

Dated remedies

ECONOMIC and political crises around the world are finally giving definition to a view that has been emerging ever since the Club of Rome published *The Limits to Growth* 20 years ago.

The new perception finds its formal expression in a study called *The First Global Revolution*.¹ This report broadens the Club of Rome's original warnings about threats to the environment; now, its two senior officials add globally-based upheavals in politics and economics to provide a comprehensive overview of the spatial turmoil.

The authors identify what they call the "three immediacies" as:-

- Conversion of the military economy to a peacetime mode, most dramatically illustrated by the need to restructure the former socialist countries;

- Containment of global warming through reduced emission of carbon dioxide; and

- Confronting the First World's exploitation of Third World countries, which has contributed to crippling levels of poverty and the exhaustion of natural resources.

A rigorous analysis of how these complex layers are tensely interlocked into a single global crisis is indispensable. Unfortunately, the Club of Rome's insights are not matched by imaginative solutions. Their prescriptions are still rooted in the perceptions of the past.

They do not correspond to the global dimensions of the problem. We still need a satisfactory starting point for the articula-

INSITE analysis

tion of the new philosophy capable of addressing the challenge that faces mankind in the 21st century.

NONE of the established philosophies provides a satisfactory conceptual framework within which the problems can be analysed, let alone yield appropriate solutions.

Socialism is discredited, and the under-belly of capitalism is once again exposed as vulnerable to the vagaries — of what? The Club of Rome acknowledges the value of the free market, but *The First Global Revolution* stumbles over what to do to tackle deep-seated flaws in the western system of economics.

The Club of Rome emphasises that our world is a complex thing, made up of so many "feedback systems" that "it is difficult to design them within a comprehensive model."

Since this is correct, how do we re-regulate the world, tame the evil forces that cause so much heartbreak and death? Can we have any confidence in their prescription that "Only public intervention, based on political processes and often using market mechanisms as an instrument of public policy, can deal with these problems?"

Disappointingly, the Club of Rome's political insights are crass; they discuss contemporary politics in terms of "the law of the jungle," a formulation that has no sensible meaning (in fact, man's problems began when he abandoned the law of the jungle). The authors of the

Club of Rome report contradict themselves by trying to placate all interests. Action, they say, must be locally-based, by freely cooperating individuals; yet they assign a crucial role to "durable sovereign states," whose institutions are necessarily hostile to the freedoms that make local action possible.

This is no further advanced than liberals who advocate a bit of this (the free market) with a bit of that (state-regulated socialism) to try and balance the complex demands made on society and on nature by every family in the world. The Welfare State approach has failed all the tests. The time has come for a political philosophy to emerge that can provide us with new governing principles.

WHAT ARE the ideal qualities of the global philosophy for which the world is now searching?

The theoretical structure has to be one of simplicity, and yet comprehensive in its problem-solving capacity. Taking our cues from the analysis in *The First Global Revolution*, we identify three principles as essential to that philosophy.

First, the need to empower people. We can no longer rely on state-directed action. The territorial state is now an anachronism. We will have to build new, trans-national institutions, but individuals at the grass roots will have to operationalise the relevant policies. The individual is the agent of action.

Democracy must be refined to

Continued on page 84 ▶

liberate the citizen. European models, which effectively alienate many people from the decision-making process, have a long way to go before power is devolved to those from whence it is supposed to spring.

Second, the new philosophy will have to integrate society. Historically, we have been bamboozled by ideologists into accepting as unavoidable the divisions created by class (the Marxist view of history) and property rights (the persuasion of liberal philosophers).

Actually, the class-based problem is no more than social divisions created by unequal rights of access to property. In other words, if we are searching for ways to integrate society, we have to resolve the vexed question of property rights.

Societies, today, are torn by factions which, at best, co-exist on an uneasy basis; at worst, are in open conflict. The importance placed on the means of coercion to maintain "peace" (police, army, physical boundaries, and so on) bears testimony to the need to contain people by force, beyond what would be necessary in a society in which every person was truly free.

Third, we have to devise means to harmonise mankind's demand on the natural environment: a mechanism has to be formulated to stabilise the relationship between man and land. That this is a problem now, but has not been one for several millions of years, indicates that the rights of access to land have changed in some fundamental way — and for the worse.

Over evolutionary timescales, men and women obeyed natural laws that precluded the depletion of resources to the point where their existence was threat-

ened by their own foolhardy actions. At some point, the socio-ecological secrets of a homeostatic relationship with nature were lost.

This summary is sufficient to highlight the impossibility of continuing to shape events on the basis of current values and perceptions. Mankind has no alternative but to evolve a new philosophy, one that is "fit" — in the Darwinian sense — to guide us through the current phase of social evolution.

