

The *Georgist Journal* is distributed to members of the **International Union for Land Value Taxation and Free Trade**, the **Council of Georgist Organizations** and the **Henry George Institute**.

~ TM

Objects of the **International Union for Land Value Taxation and Free Trade**, London Fruit & Wool Exchange, Suite 427, Brushfield Street London E1 6EL, England: [www.interunion.org.uk]

The objects of this organization shall be to stimulate in all countries a public opinion favourable to permanent peace and prosperity for all peoples, through the progressive removal of the basic economic causes of poverty and war, as these causes are demonstrated in the writings of Henry George. Specifically, towards the realization of these objects, the Union favours the raising of public revenues by public collection of the rental value of land apart from improvements and the abolition of taxes, tariffs or imposts that interfere with the free production and exchange of wealth.

~ TM

Statement of Purpose of the **Council of Georgist Organizations**, P.O. Box 57, Evanston, IL 60204, USA: [www.progress.org/cgo]

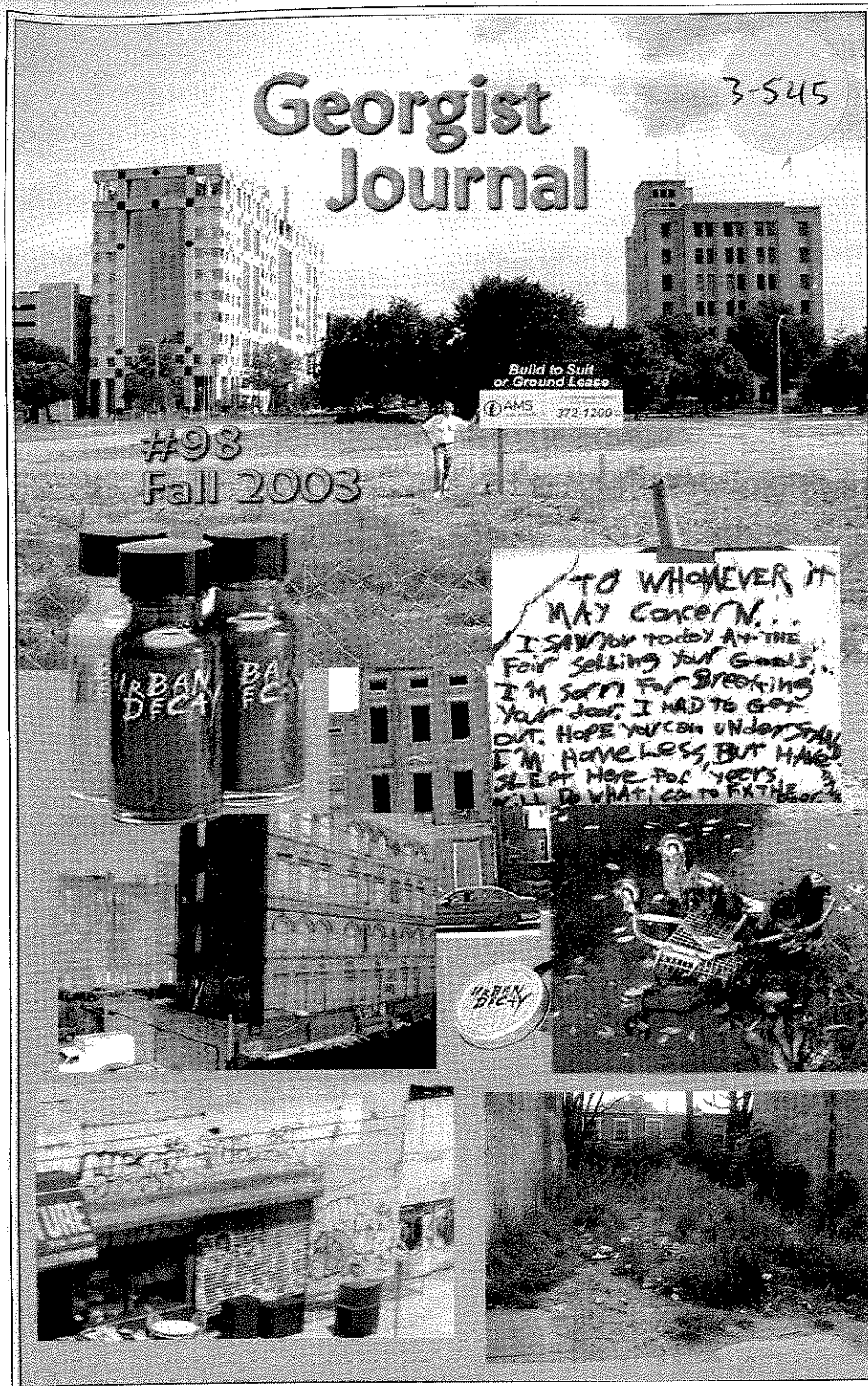
The mission of the Council of Georgist Organizations is to foster communication and cooperation among organizations teaching the philosophy of Henry George and working to bring about the reforms he advocated. Understanding land to include all of nature, to which all have an equal right to use but not abuse, the Council seeks to liberate the earth from monopoly, production from taxation, and humanity from poverty. On behalf of its members and affiliates, the Council sponsors an annual conference and maintains a directory of sympathetic organizations and individuals.

~ TM

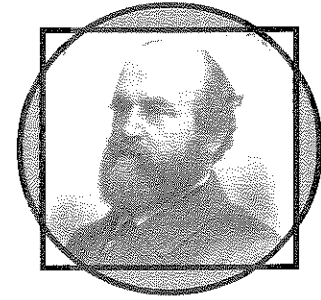
Statement of Purpose of the **Henry George Institute**, 121 East 30th Street, New York, NY 10016, USA: [www.henrygeorge.org]

In accordance with the philosophy of Henry George, the Henry George Institute holds that all persons have a right to the use of the earth and that all have a right to the fruits of their labor. To implement these rights it is proposed that the rent of land be taken by the community as public revenue, and that all taxes on labor and the fruits of labor be abolished. The Institute believes with George that "Liberty is justice and justice is the natural law," and that the social and economic ills besetting the world today are the result of non-conformance to natural law. The Institute pledges itself to bring this philosophy to the attention of the public by all suitable means.

For information about joining, write to the respective organization.



Georgist Journal



Number 98

Fall 2003

The Henry George Institute is still going strong after thirty-two years — thanks to the devoted support of its members. We've expanded our operations, establishing a robust Internet program, and stepping up our publishing projects. The heart of our work, however, is still Georgist popular education. We are proud to carry on an international distance-learning program, via both mail and the Net, that has yielded some of our movement's most dynamic and committed new people. Many of our members serve as volunteer instructors, and new ones keep coming up through the program. So, with all this in mind, we got together for a membership meeting at the recent CGO conference in Bridgeport, Connecticut, and adopted the following resolution:

We, the members of the Henry George Institute, believe that our most vital task, at this stage in history, is to expand the body of people who advocate the Georgist philosophy and reform. We continue to pursue an educational program using the works of Henry George because we believe that they offer the clearest and most powerful introduction to these vital ideas. We endeavor to teach Georgist economic philosophy to as many people as we possibly can, with the utmost attention to today's urgent concerns, but without diluting or subverting its fundamental insights. We invite all who agree to assist us in this work.

It is important to note that this resolution is not intended to supersede the HGI's mission statement (as it appears on the back cover), which charges us to bring the Georgist philosophy to the public's attention "by all suitable means". Instead, it affirms our commitment to Georgist popular education as suitable means, in this day and age. We're proud of our track record, and we're busy improving and refining our methods.

Now, I hope you enjoy this issue! It offers a particularly heady mix of analysis and commentary, which ought to show even our crankiest detractors that Georgists, far from being stuck in the mud, understand the trouble our world is in, and fervently strive for topicality and relevance! — *Lindy Davies*

Letters

Sound the Call for Radical Change

Editors undoubtedly have the right to introduce changes for the purpose of space and clarity. However, the edited version of my article said "[Present day Marxism] had no choice but to make the state into a special force of oppression.... This tendency, however, holds true for any Western state". I would have preferred my original words: "...Marxism('s)... definition of the state being a special force of oppression by the ruling class... still holds now". This is no mere casuistry. Marx's definition of the state was valid for all times in the past and may be true in the future as long as there is a class-divided society — and there will be a class-divided society as long as there is private appropriation of rent.

Had the Georgists, or possibly even Henry George himself, heeded this, our movement and possibly history itself would have taken a different turn. Instead of maintaining the illusion that the power of our idea, all by itself, will convince society and its leaders, we should have aimed at forming political parties leading ever-growing mass movements for a radical change of the whole society.

My message was no mere call to join the chorus of voices saying "No!" What is wrong with joining the crowd of 150,000 in Porto Alegre with our truck full to the brim with *Progress and Poverty* and *The Corruption of Economics* and hundreds of thousands of inspiring leaflets, under the banner of "Social Land Tax Globalization", telling the beautiful crowds, and their great animator Lula da Silva, the rising star of Brazil, exactly what to do next to avoid repeating the defeats of the past? — *Julien Gross, London*

Hierarchies Change from the Top Down

I refer to Julien Gross's statement (GJ 97) that "never in history has a ruling class willingly abandoned its privileges on the advice of an enlightened chancellor." Bearing in mind that what we Georgists want to do is bring about systemic change in the world, I would like to draw your attention to the findings of Mr. M. Scott-Peck, in his book *A World Waiting to be Born*, that systemic change in any hierarchical system could not be brought about without the consent and co-operation of the person or persons at the very top of the hierarchy. If this is true, then the implication is that what we want to do can *only* be brought about by doing that very thing that Mr. Gross says has never been accomplished in the course of history.

Now *there's* a challenge for you if you like!

— *Robin Raynam, Isle of Wight, England*

(Letters continued on page 39)

Contents

Fall 2003

My Bridgeport Holiday — <i>Nicholas Rosen</i>	4
IU News	7
The Road to Globalization: Where do We Stand? — <i>Shirley-Anne Hardy</i>	8
A Reply to Fred Foldvary and Austrian Monetary Theory — <i>Stephen Zarlenga</i>	10
The Gas And The Brake At The Same Time — <i>Mike Curtis</i>	14
Turning Harrisburg Around: An Index	17
Rich and Poor in the United States: An Index — <i>Ed Dodson</i>	18
Malthus: Still Wrong After All These Years — <i>Lindy Davies</i>	19
The Lost Science of Money — <i>Review by Todd Altman</i>	27
Revitalization: A Dialogue — <i>Mark A. Sullivan and Lindy Davies</i>	28
Congestion Charges — <i>Richard Giles</i>	35
Cancún: Why So Happy? — <i>Lindy Davies</i>	40

The Patriot's National Anthem

by Dan Sullivan

Oh, do you recall, when this symbol of might
was first proudly unfurled by a weak but free nation?
How it guided us all, like a beacon of light
And a symbol of hope against world domination?

Now the rockets' red glare, the bombs bursting in air
Make patriots ask, "What are we doing there?"
Oh don't let my Star-Spangled Banner yet wave
Over people we oppress, over lands we enslave.

The Georgist Journal (ISSN 0887 - 6290), published by the Henry George Institute, 121 East 30th Street, New York, NY 10016, USA.
Lindrith Davies, Editor. Readers are invited to submit suitable items.

