HAS GEORGISM BEEN HIJACKED BY SPECIAL INTERESTS?

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

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

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

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

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

Nowhere are these worldly and material dimensions to the history of ideas more clearly expressed than in theories of land rent and other forms of economic rent. One hardly would expect matters to be otherwise in view of the fact that rent has been the major economic phenomenon throughout history. It has been the major path to wealth, and once obtained it has been the major way of maintaining wealth and social status. In this respect the economy and even society is all about rent - and its associated land pricing and land tenure, as well as the value of mineral rights, monopoly rights and other rent-yielding resources.

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

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

From the Ricardians came the criticism of rent from the vantage point of bankers and industrialists seeking to channel rent revenue into capital formation, and using it as the tax base so that profits would not be taxed, or the spending and income of workers whose expenses would be added to the minimum wage cost of industrial employers. From the Socialists came the criticism that rent was uneconomic, and that land was simply one of those pressure points where owners could act as economic toll-takers and demand a rental fee for access to what was a precondition to production - land sites - but did not in itself entail outlays to produce and hence did not add value. The Socialists agreed with the Ricardians (and for that matter with the Physiocrats and with the fiscal systems of classical Greece and Rome) that groundrent should be the basis for taxation. Kindred to this position was that of the American tax reformer Henry George, describing how, land ownership had been appropriated from the public domain, often by insider dealing within the public sector, (as he had seen most flagrantly in his country's vast land grants given to the railroads.)

Yet despite the fact that they were united by a similar analysis of groundrent, George, the Socialists and the Classical Economists moved in opposite directions politically. For generations to come, this divergence in directions shaped the coloration of rent theory and the fiscal policy that it implied.

The explanation is to be found in the positioning of rent theory within its holders' overall view of society - how society functioned and how it ideally should function. In this respect the social destiny of the idea of land rent became a function not so much of the theory of rent itself as of broader theories of overall society. This broad context shaped the societies and (continued on page 2)
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tones of rent theory - ultimately, ironically, in a way
that led to its being almost entirely removed from social,
political, economic and academic consciousness alto-
gether. The history of rent theory thus becomes of so-
ciological interest precisely because it is a seemingly "big
idea" whose effect has shrunk steadily since it was ex-
ploded two centuries ago. Today it is more likely to
elicit a response of cognitive dissonance than a reverbera-
tion of recognition in the minds of most people.

Henry George was remarkably perceptive about the
danger of Marxian socialism leading to dictatorships of
the bureaucracy. 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 Amer-
ica 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 cre-
ated 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.

Even today, many socialists view Henry George as one
of themselves because of his eloquent writing along these
lines. Yet the institutions ostensibly endowed to promote
his ideas have ignored the largest potential pool of his
supporters, to focus on groups whose antipathy to govern-
ment prejudices them against a full collection of land rent
and other forms of economic rent, and leads them to ad-
vocate privatization rather than public collection of rent-
yielding assets.

How did this state of affairs come about?
Why has land-rent taxation failed so disasterously in the
political arena, if it is so good? The idea of basing the
entire tax base on a rent tax rather than taxing profits or
wages would make society much richer and be much
fairer than the existing system. Most people believe in
fairness and economic justice. Why then hasn't the taxa-
tion of economic rent (and land rent in particular) at-
tracted more widespread support?

I believe (1) that the movement to tax economic rent
has been trivialized, and (2) that this is the result of its
having been hijacked by a group of people whose ideology
is basically averse to the ideas of Henry George. But
first, let me give you some background on why I think
this is so.

I think that 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.

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

Politically, George was an individualist and opposed
the centralized government advocated by Marx and the
Socialists. However, many people found a problem with
George's idea, and these people included many of his
own followers. The enormous magnitude of land rent
meant that a land-tax would swell rather than shrink
government tax revenue.

How would this translate into government spending,
and hence the economic activism and political power of
government? Does a full land-rent tax mean Big Taxa-
tion, and if so, does this mean Big Government? And as
an individualist, didn't George oppose Big Government?
I will get into this problem later in my talk.

I would like to ask this audience a number of ques-
tions.

First, what do you believe in more? Would you rather
(1) cut taxes, or (2) raise the property tax to the
land's full rental amount?

Many advocates of the two-rate tax (buildings will be
untaxed, a small part of the land rent will be taxed, with
no increase in overall real estate tax revenues) present
Pennsylvania as a Georgist pilot project. Yet the state's
property tax is only 1% of the land price - or rather, I
should say, the APPRAISED land price. Appraisals indi-
cate only a fraction of the actual market price, as they
notoriously lag behind market sales prices.

