SYDNEY, TALK

L-1A

Sydney

~~foolish, arbitrary govt. regs. vs. concn.~~

~~Thus, to preserve compn. we must kill it.~~

INTRO

A. Intro

good, except

Neo-classical ecs. is a discipline based on choice. Sounds Most of the choices are bad. "No Free Lunch" is the slogan. Whatever you want, give up something else you want. New Dismal Sci., tells you, ~~III. Apathy Resulting~~ → you can't have what you want

~~A.~~ ~~You will observe~~, each of those trade-offs leads us into a blind alley, like "Jobless Prosperity," "Stagflation," closing libraries to attract business, starving people to limit the popn.

Result: skepticism; apathy; defeatism.

They offer compromise as vs. reconciliation, ~~synergy~~, t-sum solns.

Are voters apathetic by nature? No: they get turned on by people ~~with~~ who lead them out of dismal trade-offs.

3 waves of people have done so:

1. Reagan & Laffer - 1980 - 92. (Thatcher, etc.) Lower tax rates, raise

more revs.

Supply-side ecs. - lower the Wedge Effect. Turned ~~into~~ ~~fraud~~ out to be a complete fraud. No wonder people seem apathetic They're not saying we don't care, but come back when you have something better

2) Keynes

Hi cons. hi wages, public services, rely on inc. tax & hi cap. fmtn. Can have it all. Abundance. 1945 - ~~65~~ 75, worked pretty well. Encourage new invt. Raise MEC. Focus on full empl.

Depended on FMP. 1970s, Turned to ashes ~~in STAGFLATION~~, due to inflation. ~~1970s~~. Ackley, Okun, Friedman, turned dismal — hard choices — grow up — sacrifice — raise payroll taxes. Period of Phillips curve — trade-off. Hard choice Worse, got worst of both worlds: STAGFLATION.

3) Before that was H. George. Electrified the world. He, too, turned people on by saying We can have it all.‡

Modern Georgists, too, can turn people on as he did, by reviving that theme.

Georgists have been intimidated by no-panaceaism. The very people who throw that at them come up w. their own, & walk off w. the votes. Georgists then seem dull bcs. ~~we~~ are talking about who shd pay for garbage pickup

Or ~~we~~ are splitting philosophical hairs; or attacking each other for minor heresies

Let's see how he wd. play today, on the big stage

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‡ Unlike the others, his policies never bombed out in practice. 1900 - 20, most progress in history.

A-1

~~[illegible]~~ George as Great Reconciler

L-1C

Like Keynes, ex. of abundance, we can have it all.

(a) A. Common land & free mkts + modern capitalism

Those dispossessed, by tenure, are compensated in 3 ways

1. Landowners support govt — wages & commerce nurtured
2. To use land, owners must hire workers, pay them, raise wages, create demand: demand side ecs. + pay the taxes, must use the land:
3. Landowners must produce & sell goods, so wages will buy something — no inflation

Cut the Gordian Knot. ① Δ demand
② Δ supply
③ Δ incentives
④ Δ equity
⑤ free up the mkt.

(i) ⑥ Lowers welfare & jail costs, freeing public funds

Think about it, shd leave you breathless. Neo-classical sophists had to work hard to put that genie back in the bottle.

III Intro

(a) In practice, we'd tax: land taxes helps small holders, so ~~not~~ more

(b) B. Lower taxes on ~~Earth~~ labor, ~~capital~~ — people become owners. w/o raising taxes on K.

(c) C. Get both equity & effic. They go together

(d) D. ~~Raise~~ Pay for schools, libraries, + p.w. w/o driving away bus. Answer to Gov. Wilson's dilemma.

(e) E. Contain urban sprawl w/o ~~costs~~ overriding the mkt. Work with mkt. to get infilling, compact settlement.

