

# The Last Chance Frontier

**V**AST OPEN spaces exist in our communities. Those spaces were created over the past 200 years, and they need to be re-colonised. But that will not happen, if we continue to allow the Predators to camouflage them by closing our minds to two realities.

First, there is the vacant and under-used physical space. We are denied access by the laws of the land. Second, there is the potential for the production of incomes far above what we are allowed to produce by the regime inherited from a corrupted feudal aristocracy. Those incomes would

have liberated people to enjoy entirely different social spheres of existence, spheres from which they are now excluded.

Taken together, *these two spaces present the opportunity to rescue Western civilisation from what is otherwise now going to happen.*

We can barely comprehend the significance of re-colonising our own countries. Take the case of the United States. According to Kenneth Rogoff of Harvard University, a former chief economist at the International Monetary Fund, the US must be viewed as two nations. Referring to the credit crunch of 2007, this is how he and his co-author put it:

[A] large chunk of money has effectively been recycled to *a developing economy that exists within the United States' own borders*. Over a trillion dollars was channelled into the sub-prime mortgage market, which is comprised of the poorest and least credit worthy borrowers within the United States.<sup>1</sup>

More than 140 years have passed since the civil war and the abolition of slavery. Time, evidently, is not what it will take to equalise everyone's life chances. The system is

<sup>1</sup> Reinhart and Rogoff (2008). Emphasis added.

*designed* to exclude a large part of the population from contributing to the wealth of their societies.

The West's statesmen are in a state of denial. The damage that will be caused will not affect them: witness the vast sums paid to Greenspan and Blair for their speaking engagements and consultancies. They continue to hold the destiny of the West in their hands. With every passing day of inaction they allow the East to strengthen its control over our future. In January 2010 it only needed China to deny that it intended to buy Greek government bonds for Europe's bonds markets to react in panic.

I am not preaching an anti-Eastern doctrine. In fact, for the last 30 years I have campaigned to help the neo-colonial countries of the South to adopt policies that would accelerate their economic development.

No-one need be the loser. But Eastern leaders are now adopting tax policies that prevented generations of Europeans from enjoying the liberty to earn their living. The case of China is particularly poignant.

In 2010, China discovered that its cash surplus did not insulate it from a home-

grown threat. That threat surfaced as an asset price bubble. A house price bubble. How was that possible in a country in which, within the previous year, the Communist Party had passed a law on property rights that retained land in the public domain? The Politburo had not learnt the lesson of the previous two centuries of capitalism. It did not matter whether the private individual or the state owned the title to land. *What matters is the way in which the rental income is distributed.*

So while the Politburo congratulated itself on retaining land (the fundamental means of production) in national ownership, it allowed the rent of land to be privately appropriated. Result: developers made fortunes out of constructing apartment blocks for sale to speculators. They capitalised the future stream of land rents into the selling prices of apartments that were eagerly purchased by families that understood the economics of real estate. Vast numbers of apartments in the big cities were kept vacant, while factory workers who created the wealth of the nation struggled to pay rents for the tiny dwellings they occupied.

This triggered the standard capitalist reaction. The central bank tightened monetary policy, hoping to cool house prices by curbing the credit in circulation. One consequence was the increase in the cost of the banking services needed by the enterprises which added the value to exportable goods that delivered double-digit growth rates. A similar land-based crisis disrupted communities – and national politics – in India.

The East has incubated the pathology that crippled Western culture. But the “emerging countries” will forge ahead, because their labour costs are so low that Western enterprises cannot compete on the global markets.

It appears, then, that the West faces a hopeless future. The disaster is not just in-the-making. It has already happened.

While prime ministers were claiming that their economies were working their way out of recession, in the markets the contagion had barely taken hold. The housing crisis of 2007 spread to the banking sector in 2008, followed by the debt-driven crisis of governance in 2009. The pressure on firms will be at its most

ferocious in 2010 as employers are forced to cut costs to survive. This, in turn, is followed by the household crisis in 2011, as families discover that job opportunities are not reappearing in the labour market. To cap the catastrophes, the sovereign debt crisis in 2012 will oblige European governments to face the reality that their power was washed away by the economic tsunami.

Once thriving communities will not recover from the depression. But there is no inevitability about this. The blueprint for recovery begins with a new programme of colonisation. The re-colonisation of our own lands.

