

# Scaling the Economic Heights

JOURNALISTS from two of Europe's leading newspapers clashed in a debate over a subject billed as being on the theme of globalisation at the London School of Economics on May 7. They were revisiting the theme of free trade or protectionism, and whichever way you looked at it the conclusion was one of despair.

For the London based *Financial Times*, Martin Wolf, Associate Editor put the case in favour of removing all trade barriers, but he concluded with this admission: "All economic processes without exception have led at some point to some people doing worse than others".

Perhaps; but need it be so? The FT journalists had no credible solution other than to lament the absence of adequate social policies and to blame macro-economic failures on poor monetary policy.

Mr. Wolf satirized the protectionist case with a quote from the French philosopher Frederic Bastiat, whose celebrated attack on the sun for providing light and heat and thereby destroying the job of candlestick makers was worth repeating. Even so, the FT team was unimaginative in that it failed to address the seep-seated social and environmental problems that follow from new extensions of freedom in the market economy.

Nor was the paradox in this fact adequately addressed by the team from the Paris based *Le Monde diplomatique*. Its journalists, two of whom double up as professors in universities agonised over the social disruption associated with "unbridled competition", but they could offer no solutions other than those which had been discredited in the past 20 years. They advocated state regulation to restrict the flow of capital. They did emphasise the need to take account of

environmental and human non-economic values, but they failed to offer a model which achieved this while retaining the benefits of free trade.

According to Bernard Cassen, Director General of *Le Monde diplomatique*, "The market economy must be strictly disciplined and regulated to serve the whole of mankind, not corporate greed". The journalists from *Le Monde diplomatique* were long on emotive phrases such as "sustainable forms of co-operative systems" but short on specific proposals on how to structure the deregulated private market so that it could also serve the interest of every citizen on earth.

There was a sad irony to their catalogue of criticisms. They were correct to note that, as currently constituted, resources are not efficiently allocated. But this has nothing to do with the global scale. It is the kind of criticism that applies at the local level as well, and the explanation ought to have been at the forefront in the presentation by the journalists from *Le Monde diplomatique*. It was the French Physiocrats who originally defined the optimum conditions for liberating the economy within a social system that protected the welfare of everyone. This was achieved by treating the flow of income to land and natural resources as public revenue. The correctness of this theory continues to be affirmed to this day.

GLOBALISATION misleads. It is a process, not a place. And in any event, the economic process has now gone beyond the global sphere to embrace the economic opportunities offered by outer space. Broadcasting corporations such as those owned by Ted Turner and

Rupert Murdoch are deriving rental income from their orbiting satellites.

But the new phase of trade which has been made possible by the microchip merely continues with age-old economic laws which can be summarised as follows. As more people are brought into the trading relationship, the returns to wages and their capital investments are equalised across the board (or round the globe), with the increased gains in productivity showing up as an increase in the rental income of land and natural resources.

If this rent were reserved for the social sector we would have an economic development which, contrary to the observation by Mr. Wolf, would lead to everyone's benefit. No-one would be "doing worse than others", because everyone would be receiving what he or she earned; and no-one would be receiving unearned income. But to achieve this win-win outcome we need to socialise the public value and re-privatise (meaning: untax) the earned income.

This produces the level playing field which the FT would undoubtedly applaud if only it knew how to construct such an arrangement to the satisfaction of entrepreneurs and employees. It would produce the liberal market economy free of the horrors that were catalogued by the journalists from *Le Monde diplomatique*.

According to Peter Martin, the FT's International Edition Editor, the global market was "the summit of human endeavour". Alas, the victims of the global process which the FT currently commends would not agree. There are still mountains to climb of an intellectual and moral kind before we achieve the pinnacle in human endeavour of which we are capable.

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