From the outset, leading advocates of untaxing build-
ings have insisted on two things. First is the "revenue
neutrality" of property taxes, so that the overall tax take
should not rise. Yet the essence of George's tax philoso-
phy is that the land's full economic rent should be taxed.
If it were, this would result in an approximate ten-fold
increase in Pennsylvania's overall tax rate. In view of this
"revenue neutrality" as a condition for getting sup-
port from local mayors (and hence, from their major
campaign contributors, the financial and real estate in-
dustries), I do not see how such a tax program can be
viewed as a step toward a land-rent tax. It seems instead
to be an alternative.

A second condition of the two-rate tax program as
presented to Pennsylvania mayors is the promise that
there will be no general re-appraisal of property. Yet if
land is to be taxed rather than buildings, it is economi-
cally impossible to do this without creating a land-rent
map. This kind of map is needed to smooth out the arbi-
trary variations that result from site-by-site appraisals at
different periods of time, based on sales or transfers at
different points of time.

My statistical research shows that a full tax on the
land's rent (not buildings, (continued on page 4)
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just the site's rental valuation) would be about 10 percent of
the property's market price, in contrast to Pennsylvania's
1%. This would multiply the existing property tax ten-fold.

So, I would like to re-ask my question. How many of
you are in favor a full land-rent tax (LRT)?

How many of you believe that this could be done with-
out creating serious economic problems?

I have heard the argument from many Georgists that there
would be no overall economic problem because what the
government collects in land-rent tax will be matched by a
consequent un-taxing of labor and capital.

If the economy were a single-celled organism, an amoeba
or other shapeless protozoan, this would be the case. But
we live in a multilayered economy. 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.

However, the incidence of taxation would affect various
classes differently. Labor and (physical) capital would
benefit. Good. But the landlords would not come out even.
They would find the rent of their land sites taxed. How
would they pay? The statistics I began to publish for the
Henry George School back in 1995 show that the problem
they face is that they already have pledged this rent to the
banks. Real estate speculators - who I believe are the betes
noires of most people of the people here today - are not all
that interested in rent. WHAT THEY WANT ARE THE
CAPITAL GAINS. They seek these gains by borrowing as
much credit as they can from the banks, pledging the prop-
erty's rental income to pay the interest.

WHAT THEY SEEK IS LEVERAGE. In the process of
getting this, they load down property with debt, and they
pledge its rent to the mortgage lenders. This turns the rent
into the backing for the economy's private-sector savings,
making it unavailable for taxation.

The government would tax this rental income if it col-
clected all the land rent. Therefore, collection of this rent
would lead to widespread defaults on mortgage debts of
landlords. The banks would be in trouble. And when banks
are in trouble, so are the savers who deposit their money
with banks. They would turn to the federal government to
bail them out, as they did when the most reckless S&Ls
went broke in the late 1980s. Claims by depositors led to
the Moral Hazard of the FSLIC bailing them out. (Moral
Hazard occurs when people expect the government to bail
the banks, other financial institutions and savers in general
from their losses. These bailouts create debts that will be
carried by increasing taxes. The tax increase would fall
mainly on labor in today's fiscal environment.)

The FSLIC went bankrupt, and the government had to go
to debt estimated variously at between $300 and $500 bil-
lion, when all future interest charges are taken into account.

For this reason, a land-rent tax would create a financial
crisis. And it would add to the tax burden, at a time when
land is being untaxed and labor is being taxed more heavily.

The government also would collect the capital gains that
speculators aim for, for these gains represent the capital-
ized value of the rent flow that the government refrains
from taxing.

Now I should say that despite this problem, I believe in
the LRT. I am willing to see such a crisis, and in fact I
think it would be purgative. One of the main arguments for
a LRT is that it would refocus our financial system away
from lending against real estate for speculative purposes,
and shift lending to finance fixed capital formation.

But how many of you are willing to see this occur?
When we speak of being fiscally "revenue neutral," we
must remember that government exists both at the national
and state and local levels. The property tax is local; the
taxes that George believed should be cancelled are those
that fall on labor and capital.

Today, these are primarily the federal income tax and
tariffs, collected at the national level. Hence, local govern-
ment tax receipts would benefit at the expense of federal
receipts - UNLESS the tax laws are changed to make the
real estate tax a federal tax.