## Land Grabs as Safety Valves

IN THE 19th century, Europe solved its cyclical crises on the cheap. Inhumanely. Nations discarded their citizens on to other people's territories. In this way, the costs of the failures of governance were exported. To execute this operation, however, Europe first had to grab other people's lands.

This process continued into the 20th century. The Italian state, for example, shirked its responsibilities by exporting

over 8m people between 1900 and 1915.<sup>2</sup> Nearly half of the people of the peninsula who were swept up by this exodus came from the impoverished rural regions of the South. There was one reason only why Italy could not give all its children a decent living in their homeland: the land of their birth was monopolised by the few, and the government failed to adopt compensating tax policies.

From every nation in Europe, families were driven to the farthest corners of the globe in their struggle to remain alive. But that option is no longer available to the West. There are no vast open spaces left elsewhere in the world to serve as the safety valves for the failures of politicians. But the future is *not* hopeless. Europe could launch the re-colonisation of its home territory.

Within our nations – and despite the size to which our populations have grown – *there are very large spaces to be filled.*

Those spaces have existed throughout the era of industrial capitalism. But they were brutally quarantined out of use by the combined effects of land privatisation and

2 Duggan (2007: 356).

the tax policies that were rigged to serve the interests of landowning elites.

In the past, those elites were the aristocracies and the professional classes which clung to them (such as lawyers and real estate agents). Today, the process of exploitation has been democratised. So governments do the bidding of the millions of families who own their homes, who have been schooled into regarding the value of those properties as sacrosanct.

In America, for example, from the federal government downwards, tax policies have been shaped to subsidise home owners to the tune of about \$140bn *every year*. That estimate is provided by Karl Case, one of America's foremost experts on the property market.<sup>3</sup> The subsidy gives some impression of how the tax regime penalises people who work, while rewarding those who pursue capital gains from land. If we stick with this doctrine, there is no way out of the corner into which the West has been boxed.

But what happens if we reverse these fiscal priorities? By cutting and then

3 Case (2010: 12).



eliminating taxes on wages, we reduce the prices of goods and services. That leads to the creation of jobs as enterprises become competitive in the global markets. That, in turn, opens up new economic spaces.

And what happens if we fund the capital costs of investing in infrastructure out of the rents we are willing to pay for the use of land? Resources are re-directed away from property speculation and into research and development, and the formation of fixed capital equipment. That raises the productivity of enterprises, which makes them even more competitive in the global markets.

But we need not just rely on exports to open up a new future. Think of the millions of potential consumers *within our own countries* who are potential customers. The lifestyles of millions of families living on the edge would be improved if their disposable incomes were raised. Families who, today, rely on state welfare hand-outs for their marginalised existence. Lives undignified by that state of dependency on tax-based hand-outs from others.

The scope for expanding the welfare of the populations of Europe and North

America is so large that there is more than enough work to keep everyone employed. But it's not just individual families that would experience a dramatic shift in welfare. The landscape of society at large would also begin to shift.

## Redesigning the Community

THE ELIMINATION of property speculation would result in large-scale shifts in the structure of our communities.

Cities would become more compact. Sprawl driven by land speculation would be terminated. Today, vast quantities of land sites are quarantined by dealers who withhold their properties from the market in the expectation of reaping capital gains in the future. So families are homeless or badly housed while, in Britain alone, an estimated 700,000 dwellings are kept empty.

In the countryside, centuries of exploitation resulted in the haemorrhaging of people from the places of their birth. Historians call it "de-population". I call it the barbarous deprivation of rights. People were expelled from ancestral homes so that the aristocracy could substitute

capital-intensive methods of production that maximised their rents.

Re-colonisation of those terrains does not begin with a reverse land grab. All that we need is the enforcement of the principle that guides our economic behaviour in all other spheres of activity. No-one should be exempt from the principle of *paying for the benefits that we receive from others*. It would not matter how many acres the big land owners occupied, so long as they paid the full rental value of their land (excluding the value of capital improvements on the land) into the public coffers. *Those rental payments would be made to defray the costs of the public services they receive*. This one principled policy would reverse the flow of people into the towns.

