater of the poets, — that stories invented for the stage are more compact and elegant, and more as we would wish them to be, than true stories out of history.”

True stories out of history are both more realistic and more interesting than enduring rigors let students get at them.

Serious students accept the need to endure some mortification of the flesh to learn and achieve. The cruelty of Rigor is it mortifies the flesh without uplifting the spirit, which instead it shrivels. Most students see through its pretensions and would flee its arid, sterile tribulations. It is not marketable: Platonic economics is as dry as Platonic love.

To overcome resistance we force students into rigors in the name of Quality, with the implied promise they later may study humane topics actually bearing on the human condition, the interest that drew them to us originally. However, many of them see through these Platonic methods as the infinite digression (apophasis) they are, and how they are to dominate later studies as well — why else are they The Core? Many, perhaps most excellent students lose interest, swallow their losses and drop out quietly, not wanting to advertise their “failure.”

7. Shame of Arrogance: the Precept of Conformity and Humility

To maintain control in a more democratic time, the Cult of Conformity has replaced the Cult of Authority. Now the cry is we must learn to read certain journals previously captured by the exclusionists. These become the new Sacred Texts and Canon of Orthodoxy.

Eriugena, Carolingian scholar considered the one original thinker of the Dark Ages, wrote “All authority which is not approved by reason seems weak.” That seems too obvious to recite today, until we think how the Argument from Conformity (apodixis) has become the new Argument from Authority (apomnemosyne). Scotus continued, “But true reason, since it is established in its own strength, needs to be strengthened by the assent of no authority.” How does Authority answer the challenge?

It is traditional for Hierarches to shame independent thinkers as “arrogant.” The Deacon of Lyons condemned Scotus for “daring to define with his own presumption what should be held and followed.” Eight centuries later Burgh Spinoza, one of the rare original and relevant thinkers, received similar treatment. A former student, Albert Burgh, reverted to Orthodoxy and addressed Spinoza thus: “How dare you set yourself up above all the patriarchs, prophets, apostles, martyrs, doctors and confessors of the Church? Misaner man and worm upon the earth that you are, yea, ashes and food for worms, how can you confront the eternal wisdom with your unspeakable blasphemy. ... What devilish pride puffs you up to pass judgment on mysteries which Catholics themselves declare to be incomprehensible?”

This appeal to general practice was an old rhetorical ruse. Aristotle called it apodixis. Burgh’s modern disciples use apodixis rather like this. We must teach what is taught in “respectable” departments elsewhere. Such topics are “minimal essential knowledge for a modern economist,” with which “all students should be familiar.” Like Burgh, the modern authoritarian also trashes deviants with a post-Greek concept, shame and guilt. To think otherwise than the respectable herd is “arrogant.” Who can defend against that before a modern academic Sanhedrin?

“Respectable,” I suggest, is an offensive term because of the value-system it exalts and dictates. It idolizes the herd instinct, the Idols of the Tribe. It is, one may object, an elitist herd, one above the common. However every herd thus fancies itself. No herd was ever universal, only truth is that. Let us therefore seek not respectability, but respect.

Spinoza, born Jewish, got no comfort from the Synagogue of Amsterdam. In excommunicating Spinoza its leaders also remarked on the “insolence with which these heresies are promulgated.” No one was to “read any document dictated by him, or written by his hand.” Thus the mindset that imputed insolence moved directly to censorship, a point to be well noted in the modern context.

Durant expands on Spinoza’s arrogance: “Spinoza has not much use for humility; it is either the hypocrisy of a schemer or the timidity of a slave; it implies the absence of power — whereas to Spinoza all virtues are forms of ability and power. ... ‘humility is very rare’; and as Cicero said, even the philosophers who write books in its praise take care to put their names on the title-page. ‘One who despises himself is nearest to a proud man,’ ... And whereas Spinoza dislikes humility he admires modesty, and objects to a pride that is not ‘tenoned and mortised’ in deeds.”

Spinoza even arrogantly refused the Chair of Philosophy at Heidelberg, even though he was assured “the most perfect freedom in philosophizing, which His Highness feels assured you would not abuse by calling in question the established religion of the state.” Hierarches would patronize Logos, if Logos would kneel.