I believe that this is what Henry George wanted to see.
He was not supportive of starting locally by creating rent
enclaves. Although he thought that the guiding idea of lo-
cal experiments such as New Hope, Alabama was correct,
he saw the local avenue of rent reform as a Sisyphean
task, at best merely a demonstration project. Rather than
withdrawing from the fight for nation-wide reform, he
sought to make land-rent taxation a national effort.

I believe that this is the only political way to tax the
land's rent. How many of you agree? Are you willing to
see land be taxed at the federal level, or are you localists?

Now I have another set of questions.

One of the major arguments of the two-raters is that it
spurs construction. They point especially to the promised
effect of "developing" all those low-rise parking lots. I as-
sume that one-story "taxpayers" also will be developed.

I'll leave aside for a moment the question of whether this
really is a philosophy that many people will devote their
lives to promoting. If you are not a building contractor, is
building up parking lots really the most important thing
that you can do to promote economic justice? Henry
George approached every issue from the vantage point of
economic justice. I hardly can imagine him working as a
lobby for the construction industry today.

Let me only discuss the practical matters here. What do
you believe has more of an effect on spurring construction
(assuming that to be the single most important measure of
social well-being, your ticket to moral heaven, so to speak):
cutting property taxes on buildings and shifting them to
land, or shifting the interest rate?

Remember, the two-rate tax is "revenue neutral." Given
a maximum rate of 1%, this means that the shift for most
properties is only a fraction of a percent. Yet in recent
years we have seen mortgage interest rates shift by four
percentage points. The norm for (continued on page 9)
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long-term interest rates is to fluctuate by about one percentage point each year.
Isn't this variation in construction costs larger than the effect that a two-rate tax would have? Where then is the great impetus to new construction to come from?
I now would like to ask a set of questions having to do with political strategy.
Who do you believe was more radical: Karl Marx, or Henry George?
Perhaps I should point out that most of the labor and related social reforms that Marxian socialists advocated back in his day, the late 19th century, were actually adopted by the 1930s in most countries.
But one reform was not adopted, and it was the very first item mentioned in the Communist Manifesto. That was the nationalization of land. I need hardly point out to this audience that in his day, Henry George was viewed as just as much of a threat as was Marx.
Already in Marx's 1846 critique of Proudhon, in The Poverty of Philosophy, written a generation before George published Progress and Poverty, he pointed to the fact that although industrialists wanted to base the tax on land rent rather than on themselves or on the labor they employed, when push came to shove they would defend the principle of exempting property from taxation.
In view of the fact that the major asset in every economy even in today's world is land, not industrial plant and machinery, one must come to a striking conclusion: The theory of rent and its implications for land taxation is more radical than Marx's labor theory of value.
The reason is simple enough to anyone who looks at the national economic statistics for any economy. When economic theory is at issue, the motto of the investigator should be the same as that of any good investigative reporter: Follow the money. The largest asset in any economy, even in today's industrial and post-industrial age, is land and other rent-yielding assets: mineral rights, the electromagnetic radio spectrum, and the sectors that recently have been privatized throughout the world as governments have sold them off in an attempt to carry their public debts.
It has been easier for the wealthy classes in every nation to support social democratic programs than to accept land taxation, for a much larger economic return accrues to land ownership in the form of economic rent than can be made as profit by employing wage-labor.
A century ago, socialists recognized this, and embraced Henry George as one of their own. But George rejected their appreciation as he ran for mayor of New York City in 1886-87. Seeking the support of capital rather than labor, he expelled the followers of Daniel de Leon and insisted on rewriting the fusion-party program that had nominated him so as to exclude its labor planks, and put forth land taxation as a cure-all.
This led to a break between his followers and those of the socialists. More and more intellectuals shifted to the socialists, because they had a broader view of economic reform that encompassed land taxation but did not exclude labor and housing re-
form and related reforms that subsequently became mainstream in character, most notably during the New Deal decade under Franklin Roosevelt in the United States.
An indication of how thoroughly socialists had absorbed the land taxers is apparent from the fact that the major books of investigative journalism documenting the railroad land grants and other appropriations of land were published by none other than Marx's own American publisher, the Chicago firm of Charles H. Kerr. Kerr was the only publisher who would print books by George's followers and many investigative journalists inspired by him from the 1890s through the early 1900s.
In Australia, the European publishers of Marx's Capital, Swan Sonnenschein, published major tracts by one-time George collaborators such as Michael Flursheim. By the first decade of the 20th century, the economic program of land taxation that George had excised so many people about had passed to the socialists. In Britain, George Bernard Shaw and his fellow Fabians whose political activity had been inspired largely by Henry George had moved into the socialist camp. The same was true in country after country.
As I noted above, the political problem faced by Georgism had been expressed clearly by Marx already in 1847, the year before he wrote the Communist Manifesto with Frederick Engels. Criticizing the socialists who found in Ricardo and Proudhon the idea that to tax land rent represented the most important political reform, Marx wrote: We understand such economists as Mill, Cherbulez, Hilditch and others demanding that rent should be handed over to the state to serve in place of taxes. That is a frank expression of the hatred the industrial capitalist bears towards the landed proprietor, who seems to him a useless thing, an excrescence upon the general body of bourgeois production.
The problem, however, was that rent was after all the major return to property. Marx warned that when push came to shove, property owners would hold onto rent most tenaciously of all.
Most relevant to the present discussion is the degree to which Marx's notes drafted in the early 1860s for his posthumously published Theories of Surplus Value anticipated George's Single Tax as an expression of class conflict over what form of revenue to tax - rent, profit, or interest:
Landed property is a means for grabbing a part of the surplus-value produced by industrial capital. ... The abolition of landed property in the Ricardian sense, that is, its conversion into State property so that rent is paid to the State instead of to the landlord, is the ideal, the heart's desire, which springs from the deepest, in most essence of capital. Capital cannot abolish landed property. But by converting it into rent [which is paid to the State] the capitalists as a class appropriate it and use it to defray their State expenses, thus appropriating in a roundabout way what cannot be retained directly.
In this passage Marx made explicit the fiscal policy crisis implicit in classical (continued on page 10)
economics and its rent theory. By making this conflict so visible between industrial capital and society's landlords on the one hand and labor on the other, Marx showed his radicalism to be simply the logical conclusion of classical political economy. In this respect the subsequent reaction against Marx, and even against George, was inherently against the logic of classical economic thought itself.