My Bridgeport Holiday

by Nicholas Rosen

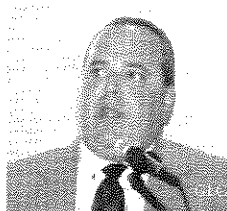
I just got back from Montana Monday night, where I met my newest nephew — he turns two weeks old today — renewed my acquaintance with my older nephews, and feasted my eyes on the scenery, notably the Bitterroot Range. That was the second half of my summer vacation. For the first half, back in July, I went to the 23rd Annual Conference of the Council of Georgist Organizations in Bridgeport, Connecticut.

They don't have mountains there — they have boarded-up old factories and housing, they have \$700,000 mansions near the beach, and they have a mayor who's interested in revitalizing the town. They also have Ted Gwartney, until recently Chief Assessor of Bridgeport, and still a resident, although now he's Chief Assessor of much higher rents in nearby Greenwich. But he updated Bridgeport's real estate assessments, and made them far more accurate, before he moved on.

Georgists have not had very much success putting into practice George's proposal to tax only land values, not buildings, wages, sales, profits, imports, or whatever. However, we have had some, enough that we can point to results and tell the world that various cities and towns in Pennsylvania, Australia and elsewhere have enjoyed more construction, less blight, lower housing costs, and less homelessness after switching to taxing land more than buildings.

And that's part of what we did at the conference — telling the world, or at least a part of it. At one panel discussion, we had the Mayor of Bridgeport and various other Connecticut politicians and civic activists in attendance. You've probably heard statistics about how the standard of living hasn't risen much since 1973, at least by some measures, and the distribution of wealth has become more unequal. You hear it blamed on globalization, or the Reagan tax cuts, or not enough labor unions, or something. Well, Georgists have some interesting figures connecting it to land. It's hard to afford a house on a blue collar wage because land prices have gone way up. People who already own lots of valuable land tend to be sitting pretty. As Will Rogers put it, they aren't making anymore of it.

There were other sessions, more of interest to hard-core Georgists



Bridgeport Mayor
Steven Fabrizi



Mildred and Everett Gross

than practical politicians. Like money — who should issue it and what should it consist of? And more money — can we find more foundations and whatnot to contribute to Georgist organizations? And history — why the Georgist movement — and it *was* a mass movement for a while — didn't win in the late 19th century, and eventually faded into obscurity. "Great Economics and Terrible Politics," as one Georgist expresses it.

There was more, like Indian sovereignty and casinos. And Paul Martin, reporting from Nicaragua — no, not the Canadian politician Paul Martin, but a Yankee of the same name who's been teaching at his *Instituto Henry George*, and drawing considerable interest. He had some pictures of people in dire poverty, wealth for a few, and vacant land in the new center of Managua, along with lots of "For Sale" signs. There are people who own valuable land — coffee plantations, urban land and so forth — that they aren't using and aren't selling now at prices the poor can afford. They're hoping to sell it some day, at much higher prices, to Gringos — and meanwhile, people aren't allowed to make a living on it.

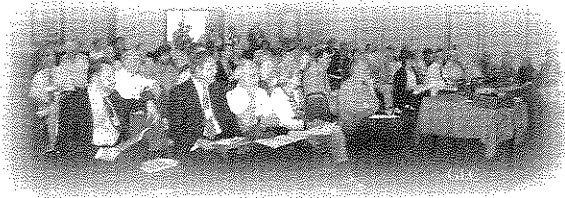
Some of the best education took place outside the hotel where we met. We toured Bridgeport; we saw the urban blight and the McMan- sions. Ted Gwartney said that General Electric, which owned one huge vacant factory, was likely to sell it now that he had raised the land assessment. The 90-year old



CGO Administrators Scott and Sue Walton
lead a convivial toast at the Cove

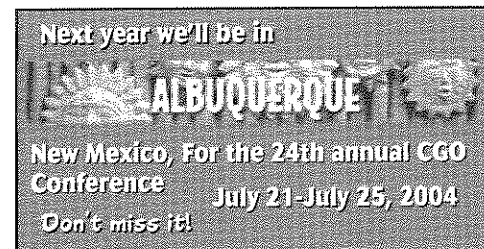


In what we hope will become a (revived) tradition, Sunday morning's Friendship Brunch saw the presentation of three Henry George Economic Justice Awards. Mark A. Sullivan presented the Economic Justice Advocate Award to Ted Gwartney. Alanna Hartzok presented the Economic Justice Organization Award to the E. F. Schumacher Society, in memory of Robert Swann, and EFS Executive Director Susan Witt accepted. Dan Sullivan presented the Economic Justice Educator Award to Harry Pollard.



guan students that we have basically the same problems up here; we just have more wealth to ease the pain. I traveled to Bridgeport and back by Amtrak, and he could use pictures of Baltimore or Philadelphia, or most other towns en route too.

And I sat next to an long-time Georgist named Walt Rybeck on the train; he told me about serving in WW II, and his career as a newspaperman, and his Georgist activism in West Virginia, and how he had been in South America after the war — that was before he became a Georgist — and found that a lot of small businessmen in Quito, Ecuador were communists. Small businessmen? Communists?



It was like this. Here was the market, here was the cathedral, and here was the palace of the Jijon family. The businessmen living and working here paid half their income as rent to the Jijon family. They misdiagnosed the problem, which was private appropriation of rent, not free enterprise, but they were right that there was a problem.

And here's something I couldn't make up. Right after I emerged from the hotel, on my way to the train station, I was approached by a woman in late middle age, asking who I was, and so on. She was homeless, she told me. I told her we were trying to fix the homelessness problem. I gave her ten dollars and a book by Wylie Young, *Antidote for Madness*, explaining land value taxation. I hope the money did her some good, and if she reads the book, it may do us all some good.

Thanks to Mark Sullivan and George Collins for conference photos.

building was nearly worthless; maybe it could be rebuilt as apartments or new industry.

Paul Martin said he wanted some snapshots of Bridgeport, to show his Nicara-



Our President

At last, conference hosts Ted and Toni Gwartney could relax at home

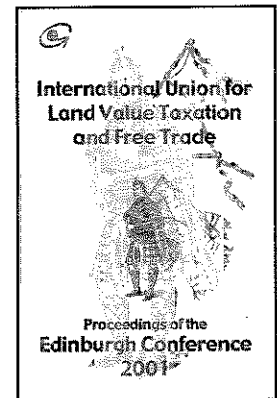


At last, conference hosts Ted and Toni Gwartney could relax at home

IU News

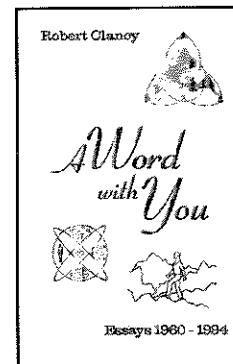
The next conference of the International Union for Land Value Taxation and Free Trade will be held in Madrid, Spain, May 27-30, 2004. The main organizer for this event will be Fernando Scornik Gerstein of Madrid. Stay tuned to the IU's website (www.interunion.org.ok) for breaking news.

Meanwhile, the long-awaited compilation of papers and proceedings from the IU's 2001 conference in Edinburgh is now available. The attractive, 218-page book includes all the presentations made at the conference, as well as reports on activities and outings. It is lavishly illustrated with photos and diagrams. Well worth the UK£12.95, US\$19.50, CAN\$26.00, AUS\$39.00 or DKr.150.00 you will send, to the IU office (please see back cover for address) for your own copy!



A Word With You

While we are on the subject of good books, don't forget that the new, improved, and illustrated second edition of Bob Clancy's Georgist essays, *A Word With You*, is available! Published by the Henry George Institute, the book contains 36 of Bob's finest pieces, spanning 34 years of his remarkable career as Director of the Henry George School and founder of the Henry George Institute. There is a new introduction by George Collins, and the book features Bob's drawings illustrating *Progress and Poverty* and *Social Problems*. A numbered, limited edition of 200 copies is offered as a premium for a donation of \$30 (over the regular membership dues) to either the Henry George Institute or the International Union.



Robert Clancy occupies a unique position. The world at large may have known little of him, but virtually everyone in the latter half of the 20th Century who studied or examined the Georgist philosophy came within the orbit of his far reaching contributions to the understanding of George's economic reform. His encyclopedic knowledge of its precepts and analysis, its annals and its personalities made him a treasured repository from which generations of students and scholars could draw. — George L. Collins

The Road to Globalization: Where Do We Stand?

This article is excerpted from much longer article that originally appeared in The Permaculture Activist. Its writer, Shirley-Anne Hardy, is the author of Birthright in Land and the State of Scotland Today, a giant, superb compendium of Geist wisdom. — L. D.

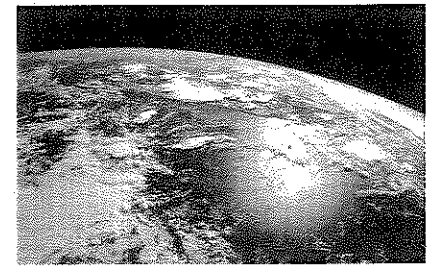
We live in a country of locked-up land. Moreover, where the fundamentals of life (security of home and work) remain — on account of this monopolized land — dependent upon the good graces of another party, who is thus able to tie up people's tongues along with their homes and work, we surely have a humanly-constructed stumbling block to intelligent action on this Planet! This root monopoly wastes no time in working its way up through every level of our economic activity, as poisons work up the food-chain, multiplying at every stage. For the primary requirement for all human activity is, of course, *access to land*. Thus is innocent capitalism (every man sitting under his own vine and fig tree, as the prophet so beautifully put it) converted into its extremely ugly counterpart, *monopoly* capitalism.

What a pity that those shouting in Seattle, Genoa, and elsewhere could not diagnose a right society's present ills, and so hit the real mark with those globalizers! Let us pause and ask ourselves: just how could a society be expected to act in any moral fashion, which is built on the immoral foundations of monopoly? We groan at globalization, but fail to see the origin of this phenomenon — in our apparent ability to ignore the very first question every society must solve: how to institute justice in access to land.

The question of "Right Livelihood" is considered earnestly by many who yearn for a sane, just world order. Yet seldom does it occur to anyone to ask: What kind of a livelihood is owed to those who deliberately speculate in land, withholding it from use until the desperate need of the landless shall push its price even further up? No wonder we have a problem with homelessness! Have we lost our wits, that we actually legitimize such posterously anti-social behavior at the very root of our dealings with one another? No wonder if — as so many despair today — our society worships at the altar of greed. Gandhi spoke of "enough for everyone's need, not for everyone's greed." It is high time that we *grounded* those words, which have roamed the upper atmosphere for far too long. The solemn discourse of academia seeks to legitimize the landowner as "the provider of the land" — but I seem to hear some ripples of laughter from Gaia at that!

The real role of these ersatz "providers" is, of course, the very opposite: that of standing in the way of those who would make use of the land. And we pay them for that! We must find our way to establishing a just principle of landholding, for with this radical clearing-out of injustice at the root of

our dealings with one another, the whole pattern of our living on this earth will change. Consequently, there will change then, too, the things we choose to produce (maybe in harmony with the earth?) and the kind of society we choose to build (maybe one of real sharing?) For all depends, naturally, on the foundations, the ground floor. Thus we would simply rid ourselves of a whole host of problems, social and ecological, which are due entirely to our distorted building. In particular, our stressful oversized cities, which proliferate problems of every kind, have all grown up on the basis of the dispossession of the people from the land.