OUTLINE, WALSH BEQUEST LECTURE, MACQUARIE UNIVERSITY, 22/9/93

NEO-CLASSICAL ECONOMICS AS A REACTION TO HENRY GEORGE
(The effects of George on current economic theory and policy)

INTRO

I, a, (

1. 1879, HG electrified the world by identifying a cause of the boom/slump cycle, identifying a cause of inadequate demand for labor, and, best of all, following through with a remedy.

He moved into a vacuum. The Ecs. gurus of the day, even more than today, were in a scolding mode, blaming unemployment on faulty character traits and demanding austerity. That is what leaders always do when they lack positive solutions.

George, as you know, advanced a cost-push theory of slumps, where the optimism of a boom, the expectation raised by material progress, caused land to become overpriced. This, he said, had the same effect as a conscious monopoly by landowners, pricing land out of reach. He recognized that the services of land perish with the passage of time, giving landowners some incentive to strike bargains; but he noted that in contests of attrition, labor starves, while capital depreciates (he said "wastes"), giving landowners greater holdout power. First, speculation overprices land during a boom; second, holdout power keeps it overpriced during a slump. There is the germ of a good theory there, one that fits a lot of facts.

He also alludes to the role of credit and capital. He likens credit to a rubber band, which stretches to accommodate problems, but finally snaps. That too, fits a lot of facts. We see lenders and entrepreneurs keeping production alive by buying overpriced land on credit. They make out while rents keep rising, but go snap when rents can rise no more.

The remedy, he said, is to dash cold water on rising land prices by basing heavy taxes on current land prices. He then went on to discuss several other virtues of such a system, and give some history of land tenure, to which he devotes many scores of pages.

Next week in Melbourne I will be discussing unemployment and its remedies. Today our topic is how the world of professional economists responded to George's challenge, and countered its threat to them and the interests they represented. It is a fascinating study in applied sophistry.

Sapping the pillars of Georgist reasoning

III, 1 intro

1. Rewriting the dictionary

(d) F. Raise taxes on prop. w/o repelling K.

(f) G. Full empl. w/o inflm.
(f) " " " deficits

(Do I repeat myself? These things are worth repeating.)

(c) H. Eliminate The Wedge Effect while raising taxes

(g) I. Attract pop. + K w/o diluting resource base by virtue of synergy. Power of enlarging the mkt. Bigger cities have more l.v. per capita than small ones.
Free lunch!

(c) J. Tax can be progressive, + pro-incentive, same time.

(h) K. Enhance + conserve env. while making jobs, ff- free mkt. (by aborting urban sprawl.)

(i) L. Obviate unnec. p.w. by concentrating people on land already served.
E.g., keep them off flood plains:
Keep silt out of rivers, by keeping them off steep hillsides
Obviate long usual suburban highways.

How did sophists suppress all that exciting good news? Will end with that. Next, see how they are warping things now.

Lecture at Macquarie University
TITLE
THESIS

INTRO L-1A

Australia used to the "The Lucky Country." The U.S.A. was pretty lucky, too. We have a lot in common: we prospered together. We both went through a period of taking HG seriously; his ideas, and kindred ones, did well by us. Now we are still together, but in decline.

(IV)

I. The Fruits of Neo-classical economics

For many years now, "neo-classical economics" has dominated economic thinking and policy. It is better than what they had in Eastern Europe, but neo-classical ecs. cannot take credit for our market economy, much as they like to. We had a well-oiled market economy long before we had neo-classical economics. They'll have to do better than that. What can they claim as their heritage? Here is what they have ~~given us~~ done for us lately. (My refs. are to U.S.)

A. Worsening condition of labor
   1. Lower share of n.i. to labor; more to property.
   2. Falling real w.r., from 1975 or so.
   3. Rising homelessness, in spite of favorable income tax treatment of residences, diversion of much capital into residences. (To a neo-classical, those people sleeping on the sidewalk are not homeless, they are engaged in home search, guided by rational expectations.)
   4. Beggary - in the midst of great wealth, and rapidly developing technology (you might call it "progress and poverty" - I must remember that phrase).
   5. Unemployment. It is so institutionalized now, they define it away. Welfare habitues. - discouraged job seekers.
   6. Collapse of U.S. labor unions. This was supposed to make labor cheaper, keep jobs home; but they leave anyway.