One must conclude that the advocacy of rent taxation was the most radical economic reform proposed by the 19th century. Yet today it has been trivialized into a merely marginal reform, as if manipulating a tax of less than 1% of the land's market value can transform economies—and also as if land taxation would not transform the entire economic system.

So land taxers are forced to confront the problem of just how radical George's idea really was. How are they to handle this problem? A radical idea cannot succeed without recasting people's view of how the overall economy operates, and indeed of the direction in which economic history is moving.

The socialists have placed their reforms in this big-picture perspective. Yet the followers of George have let rent theory be marginalized into the academic sub-discipline of "land economics" and "real estate studies," departments that invariably cater to the real estate interests.

Needless to say, that discipline has been appropriated primarily by the landlord classes and the construction industry as a how-to-do-it study of the ways to get rich through land speculation and property ownership. I venture to say that nobody knows the principles of land taxation and land rent better than Donald Trump. What is remarkable is that the topic almost has disappeared from the agenda of economic reformers today.

The result is that land taxers are coming to look much like QWERTY reformers of the typewriter keyboard. A shift to a non-QWERTY layout may indeed succeed in higher typing speeds, but is this really an ideal that people are willing to devote their lives to achieving? Or are there other economic reforms more pressing?

By the 1920s the followers of Henry George (still called Single Taxers, not yet "Georgists") had become known mainly for becoming anti-Bolsheviks. They moved to the right wing of the political spectrum, supporting free trade and even "hard money." Whereas George's earlier followers had addressed the debt issue along with the land issue, the heads of the land-tax parade came just in time to be hard-money advocates.

If there is a single theme of my explanation, it is that the Henry George movement has been taken over by a group of people whose main concern is to oppose government. I refer especially to the followers of Ludwig von Mises and Friedrich Hayek, and to the hard-money advocates that have played so important a role in the major Henry-George institutions, along with the supporters of Ayn Rand.

What makes their support of the land-rent tax so problematic is that if it were collected, it would amount to some 40% of national income. On its face, this would seem to imply big government. Indeed, this is what H.G. Wells complained of in his discussion of George. (Almost nobody before Jeff Smith suggested a citizen's dividend, except of course for the Athenians 2500 years ago.)

To resolve this problem, the anti-government individualists have decided that they really do not want to collect the land's ENTIRE rent, but only a small part of it, while abolishing other taxes (or at least, taxes on capital.)

The upshot has been a shift in the focus of George's followers into areas that are basically antithetical to the philosophy he put forth in Progress and Poverty. These "Georgists" have become apostles of property ownership, not of labor or even of industrial capital, but finance capital.

With these observations in mind, I would like to ask a few more questions.