A deep, if unconscious, awareness of this last makes it highly understandable that people should wish to re-root themselves in the countryside. And were the land to be freed, it would be natural that small rural communities—which have died out under our Gaia-grabbing culture — should spring up once more, to enjoy, widespread, the happiness of "meaningful work". Capital, in turn, might free itself gradually from the ugly clutches of monopolism, which is the real underpinning of the stock markets of today's world. To get back to the land would not then require the tremendous pioneering efforts it does under land monopoly, nor would those who achieved it be condemned to an unnatural isolation, as so often today.

Let us pause to give thought here, too, to those yet grimmer scenarios, where the West's Gaia-grabbers have extended their tentacles into the Third World, to grab the resources of other indigenous peoples. The West's corrupt system of land tenure, now globalized, has succeeded in standing the concept of "right livelihood" veritably on its head, with tragic consequences for millions.

Let us see that we catch up with those thinkers who are truly of the New Age. For so shall we form part of today's most vital "web of connectivity" — the movement that is dedicated to ending the buying and selling of our Earthly Mother, and which holds the essential key to achieving this. Let us do so not only for our own sakes — in our now visibly disintegrating Western society, reaping the terrible fruits of its immoral foundations. Let us do so also for the sake of all those other beings, and creatures, who exist on Earth today in a state of wretchedness, ensnared — within the ever-tightening noose of land monopoly — to those who are now their global masters. That noose, which in the name of globalization, holds in its grip the very Earth, having re-christened as "commodities" both Gaia herself and all her bounteous gifts to us.

GA

A Reply to Fred Foldvary and Austrian Monetary Theory

by Stephen Zarlenga

Prof. Fred Foldvary has taken issue with some of my conclusions in the study, "Henry George's Concept of Money" (see GJ #96 — L.D.). Several of Prof. Foldvary's objections originate in his belief in Carl Menger's theory of the origin of money. Menger's origin theory is at the base of Austrian monetary ideas, in which the misplacement of trust in the omniscience and omnipotence of the "invisible hand" lends an element of hubris, where it is considered unnecessary to actually check and measure results. Foldvary asserts, following Menger, that money evolved in a spontaneous market process rather than being commanded by governmental law. In 1994, I issued a paper challenging Menger's theory. Menger uses four historically based arguments to support his idea that money began without institutional sponsorship. I noted that three of those arguments — commentaries from Aristotle, Plato and Julius Paulus — actually all supported an institutional or legal origin of money! Menger's fourth argument is a demand for historical proof for opposing views. Menger, however, cites no places or times germane to the argument. I challenged his method — an attempt to divine an historical event only from deductive logic. I also challenged his logic and facts.

Henry George characterized Menger's origin theory as ridiculous:

Though this explanation of the difficulties attending barter has been paraphrased by writer after writer since Adam Smith, it is an exaggeration so gross as to be ridiculous. The butcher with meat that he wanted to dispose of would not have refused the exchange offered by the brewer and baker because he himself was already provided with all the bread and beer that he had immediate occasion for. He would say, "I will give you the meat you want on your promise to give me the equivalent in bread and beer when I call for them." (SPE, 508)

The willingness of Georgists to take up the questions of monetary reform is a highly welcome development. If the American Monetary Institute has been at all instrumental in this, then it's an encouraging sign that we are fulfilling our mission. But credit must also go to Robert de Fremery (1916-2000), a long-term monetary reformer and Georgist. It is important that de Fremery's efforts be recognized and appreciated, though even Bob was not aware of how advanced George's monetary views were, and how closely they conformed to his own monetary conclusions that issuing money must be a function of government. — S. Z.

Confusion Between Money and Wealth

At first, Foldvary appears to agree that it is a mistake to confuse money with wealth. But he then clouds the question when he writes, "the use of commodities for money does not confuse money with wealth". In fact it does — unless the commodity item is being used entirely as a symbol — because tangible commodities *are* wealth. Eleven lines later he confirms this confusion: "Commodity money works best when it is both useful as real wealth and can be carried around as currency".

George understood that wealth is tangible and he repeatedly identified the abstract nature of money: "It is important that this purely representative character of money should be thoroughly understood and constantly kept in mind, for from the confusion resulting from the confounding of money with wealth have flown the largest and most pernicious results." (SPE, 493-4)

George cited Archbishop Whately on the harmful effects of this peculiar confusion: "It has for centuries done more and perhaps for centuries to come will do more, to retard the improvement of Europe than all other causes put together." (SPE, 141) George also noted that "These are not the effects of the confusion of a term. The confusion of the term is one of the effects of the influence upon thought of the same special interest." (SPE, 141, 142). Nevertheless, even among Georgists this error continues to be made, by those who think that money has to be "backed" by something more than the reasonably applied fiat of a functioning state.

Why is it so harmful? Because it has fostered the misdefinition of money, and it is through such misdefinition that the private interests George refers to (essentially the banking plutocracy), have been able to take over a society's money system and thereby dominate the society, deforming humanity in the process. If money is clearly identified as an abstract social power embodied in law, it becomes much easier to understand that this institution belongs in the hands of government, just as the law courts do.

The Attack on Government

An aspect of the Austrian and other economic schools, however, is their drumbeat against government. Foldvary warns against public control of the monetary system by saying: "governments have created such common evils as genocide, wars, environmental destruction and labor prison camps." But such anthropomorphizing of government misses the key point. History shows conclusively that government issued money systems in this country have a far better record than privately controlled money systems.

For example, the public colonial currencies were issued in an orderly way, never exceeding the amounts authorized by their legislatures. They

helped build infrastructure, making the colonies livable. The Continental Currency (\$200 million authorized, \$200 million issued) gave us our nation. The Greenbacks (\$450 million authorized, \$450 million issued) preserved the Union. All US-issued currencies compare very favorably to private bank-issued notes, the notes of the 1st and 2nd Banks of the US, and the Federal Reserve System. The Austrians complain about the Continental Currency losing its value, without realizing that it was the Brits who counterfeited untold billions of them, as they did the French *Assignats*. The German hyperinflation was done under a privately owned and controlled *Reichsbank*! I go into considerable detail on these historical examples in *The Lost Science of Money*, because it is important to stamp out the “big lie” created by propaganda against government. It is crucial to check history — even though economics has, by and large, moved away from the historical record into rarefied mathematics, in a futile attempt to emulate the physical sciences.

Free Banking Misinterpretation

Foldvary’s many statements praising free banking sound like he is reciting history, but they are entirely theoretical, and ignore the bad results already observed from such systems in America. Henry George:

The evils entailed by wildcat banking in the United States are too well remembered to need reference. The loss and inconvenience, the swindling and corruption that flowed from the assumption by each State of the Union of the power to license banks of issue ended with the war, and no-one would now go back to them. (SP, 178-9)

The record clearly condemns the private issuance of money. What to do? Blame it on the government! Foldvary asserts that this corruption and swindling were caused by government intervention into banking. The states forced these banks to accept state bonds. The states did force them to hold state bonds as part of the new “free banking” legislation, but Foldvary misses the beneficial effect of these laws. The assets of the state banks had consisted largely of the generally worthless promissory notes of their owners. So whatever else went on, the new state laws requiring government bonds as reserves substituted a superior asset to that which the banks had been using before.


Fred Foldvary cites no examples of where “free banking” worked better than government control, or even where a reduction of government control improved banking results. What the facts show is that as government control increased after 1836, banking results improved substantially. Because the new laws were labeled “free banking” laws, the period after 1836 has been generally misidentified as a free banking period, although its better results were much more likely due to greater government regulation of banks*.

Is the Federal Reserve Governmental?

Foldvary denies that the Federal Reserve system is a private banking system, calling it “governmental” from the beginning. If so, there shouldn’t be much concern if it gets nationalized, the way the bank of England finally was in 1946. That private central bank also masqueraded as a government entity. For example, Adam Smith said it functioned like a great engine of State. The Federal Reserve System is not a part of our government, but it has a special privileged relationship to government. Its notes, unlike yours or mine, have been made legal tender for all debts, public and private.

According to Foldvary, “the interest [the Fed] gets on its holdings of US bonds is transferred to the Treasury”. Actually, the Fed retains 10% of the interest. But more important, most of the money creation in the system is done by the member banks, and they don’t turn over that seignorage to the Treasury. Also, the Fed has never been independently audited. That could never be, if it were really part of government. In fact the Fed is operating with many of the advantages of governmental power, such as the privilege to create money, but without the responsibilities that would be expected from a governmental body. It’s an ideal situation for a banking plutocracy, and it has worked really well for them.

What is much more important than the interest, though, is the power involved in deciding what gets funded in our society and what does not. Bankers would gladly pay for that privilege. The power to create money belongs only in the hands of government, acting on behalf of the entire society, not the narrow interests of particular segments.

Fred Foldvary urges us to follow George’s advice and think for ourselves. That isn’t lost on Georgists; indeed, it’s a big reason why they are drawn to these ideas in the first place. But thought has to be based on reality, not on flights of theoretical fantasy. George’s method was to insist that theory stand the test of facts. That’s why his views, including his monetary views, are still relevant to us. Was George the final word on money? I’m happy to report that there has been progress since, in the areas of monetary history, theory and reform; particularly in formalizing an accurate concept of money. However, even though it was not the primary focus of his life’s work, George had more than enough of the picture to understand exactly what kind of money system was required by justice: he favored government issued greenbacks, and so do I. 

**see Richard Salsman’s Breaking the Banks characterizing the free banking period as from 1838 to 1862 (p.89-111). See Peter G. King, On the Economics of Private Money; Journal of Monetary Economics 12, 1983, p.127-158. — S. Z.*

For full references, see the bibliography in The Lost Science of Money. — L. D.

The Gas And The Brake At The Same Time

By Mike Curtis

Sometimes, the best way to learn something is to try to figure out how to teach it. Recently I was preparing for a seminar comparing the conventional real estate tax with land value taxation. I tried to think of some way to make it simple enough to "get" in one sitting. "What about a spreadsheet?" I asked myself. In the process of setting one up, I saw, more clearly than ever, something I had always more-or-less known: in cities with tall buildings, the real estate tax lowers the maximum height at which a building is profitable. Shorter buildings mean less space to live and work in.

In promoting land value taxation, we often explain how the traditional real estate tax accelerates development by increasing taxes on vacant lots. If the tax bill is higher than the land's appreciation in value, the owner loses asset value. In that way, LVT encourages development. Georgists have also tended to argue — following the general outline of George's thought in *Progress and Poverty* — that when the community collects more (than it did before) of the rent of land, LVT will bring land prices down.

Let's take a closer look at the effects of regular property taxes on how entrepreneurs decide what to build. Our habit is to say that "taxes inhibit growth", and leave it at that. Our spreadsheet gives us some insight into how that happens, showing us the "double whammy" that ensures underbuilding in

cities. We can also clearly see that by reducing the size of the building, the real estate tax reduces the unearned income and, therefore, the selling price of land.