B. Worsening condition of capital, in spite of the lower share going to labor
   1. Low returns on saving, and new investing.
   2. Low rates of domestic saving (implies high consumption rates, which Keynes et al. said would save us).
   3. Now, low rates of world saving? Japan drying up; "Bubble Economy" imploding.
   4. Growing obsolescence, slow replacement of old capital.
      Public. "America in Ruins."
      Private. Loss of steel industry, auto industry. Ancient oil refineries
   5. Collapse of lending instns: S&Ls, banks. Bailouts by taxpayers.

from 5 yrs' wages to 18.

C. High and rising concentration of wealth and economic power.

1. Higher share of n.i. going to property (rising labor-price of land, for residential and business use). Exemplified by farming; also by residences. prts. for acqn. make no jobs.

2. Industrial mergers and acquisitions.

3. Farm concn; falling no. of farms. No more refuge for the unemployed, as before. ‡

4. Inc. concn. rises, but only a little, because much of measured income is labor. Wealth concn rises a lot.

5. Ongoing enclosure of common resources

Fisheries. High cost of licenses.

Clean air. Offset "rights," tradable permits, etc.

Spectrum. $12.5b for McCaw. Wealth of Va. tycoon, J. Werner Kluge.

Growth of user charges for parks, etc. Prtze. profits. Rents at Grand Canyon.

Air slots, gates.

Highway tolls; privatized highways

Water polln: tradable permits

Water use: from permits to prop rights, tradable and unlimited. End of limit on subsidies. J. G. Boswell - talk about squatter, mounted on his thoroughbred: 200,000 acs, subsidized wtr. - all the billabongs.

D. Rising social problems

1. Loss of community. Battles of sexes, of generations, of ethnics separatism.

Rise of greed; apotheosis of greed ("greed is good"; ‡ say ecsts, aping Ayn Rand.)

Social divisions. ~~Burning L.A.; Murdering tourists.~~

2. Crime

Personal insecurity

Property insecurity. Enormous social costs of guarding against theft and trespass, + vandalism — a symptom of alienation.

3. Falling literacy, numeracy. Closing libraries; shutting schools. (Here, turn them into salesmen for McDonalds.) (Jobs for PhDs)

3. Rioting, arson. Burning L.A. Murdering tourists

4. Underground economy. (Tax evasion: the poor man's tax avoidance.) (Hawkins, avoiding sales tax.)

5. Drugs, anomie.

E. Fall of national stature

1. Dependence on foreign raw materials

2. Dependence on foreign manufacturing.

3. Falling rank in measures of public health, education, welfare, wage rates, athletic performance, etc.

4. New colonialism. aliens buy land, also run bnc govt.

F. Fall of public services a) Am. in Ruins b) The schools had us read Jane Austen + Dickens. Privatized TV gives us rape + murder + kinky sex.

G. Misc.

1. Rising share of taxes fall on labor, exchange.

2. Export of jobs.

3. Constant inflation

‡ Disturbed that top 5% have 80% of the land? Solution: elim. the bottom 50%, either by defn. or merger. Now, top 5% are top 10% - cut concn. in half.

II. Solutions Offred by Neo-classical Ecs. (NCE)

(V)

A. NCEsts present solutions in form of trade-offs. Often w. a touch of condescension.

E.g., "public must grow up. Must learn that, to control infln., must accept unemplmt."

Malthus started it: for wages above starvation, must give up sex. (That was before birth control - doesn't play so well today, in that crude form.) Also, by implicn., must ~~give up~~ encourage plagues, famine, warfare, etc. Pretty grim. Now, message has grown more sophisticated. (Source of "dismal science")

B. It seems, to get full empl. we must give up (trade-off) quite a few things.

Played out w. stagflation.