If full taxation of economic rent is indeed so important that it should be the mother of all reforms, how can its effects be described without explaining how they will be felt throughout the entire economy? How can rent theory be put forth as a distinct area of study, without being an economy-wide theory?

If a macroeconomic approach is needed, then obviously finance needs to be incorporated. After all, my statistics have shown that the land's rental income has been pledged to mortgage lenders in order for property owners to borrow the money to buy real estate that is rising in price - rising at a more rapid rate, I should point out, than the rate of interest, in most periods. This explains its allure to investors. The exception occurs in periods where the inevitable financial and real estate bubble bursts.

Yet rent theory has been amputated from financial analysis. The economic and political reality is that a full land-rent tax would indeed transform the economy. For one thing, it would re-focus the banking sector away from mortgage lending that finances the bidding up of prices for properties already in place. If the government fully taxed the rent and land-price gains, banks would find their market in lending to finance actual fixed capital formation.

How is it that the land-value tax has no theory of how the economy as a whole works? How is it that for an entire century this proposed reform has not been given a sense of proportion by the publishing of annual statistics - or any statistics whatsoever, at any point in time - to estimate just how much rent actually exists to be collected? The result of this neglect has been that most economic writers have been able to trivialize discussions of land taxation by estimating that it is only about 2% of national income.

This trivial 2% number comes from a misreading of America's national income and product accounts (NIPA) and its line for "rent." This line refers solely to the imputed rent of owner-occupants, as if they paid rent to themselves for the homes that they have bought. It does not relate to commercial rents or the rent of corporately owned property. This rental income can be found under "profit," a word which traditionally has been associated with the return to capital, not (continued on page 11)
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to land or other property rights.

The failure to explain just how large a magnitude rental income is - and how large a magnitude "capital gains" are, gains which are composed primarily of land-price gains - has enabled most economic observers to construct models of the economy that leave land and its rent out of account, subsuming land into "capital."

The question that really needs to be asked now is, how has public attention and that of economists and policy makers been so thoroughly diverted away from the magnitude and importance of land rent? The answer must involve acknowledgement of how politically and intellectually self-defeating the land-tax movement has been for more than a century.

Rent theory has been amputated from financial analysis by our own Georgist organizations. This seemingly has been done as a result of the infiltration by a minority of highly ideological individuals who have taken over the major grant-giving organizations of the land-tax movement: the Lincoln Institute in Arizona and its Cambridge offspring, the Lincoln Land Institute; the Henry George School of Social Science in New York, and the Robert Schalkenbach Foundation also in New York, as well as a few smaller foundations in Pennsylvania and other institutes whose major focus has become the promotion of the marginalizing two-rate tax policy which appeals to local real estate developers.

Inadvertently, or on purpose? These funding institutions have diverted the land-tax discussion away from economy-wide issues, and hence from the kind of topic that is able to mobilize most peoples' economic idealism, toward the more marginal QWERTY-type logic of a two-rate property tax that would help build up all those underutilized parking lots, much to the glee of the construction industry.

Yet as I pointed out above, one of the strongest arguments for taxing the land rather than profits and wages is that this is a precondition for shifting the banking system away from inflating real estate and stock-market bubbles that are based on "rent-collecting" sectors of the economy.

I and others have been told by many Georgists that inasmuch as the land tax is locally imposed in the United States, we should work locally through the mayor's office. The problem with this is that mayoral campaigns are financed largely by the real estate and banking sectors. And the last thing that these campaign contributors want to hear about is a land tax.

Except for the two-rate tax, that is. Given the existing appraisal techniques, the market value of high-rise buildings is attributed mainly to capital structures (at today's reproduction costs), not the land. The effect of the two-rate tax in large cities - New York City and most others where the bulk of U.S. property values are concentrated - would be to untax tall, absentee-owned commercial buildings. To be "revenue neutral," this tax would be shifted to low-rise, residential structures. In this respect the tax burden would be shifted from property owners onto labor. Is this what Henry George wanted?

This phenomenon is instantly apparent to anyone who "follows the money trail" and starts off by looking at the statistics. In my many years of relationship with the Henry George School and the Robert Schalkenbach Foundation, this seems to be the reason why the publication of land-rent statistics has been opposed. The real-estate and construction-industry advocates, anti-tax protestors, property and "hard money" advocates that dominate their boards have little interest in explaining how their own particular theoretical beliefs lead to anti-labor, landlord policies in practice.