Observe the chart on at left. The first floor rents for \$16,000, and it costs \$1,000 for maintenance and management. The first floor cost \$100,000 to build, and at 10% the interest on the construction loan is \$10,000. That puts the landowner \$5,000 ahead.

To keep it simple, I've overlooked complicating factors such as the fact that the stores on the first floor rent for more, and the higher the view, the higher the rent. Nevertheless, the laws of physics tell us that each additional planned floor in a building will increase the entire building's cost more than the floor beneath it will. Yet, as the profits from building each additional story go down, the real estate tax will go up.

I've chosen to add a 10% increase in the cost of construction for the second floor and a flat \$10,000 more for each additional floor. Each floor rents for the same \$16,000 and maintenance and management are the same \$1,000 on each floor. The second floor brings in the same income, but since it cost \$10,000 more to build, interest cost is higher and the landowner now gets a \$1,000 less. This pattern continues until the 4th floor — where the entire income, plus even a bit more, goes to maintenance and management. The landowner enjoys no gain, so the fourth floor won't be built (at least not until interest rates go down).

In this case we have a real estate tax of 2%. This is common in many cities.

Because the value of buildings goes up with each story, the tax increases with each story as well: \$2,000 for the first, \$2,200 for the second, \$2,400 for the third and so on. By the fourth story the additional tax would exceed the additional land rent, so it never gets built.

By adding up the land rent from each floor actually built — \$5,400 — and subtracting the 2% tax on the value of the land, which adds up to \$900, we see that the landowner enjoys a net gain of \$4,500, which at 10% interest would equal a price of at least \$45,000 (the speculative premium would be added).

Now look at the chart on the next page. Here, we charge no tax on the building, and get the same amount of revenue by placing a 50% tax on land rent. The total land rent from all floors equals \$15,000. If a tax on the value of land took half that amount, \$7,500, it would support the government, and the other \$7,500 would be enjoyed by the landowner. Capitalized at 10% that would lead to a selling price of \$75,000 (plus the speculative premium). A land value tax rate of 10% against the remaining price would continue to yield the government (at least) \$7,500 in annual revenue.

Will LVT
really
bring land
prices down?

Conventional Property Tax

Const. Cost	Rental Income	Maint. & Mgmt.	10% Interest	Building Tax (2%)	Gross Land Rent
4th floor \$ 130,000	(\$ 16,000)	(\$ 1,000)	(\$ 13,000)	(\$ 2,600)	(-\$ 600)
3rd floor \$ 120,000	\$ 16,000	\$ 1,000	\$ 12,000	\$ 2,400	\$ 600
2nd floor \$ 110,000	\$ 16,000	\$ 1,000	\$ 11,000	\$ 2,200	\$ 1,800
1st floor \$ 100,000	\$ 16,000	\$ 1,000	\$ 10,000	\$ 2,000	\$ 3,000
				\$ 6,600	\$ 5,400

Total Real Estate Tax = \$ 6,600 + \$ 900 land tax = \$ 7,500 Total revenue
\$ 5,400 Gross Land rent - \$ 900 land tax = \$ 4,500 Net rent
Land price is \$ 45,000. + speculative premium

50% Land Tax on Land Rent

Const. Cost	Rental Income	Maint. & Mgmt.	10% Interest	Gross Land rent	LVT (50%)	Net Land rent
6th floor \$ 150,000	\$ 16,000	\$ 1,000	\$ 15,000	\$ 0	\$ 0	\$ 0
5th floor \$ 140,000	\$ 16,000	\$ 1,000	\$ 14,000	\$ 1,000	\$ 500	\$ 500
4th floor \$ 130,000	\$ 16,000	\$ 1,000	\$ 13,000	\$ 2,000	\$ 1,000	\$ 1,000
3rd floor \$ 120,000	\$ 16,000	\$ 1,000	\$ 12,000	\$ 3,000	\$ 1,500	\$ 1,500
2nd floor \$ 110,000	\$ 16,000	\$ 1,000	\$ 11,000	\$ 4,000	\$ 2,000	\$ 2,000
1st floor \$ 100,000	\$ 16,000	\$ 1,000	\$ 10,000	\$ 5,000	\$ 2,500	\$ 2,500
				\$ 15,000	\$ 7,500	\$ 7,500

\$ 15,000 gross land rent - \$ 7,500 land tax = \$ 7,500 net land rent
Land price is \$ 75,000, a speculative premium

The city gets the same revenue from the parcel of land, but there are three more floors with housing and jobs, and the owner of the land gains \$30,000 in selling value *and* \$3,000 in annual income. 6.3

The question that many modern-day economists fail to ask is this: How do investors react to a set of incentives where expected changes in land value are made part of the overall return on investment — and land price part of the investment on which return is figured? This has several results:

- Many are screened out by the increased need for credit.
- Rising land value becomes part of the incentive to build. It can't go up forever. When it levels off at a high level, it becomes a serious drag. When it starts falling, it is worse.

- Land value becomes collateral; its wild swings destabilize credit and money.

- A lot of land is unused, (or run down in its present use), as the holder waits for a possible higher use that never materializes. In and after a crash, bid prices for land fall, but asking prices stay high, so sales drop like a stone. This behavior is inconsistent with the premises of the "rational expectations" theorists, but is good history: it has been extensively documented, over several giant cycles of boom and crash.

— Mason Gaffney

Turning Harrisburg Around

- * Rank of Harrisburg, Pennsylvania on a 1980 list of the most distressed cities in the US: 2.
- * Value of new investment in Harrisburg buildings since 1982: \$3.2 billion.
- * Number of businesses on Harrisburg's tax rolls in 2002: 5,976.
- * Number of businesses on Harrisburg's tax rolls in 1980: 1,908.
- * Number of new restaurants that opened in downtown Harrisburg in 2002: 12.
- * New homes currently being built on formerly vacant lots in the Capitol Heights neighborhood: 58.
- * Percentage increase in the total assessed value of taxable real estate in Harrisburg, 1982-2003: 754.
- * Percentage drop in Harrisburg's fire rate since 1982: 76.3.
- * Year in which Harrisburg had the fewest fires in its history: 2002.
- * Minimum number of special events sponsored or co-sponsored by the city in its municipal park system each year: 200.
- * Percentage of land in Harrisburg that cannot be taxed because it is state, county or non-profit real estate: 45.
- * Ratio of land portion to building portion of Harrisburg's property tax in 1975: 1.4:1.
- * Ratio in 2003: 6:1.



Compiled from a report issued by the Center for the Study of Economics, based on Harrisburg Mayor Stephen R. Reed's 2003 State of the City Address.

Rich and Poor in the United States

- * Minimum annual salary of someone in the top 4 per cent of American workers: \$100,000.
- * Number of US billionaires: 268.
- * Percentage of households with zero or negative net worth: 18.
- * Portion of total financial wealth owned by the top 20% of US households: 91%.
- * Portion of US households who own their home: 66.3%
- * Net equity in owner-occupied housing: 18.2%
- * Annual compensation of the twenty highest-paid US executives: \$2,024,000,000,000.
- * Total consumer debt in the US: \$1,742,000,000,000.
- * Percentage increase, respectively, in inflation, worker pay and CEO pay from 1990-99: 27.5, 32.3, 535.0.
- * Chance that a person who died in 1997 was subject to payment of a Federal estate tax: 1 in 50.
- * Portion of US elementary school teachers, police officers, licensed practical nurses or janitors who would qualify to purchase a median priced home based on median income: 0.
- * Portion of net worth of US households held by African Americans: 1%.
- * Portion of children below the poverty line who live with someone who works full time, year-round: 34%.
- * Portion of total homeless population who are families with children: 40%.
- * Chance that an urban lot in the US will be vacant: 1 in 6.6.
- * Number of abandoned structures per 1,000 residents in Bridgeport, Connecticut: 1.

Taken from Ed Dodson's paper "The Wealth of Our Nation and our Cities", which was presented at the Bridgeport Conference. The entire paper, with references, is available online at http://www.geocities.com/cgoconfct2003/dodson_wealth_of_our_nation_copy.html.

Malthus: Still Wrong After All These Years

Ed Dodson and I participated in a debate at the Bridgeport conference on the topic of whether human population is a threat to the world's ecosystem. Ed's paper in support of his presentation can be found at www.cooperativeindividualism.org — Lindy Davies

What is the "overpopulation argument", exactly? There are actually a few different ones, and they are sometimes conflated in confusing ways. First there are the hardcore Malthusians, who argue that human numbers inexorably tend to outstrip our means of subsistence, no matter what. For adherents, this assertion has the force of dogma, and it is buttressed with numerical projections of existing trends. The website of the US organization "Negative Population Growth", with its tables of ever-increasing numbers, is a good example.

Georgists have traditionally been staunchly opposed to such rot. After all, we advocate an economic remedy that would remove the syndrome of problems associated with population growth. Unfortunately, though, some Georgists are starting to think that because people are so darned stupid, they show no signs of implementing our solution anytime soon. Because we can't get traction with the real solution, we should switch to the interim goal of reducing fertility. Ed Dodson isn't alone in this view; he has just taken the brave step of committing these "heretical" views to paper.

They follow the lead of a more sophisticated group of modern zeepoppers, which we might call the Eco-Malthusians, who acknowledge that we must do more than simply focus on human fertility. Nevertheless, the Eco-Malthusians argue, the carrying capacity of the Earth is being pushed beyond its limits, and this certainly does correlate with increasing human numbers. They do tend to admit (often in passing) that the average North American does a heck of a lot more to trash the Earth than the average Bangladeshi. Nevertheless, they remind us with the greatest urgency that the third-worlders are breeding like — well, really, really fast, anyway, and they must be stopped, before it's too late.

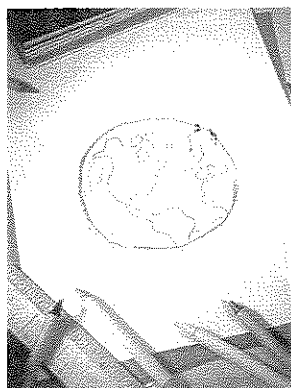
It might be fair to ask, "Too late for what?" If you think, "too late for human community and dignity, too late for the billion-plus people who live without clean water or sanitation, too late for the children of Africa," you would be answering as a good Georgist, but you would also be misinterpreting the message of the Eco-Malthusians. They tend to argue that the primacy of human rights and freedoms is a luxury we cannot afford in an age of environmental dangers. By their lights, the worst problem isn't the terrible things that human beings do to each other, but rather the terrible things that *all* human beings are doing to the Earth. After all, the starving,

abused whooping cranes have already been eradicated from the marginal districts they used to inhabit – why should the starving, abused human beings be maintained in *their* marginal districts – when human beings are the ones causing all the damage in the first place?

My purpose here is not to pick a fight with the moral values of Earth Firsters. Nor have I any desire to downplay the grave environmental dangers we face. My concern here is with the conceptual and tactical errors that I believe are caused by an over-arching concern about human population. Preoccupation with reducing human fertility will not – cannot, I believe – serve to solve deeper social and environmental problems. Furthermore, it's worth mentioning that the Eco-Malthusian focus on sheer numbers, rather than the yawning disparities in wealth, life expectancy, and human potential, rekindles the old-time charge that in terms of political economy, Malthusianism offers a convenient excuse for the status quo.