It reckoned without Spinoza’s Sophia (observation and judgment). Spinoza anticipated our present condition, writing “Academies that are founded at the public expense are instituted not so much to cultivate men’s natural abilities as to restrain them.” He advocated a freedom wherein, “everyone that asks leave is allowed to teach publicly, at his own cost and risk.” Such arrogance! Obviously he believed his business would survive in the competition, perhaps because of his Rule #1, “To speak in a manner comprehensible to the people.”

Thus arrogance leads to self-deprivation or ingratitude to patrons. A modern university Chancellor might well reprove it as reaping the punishment it deserves. Yet should we not rather admire and support those who deny themselves sure conventional rewards in order to guard their freedom to pursue truth? History has treated Spinoza with more respect than did the organization-men of his day, or than history has treated them, whom it has forgotten except as his arrogance exposed their presumption, tyranny and hypocrisy. Another arrogant philosopher was Immanuel Kant, who immodestly prefaces his Critique of Pure Reason: “...there ought not to be one single metaphysical (cont’d on pg. 16)
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you'd probably have a [virtuous] circle that would actually work. But big boys in New York wouldn't be having the same amount of fun.

SB: That's for sure.

AM: And they're living good here.
SB: Yup.

AM: I mean it's—every night we're going to town, and life is good in Manhattan.
SB: But, see, you put your finger on the reason why we don't have Georgism today, and Henry George would certainly have realized that. Were he to reawaken today he would be shaking his head, he would be very disappointed, but he would understand, even from his brief 58-year lifespan, that power corrupts, and the money power and the land power are the most corrupting.

AM: I'm going to argue for the one percent here.
SB: Okay.

AM: I'm going to say, look, the beauty of the one percent is, although it's hardening into kind of a hereditary [thing], again, because generations can now leave money, but the argument would be, coming out of World War II, up until the 1970s, there wasn't the immense amount of wealth concentrated that you see today. This is a relatively short phenomenon. And you could also argue that the people who got a lot of this wealth—and I'm thinking of George Romney as a good example—these are guys that went to Harvard, met a lot of smart guys, were in the right place at the right time, and collected people of their own nature and their own understanding, and all pretty smart and capable people. And, as Adam Smith said, when businessman get together— ... and conspire and the opportunity is right, they simply can outwit a lot of people. And as that feeds on itself, then all the smart kids from all around the country say, "Hey, the opportunity is in New York or Boston." The Harvard class, or half the Harvard class is going to say, "I'm not going to study the classics anymore, I'm going to New York and get in on this gravy train." And you have this wealth of brains coming to one place with their levers on finance, [figuring] all kinds of, in effect, gambling instruments with which to separate everybody from their money, essentially. They offer all the pension funds and so forth.
"Look we can up your returns, because we're pretty smart people, and we figured out how to play the markets, and we'll get you a better return." So everything, especially in a world of outsourcing, where there's downward pressure on wages, all of these funds are looking for an extra return. Now, the fact of the matter is, these people are so smart that if we looked at hedge funds as a representative sample of it, I think in the last 12 years I was reading a statistic that they've collected over a trillion dollars in fees.

SB: Well, as a matter of fact, the top 25 hedge fund managers each make almost a billion dollars a year at this point.

AM: Okay, but let me the comment. They collected a trillion dollars, but their investors only collected six percent of that trillion dollars. So, this is a case of clever, smart people really racking it up. And of course on the Piketty formulation, once you get a tremendous amount of capital, all the good spots to find new opportunities are yours for the asking, and the thing just multiplies.

SB: Okay. Well, I agree with you that that's the path of least resistance that people traditionally take, including the smart people. Now, the problem is that they're not producing anything. They're shifting piles of money around. They're creating phantom money, basically, or virtual money. Michael Hudson has written about this a lot. He says we're de-industrializing America, and that's the fact. They're basically taking companies or leveraging them, and then they're cashing out on their assets. It's corporate raiding, but now they call it private equity. So, this is not a sustainable path. And I think if people realize—and I think they do realize that it's bad—but if they realize that there's another way, for example, collecting the rent on the land and having endogenous money created by the government itself for its own needs. If the people understand that the land rent is really theirs, and they're giving it away, and the people who are getting it, even though they wear fancy suits and they drive around in Maseratis, have not really earned that money. They've basically stolen it. If they really understand this on a fundamental gut level, then you will have a different kind of reaction, and you'll have people who are electing people who want to collect the land rent, and who realize that you can have a productive and thriving economy, in fact a better one.