Henry George sought to put forth an alternative to socialism and big government. But did he intend a libertarianism based on self-interest, on the idea that without economic "incentives" and payment people would not behave fairly?

Did George believe that tax revenue was bad and should be reduced? Or did he want to tax the land fully?

The guiding principle here should be just what Henry George insisted on: the principle of economic justice. He sought to create a level playing field - within the context of freedom and capitalism.

There is a general awakening today that what is blocking a level playing field is the financial system. Specifically, the economy is being loaded down with debt. And about 70% of bank loans in America and Britain consist of mortgage loans attached to property, absorbing its economic rent.

Most people who look at new proposals and theories that are new to them want a theory that can explain the economy as a whole. And as most of you here already know, rent is the most important flow in any economy, past or present.

But this message can't be got across to people without putting rent in proportion to profits, interest, wages and taxes.

Why isn't this being done? Or I should say, why is it only being done by Donald Trump and by the real estate industry, not by followers of Henry George? Why is rent being calculated by bankers to see how much money they can loan against it, but not by tax reformers?

George did not want the socialist state advocated by Marx. But he did believe in justice. Yet today, the discussion of justice has been monopolized by the Marxists, along with left-wing churches in Europe. Also monopolized by Marxists has been the study of economic history and the history of economic thought.

Yet economic history could well be written as the history of how the land was taxed and how landowners shed this tax by shifting it onto other classes. This is how George himself began Progress and Poverty, with his discussion of the history of property as described by Laveleye and other French socialists. Why is it that George's followers have given up the task?

George certainly would not have wanted government statistics to hide the magnitude of rent. But this is what is being done. Why are these national statistics not re-cast in a way that would show the actual magnitude of rent and compare it to industrial (continued on pg. 12)
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profits and labor's wage income over and above basic break-even needs?
How are we to get to the level playing field in today's economic climate that favors landowners by supplying them with credit and tax favoritism?
The statistics are there. But they are not published, and not interpreted and charted. Without statistics, how can advocates of land taxation convince people as to how important it is, and how radically it would transform society?
For decades the Henry George School and Schalkenbach have been building up their financial capital but withholding it while the intellectual capital of the land-tax movement has been depleted. Potential sympathizers and legitimate academics have been driven away, and the credentials of the boards of directors of these institutions has been degraded.
I know many prestigious academics who support land-rent taxation. They have been driven away. I have met many financial managers who believe that the financial system should be re-directed by shifting fiscal policy toward land taxation rather than the present-day fiscal favoritism for land speculation (most notably the recent tax giveaways by the Bush tax plan that cut land-price "capital" gains and abolished the inheritance tax, which fell largely on inherited landed property) but they have not been made to feel comfortable in the company of those who consider themselves to be George's followers.
So it seems to me that the land-tax movement has been hijacked by those whose agenda is not compatible with that of full land-taxation, but have another ideology in mind.
I have seen a fear of reaching out to socialists, yet from the very outset they have been the most active supporters of George and his belief that the land belongs in the public domain. They are willing to accept the land-tax idea, all the more so as it now seems to be a major way to cope with the form of perverse globalization that is occurring by privatizing the public domain to pay off public debts in many countries.
Another group of potential supporters lies in the environmental movement, the anti-IMF and World Bank reform movement, and anti-globalization movement. Yet all these groups have been shunned by the main organizations that are supposed to be committed to promoting the land-rent tax. Today the economy is leading to a New Enclosure Movement. The public domain - the domain whose revenues Henry George believed should be taxed - is being appropriated. This is occurring not by military force, but by financial insider dealing under pressure of debts that are crippling governments.
The last thing that Georgists want is a new feudalism - one with Donald Trump as king, and his bankers sitting behind him collecting what he and other rent-takers appropriate from the economy.
Opposing such takeovers is a winning message.
But to get it across, we must follow the money trail, publish the statistics and show the magnitude of what is happening - and demand accountability from the institutions that are supposed to promote the ideas of economic justice that Henry George popularized so successfully in his day. At this point you may begin to wonder why I was invited here today.
Nobody likes to make an audience feel uncomfortable or to be the bearer of bad news. I'm well aware that the dominant mentality through the ages has been to "shoot the messenger." So why have I been invited?
I assume that the reason is that I'm willing to say what I think. Others who think as I do have simply been told (as I have been told) to go away and leave the Georgist movement alone. Many of my friends have done just that. They've been told (as I've been told) that there is no room for social reformers in the land-tax movement, that the way to succeed is not to frighten people but to go step by step, incrementally and marginally.
This is not the way to go.