All of these issues are glaringly evident in the work of one of the most influential writers on environmental issues today, Lester R. Brown, Director of the Worldwatch Institute. By way of example, then, I will review a monograph, of which Brown was the lead author, that Worldwatch published in 1998, on the 200th anniversary of Malthus's *Essay on the Principle of Population*. It was called *Beyond Malthus: Sixteen Dimensions of the Population Problem*. I think Brown's work is a good focus here because he is widely respected, not considered any sort of eco-nut – yet he shows in this paper and in subsequent writings that he is one of the most thoroughgoing Malthusians writing today. In the introduction to *Beyond Malthus* he pays tribute to the Reverend, affording Malthus's famous arithmetic/exponential formula the status of a scientific law.

Numbers are a key element of the Malthusian methodology, which is all about extrapolating from past trends. It's really inaccurate to say "current trends", for to be a trend at all, a social phenomenon must have a considerable amount of history. *Beyond Malthus* is, then, an arithmetical exercise to scare us about *what will happen* if what went on from 1950 to 2000 continues until 2050. Extrapolating from trends is, of course, what demographers do; it is how they come up with estimates of human population. But true demographers base their predictions on many complex, interconnected factors. The current UN model for world population growth – which is accepted by Brown and other writers on both sides of the



argument – predicts a leveling off of world population before the end of the 21st century, at a figure of somewhere between 8 and 11 billion.

Although predictions of overall world population growth have consistently been revised downward over the last forty years, projecting sheer human numbers is considered to be do-able. In some of the more dynamic areas of human life, however, such as technological development or political change, extrapolation from trends has always been wildly inaccurate. We human beings may keep making the same mistakes, but we are very good at coming up with unexpected ways to make them. Brown does nothing, at any rate, to explain why trends in areas such as forest-cutting, meat production or greenhouse-gas emission *should* continue their current trajectories. Many of his graphs show considerable oscillation during the period of recorded history, followed by straight shots toward pessimism in the extrapolated periods. Considering all the unexpected things that happened in the 20th century, one might think the burden of proof should lie with those claiming continuity, but Brown simply assumes it.

Brown's numerical strategy leads to some whoppers. The most striking one in the book, I think, is his statement that growth of the world economy from 1990 to 1997 exceeded the growth during the 10,000 years from the beginning of agriculture until 1950. Apparently that statement is true on some level, but its meaning quite escapes me. Archaeologists have achieved little by way of statistical precision concerning the first few centuries of human agriculture. And anyway, how do we know that "economic growth" meant the same thing then as it does now – or, for that matter, that "economic growth" will mean the same thing in twenty-five years as it does now?

The more one examines the various yardsticks for "economic growth", the fuzzier and more problematic the concept gets. The World Bank estimates that 1.3 billion people today live on \$1 per day or less. Now, can you, dear reader, imagine yourself actually subsisting on one dollar a day, anywhere in the world today? And yet that 1.3 billion (who, by the way, are breeding like there's no tomorrow) manage to get by somehow. It's closer to the truth to say that those 1.3 billion people, averaging less than \$1 per day in *money* income, are not invited to participate in what the pundits call "the global economy" – but, unless they are bombed or poisoned out of existence, they will continue to eke out a living somehow. The irony of this is that when such a person gets a 500% raise, and actually goes out to spend it, the economy is said to have "grown" by that amount. Economic statistics that

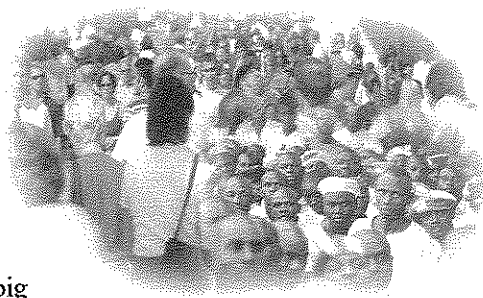
We human beings may keep making the same mistakes, but we are very good at coming up with unexpected ways to make them.

purport to talk about the entire world, then, must be meaningless if they fail to account for the degree to which people participate in the formal, monetized "world economy".

The other problem with "economic growth", of course, is the degree to which it accounts for "illth" – the *dis*-satisfactions caused by damage, degradation and waste. It has begun to dawn on us that an economy can go on churning out increasing supplies of big old American widgets, while actually shrinking in real terms. An economy, meanwhile, that produces *fewer* widgets is truly growing, if those widgets are lighter, more cleanly produced, and longer-lasting. The standard measure of Gross Domestic Product, while still useful for some analytical purposes, is inadequate as a measure of an economy's growth at its fundamental task: providing people with what they want, with satisfactions. As clean air, clean water and some measure of natural diversity become more valuable to people, market demand for them increases, and their provision becomes part of economic growth – whether it is accurately measured or not.

Another problematic area that Brown's number-crunching takes for granted is the status of nations. Brown falls into the familiar trap of treating every member of the UN General Assembly as though it were a co-equal member of the global community. He notes that Somalia "is still treated by UN demographers as a country, but in reality it is not. It is a geographic area inhabited by warring clans – one where ongoing conflict, disintegration of health care services, and widespread hunger combine to raise mortality." This is true in Somalia, however, only to a slightly greater degree than it is in dozens of nations today. Although Brown wrote a book called *World Without Borders*, his population arguments do not question the relative status of the world's governments, beyond the exceptional case of Somalia. He calls on governments to move forward to implement the fertility-reduction plans he advocates. It is painfully evident, though, that the governments whose nations have grossly high birth rates are precisely those which have no prayer of implementing effective fertility-reduction programs.

Brown is dismissive, in this study, of the relative environmental effects of affluent vs. poor consumers. (He refers interested readers to another Worldwatch study on that topic by Alan Durning.) Nevertheless, the numbers that he cites on this score are astounding. *Beyond Malthus* reports that:



- People in the United States consume 1,460 times as much grain per capita as people in India.

- People in the United States emit 17.3 times more atmospheric carbon per capita than people in Africa.

- People in the United States use 13 times as much energy per capita as people in all the developing nations.

- People in OECD nations generate 2.4 times as much municipal waste per capita as people in developing countries.

And yet:

- Women in developing countries have approximately 1.5 more children per capita than do women in the United States.

Brown's numbers are particularly fanciful when he talks about world grain harvests. He goes on and on about the shrinking per capita share of grain land, which, if trends continue, will soon be down to the area of the strip between the ten-yard markers on a football field. He also reports, however, that as world population has doubled between 1950 and 2000, world grain production has almost tripled. In his worry over the potential capacity of developing countries to feed themselves, he notes that "population pressures on a fixed base of land can result in rural landlessness." In other words, more and more people will no longer possess enough land on which to grow their own food – is this not a sure harbinger of Malthusian catastrophe?

India, the source of no end of dire statistics on overpopulation and poverty, continues to be a net exporter of food.

Well, how many people in the industrial countries possess the land on which they grow their own food? It is also true that hungry Bangladesh has twice as much land under cultivation per capita than well-fed South Korea – and that India, the source of no end of dire statistics on overpopulation and poverty, continues to be a net exporter of food. There is much to observe about patterns of international trade and how they contribute to both prosperity and poverty – but to require each nation to have enough arable land for each family to grow its own food is to completely ignore the effects of trade — which is unrealistic, to say the least.

Unlike Rev. Malthus's arithmetic, the classic demographic transition has been so widely confirmed as to have achieved the status of an accepted scientific theory, and Lester Brown acknowledges it as such. The demographic transition model observes three stages of population growth. In stage one, societies lack modern health care, and high death rates tend to balance out high birth rates. Life is most often nasty, brutish and short, and net population growth is slow. In stage two, access to health care, better nutrition,

etc. cut the death rate, but the birth rate remains high, and population growth is rapid. This was the stage the developing world was in the thick of back in 1962-63, when world population growth reached an all-time high of 2.19% per year. (Since then the rate has slowed to a rate of 1.2% for 2002). Many of the faster-growing nations in today's world, however, such as Nigeria, Ethiopia, Pakistan and Indonesia, are still very much in stage two. In the third demographic stage, birth rates decline to sustainable levels, due to a complex interplay of beneficent social forces including overall living standards, educational levels – particularly for women – and state policy (such as the fertility limits imposed by the Chinese government).

In a truly inspired rhetorical twist, Lester Brown coins a tautology-in-a-term – “demographic fatigue” — to describe the situation of the poorest nations, beset with international debt, political instability and a host of social problems, who are in danger of an accelerating death rate that would revert them to the first demographic phase. In nations such as Zimbabwe, Zambia and Lesotho, the devastation of AIDS and other diseases has already brought this about. But “demographic fatigue” cannot possibly be the cause of these nations' problems. Their increasing numbers, Brown points out, will increase their needs for sanitation facilities, jobs, education, timber, paper and fossil fuels – all things that they have lacked sufficient supplies of *for decades*. There is fatigue, all right – brought about by a sustained, systematic denial of economic opportunity to most of the people.

When they lack all other opportunities, people have always turned to children for economic reasons. By the age of twelve, the average Bangladeshi child contributes more to family income than he or she consumes. When people have economic opportunities, access to education and a sense of a more positive future, they make the rational decision to have fewer children. All around the world, the strongest predictor for lowered fertility is women's levels of access to education and economic participation.

The Eco-Malthusian argument is disabled if it fails to consider the gross disparity in environmental impact between the poor, fast-growing developing world and the affluent, steady-state north. It seems that we are, indeed, facing grave environmental dangers – but they are not caused by poor people in Nigeria or Indonesia having more children. Therefore, restricting the number of children that poor people in Nigeria or Indonesia can have will do very little to solve those problems.

Henry George penned the most stirring and comprehensive refutation of the Malthusian theory ever put to paper, and he articulated the “sovereign remedy” that would render the “population problem” utterly harmless – indeed would make population growth a positive benefit for the entire

community. But, our Geo-Malthusian friends sadly observe, the world has turned its back on the Georgist remedy. We must not cling romantically to a failed program. We must bravely face the challenges of today, and – failing implementation of the single tax – the single most important problem of today is the terrible stress that human population growth is placing on the natural environment. We've got to limit fertility—now!

So we must ask what would be achieved if we succeeded in persuading the teeming breeders of the third world to limit their fertility. Suppose we could somehow manage to limit human fertility on planet Earth to the replacement rate. That would leave us with only about one billion who lack clean water and sanitation – not to mention literacy, adequate health care, primary education or internet access. We'd have to get to work.

Those who foresee ecological chaos happening long before we implement the single tax may well be right. Things might get very bad. I submit, however, that all-or-nothing thinking of this sort can only lead us to despair. Although he did admit the possibility of a return to barbarism, Henry George himself didn't waste time on dwelling on it. Instead, he provided a clearly-delineated continuum along which to measure our progress. Initiatives that serve to increase overall levels of association, or equality, or – preferably – both, will justly and sustainably move society in the direction we want it to go.