AM: What am I going to say to my little old aunt living in Queens? And she's got her house, and, and it's all paid for, and you're going to come by, and she has only Social Security for income, and you're going to tax the land under her house. Now, why is she going to get all excited about that?

SB: Well, in the first place, the Georgists have an answer to that, which is basically a deferral. If you have somebody who is cash-poor and land-rich, and they've already put all their money into land, we say, "Well, okay. They're old and they're on the end of their life. They're not going to be earning any money. They're getting a small stipend from Social Security, whatever." So we say, "Okay, fine." So defer the land tax until they either die or they pass that property on to somebody else, and then whoever gets that land afterward has to pay that back tax or the estate if that person dies.

AM: Let me ask you. Why don't you explain why it's still a private property system.

SB: Well, we're not against private property. Georgists believe that everybody has a right to own the land legally. So your legal right is not affected. All we're asking for is the economic rent. We're not changing your rights to your land.

AM: It's not at full value, though.
SB: It's not at full value, but on the other hand, we would untax the building. So most people would find that they have a small amount of (continued on page 12)
SMART TALK TV INTERVIEW (from page 11)
land and an efficient building that's using it efficiently, that their
taxes wouldn't go up. They might even go down.

AM: You also say you can keep all your income, and all your invested income that's invested in serious investment, not necessarily speculation. So that, in effect, in addition, you get no income tax, no sales tax, no excise tax, no capital gains tax. So if you net it out, most people would be way ahead, plus the productivity would be spread throughout the economy. And inducement to do business would just multiply. So we believe, as Georgists, this has tremendous rebound effects, and it would be a system that ultimately is going to have to prevail sooner or later. Why don't you explain, before we close, what the Chinese are doing in that regard now.

SB: The Chinese have a big land bubble, and they realized that a few years ago. By the way, Michael Hudson and Ted Gwartney who was the assessor of Connecticut, have both been active in trying to persuade the Chinese that they need to tax their land. So now they're actually starting to have a property tax—it's not a land value tax, but at least it's something—to deflate that it's speculation in land. Because, especially in their cities, they've had this enormous bubble, particularly in the government headquarters, the capitol and so forth, where a lot of government officials are basically allowed to purchase land and speculate on it, and make vast fortunes. So, they're rolling that back. They're putting in a property tax, first in the big cities, and now they're going to roll it out in the smaller cities where most of the value is. So they're going to deflate their land bubble slowly and deliberately, and this is what they should do.

AM: Also, there were a couple of examples, small examples, in prior years of land taxing really helping economies. I believe Taiwan and Singapore, in effect, had the land tax concept—not fully, but close—and those economies boomed. And even if you look at Germany, in a disguised way they have a similar thing. They suppress speculation in land through the banking system, and the net effect is the German economy is, is the most productive in Europe.

AM: Scott, thank you so much for joining us on Smart Talk.
SB: Thank you.
(Scott Baker may be emailed at sbaker305@yahoo.com) <<

BENJAMIN FRICK, 1922 - 2014

Long time Georgist and Common Ground-USA member Benjamin Fredrick Frick, of Warrenton, Missouri passed away on June 8, 2014 at the age of 91. Ben attended the Navy School of Music in Washington D.C. in 1942. During WWII he was a Navy Musician 2nd Class on the Iowa and Idaho until 1947. Ben was employed from 1952-1987 at McDonnell Douglas in St. Louis. He worked on projects, including the Harpoon Missile, Sky Lab, The Mercury and Gemini Projects and the Space Shuttle Program. He is survived by his wife Lois and daughters Miriam Lohmann and Katie McDowell. <<

NEW EFFORT IN BRIDGEPORT, CT
comment by Scott Baker, New York, NY, 12-16-14 in response to: www.ctpost.com. City looking at hiking taxes on vacant properties. (City officials are considering taxing at least some of those underused properties at a higher rate to compel owners to stop "land-hoarding: ...")

Well, go Bridgeport! And with just a couple of weeks to spare before the Dec. 31 deadline! This line indicates to me the reporter might have some hidden bias: "Land value taxation has been opposed by the Connecticut Business and Industry as a "risky carrot-and-stick approach" that ignores government red tape, financing and other challenges faced by developers." There's a link in the original article that actually just leads to an index of other articles, but it implies there is something called the "Connecticut Business and Industry" (something or other)...and really, there isn't any such body. Similarly, the links in the following line ""I think it's worthy of looking at," said Paul Timpanelli, president of the Bridgeport Regional Business Council." don't lead to anything more than an index. There is nothing beyond the mild "wariness" in the main article itself to indicate opposition, if even that. It's disappointing that New London bowed to the parking lot and big box store owners, however, and didn't go for LVT when it had the opportunity. This is naked political land grabbing and cronyism. It will be interesting to compare Bridgeport if it goes for this and New London in a couple of years, maybe even just a year.

