THE FOUNDATIONS OF A POLITICAL ECONOMY THAT DESCRIBES THE REAL WORLD

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Michael [Hudson] continues to disparage Henry George on the theory of rent. I will leave it to one of our academics on this list to offer an authoritative rebuttal based on P&P. I shall confine myself to offering the following observation:

> (1) While Michael once offered a useful suggestion – which I continue to use – that the "neo"-classical school is really the POST-classical school of economics, his treatment of the economists who preceded that school as adherents of a single body of economic thought is incorrect. It is the error made by all economic historians. Allow me to explain.

Economics originated as a statecraft discipline. The Physiocrats integrated their economic theorising on fiscal policy into their vision of good governance. This statecraft was anchored in the Single Tax on rent. Thus, we have three categories of "economists":

> (i) The statecraft theorists: the Physiocrats, Adam Smith, and then we jump to Henry George, and Marshall.
> (ii) The in-between theorists, from Ricardo to Marx. They use the tools developed by the Physiocrats and Smith, but they were not interested in the statecraft issues as perceived by the Physiocrats.
> (iii) The post-"classical" economists, who were similarly disinterested in linking economics to good governance.

For my assessment of the foundations of economics as the basis of the art of good governance – as a statecraft – see https://doc-research.org/en/statecraft-economics-civilisation-can-rescue-global-economy/

> (2) Marx had no sympathy with the statecraft economists – Physiocrats/Smith/George – because he wanted a communist form of governance based on the command economy. His mumbo-jumbo about "value" enabled him to dissemble about the status of the profits of capital, which he wanted to socialise – unlike Ricardo/Mill/Marshall. So he stands alone, as the advocate of class conflict etc.

If economics is to be rehabilitated, as a discipline that underpins good governance, it needs to be re-integrated into the statecraft model, the exponents of which were the Physiocrats/Smith/George. Of course we can pick holes in all of these theorists. But their over-arching paradigm was one in which public finance would be based on the net product – rent – and once that policy was in place, *laissez faire* would be able to operate efficiently without the need for the level of state regulation that is currently deemed to be necessary, in the market economies, let alone the level of government control envisaged within the Marxist model.

> (3) The Marxist model has been well tried and tested; and we know the outcome – total failure. In China, today, we see the lingering delusion that they can rebuild socialism "with Chinese characteristics". The latest economic fad in Beijing, according to today's *Financial Times:* the need to adopt REITs (investing in rentable property) as a way of solving their housing crisis! China is a classic case of capitalism, with authoritarian characteristics. We do not help the policy-makers in Beijing by encouraging them to think that the rent thesis is best associated with Marx.

There is much re-imagining of economic theory to be done before we can hope to effect systemic change. Michael is barking up the wrong doctrinal tree.