The modern Nobelist Amartya Sen has articulated a remarkably similar point of view in his book *Development as Freedom*. Development, in Sen's analysis, depends on not only political freedoms but the economic freedoms to make a living, seek an education, save and plan for the future, etc. He critiques conventional assessments of development for focusing too narrowly on “economic” factors as defined in industrial countries, and discounting the real

The adult who lacks the means of having medical treatment... is not only prey to preventable morbidity and possibly escapable mortality, but may also be denied the freedom to do various things — for herself and for others — that she may wish to do to be a responsible human being. The bonded laborer born into semislavery, the subjugated girl child stifled by a repressive society, the helpless landless laborer... are all deprived not only in terms of well-being, but also... of the ability to lead responsible lives.... Responsibility *requires* freedom.... The linkage between freedom and responsibility works both ways. Without the substantive freedom and capability to do something, a person cannot be responsible for doing it. But actually having the freedom and capability to do something does impose on the person the duty to consider whether to do it or not.... In this sense, freedom is both necessary and sufficient for responsibility.


— Amartya Sen

economic choices that people must face. It seems to me that if Henry George and Amartya Sen had the chance, they could share a most fruitful conversation on the factors that make for social retardation – and human progress.

This debate presents us with two choices for our activist energies: working straightforwardly for the single tax, or placing that goal on the back burner and concentrating on reducing fertility. Let us evaluate those two choices by George's criteria.

Fertility reduction *per se* deprives poor people of association with the children they need to help them eke out a meager living, and care for them in old age. Its application is unequal, for it singles out the most impoverished people for special consideration. It does nothing to foster human association, for it focuses simplistically on a single problem without any requirement for cultural understanding or sympathy. It does nothing to foster equality, for it does not address the deep poverty that exists among the people it deals with. In fact, by depriving poor people of the economic resource of their children, it serves to deepen inequality.

It may be that family planning, as part of an integrated strategy of poverty reduction (which included suitable funding for infrastructure, education and health needs) could escape some of the above criticisms. Indeed, research shows that it is most effective in the context of an overall anti-poverty program, and least effective when pursued solely.

Working straightforwardly for the single tax, on the other hand, fosters equality by emphasizing popular, universal education as a strategy, and by affirming humanity's equal right to share in the gifts of nature. It fosters association by working to penalize land-hoarding, reducing the barriers imposed by urban blight and sprawl. I think the choice is clear. 

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The Lost Science of Money

Review by Todd Altman

Stephen Zarlenga's groundbreaking book *The Lost Science of Money* explodes various myths surrounding both the history and nature of money, and proposes what I believe is a long-overdue reform of our monetary system. Zarlenga sets the stage early on when he writes:

The thesis of this book is that a main arena of human struggle is over the monetary control of societies and that this control has been and is now exercised through obscure theories about the nature of money. If it had to be summarized in one sentence, it is that by misdefining the nature of money, special interests have often been able to assume the control of society's monetary system, and in turn, the society itself. Describing how this has been done historically will make these concepts vital, and hopefully sweep aside the mystification in which money has been purposely shrouded. Guidelines for monetary reform are then presented, to end the private control of monetary systems and instead assert the public societal role to control money under the rule of law, rather than the whims of men.

With this thesis and purpose in mind, Zarlenga takes the reader on an exhaustively researched historical journey, beginning with an examination of how money functioned in ancient societies, and progressing through time to the present day. Among the key findings of Zarlenga's analysis are:

* Early Rome's bronze money was based on law, meaning the value of bronze currency "was a legal concept, not a market one, and depended on the limitation of its issue". This law-based bronze money served Rome far better than the privately-controlled gold money that followed it.

* "The 'commoditization' of Rome's money system dramatically accelerated the emergence of a plutocracy — a ruling order based on wealth".

* The combined evidence on wealth concentration, the absence of mining, the normal erosion of coinage through usage and the tendency of precious metals — especially silver — to flow eastward, presents a powerful argument that an inadequate supply of circulating medium — of money — was a major factor in the continued decline of the Roman Empire. "Behind that scarcity, ultimately, was a huge error in monetary theory, that some ideologies still make today — the false belief that money should be a commodity or economic good; that is, wealth, rather than a legally based abstract power".

* "Historical evidence indicates that nations and Empires did set the gold/silver ratio, based on the amounts they had, but exactly the opposite to the predictions of 'free market' theories. In setting the ratio, a strong nation would raise the value of the metal that was most abundant!"

* Continental Currency is the key reason why the (continued on page 37)

Revitalization: A Dialogue

Wishing to expand the coverage of Georgist issues in the pages of *The American Journal of Economics and Sociology*, its editor, Laurence S. Moss, sponsored a panel discussion at the 2002 Eastern Economic Association convention in Boston. The discussants all addressed "A Speculative Memorandum" by economics professor Warren J. Samuels entitled "Why the Georgist Movement Has Not Succeeded." CGO President Mark A. Sullivan's contribution to the panel was a stirring call to re-radicalize the Georgist movement. It was presented as the keynote address at the Bridgeport conference. GJ Editor Lindy Davies took exception to many of Mark's points. His response, and Mark's response to that, are excerpted here in dialogue form.

Lindy: You want us to reform and revitalize. I must admit, there's a kind of bumptiousness about the annual CGO conference that irks our "professional" colleagues no end. You can see 'em wishing for trap doors to open beneath certain folks at Q&A sessions. But that kind of thing comes with the territory. Being "ready for prime time" comes *with* time, and with numbers. So I'm all for revitalization — it's the "reform" part that bothers me.

Mark: These remarks from my article were written in the aftermath of the terrorist attack on the World Trade Center: "The Hunger Project did not end hunger by 1997, an idea whose time was supposed to have come. Welfare was 'reformed' in the United States, and still the jobless and homeless sleep and die on the streets of New York City, many of them victims of forces beyond their control as much as those who died in the Twin Towers. The end of the 20th century has brought us full circle back to the 19th and all its unresolved issues and forces, monsters that seem to have grown stronger in their sleep — in *our* sleep." Perhaps, for purposes of this discussion, we can talk about reincarnating the Georgist movement.

Lindy: Yes indeed. Let's reincarnate the Georgist movement! When we lament our lack of influence, both academic and political, I think it is important to recall a couple of historical facts about the Georgist movement. It is true that the Henry George School, the movement's nexus and style-setter, was influenced by a contingent of individualists who were heavily anti-Communist, and, indeed, anti-activist. Nevertheless, the school did embrace the goal of popular education, and in its heyday in the 1960s, began to develop interests and commentaries well beyond the circle of its standard curriculum. This fruition was, sadly, halted by an abrupt shift in strategy, abandoning popular education for (unavailing) efforts to woo the favor of academia. The school's policy has teeter-tottered ever since. It never managed to build on the momentum that it has repeatedly shown

itself able to create. This fact, far more than any theoretical or tactical failings on the part of Georgists, accounts for our dwindling numbers.

Mark: This was one of the factors I had expected one or another panelist to have brought up in response to Dr. Samuels. I wonder if maybe there was a connection between the Georgist movement becoming intimidated by the Red Scare of the post World War II era and the desire to become academically respectable, leading to the destruction of a popular adult education program that might otherwise have gone on to become influential. My lament that Georgism has not become academically (or politically) *influential* is not a lament that it has not become academically (or politically) *respectable*. The fear of unrespectability, of disapproval from the establishment, could very well be a factor that inhibits a philosophical or political movement from becoming influential.

Lindy: Do you really think we could achieve greater influence by embracing the theories of George's "anarchist rival", Benjamin R. Tucker? In your paper you describe how Tucker believed there is no justification for any payment of interest on capital. You also note that Tucker "refused to ride in automobiles". What does Tucker contribute to our analysis today?

Mark: I brought in the example of Benjamin R. Tucker for several reasons: To compare and contrast him to George in order to gain more understanding of the social reform milieu that both of them participated in; to point out areas of economic theory and reform into which George could have further extended his analysis; and to suggest that we Georgists could learn from the way Tucker tackled a broad range of issues. An example I chose was Tucker's focus on the relationship of interest on money to interest on real capital (wealth), and of both forms of interest to poverty. I was happy to have arranged for Michael Hudson and Steven Zarlenga to address monetary issues at the CGO conference in Bridgeport. Zarlenga showed in the strongest terms that the "loaning" of money into existence at interest by private monopolists is both unnecessary and unjust. Hudson indicated that this interest is often land rent in disguise. I think we need to develop a Georgist critique of monetary monopoly and to offer an alternative. This is not a new idea. But it is one that was ignored in the Georgist mainstream for decades.

Lindy: I have no quarrel with that initiative. Lately it hasn't been been ignored, though. *Georgist Journal* #97 had no trouble finding material on the subject, at any rate — representing many widely divergent perspectives on "the money question". I think the mainstream Georgist position (if there is such a thing) has been to focus on "the robber who takes all that is left". I think it is worth remembering George's argument that if the money monopoly, the corporate-charter privilege and the patent monopoly were

all abolished, the land monopoly would be all the stronger — and furthermore that the monopolization of natural opportunities lends to those other forms of privilege much of their apparent strength.

Mark: The chief insight of Tucker and his fellow anarchists is that laws and customs of society need to be questioned, and not blindly accepted as “natural laws”. Tucker protested the acceptance of any “progress” or technology developed by and for monopoly interests. His eschewing of automobiles was a symbolic but futile gesture. I mentioned this, along with his ironic retirement to the principality of Monaco, as a humorous sidelight. But the destruction of America’s rail system by the automobile system, aided and abetted by governmental agencies dominated by real estate interests, gives some support to Tucker’s view that “Mechanism” is devouring humanity. Indeed, a major cause of death to US citizens is automobile accidents. And the destruction of New York City, as a community of communities, by a network of highways, is a daily reminder of the consequences of unquestioned “technolatr”.

Lindy: Well, that does clarify things for me. Of course I agree with your characterization of the ill effects of technology applied in service of monopoly power. However, many people yield to the temptation of thinking these problems are due to technology *itself* — which is clearly untrue. For example, it seems to me that the human community, and the earth itself, is better off because of the invention of the internal combustion engine. Diesel trains, after all, can carry a lot more freight with less pollution than coal-fired steam trains. The severe wounding of New York City by the auto-plague is a matter of greed and privilege, foisted on a public that was too busy trying to make ends meet to think much about the important issues — and sold a bill of goods about “the free market”. Georgist analysis cuts to the heart of this issue.

Mark: True, but the tendency to “technolatr” was used by those with power and privilege to justify their agenda in spite of the harm done to others. Those who did not want to lose their homes to the bulldozers of Robert Moses were depicted as standing in the way of progress. Progress for whom? Another example of Tucker’s questioning of social arrangements was his view of corporations. He was in favor of genuine free trade, and he knew that the corporations, in their pursuit of capital monopolization, were up to something quite the contrary. The corporate charter began as, and remains, a state-created privilege — giving an association the status of a legal person, a person with a tremendous advantage over real flesh-and-blood mortal persons, i.e., over



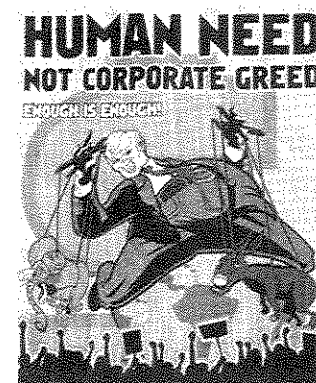
labor. Corporations accumulate wealth, land, and money, and do not die. Laborers, on the other hand, produce wealth for these corporations; pay rent, interest, and taxes; go into debt; and die. This makes corporate privilege a Georgist issue.

