Karl Marx vs Henry George

by Stuart Jeanne Bramhall / August 12th, 2013 / Dissident Voice.org

Why do American children study Karl Marx, the villain we love to hate, in school? Yet Henry George, whose views on land and tax reform gave rise to the Progressive and Populist movements of the 1900s, is totally absent from US history books. During the 1890s George, author of the 1879 bestseller *Progress and Poverty*, was the third most famous American, after Mark Twain and Thomas Edison. In 1896 he outpolled Teddy Roosevelt and was nearly elected mayor of New York.

In *Neo-classical Economics as a Stratagem Against Henry George* (2007), University of California economist Mason Gaffney argues thatGeorge and his Land Value Tax pose a far greater threat than Marx to America's corporate elite. America's enormous concentration of wealth has always depended on the inherent right of the wealthy elite to seize and monopolize vast quantities of land and natural resources (oil, gas, forests, water, minerals, etc) for personal profit. Adopting an LVT, which is far easier than launching a violent revolution, would essentially negate that right. What's more, every jurisdiction that has ever implemented an LVT finds it works exactly the way George predicted it would. Productivity, prosperity, and social wellbeing flourish, while inflation, wealth inequality, and boom and bust recessions and depressions virtually vanish. See "Can an LVT Save Us?"

When *Progress and Poverty* first came out in 1879, it started a worldwide reform movement that in the US manifested in the fiercely anti-corporate Populist Movement in the 1880s and later the Progressive Movement (1900-1920). Many important anti-corporate reforms came out of this period, including the Sherman Antitrust Act (1890), a constitutional amendment allowing Americans to elect the Senate by popular vote (prior to 1913 the Senate was appointed by state legislators), and the country's first state-owned bank, The Bank of North Dakota (1919).

The Corporate Elite Strikes Back

As with any major reform movement, the corporate backlash was predictable. In *Neo-classical Economics*, Gaffney reveals that this backlash took two main forms. The first was the Red Scare (1919-1989), overseen by J Edgar Hoover as Assistant Attorney General and later as FBI director. The second was more insidious and involved the deliberate reframing of the classical economic theory developed by Adam Smith, Locke, Hume, and Ricardo as so-called neoclassical economics. The latter totally negates Adam Smith's basic differentiation between "land", a limited, non-producible resource. and "capital", a reproducible result of past human production. Smith, Locke, Hume, and Ricardo all held that individuals have no right to seize and monopolize scarce natural resources, such as land, minerals, water, and forests. They believed that because these resources are both limited and essential for human survival, they should belong to the public.

Neoclassical economics, which first developed in the 1890s, was based on the premise that growth and development can only occur if a handful of rent-seekers are allowed to monopolize scarce land and natural resources for their personal profit. Henry George, who publicly debated the early pioneers of neoclassical economics, claimed the science of economics was being deliberately distorted to discredit him. Gaffney agrees. Because George's proposal to replace income and sales tax with single land value taxed is based on logical concepts of land, capital, labor, and rent advanced by Adam Smith, Locke, Hume, and Ricardo, they all had to be discredited.

Gaffney believes neoclassical economic theory undermines George's arguments for a single Land Value Tax in two basic ways: 1) by claiming that land is no different from other capital (ironically Marx made the identical argument) and 2) by portraying the science of economics as a series of hard choices and sacrifices that low and middle income people must make. Some examples:

- If we want efficiency, we must sacrifice equity.
- To attract business, we must lower taxes and shut libraries and defund schools.
- To prevent inflation, we must keep a large number of Americans unemployed.
- To create jobs, we must destroy the environment and pollute the air, water, and food chain.
- To raise productivity, we must fire people.

Gaffney's book traces the phenomenal public support Georgism enjoyed before the tenets of neoclassical economics took hold in American universities. In addition to inspiring the Populist and Progressive movements, an LVT to fund irrigation projects in California's Central Valley made California the top producing farm state. In 1916 the first federal income tax law was introduced by Georgist members of Congress (Henry George Jr and Warren Bailey) and included virtually no tax on wages. In 1934 Georgist Upton Sinclair was almost elected governor of California.

Gaffney also identifies the robber barons whose fortunes financed the economics departments of the major universities who went on to substitute neooclassical economics for classical economic theory. At the top of this list were

- Ezra Cornell (owner of both Western Union and Associated Press) – founder of Cornell University

- John D Rockefeller – helped fund the University of Chicago and installed his cronies in its economics department.
- J. P Morgan – investment banker and early funder of Columbia University
- B&O Railroad – John Hopkins University
- Southern Pacific Railroad – Stanford University

The final section of Gaffney's book lays out the tragic economic, political, and social consequences of allowing the Red Scare and neoclassical economics to stifle America's movement for a single Land Value Tax:

Economic Consequences

- The corporate elite has privatized, or is privatizing, most of the public domain (including fisheries, the public airwaves, water, offshore oil and gas, and the right to clean air) without compensation to the public.
- The rate of saving and capital formation continues to fall rapidly. This is the main reason there is no recovery. Although profits soar, corporations have no incentive to invest in expansion and jobs. Instead they invest their profits in real estate, derivatives, and commodities speculation.
- American capital is decayed and obsolete. The US has lost much of its steel and auto industries. Power plants and oil refineries are ancient and polluting. Most public capital (infrastructure) is old and crumbling.
- The number of American farms has fallen from 6 million in 1920 to 1 million in 2007.
- The USA, once so self-sufficient, has grown dangerously dependent on importing raw materials and foreign manufacturers.
- The US financial system is a shambles, supported only by loading trillions of dollars of bad debts onto the taxpayers.
- Real wage rates have continued to fall since 1975,
- Unemployment has risen to chronically high levels.
- Inequality in wealth and income continues to increase rapidly.

Political Consequences

- The corporate elite has nullified all the Progressive Era electoral reforms by pouring money into politics and "deep lobbying," at all levels of government, including our institutions of higher learning and our public schools.
- The corporate elite continue to pour ever more of our tax money into prisons.

Social Consequences

- Homelessness has risen to new heights, in spite of decades of subsidies to home-building and, favorable tax treatment of owner-occupied homes
- Hunger is rampant.

- Street begging, once rare, is everywhere
- Americans have experienced a sharp loss of community, honor, duty, loyalty and patriotism.
- In the shadow world between crime and business there is now the vast, gray underground economy that includes tax evasion, tax avoidance, and drug-dealing.
- The US which once led the world in nearly every endeavor, has fallen far behind in infant survival, in longevity, in literacy, in numeracy, in mental health.
- American education no longer leads the world. Privatized education in the form of commercial TV has largely superseded public education.

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