I know Land Value Taxes work. My group, Common Ground-USA, has been promoting them since 1984, and the ideas have been tried and proven since Henry George first formulated them in his best-selling opus in 1879 "Progress and Poverty." We now have hundreds of empirical studies that, as the 25-year Mayor of Harrisburg, PA testified in a speech to the Council of Georgist Organizations, that prove "Land Value Taxation Works, and works always." There is perhaps no other economic theorem so well proven. <<

STUDY OF POLITICAL ECONOMY
by Carl Shaw, Mt. Zion, WV

The study of Political Economy (economics) is about the production and distribution of wealth (products). All wealth is manufactured on land, made from natural resources, by human labor, using tools (capital).
A person who tells you he (or she) is teaching economics, but never talks about land is pulling your leg.
So-called economics books which never mention land are not economics books.
For an economist to ignore land would be like a scientist who ignores gravity.

(Carl Shaw may be emailed at CFShaw@frontiernet.net) <<

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ONLY YESTERDAY (from page 2)

This was not yet the beginning of sprawling development spreading away from the cities, but to the more far-seeing investors land along the new paved roadways proved attractive. Yet, much of the economic activity that seemed to indicate a new era of continuous prosperity had arrived was fueled by credit rather than savings. Worse still, credit became the driving force behind intense speculation in land, in commodities and in the equities market. Such was a new power of the U.S. economy globally that Americans were increasingly assuming leadership roles. As Allen explains:

"Americans were called in to reorganize the finances of one country after another. American investments abroad increased by leaps and bounds. ...Only occasionally did the United States have to intervene by force of arms in other countries. The Marines ruled Haiti and restored order in Nicaragua, but in general the country extended its empire not by military conquest or political dictation, but by financial penetration."(1931, p.152)

In this brief era of optimism and national confidence, public esteem for captains of industry and the financial services sector relegated the reform-minded to the political wilderness. Yet, there were clear warning signs. Farmers who had borrowed from the banks to expand production during the war were now facing the inevitable fall in the global prices for agricultural commodities. Calvin Coolidge and his economic advisers declined to assist farmers struggling to remain current on debt to the banks. Foreclosures and bankruptcies increased, the result of which was yet another migration of people into the cities and a reduction in the number of family-owned farms. Here and there, rural towns began to lose the population whose livelihood had come from servicing the region's farms.

Consistent with the dominant belief in small government, Coolidge and the U.S. Congress confidently cut federal taxes year after year. Faith in lassez-faire capitalism and the invisible hand as described by Adam Smith to bring sustained economic growth was the unquestioned conventional wisdom in the early 1920s.

Most Americans were too occupied with their personal lives to think about public policy issues or the workings of government and the economy. If they were not interested in the growing conflicts between science and religion, between fact and faith, there were sporting competitions of every sort to embrace and on which to gamble. And, gamble - most particularly in the form of land speculation - they wholeheartedly embraced.

First there came a boom in agricultural land prices, stimulated by the need for food crops in the nations where war had disrupted farming and killed large numbers of farmers. The boom lasted only until 1921, after which large numbers of farmers fell behind in loan payments and local property taxes. As more and more farmers defaulted, their also banks slid into insolvency and were forced to close their doors. Allen tells us that in seven predominantly agricultural states, nearly half of all banks failed by the end of the decade.

In and around growing cities developers also gambled they could sell an unlimited number of huge new homes to the wealthy. What they soon learned, however, was that there were just not enough wealthy people to absorb the increased supply of high cost homes being constructed. "And," Allen reports, "once more the downfall of their bright hopes had financial repercussions, as bankrupt developments led to the closing of bank after bank."(1931, p.247) Similar overbuilding occurred in the financial centers of nearly every major city. In New York City the amount of available office space increased ten-fold.