Lindy: Well, I think the definition “a Georgist issue” is an interesting question. If the Georgist movement stands for social and economic justice, then all forms of injustice, all denials of fundamental human rights, all profits taken from the destruction of the natural world come under that purview. However, lots of people see the things that are wrong. What makes the Georgist philosophy what it is, and what makes it so vitally important, is its clear, consistent articulation of the fundamental economic problem and its solution. So, if we say that “corporate monopoly is a Georgist issue”, does that mean we should spend less time teaching the Law of Rent and more time joining the folks who scream at corporations? I’d consider that a waste of time, unless I could find a way to communicate our understanding of the *pivotal role of land monopoly* in creating the conditions that make it easy for corporations to do their plundering. Unfortunately, I haven’t found my corporation-berating friends to be especially interested in that point, so I have concentrated on speaking to people who are willing to listen.

Mark: Since corporations are a problem many social reformers know we have, our mission should include teaching the pivotal role of land monopoly in regards to corporate privilege. After all, there is a war going on for what looks like the purpose of securing corporate monopoly over high-rent-yielding natural resources.

Lindy: Your *American Journal* article suggested that George’s theory of interest has hindered the movement’s progress, by paying inadequate attention to “exploitation of labor by ‘usury,’ especially interest on capital”. Could you elaborate on that?

Mark: George’s theory of interest, as representing the natural increase of real capital (wealth), has a bearing on monetary interest, but is not identical with it. Unlike physical capital, which has a life-span and then returns to land — money, like corporations, is in effect immortal. Compound interest has driven whole nations into poverty and slavery. This is a burning issue today with regard to globalization, and it must to be addressed by Georgists in order to rekindle our movement to solve the problem of poverty. Whenever



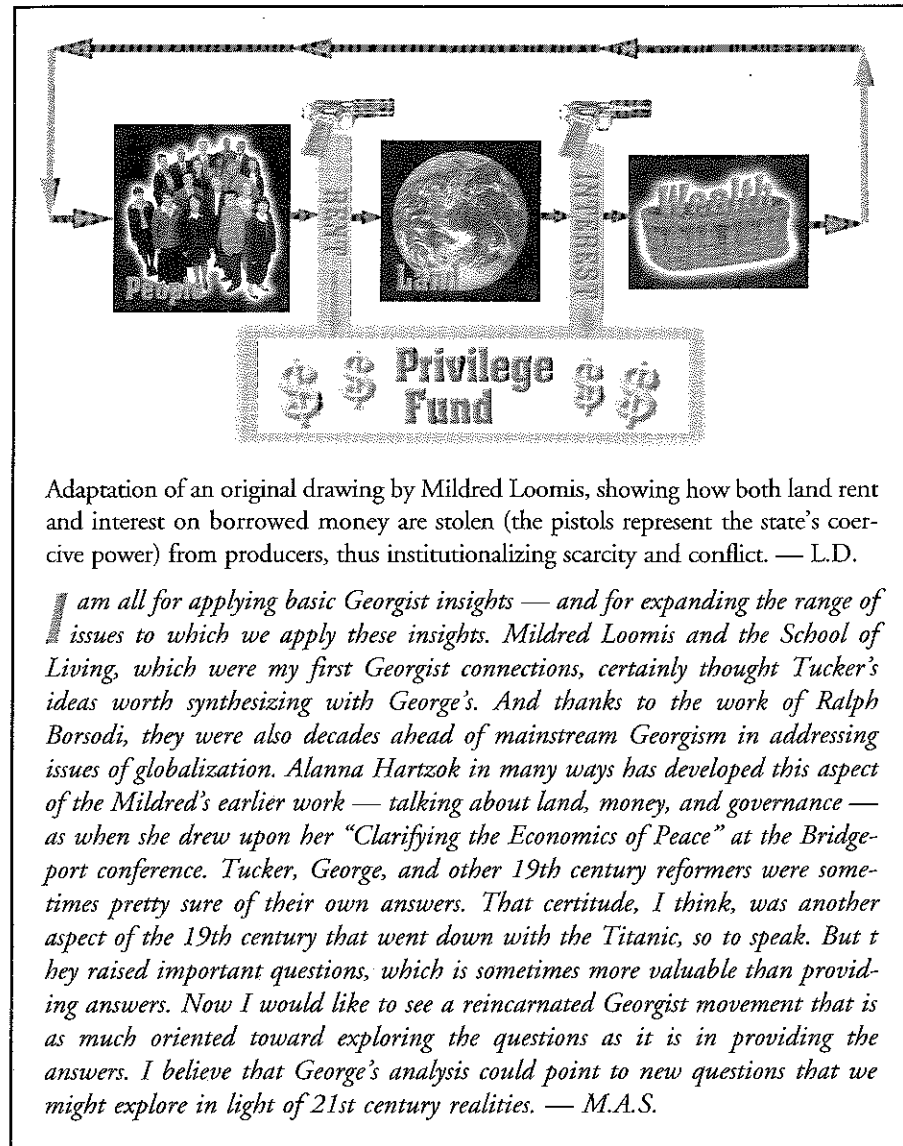
rent and interest exceed the capacity of labor and real capital to repay, the system collapses and much harm is caused. The purpose of ancient jubilee laws was to cancel such debts and redistribute the land that was sold to pay the interest on money — before a catastrophic collapse.

Lindy You say in your article that Georgists “need to see beyond George’s 19th century categories and terminology.” You suggest that the treatment of land as merely a factor of production fails to adequately provide for the protection of the natural environment. What modifications would be needed?

Mark During the 19th century it seemed as if Western institutions were the standard by which all other societies and cultures were to be measured. The “white man’s burden” was to dominate and exploit the land and labor of the rest of the world, and this was rationalized as being “progress”. Western society, based on private property in land, was seen as “natural”, meaning “morally superior”, justifying its imposition by violence upon others. I think the course of 20th century history, with its wars of imperialism, has shown how destructive the white man’s way of life has been for other peoples, other species, and the planet as a whole. Private property in land is but one way to relate to land, but it may not always be the best way for all times, peoples, and circumstances. In this 19th century Western model, land is there simply to be monopolized and abused, as Western society advanced across the face of the globe. But George saw the negative consequences of this, and to this degree he did shed the 19th ruling ideological bias.

What modifications are needed? We need to acknowledge that rent is the economic value of land measured by a market for privatized land, but that land can have social and ecological values that cannot be measured by a privatized market. George rightly said what was needed: “We must make land common property.” In order to protect other species from extinction, which is happening at an alarming rate, I think we as a political community need to do just that — and take more land off the market and hold it in trust for the benefit of other species. We as a cultural community need to regard land as *more* than a factor of production, or, to put it differently, in some cases as something *other* than a factor of production.

Perhaps I over-generalized when I said “the creation of wealth requires the destruction of nature.” In this statement, by “nature” I meant what George meant by “land”: the universe outside of humanity and our products or wealth. I should have used “land” to avoid confusion. Land does



Adaptation of an original drawing by Mildred Loomis, showing how both land rent and interest on borrowed money are stolen (the pistols represent the state’s coercive power) from producers, thus institutionalizing scarcity and conflict. — L.D.

I am all for applying basic Georgist insights — and for expanding the range of issues to which we apply these insights. Mildred Loomis and the School of Living, which were my first Georgist connections, certainly thought Tucker’s ideas worth synthesizing with George’s. And thanks to the work of Ralph Borsodi, they were also decades ahead of mainstream Georgism in addressing issues of globalization. Alanna Hartzok in many ways has developed this aspect of the Mildred’s earlier work — talking about land, money, and governance — as when she drew upon her “Clarifying the Economics of Peace” at the Bridgeport conference. Tucker, George, and other 19th century reformers were sometimes pretty sure of their own answers. That certitude, I think, was another aspect of the 19th century that went down with the Titanic, so to speak. But they raised important questions, which is sometimes more valuable than providing answers. Now I would like to see a reincarnated Georgist movement that is as much oriented toward exploring the questions as it is in providing the answers. I believe that George’s analysis could point to new questions that we might explore in light of 21st century realities. — M.A.S.


renew itself, but if our rate of taking from land exceeds the rate at which land renews itself, then we have a problem. And the problem, I think, is rooted in our cultural attitude toward land as primarily an economic resource, not as something to be valued for its own sake. What land is *for us* is not necessarily what it is *in itself*. Land was here before we humans arose out of it, and it will be here long after we all return to it.

This goes back to primordial wisdom. The ancients knew the Earth as the Mother of all. Forgetting this has led to the ecological crisis that now

confronts everyone on the planet. It was because they regarded Earth as Mother that our first ancestors did not conceive of land as private property or, in other words, as a commodity.

Lindy The ancients developed their profound wisdom about the Earth while living in a pretechnological world with plenty of room. I am persuaded that Western society did indeed lose track of that wisdom for a while, as it got excited about its new technological toys. Now, however, land rent, which results from the commodification of land, is the tool we must use to build a sustainable future. We cannot go back to some state of pre-industrial innocence. I think we need to see Georgist analysis as the great and sorely-needed synthesis between that ancient wisdom and the inevitable need to use our technological tools in the creation of a just and sustainable world community.

In your paper you said that we need to fashion a new Georgist social ecology, and I agree. Let's start with this: the production of wealth does not require the destruction of nature; the production of wealth is *part* of nature. In this, I'm proposing to define "nature" differently than you did earlier. It seems to me that nature is not just what Henry George would call "land". Nature also includes human beings — and therefore, if any laws of human behavior can be identified, then nature includes them, also. I think that the necessary first step toward realizing the earth-consciousness that we so desperately need is to institute an economic order based on those natural laws of justice. That doesn't mean it will be easy to do — but what's the alternative?

Mark What's the alternative? Don't think we have one. But I do think it's a chicken-and-egg sort of thing. Realizing earth-consciousness may also be the first step toward instituting an economic order based on natural laws of justice. I agree that in reality humanity and wealth are parts of nature, too, along with, interconnected with, everything else that exists. It's another important point we could be making. Mainstream economics needs to factor in all of nature, including land, into its analysis, incorporate the insights of ecology, and not treat economy as separate from nature. Here is where we Georgists have an important contribution to make to mainstream economic theory. Economic reform is more challenging, as we know, because it really means political reform. I'm not saying we should stop doing whatever else we are doing, but I do think we need to reach out to others who also are working for political reform, for a just society. Most of them are already working together, addressing issues of global corporate domination, war, human rights, and poverty. Finding those who are sympathetic to our message and working with them could help *us* to succeed, and help *them* to succeed. Indeed, it could help to "reincarnate" our movement — to give it new life. If we do that, then we can help to save our world. 

Congestion Charges

by Richard Giles

Land and Liberty (Summer, 2003) asks "Is road pricing effectively a form of mobile LVT — levying a charge on those who monopolize valuable locations with their cars?"

Many Geoists support congestion charges as a tool to promote land value taxation and as a way to connect with the Green movement. It all seems to make good sense.

But Henry George wrote in *The Land Question* that "to a clear understanding of the whole subject, the question of principle must necessarily precede that of method." Land value taxation, congestion charges; both are methods. The principle, George tells us in *Progress and Poverty*, is equal rights to land. Where persons lay claim to the exclusive use of land (as landowners) they should pay to the community a ground rent that reflects the market value of its advantages.