Stop infln? Give up full empl.

Save the env? " " " ". Ec. growth is required - no other way. Jobs & res. use move in lockstep. Chew up more rock, burn more coal, drive more miles, catch more fish, cut more trees, ... (H G said, use land better, i.e. conserve land)

Stop the deficit? Give up full-empl.

Raise productivity? Fire people; wipe out small bus. Otherwise, can't compete internationally.

Untax prop. Otherwise, no K form, needed for productivity. Untax "cap. gains."

C. Result: "Jobless Prosperity." "Slow recovery" - such nonsense now sounds plausible. (Poland votes Communists back in. Sydney Morning Herald covers)

C. To get efficiency, must trade off equity. (1) "Equity" consists, to them, of things like underpricing utilities

Did not define "prosperity."

Says labor was mad. Mkt. ec. had brought prosperity, but at the cost of hi unempl., lower real wages, higher taxes on labor. Wd. seem Morning Herald is infected w. neo-classical ecs.

for the poor. (Rarely occurs to them how often we sacrifice effic. for inequity, e.g. wholesale discounts for big indies.) Or progressive taxes on salaries.

(2) Also, to get incentives, must give up equality. The more inequality, the more incentives. No matter what causes inequality.

(3) To get more equality, must give up free mkt. And v.v.

Reciprocal causation is implied: Inequality ~~creates~~ raises incentives, & motivated, free people increase inequality — a self-contained, circular system, serving as its own voucher, dogmatically self-evident.

The new dynamic is privatization.

(4) To get efficiency, must give up common rights. Privatization is the new panacea for all resource problems. Firm up prop. rts., allow free mkts. in everything. &

a) Remember how they used to intimidate Georgists by accusing them of peddling a panacea? All the books say, "It's no panacea," & dismiss it. It's not that they're against panaceas — it's that they have a different one.

b) We've been here before. This is a new enclosure movement.

It's The Manchester School, with its Free Trade in Land. Remember

George's comment on that: it merely lets landownership move faster to the form it tends to take, the form of concentration.

New panacea, new enclosure movement, now being applied ~~to~~ even to the air. Robt Ingersoll said it, ~~130~~ 120 years ago — If people cd. bottle the air, they wd. Well, they found a way, & they're doing it. Offset "rts"; tradable permits.

c) Rts. given in prop. to past offenses.
Remember HG's question: "Because a man has robbed me in the past, is that any reason to grant him a perpetual right to rob me in the future?" Once that qu. was answered "yes," nothing is too absurd to happen — & it is.

Wd. be OK if ~~the~~ govt sold the rts. Better yet if rented or charged for them on ongoing basis. But no: give in prop. to past theft. The thieves get behind it. Examples:

Air. Give them a right, so we can buy it back. This is the right at work.
Water
Pollu.
Supply — & subsidies too.
Fishing. Licenses now worth $1 m. New breed of pardon fishermen who rent out their licenses to others.

Broadcast licenses – spectrum, in this age of communication. John Werner Kluge, richest American. McCaw bros., sold to AT&T for $12.5 b.

Airslots. Still rationed like meat in Poland, by queueing. But gates are limited, & airlines sell them. Airspace over busy ports, some of ~~this~~ most valuable r.e. in the world.

Zonings. (Created new form of tenure. Land no good unless can use it. Use rights float around, up for grabs.) Zoning is to limit those uses that use the common streets, schools, beaches, etc.: TDRs in some areas.

Nat. Parks.

Rights. Reserved half on more for rich foreigners. Wd. be OK if rents went to govt, to allay other taxes, but go instead to concessionaires, who get them by pol. contributions. E.g. MCA Co., had a string on Reagan, got Yosemite. Poor citizen gets nothing.

So we must give up jobs; living wages; equity; common rights – what else must we give up to appease the dogmas of NCE?

D. Must trade off small bus.

To achieve ecs. of scale. Must conc. land into big units.