Allen describes how Florida in just a few short years evolved from a hot, humid and sparsely populated state into a magnet for northern migrants, real estate developers and anyone hoping to build a fortune out of land speculation and property development. Factories and automobiles made the air of northern cities hard to breathe, the streets congested, and many residential neighborhoods overcrowded and crime-ridden. Florida was advertised as the unspoiled part of the new America. "By 1925," writes Allen, "they [the public] were buying anything, anywhere, so long as it was in Florida." (1931, p.239) Yet, not very many northerners were planning to move to Florida, or even build a vacation home there:

"Nine buyers out of ten bought their lots with only one idea, to resell, and hoped to pass along their binders to other people at a net profit before even the first payment fell due at the end of thirty days. There was an immense traffic in binders - immense and profitable."

The boom began to turn to bust by the summer of 1926. The market had run out of new buyers. And, then, the first hurricane hit the Florida Gold Coast on the 18th of September. Allen quotes Henry S. Villard, writing in The Nation on just how quickly circumstances changed:

"Dead subdivisions line the highway, their pompous names half-obiterated on crumbling stucco gates. Lonely white-way lights stand guard over miles of cement sidewalks, where grass and palmetto take the place of homes that were to be. ...Whole sections of outlying subdivisions are composed of unoccupied houses, past which one speeds on broad thoroughfares as if traversing a city in the grip of death."(1931, p.245)

Frederick Lewis Allen was an historian and journalist, not an economist. His presentation is far more descriptive than analytical. Yet, he recognized that the actions taken by the Federal Reserve System in the summer of 1927, lowering the rediscount rate from 4 percent to 3-1/2 percent, and purchasing Government securities in the open market, merely added fuel to the "speculative fever."(1931, p.252) With the property markets turning downward, speculators turned to the stock market in a desperate effort to recoup losses and keep the game going. Even a reverse course by the Fed the next year failed to lessen what in our current economic climate has been renamed irrational exuberance.

(continued on page 14)
ONLY YESTERDAY (from page 13)

In his brief post-mortem on the ensuring economic depression, Allen makes an attempt to explain the major contributing factors. He omits any mention of the nation’s dysfunctional system of property taxation or the destructive manner by which government at all levels was raising the revenue to pay for public goods and services. Neither Henry George nor any of George’s followers who were Allen’s contemporaries (with the one exception being Raymond Moley, brought into the government by Franklin Roosevelt) are mentioned in his books.

Nonetheless, it is hard to understand how anyone trained in economics would not make the connection between the facts as presented by Allen and the destructive impact of speculation in land and land-like assets. Allen documented how easy access to credit exacerbated the pace of land price inflation and, as a consequence, the depth and duration of the eventual crash when the stress of land prices on business profit margins and consumer ability to manage debt became impossible.

Allen continued to monitor all that occurred during the subsequent decade, and in 1939 the second book, Since Yesterday, was published. He reminded readers that despite the objections of over a thousand economists, the U.S. Congress passed a tariff bill described by one analyst as “a declaration of economic war against the whole of the civilized world.”(1939, p.28) A perfect storm was gathering force. Another, essentially human caused disaster was triggered by a change in weather. The rain stopped falling across much of the United States, crops failed and top soil was blown away by the wind. The response by President Herbert Hoover was to call upon state and local governments and private charities to respond. The Federal government would stay out of the affairs of individuals unless widespread starvation threatened. Hoover and his advisers were confident the recession would come to an end as recessions always did. The business cycle needed to run its course. Prosperity would return, eventually. And, hopefully, the rain would return to end the drought. Allen described what he concluded were important differences between past downturns and the one the nation now faced. Chief among these differences were:

1. The enormous increase in the scale of production, drawing the rural population from farms and into the growing cities, turning them from self-sufficient producers into “jobholders” dependent upon economic forces over which they have no control or influence.
2. The rapid increase in population.
3. The movement of “the peoples of the Western world into vacant and less civilized parts of the earth.”
4. The accelerating exploitation of natural resources, “not indefinitely continuable.”
5. Communications breakthroughs that “made the world a much smaller place, the various parts of which were far more dependent on one another than before.”
6. The growth of corporate and financial capitalism that sparked the growth in “labor union-

ism,” changes that “profundly altered the working of the national economies, making them more rigid at numerous points and less likely to behave according to the laws of laissez-faire economics.”(1939, pp.32-33)

Allen then makes a number of astute observations about the relations between nations and between conflicting interests within nations:

“Presently there were ominous signs that the great age of inevitable expansion was over. The population increase was slowing up. The vacant places of the world were largely preempted. The natural resources were limited and could hardly be exploited much longer so quickly and cheaply. As the economic horizons narrowed, the struggle for monopoly of what was visibly profitable became more intense. Nations sought for national monopoly of world resources; corporate and financial groups sought for private monopoly of national resources for national industries. Meanwhile each national economy became more complex, less flexible, and more subject to the hazards of bankruptcy by reason of unbearable debts.”(1939, p.33)

Searching for something to demonstrate decisiveness, President Hoover called for a moratorium on all war reparations and debts. This solved nothing. The global economy was already in a nose dive. European banks began to fail, Britain went off the gold standard, and the tremors soon reached the United States where hundreds of banks were closing month after month. Allen explains the extent to which the world had changed in just one generation:

“For the days had passed when men who lost their jobs could take their working tools elsewhere and contrive an independent living, or cultivate a garden patch and thus keep body and soul together, or go West and begin again on the frontier. When they lost their jobs they were helpless.”(1939, p.42)

(Par II of Only Yesterday, Since Yesterday, and the America That Never Was will be concluded in the next issue of GroundSwell. Ed Dodson may be emailed at edod08034@comcast.net) <<

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INTERESTING SESSIONS (from page 16)
the conference banquet speaker. Alanna will talk on the lessons she learned as a Congressional Candidate in 2014.

The IULVT will hold its conference starting August 4, 2015 in conjunction with the Council of Georgist Organizations. The IU’s business meeting will be held Tuesday, August 4th beginning at 1:30 pm. The joint conference will be held at the Embassy Suites Hotel by Hilton Detroit-Southfield and will end August 9.

The conference brochure should be mailed in mid April. To be put on the conference mailing list, please contact Sue & Scott Walton, conference administrators at sns@swwalton.com. <<
Response to 10-31-14 Forbes article, Texas Can Lead the Nation on Property Tax Reform.

Property Tax Reform is not a switch to the sales tax. It is the elimination of the tax on improvements and an increase in the tax on the value of land to make up the lost revenue.

Removing the tax on houses and other improvements would enable people to purchase and own their homes once and for all — at least after the mortgage was paid off.

What your author is proposing is analogous to a person buying a TV and getting free cable service for eternity. The real estate tax (property tax) is really two taxes that are inherently different. One is on the buildings and other improvements. It is a confiscatory tax because it takes the results of labor and capital expended in building and maintaining a house. And unlike the sales or income tax it is paid every year. Prof. Gaffney once estimated that the tax on buildings in Milwaukee would be equal to a 52% sales tax if it was financed with a mortgage over the life of the building.

However, the tax on the value of land measures the benefits received from society and the local community. If it’s residential land, it adds up the values from proximity to jobs and stores, the quality of public schools, access to utilities, the level of safety, and beauty, and even the sense of community. These are values that result in large part from public expenditures. They should be paid for each year in reference to the value of the benefits received. Paying for what you get from society and not being penalized for what you do for yourself and your community is not only freedom, but a just society. <<

Response to 10-31-14 Forbes article, Texas Can Lead the Nation on Property Tax Reform.

Submitted Comment by Scott Baker, New York, NY

Only Laffer could inspire such drivel. The fact is, Texas is only doing relatively better than its southern neighbors (and proposition 13-hobbled California) because of the property tax, not in spite of it. Far from being distortionary, the property tax is the only tax that reliably measures the value of the thing being taxed, at least if assessors are honest, and they stand a lot better chance of being honest than the income tax avoiding Texas Titan. Sales taxes are regressive, and they DO disproportionately hit the poor because, as Archie Bunker once said, "All (their) money is tied up in staying alive." California, with whom Texas rightly competes, and wrongly understands why it wins, went from the #1 state to one of the lowest states in poverty and education and almost everything else but land speculation, since the Howard Jarvis scam to freeze property taxes gave away the best land to land-squatting oil and gas companies, while pretending to help homeowners.