Other land is common land. George suggests in *A Perplexed Philosopher* that its multiple use is more like the use of a club. Equal rights in that land is maintained by custom and courtesy. Thus, for example, there are customs that govern the use of beaches. One also has the rules of the road (written and unwritten) by which we as a community try to maintain the equal use of the road among motorists, pedestrians, cyclists and so on. To put a charge upon such common land for the purpose of excluding some from using it is contrary to the principle of the equal use of land.

Thus, *Land and Liberty* uses the word "monopolize" to suggest what motorists are doing when they use the roads. Those terms are not just strained when applied to common land, they are wrong and dangerous. Simply, motorists (or any other user of the roads) are not "in effect" or in any other way possessing land. They make no claim of exclusive use. Let one of them stop for just an instant in any busy city when they might move, and that will be made abundantly clear.

The mistake that makes it seem as though congestion charges are a form of LVT springs from the idea that the land is owned by the community. If land is owned by the community, some body representing the public assumes the right to say what will happen to it. And, just as in the Soviet Union where the State owned the land, the individual has then effectively lost any rights in it.

For some time Henry George himself was unclear upon this vital question. In both *Progress and Poverty* and in *The Land Question*, George


The question of principle must necessarily precede that of method.

maintained that land value taxation was simply a more practical way to make land common property than schemes of land nationalization. It was only in *A Perplexed Philosopher* that he asserted that equal rights to land were not joint rights to land. Whereas before he had been ambiguous, here he most definitely denied land nationalization. We have an equal right to use land. That is a fundamental principle — not merely a fancy tax proposal by which some few organize others into bringing about results that they deem to be desirable.

If we advocate congestion charges, which are a type of tax on movement, we contradict George's view that no charges should be made for the use of public transport (let alone for merely using roads). He pointed out that, in the same way as putting a charge on the use of lifts in buildings would diminish rents in those buildings, so too charges for public transport (and using roads!) would diminish rents along thoroughfares.

True, some people park along the curbs and sometimes leave their cars there for hours. They do that because that land is marginal; no one else is using it. When the community signals it wants to use the whole road as a thoroughfare, the right to park is removed.

Congestion charges are just another manifestation of that increasing interference with that spontaneous or unconscious cooperation which George said in *The Science of Political Economy* lay at the base of production.

Congestion charges interfere with movement. We perhaps do not see this because it is disguised by the argument that congestion charges will *take away* interferences with movement. These 'interferences' are other road users! This fascination with congestion charges can be dispelled by absorbing the ethos of George's *The Science of Political Economy*. To which some might reply "And pigs might fly!" 

ISTA Returns

The International Single Tax Association (ISTA) began many years ago under the leadership of Prof. James Busey of Colorado. Its purposes are: 1) To join with other groups in their efforts to get the views of Henry George back into the public forum, and 2) to preserve the expression "single tax", as the best and most comprehensible name that can be applied to his proposal. ISTA's new President is Pia DeSilva, who is re-organizing the group and planning robust participation in CGO conferences and other movement-building events. For more information, write to Pia DeSilva, c/o HGS, 121 East 30th Street, New York, NY 10016.



Pia DeSilva

The Lost Science of Money

(continued from page 27)

American revolution was ultimately successful. The inflationary impact it had had on prices was largely the result of "massive British counterfeiting" — a fact that is conveniently ignored by advocates of "hard-money" (i.e., privately-controlled commodity money).

* The debt-free Greenbacks issued during the Civil War were "probably the best money system America has ever had", and would have functioned even better if they been made receivable for the payment of both import duties and interest on government bonds (gold was required instead), and would have functioned better still if they had been issued for the production, rather than destruction, of public goods.

* The hyperinflation that plagued Germany in 1923 followed "the complete privatization of the German central bank and elimination of governmental influence on it" — the very thing hard-money advocates insist will always protect a nation against hyperinflation.

Zarlenga makes a compelling argument that most of the world's economic problems are heavily rooted in the inherently corrupt nature of debt-based, privately-controlled money systems. Under these systems, private banks are allowed to extract enormous amounts of wealth from the global and national economies in exchange for the nothing out of which they create the money they loan.

Zarlenga advocates a three-pronged approach to monetary reform:

1) Make government (as opposed to private banks) the sole issuer of money, and require that all money be issued free of debt — preferably for the construction of public goods that everyone can see and benefit from, such as roads and bridges.

2) End fractional reserve banking and institute in its place a 100% reserve system — a system in which banks could continue to lend money that has been deposited with them for that purpose, but (unlike now) would be prohibited from creating money out of nothing the moment a loan is made.

3) Institute "anti-deflationary programs" to offset the impact of restricting the power of banks to create money. As privately-issued debt-based money is phased out of circulation, ensure that enough government-issued debt-free money is phased into circulation to replace it — that way the transition period can proceed smoothly, without jar or shock to the economy.

Though Zarlenga repeatedly stresses the importance of guarding against deflation, he also makes it clear that he does not advocate erring in the opposite direction. To prevent both deflation and inflation, he proposes that the debt-free expansion of the U.S. money supply be regulated in

accordance with population figures, industrial production, and other measures. (To this I would add that — to ensure that government control over money-creation is not abused — it would be necessary to reassert the public's control over government, through such measures as ballot access reform, instant runoff voting and proportional representation.)

By advocating the institution of a debt-free fiat money system, this book is sure to offend both debt-money and hard-money advocates alike. Debt-money advocates will be offended because it calls for eliminating the power of banks to engage in fractional reserve lending (i.e., to loan money they don't have and charge interest on it). Hard-money advocates — who tend to oppose fractional reserve lending — will be offended because it defines money as a legal concept instead of a commodity, and because it calls for the power of money-creation to be placed in public rather than private hands. Those who sense something wrong with both debt-money and hard-money systems, however, will likely find this book to be a breath of fresh air.

The Lost Science of Money is an absolute must-read for all Americans. Why? Because nothing touches our lives more than money, yet very few of us know much about either the history or nature of money — what little we do know being heavily influenced by the myths and half-truths propagated by debt-money and/or hard-money advocates. This book will help change all that.

65

Letters

(continued from page two)

Let's Not Be Masochistic

Julien Gross seems to attribute the stagnation of Georgism to its adherents keeping to themselves and not trying to reach outsiders. I question this.

There are other serious factors operating:

- 1) The pressure of powerful vested interests in the media, Parliament and elsewhere.
- 2) The influence of academia — as illustrated so well in Mason Gaffney's *The Corruption of Economics*.
- 3) The influence of the taxation "industry" — the illusion that we need our current taxation to bolster civilization.
- 4) The deadening influence of most of the media that overloads us with entertainment, stifling serious thought. Universal literacy has not been a panacea.

Georgist literature and other efforts no doubt could, in hindsight, have been better, but let's not be too masochistic! And let us not underestimate the powerful influence of the beneficiaries of the status quo.

— Geoff Forster, Canterbury, Victoria, Australia

Cancún: Why So Happy?

(continued from page 40)

even the Bush Administration has begun to notice the stampede of manufacturing jobs. Of course, everybody knows who does benefit: *The Corporations*.

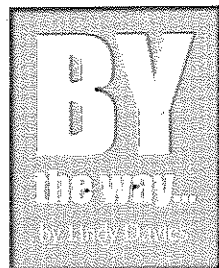
Is that why people are so mad? The corporations are running amok; they're exploiting people and the earth, and the WTO, like a permissive parent, is doing nothing to make them behave? But the WTO is not the corporations' parent. If anything it is more like their harried, ill-equipped kindergarten teacher. If your kid is behaving like a thug, should you blame the teacher? The school secretary? The bus driver? The last time I looked, all of the things that corporations do to exploit workers, pollute groundwater, make profit, etc., are done on land that is part of someone's sovereign territory. And at this stage of global organization, we still recognize and affirm the power of nations to enact laws.

But it's a race to the bottom, they say. Like the long-suffering moms of those latchkey kids, developing nations simply cannot exercise the necessary discipline; they are too desperate for foreign exchange. Those debt-saddled, struggling poor nations must be allowed to lift themselves by their own bootstraps — and in the meantime, the corporations had better behave themselves, or face — what? A stern talking-to from the WTO?

Too many people still view trade as predation. Even George Monbiot, an otherwise sensible chap, affirms the need for developing countries to "protect their infant industries" with tariffs. Rich nations don't need this, Monbiot argues, because of the industrial power they enjoy, established in large part by their long history of protectionism. So folks are mad at the global trade negotiators for trying to force Mali and Pakistan to "liberalize" their markets by removing protective tariffs. If that were all the WTO were doing, of course, we could make a (misguided) case for its heartlessness. But the most entrenched and destructive protectionist policies are those clung to by the USA! The fact is that no nation has ever prospered *because* it used tariffs to artificially raise the price of goods. Protective tariffs are poor policy, regardless of who uses them.

To those who worry about the encroachments on national sovereignty, I say, "Baloney!" People wring their hands about the outrage of corporations "having the rights of a person", but let's not forget that corporations, like individuals, are bound by laws — and laws are made and enforced by nations. Must a nation be afraid to pass sensible anti-poisoning laws, lest the poisonrendering factories relocate? Well, what of it? Is multinational poisonrendering the only way we can make a living? Do we not have land, and hands to work it? Indeed we do — and if this kind of thinking is too far outside the box our leaders are in, then we had better educate them.

66



Cancún: Why So Happy?

There was a great deal of rejoicing when the WTO meeting in Cancún broke down recently. Now, I don't want to be too much of a grouch about this, because there is certainly something satisfying about working together to get one's message out. The message I heard, though, was "This is bad! This is bad!

Stop this bad thing!" I have been trying to figure out who is better off because the talks broke down, and, aside from the happy protesters, I can only think of one group: those special interests who continue to benefit from tariffs and subsidies for their own industries — at everyone else's expense.

This is not to suggest that the World Trade Organization is any great liberator of suffering humanity. It is a political forum, made up of representatives of national governments (and which makes its decisions, by the way, by consensus). Each of those trade ministers comes to a WTO meeting constrained by a strict negotiating agenda, and none of them has horns and a tail — so why the hatred?



The current round of international trade talks probably had little chance of success anyway, say some analysts, because of the unilateralism of the United States, and the tenuous bond between a group of 21 developing nations who have banded together around Brazil, China and India in an attempt to balance the US and EU. Yet, it could still have accomplished things, and some of the world's poorest countries dearly wish it had. It could have lowered subsidies and tariffs on their agricultural exports, especially cotton. That would have relieved real suffering.

So why rejoice over the breakdown of talks? WTO meetings have come to symbolize the Death Force that is taking over our world, which we citizens feel powerless to understand, much less control: *Globalization*. But if we stop people from negotiating about farm subsidies, capital flow issues or intellectual property, have we reversed the deepening of poverty, the march of wealth concentration, the rape of the earth?

What *is* globalization, anyway? It's not "internationalization", because that is generally a good thing — putting people in contact with people in faraway lands, exchanging ideas, goods and insights — how could that be bad? It also isn't "imperialism", because that is something that a nation does on its own behalf, and many Americans tend not to think Globalization is helping us one bit, domestically — why, lately (continued on page 39)