BOOK REVIEW How our Economy really works – A radical reappraisal by Brian Hodgkinson.

The author, is, unusually for a supporter of land value taxation and free trade, a graduate in economics, having gained a first class honours degree in Politics, Philosophy and Economics at the University of Oxford. This puts him in the advantageous position of being able to apply a critique of mainstream economics in its own terms, something which most of us are unable to do.

Most supporters come to land value taxation through a study of economics within the mainstream classical tradition as it was developed by the French Physiocrats, Smith, Ricardo and Henry George. As was explained in ‘The Corruption of Economics’ by Mason Gaffney, and is referred to briefly in this book, the classical tradition of economic thinking was re-worked about 120 years ago, with the conflation of land and capital, the former being regarded as a sub-species of the latter. For those who have studied in one of the few institutions which has continued to teach economics in the classical tradition, this volume is a useful compendium, relating classical theory to the main issues which are currently a matter of public concern, and which politicians are chronically unable to address with effective policies. Counter-productive policies are commonly imposed and then surprise is expressed when they do not work. Armed with a knowledge of basic classical principles such as Ricardo’s Law of Rent, failure could have been predicted. If you are familiar with the supporting body of theory, this volume is therefore an invaluable resource and will keep the readers’ thinking up-to-date and relevant.

Unfortunately, for anyone who does not have a grounding in classical economics theory, the book will probably seem incomprehensible, as so much of what is said is counter-intuitive. Ricardo’s Law, which is foundational to the arguments presented, is covered only briefly. Most readers unfamiliar with it would need it to be explained more fully so that they grasped its full significance. The widespread state of ignorance of Ricardo’s Law has become particularly evident in discussions on the changes that will occur following the departure of the UK from the European Union – such as the possible end of farm subsidies and import tariffs. For this reason, this volume is not something that could be handed to anyone in the expectation that it would enlighten them; to that extent, it does not really live up to its title. It would, on the other hand, be useful as a text book for a course on the subject, where students had the opportunity to pose questions, with a tutor on hand to explain the ideas that they found difficult to grasp.

As a bonus, Hodgkinson clears up a confusion which has always been a difficulty in the
theoretical work of Henry George: the notion that interest is the return to capital. Hodgkinson regards capital as an input to production, no different in principle from other inputs such as labour and components which are a product of labour. On that analysis, interest is merely the price of the credit needed to purchase the capital. This view has the advantage of dividing the products of wealth creation into just two streams instead of three: rent and wages, accruing respectively to land and labour.

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