Here in NYC, we now have 5 Empire State building sized properties where there's a 94% property tax abatement. The result? Penthouses that sell for $95 million, and pay property taxes of $1,500/month, or less than the average 2-bedroom co-op. Only foreign plutocrats can live there, as pointed out by New York Magazine's recent article "Stash Pad"

Our group, Common Ground NYC, has been fighting to shift ALL taxes onto land (getting rid of the bad part of the 2-part property tax: the part on buildings) for decades. We have documented case after case of how low property taxes keep property out of the market and benefit unproductive speculation. These are displayed on our website: http://commongroundnyc.org/ or here in my recent presentation for the Henry George School: http://www.opednews.com/Diary/Case-Studies-in-New-York-C-by-Scott-Baker-Georgism_Henry-George_Land-Value-Taxation-141024-865.html

See also the rebuttal to this totally backwards article here: http://lawschooltuitionbubble.wordpress.com/2014/11/10/yes-texas-take-the-scum-tax-bait-i-dare-you/

The Land Value Tax, as even Milton Friedman knew, is the "least bad tax" and actually it is a "good" tax in that it rewards building and development by untaxing that, while punishing land hoarding and speculation.

This has been known since Henry George, and even before going back to Ricardo, Adam Smith and even the Old Testament (which Texans Bible Belters CLAIM to know so well): read John Kelly's book "The Other Law of Moses" to see how an ancient Land Tax worked for centuries.

Laffer has proven to be the plutocrats best friend, even while his policies have wrecked economies all over America, including most recently Kansas, which is seeing its economy go into record deficit, even as services are slashed across the board. No one should still be listening to this crank, though it's no wonder the pro-rentier AEI and ALEC are; their purpose is to promote policies that are extractive, not productive.

But, Texas, go ahead, make my day. Join the list of other low property tax states: http://www.tax-rates.org/ taxables/property-tax-by-state and see how you join them in highest poverty and lowest quality of life too. Maybe this will be the abject lesson the country needs. <<

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LOGOS ABUSED (from page 10)
problem that has not been solved here." With such proud ego-
tism nature spurs us on to creation. In his arrogance Kant, like
Spinoza and Bacon, rejected pure a priorism with its pretense of
Rigor. Observing the enduring reputation of Kant, perhaps arro-
gance is preferable to the humility of those who, in humbly
pursuing only respectability attain only humble goals.

The danger in such a man, of course, is he may speak
out on public affairs, and Kant did so under the very nose and
guns of Frederick the Great. Kant, in Eternal Peace, condemned
imperialism, land-grabbing, conscription, and privileges of rank
and class, and promoted subversions like democracy and world
government.

Most moderns would give lip-service to Scoto, Spi-
noza, Bacon and Kant, their heresies safely buried in the distant
past. Yet the ghosts of The Lyons’ Deacon, Albert Burgh, the
Synagogue of Amsterdam and His Highness prevail in molding
and casting modern economics’ curricula.

Would Spinoza, Bacon or Kant find refuge in Aca-
dem today? Would Tom Paine find happiness under Mrs.
Grundy? In an unreasonable age, a man’s reason let loose might
undo him. Let us do better, though, than stepping aside nimblly
while ignorant armies clash by night. Let us be arrogant enough
to follow our own beliefs to the extent of framing a curriculum
on what we perceive to be its merits. Let us be too arrogant to
follow the moods and caprices of the day, as women change
their hemlines and men their lapels. A great philosophy is not a
philosophy without reproach but without fear.

(Logos Abused will be concluded in the next issue of
GroundSwell with sections 8-13. GroundSwell does not have
room for footnotes, but they are available from Economics Pro-
fessor Dr. Mason Gaffney at m.gaffney@dslextrme.com) <<

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INTERESTING SESSIONS ANNOUNCED FOR THE 2015
CGO CONFERENCE
The joint International Union (http://www.theiu.org/) / Council of
Georgist Organizations (http://www.cgocouncil.org/) programming
team is pleased to announce the following topics:
Education: The non-negotiable basics with Lindy Davies.
Mike Curtis and others: what concepts are absolutely necessary for
us to get across, in order to build our movement? The topic is a timely
and relevant concept; there’s some debate going on about various dilu-
tions of Georgist ideas, and the need for effectiveness of any kind of
education program.
Mason Gaffney on "What’s the Matter with Michigan?"
Heather Wetzel on "Welfare for the Rich"
Ted Gwartney & Mason Gaffney on the moral of Southfield: mov-
ing towards LVT by Assessment Reform.
Movement Building
International Education
Social Media
Karl Fitzgerald is coming from Australia to speak on the Global
Land Bubble.

Former CGO President & current IU Secretary General
Alanna Hartzok has graciously agreed to be (concluded on page 14)