Main obstacle to free mkts., it seems, are

regs. vs. concn. Thus, to preserve compn., we must kill it.

There's more, but you get the idea. NCE is leading us back to a class society where unearned inc. is sacred, ~~& work is a priv.~~
it is a privilege to be allowed to work for a living & pay taxes, prop. in land is an end in itself needing no functional justification.

This new nightmare world is ~~creeping~~ beaming down on us like a bullet train. Only a few mos. ago N.S.W. subbed a new poll tax for half of unim. land charges.

I've seen Arcadia in rural Calif. change to rural slums & ghettoes in last 25 years. I've ~~healthy~~ Can. cities go down tubes - Mtr slums triple in area.

It can happen to you.

Sydney

III. How NCE superseded HG.

III. A

A. Incorp. much that was good, at least temporarily.

1. Coord. of laws of distribn. Clark & Wicksteed merely formalized George's insight, in math. form. In process, sterilized it.

2. P = MC when MC < AC.

E.g. Cleveland bus fares. Mass transit

Hotelling

3. After furious prol attacks, concessions.

Walker

Seligman

Marshall

4. Progressive taxn. Taxn. as means to reconcile socialism + mkt ec.

Inc. tax - orig. a ~~contest~~ compromise w. single taxers. 1916-41, was pretty good. 1968-70, fast write-off.

Now, highly subverted.

5. Free trade

6. Local p.w. paid by prop. tax. Urban + plumbing + electrifion revns, pub. health revn. Era of infilling.

B. Set about undermining intellectual felons.

(III B)

1. Removed time, dynamics.

George addressed cycles.

Clark & Marshall promised to, but never did.

Patten said p. 152

In Clark, all adjustments are instantaneous. No pathways of transition; no glitches.

Almost, no cause & effect. If no time, how can there be sequence & consequence?

Irony, aping physics, but left out 2 basic variables of physics: time, space. (~~dimensions~~ dimensions of land.)

Comte, relations of ~~coexistence~~ coexistence, & of ~~consequence~~ sequence. Clark elim. ~~consequence~~ sequence, & thereby elim. consequence.

Few objected. Veblen was one, but he was an outsider. Reed Mitchell, but dogmatically a-theoretical, can't see forest for the trees.

Fought Clark

Austrians objected. George misstatedly attacked them. They had the only live theory of cycles by 1930; but never were accepted by Knight, neo-classical leader. Hayek then fumbled Gt. Depression, & became a minor curiosity.

2. Fused land & K

Results from removing time. K is neither created nor destroyed – there isn't time. worked for J. Seelye

added another, mystical element. K has no finite lifespan. Austrians were a nuisance – wrote of period of profit.

Clark made K another of immortal spirits, perpetual life. (Plastic K; jelly K. I prefer Brahman K – reincarnated.)

Lifted right from K. Marx. p. 158

Others who had fixed K were Spahr, Seligman, T. S. Adams, Davenport — now, "Harberger Thesis"

F. Fabians

III. Some Key Elements of Neo-classical Economic Theory

A. Factor symmetry. Land no more limited than anything else

"The Firm" is the unit — not the nation, the ec. or the world.

B. 2-factor economy.

C. Timeless. Relations of coexistence only; time purged.

D. Spaceless.

E. Cycles neglected.

F. Ahistorical approach.

G. Amoral approach. No opinion on slavery — except emancipation was wrong

H. Ideal of "uniformity" in taxation. (1986 reform act.)

I. Complementarity, capital and labor.

J. Time compressed into long run and short run.

K. Use of compartmentalization. Unintegrated subdisciplines to contain and sterilize and trivialize George.

Space relegated to Land Econ; resource ecs.; later, environmental ecs.; location theory; later, regional economics. Subdisciplines of lesser status.

Time relegated to "Finance," a grubby course for stock speculators, in the bus. school.

Public finance, a generally neglected topic.

Economic History. Pursed from discipline.

Institutional Economics

I.O.