WE ARE not likely to uncover the new philosophy entirely outside the realm of present experience.

A philosophy so rooted in abstraction that it has not found tangible expression (no matter how superficially) is not likely to afford us with a new starting point. The new philosophy has to have emerged, no matter how tentatively, as a result of the "felt need".

Historically, although we identify periods as "revolutions," the ideas on which those apparently sudden transformations were based are found to have been emerging for some while before they were legitimised by social institutions and processes.

Today, the only philosophy that appears fit to confront the challenge facing mankind is the one associated with American social reformer Henry George. The theory on which the Georgist programme is based has been explored by philosophers for at least 300 years.

Most importantly, however, to deal with some of the social and economic problems of the past century, some of the key tenets of the Georgist programme have been incorporated into the western social system in a way that validates it as the historically relevant philosophy.²

Our job, now, is to test that philosophy to its limits, so that

statesmen may have confidence in its formal adoption. A crucial starting point is to reflect on the major flaw in the market economy, which is summarised in these terms by the Club of Rome report:

"The market is ill adapted to deal with long-term effects, inter-generational responsibilities and common property resources. It responds essentially to short-term signals and thus its indications can be gravely misleading if applied to long-term needs. The system of the market economy countries based on competition is motivated by self-interest and ultimately on greed."

The Club of Rome makes the mistake of viewing "the market" as something apart from the millions of people whose activities are abstractedly summarised as "the market." We are talking about the behaviour of people. If people have short time horizons, and if they fail to nurture common property resources, we must ask why they are irresponsible. To shift the problem on to "the market" is to obscure issues in a way that does not lead to the articulation of appropriate solutions.

Critics of capitalism are compelled to demonise the market, because their accurate characterisation of what happens in the streets leaves us with a horrifying vision which we would rather not attach to real people. Thus, the Club of Rome notes:

"In the absence of all restraints, brutal operations of the market forces would lead to exploitation, neglect of social needs, environ-

mental destruction and the short-term consumption of resources essential for the future".³

We would not want to associate such travesties with people, would we? Better to ascribe them to something impersonal, "the market" — which lead, inexorably, to the vindication of those who demand state regulation of such threatening forces.

Henry George's major explanation for a malfunctioning market is associated with the system of property rights in land, which he adequately demonstrated was wholly inconsistent with individual freedom, inter-generational responsibility and sustainable environmental activities.

In other words, his critique is a relatively simple one. But is it comprehensive? Let us swiftly review global problems from a Georgist perspective.

WARS. The Madrid peace process on the Middle East turns on whether Israel would swap "land for peace". Nearly all wars are fought over territory — land.

ECONOMICS. The recessions in the USA and UK have as their basis the speculation in land, which disrupted the labour and capital markets. We cannot analyse the process here, but observe events in Japan today: the government formally acknowledges that what is called "the bubble" took the form of speculation in land (or specula-

tion in the shares of land-rich companies) which had to be throttled — and which is now causing a downturn in output.

ECOLOGY. Destruction of the environment, in its various forms, is due entirely to the failure to compel users to pay the full price of natural resources.

Land, land, land. Whichever way you turn, you discover that property rights in land are the basis of the major global problems. Yet if you search the pages of *The First Global Revolution*, you fail to find any discussion about property rights in land. There is a fleeting reference to the speculation in US real estate which caused the bust of banks and S&Ls, but greater importance is accorded to financial speculation (which did not destroy jobs in the 1980s).

The Club of Rome does note that, in the Third World, people are driven from the land and into urban centres; but they nebulously link this devastating process to poverty, rather than identify it with a malevolent system of property rights.

The only philosophy that elevates land to its rightful place in the grand scheme of things was articulated by Henry George a century ago!⁴ It is, therefore, likely to be the philosophy that now commands our respect.

HENRY George argued that man-made goods should be privately owned, but that the

economic value of land — rent — ought to be socialised.

The adoption of this simple, yet sophisticated, formulation of property rights, is the one necessary condition for the peaceful resolution of most of the major social and economic problems of the world today. Without it, for example, there can be no final solution to the problem of war.

George argued that a socially harmonious world required individual liberty (the key principle of western philosophy) underpinned by a strong communal spirit (the key principle of socialism). His philosophy synthesises these two elements into a single — unique — system.

On the "three immediacies" identified by the Club of Rome, two — war and poverty — are exhaustively addressed in George's works. The third — ecology — was treated superficially; but the theory, because it recognises the importance of land and rental income, affords a complete solution to the sustainable use of natural resources.⁵ (The "green" character of the Georgist philosophy is explored in a new book edited by Sara Parkin, to be reviewed next issue).