Re-population of the countryside would occur because, now, homes would become affordable to children born in the villages. Jobs would become available as farmers replaced expensive high-tech equipment with workers who cared for the soil and empathised with the animals that give us our daily milk and meat. With the rise in the rural workforce, new opportunities would arise for employment as local

economies diversified and developed high-value craft-based products. This renewal of the rural economy would be accompanied by a cultural renaissance as people with more money in their pockets focused their interests on non-material preoccupations.

By thinking about the consequences of democratising the public's finances, we glimpse the ways in which governance is automatically re-shaped to meet the needs of people rather than the cultural values of the Predators.

## Our Choice

THE VISION I have outlined is administratively simple to execute, and yet so radical in its outcomes, that people will adopt the default position: fear. Fear of the unknown.

Psychologists have a term for this psychological state that imprisons us: the Stockholm Syndrome (see Box 11.D). What has shown to be the case with individual victims is true of whole populations. In Britain between the 16th and 19th centuries, the nation was effectively kidnapped by the aristocracy which enclosed the commons for their private benefit.

## **How Long Do We Remain Hostages?**

The Stockholm syndrome describes a phenomenon in which hostages grow psychologically attached to their captors, despite the danger to which they are exposed. Data on the FBI's Hostage Barricade Database System suggests that about 27% of victims show evidence of the Stockholm syndrome.

The syndrome is named after the robbery of Kreditbanken, a bank that was based in Stockholm, Sweden. The robbers held bank employees hostage from August 23 to August 28, 1973. The victims became emotionally attached to their captors, and even defended them after they were freed from captivity. The term "Stockholm Syndrome" was coined by criminologist Nils Bejerot, who assisted the police during the robbery.

If victims can end up empathising with their captors after just six days, imagine the effect on people who have been held hostage in "their" land on an inter-generational basis.

Through time, those of our ancestors who were not expelled from the land of their birth were weaned into accepting the predator culture as natural.

And so, today, many of us own postage stamp-sized plots of land, and we are psyched into subordinating our lives to the lifestyles of the mega-rich land speculators. But now that there are no external safety valves for the West, we have two choices.

**CHOICE I:** Continue to produce the surplus income that is appropriated and consumed by the Predators in our midst.

**CHOICE II:** Pool the rental income for the equal benefit of all of us, with compensating reductions in the taxes on earned incomes. This was the proposal advanced by the great liberal philosopher John Stuart Mill in the 19th century (among others). But insufficient effort was made to wrest control of our rents from our keepers. So the 20th century was an unmitigated disaster of depressions, booms and busts and wars provoked by territorial land grabs.

If we were free to exercise our reason, and our moral consciences, we would

choose the second option. If we do not make that choice, the pathologically cramped spaces in our communities will be further exploited.

- In Italy, displaced peasants emulated the rent grabbing techniques of the land owners by resorting to organised crime.<sup>4</sup> Today, the Mafia is the shadow state with the ability to weather the economic crisis by shedding labour. The nation's GDP shrank by 5% in 2009. The Mafia's turnover increased by more than 8% to €135bn (\$190bn, £118bn).<sup>5</sup>
- In Britain, while some opportunities remained for migration to Australia, the state found it expedient to shrink the population by sending almost 100,000 people to prison every year. An increase of 5% in custodial sentences in 2008 reversed the previous downward trend.

Do we have the courage to reach for the riches that are beyond anything that Aladdin, as he polished his lamp, could have dreamt about?

4 Harrison (2010).

5 Segreti (2010).



THE WEST will not recover from the economic crisis if we fail to address fundamental issues. A shift in the collective mind-set is needed: a reappraisal of the economy and the politics that sustain capitalism. Language needs to be cleaned up if we are to think straight about reforms that would leave us all better off. We are experimenting with a paradigm shift in relation to the environment, but false notions are being reinforced. Example: ecologists claim that material growth is inconsistent with conserving nature. That's the thesis of Tim Jackson's acclaimed *Prosperity Without Growth* (2009). But his narrative rests on an imperfect definition of capitalism and a completely inadequate understanding of how taxation reinforces property rights rigged to favour a minority. If we redesign public finance, we *can* have both economic growth and conserve our natural habitats.

I elaborate on the mind-set issue in the Epilogue. Radical changes are needed in the way income is distributed and capital invested between private and public sectors, but none of this will happen in time to save the West if we don't clean up the way we think about our social universe.