L. Price theory; market structure; the disembodied "firm" as the unit, the "entrepreneur" as driving force.

Realistic studies of markets downgraded to I.O., and/or Institutional economics.

M. Policy fatalism. E.g. of Spahr et al on K formation. Cf. 1991 Macro text by George T. McCandless, Jr., sections on adaptive and rational expectations.

N. Ignore hist. & land cycle leading, fisch. cycle.

IV. Effects of Macro

A. Rediscovery of time and sequence.

B. From fatalism to policy activism, optimism. Hayek leads the self-destruction of Austrian cycle theory by using it as a

club to beat down wages. (This replicates earlier abuse of wages-fund theory, which got used the same way in 19th Century.)

C. Consistency of high K formation and high incomes.

D. Reduced dependence of banks on real estate loans to back demand deposits.

E. Continued emphasis on Platonic or Laputan abstractions. Cite Frederic Hickman. Use some material from Logos.

Emphasis on monetary flows. Demand side.

F. Denigration of supply side. Thus, kept Georgist policies out of the mix. (Ironically, when supply side did come into its own, it was mainly dominated by people who wanted to downtax unearned increments, a.k.a. "capital gains.")

DRAFT

Neo-classical Economics as a Defense against Henry George

Worknotes for paper for Lafayette Conference, June 21-23, 1991

Early submission by Mason Gaffney, 18 March 91

I. George's sense of being shut out. SPE.

A. Chicken and egg. Cause or effect of his vigorous attacks on academics?

B. Pressures on academics. Lack of tenure, academic freedom; dependence on patrons of great wealth.

Cite The Goose Step.

Cite letter to John Baden, and other evidence such pressures exist today.

Cite quotes from Art Pick, Lois Krieger.

Cite Dick Jones re Keezer

C. Megalomania and paranoia? Easy to infer that today, after George's work has been trivialized by a century of artful detraction. Put it in the context of the times, however: he really was a major threat to the power structure.
Volume of scholarly articles repudiating HG.

D. Tradition of double standard: dehumanization of George and Georgists, permissiveness toward ungentlemanly conduct to them. Examples.

Diatribes of Walker.

Attacks on H.G. Brown, "mind as twisted as his leg."

Vocabulary of Thomson and Goldstein in W.E.J.

Stereotypes of "cranks." "The single-taxer says..."

"Sneering" quality of references, comments, a way of telegraphing socially accepted attitudes.

E. George's misdirected sniping at Austrians, a touch of xenophobia. He correctly intuited they were being imported for their snob appeal and exclusionary value. He did not analyze their content, which might have enriched his own work.

Conclusion: George and his ideas were shut out of approved discourse by forms of "drawing-room violence." George provoked

some of it, but it probably would have happened anyway. George went over the heads of the certified priestly class, directly to the electorate.

II. Key figures in scholarly counterattack

A. Charles A. Spahr.

Seminal thinker, source of several ideas echoed and developed by later critics.

1. Limited capital

2. Rent-creation by elites.

3.

B. John B. Clark

1. Debate at Saratoga. Clark as moralist?

2. Early article in AEA?

3. Patronized by Seligman; moved to bully pulpit at Columbia. Columbia a bastion to protect Manhattan.

4. Distrib of Wealth. Factor symmetry. Rent limited to mp of land.

5. Fusing land with capital.

Mystification of capital concept: deathless capital, equates it to land.

Purged time, and relations of sequence from ec. theory. This cleverly used George against himself, joining G. in rejecting wages-fund theory and its Austrian derivatives. Led to debates with Eugen von Boehm Bawerk, (replicated in next generation by debate of Frank Knight vs. Friedrich von Hayek.)

C. Vilfredo Pareto

1. Only win-win changes are acceptable: status-quo equity. An old tax is a good tax. Contract theory of the state.

2. Transfer rent.

D. Philip Wicksteed

Ambivalent role, perhaps consistent for a Unitarian Minister.

E. Alfred Marshall