The problem of how to allocate common property (land) to individuals for their exclusive use, is resolved through the tax system. George noted that tenants pay rent to their landlords; that rent is a "tax" on some users of land, and all we need to do is generalise that system — and make the community the beneficiary of the rent.

This, argued George, would generate sufficient income so that it would not be necessary to tax people's wages or the interest received from their capital investments. Economists have not been able to fault this

Continued on page 92 ▶

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3. *Op. cit.*, p. 149.

4. *Progress and Poverty* (1879), New York: Robert Schalkenbach Foundation, 1979.

5. Jurgen Backhaus and Jacob Jan Krabbe, "Incentive Taxation and the Environment: complex — yet feasible", in Noyes, *op cit*; and R.V. Andelson (editor), *Commons without Tragedy*, London: Shephard-Walwyn/Savage, MD: Barnes & Noble, 1991.

Poverty without hair shirts

FITZWILLIAM, founded in 1966, combines the outward elegance of the old-style Cambridge college architecture with all the interior amenities taken for granted these days by moderately well-off people committed above all to what they consider to be a high standard of living.

The food was good; and the service provided extended as far as daily bedmaking, daily cleaning of the study/bedrooms, and regular replenishing of the supply of materials for the early morning cup of tea.

Generally speaking, it would be hard to object to any of this; but, in the particular circumstances of a conference devoted to the Catholic Church's ideas on what should be done about European and world-wide poverty, as they are set out in seven papal "social" encyclicals, namely *Rerum Novarum* (1891), *Quadragesimo Anno* (1931), *Mater et Magistra* (1961), *Populorum Progressio* (1966), *Laborem Exercens* (1971), *Sollicitudo Rei Socialis* (1987) and *Centesimus Annus* (1991), a little more of the

• *CONFERENCES of religious bodies are essentially comfortable affairs, DAVID REDFEARN found the one held in July at Fitzwilliam College, Cambridge, subject 'Rerum Novarum', 1891-1991 - Four Revolutions: An Unfinished Agenda, was no exception.*

hair shirt would perhaps have given extra encouragement to serious consideration of a radical remedy.

Instead, there was a reliance on traditional appeals to altruism, and the recitation of abstractions that are comprehensible only to a select few.

THESE last were of fairly regular occurrence; and I was not the only one to find them a little puzzling. It is not easy, for example, to see how the problem of poverty, an essentially practical one that admits of a practical solution, can be solved in such terms as: "The positivist epistemology of transcendental ontology and precognitive phenomenology are cognitively-marginal to the temporality of determinate judgment and the ineffable ulterity of an incom-

mensurable language gain."

It must be admitted, however, that one of the exponents of such philosophical gems also produced a criticism of one of Leo XIII's arguments in *Rerum Novarum* for retaining private ownership of land, namely that it enabled the passing on from fathers to sons of "all that is needful to enable them honorably to keep themselves from want and misery in the uncertainties of this mortal life."

The Pope, he pointed out, appeared to be unaware that, by the end of the 19th Century the household (*oikos*) was no longer the normal productive unit.

He himself was evidently unaware of Henry George's more serious objection concerning the type of land the Pope must have been thinking about: "...It is land that will yield an income to the owner as owner, and therefore that will permit the owner to appropriate the products of labor without doing labor, its profitability to the individual involving the robbery of other individuals."¹

Contrary to the usual conception of the catholic Church as a monolithic structure ("When Father says turn, we all turn"), questionings of received doctrine and of official policies were fairly common, and aroused no automatic opposition.

It would seem, for example, that in the United States, to the disapproval of most of those present, the question of abortion - "a horrendous moral evil" it has been called - arouses more excitement among the higher-ranking clergy than does the question of war, the ultimate consequence of poverty, and, one would have thought, the

Continued on page 94 ►

► From page 85

scheme, on theoretical grounds; in fact, they acknowledge that a tax on the economic rent of land is the most efficient of all taxes.

But that Single Tax also accords with the general desire to view nature as a common heritage: in other words, it is an efficient fiscal policy with an ethical foundation. Implement it, argued Henry George, and watch poverty evaporate before your eyes, as idle hands are put

to work on land that was kept idle by proprietors for speculative purposes.

Whether we turn to the problem of ethnic conflict in South Africa (see page 86), or the need to create a new social system in the former republics of the USSR (see back page), we find that land is the central issue.

Socialism and capitalism underplay the importance of land, which is why both social systems are in a mess today. Georgism fits the missing pieces into the jigsaw puzzle.