



A grasp of *economic rent* is vital to understanding geoism and the path to social justice and environmental sanity. Short definitions are helpful but limited – the return to privilege; a free ride at society's expense;

unearned increment; excess profits that monopolists reap in the absence of competition; income derived from assets that cannot be freely produced by private economic agents; income (real or imputed) that cannot be justified as an incentive for private economic agents; or even the natural source of revenue for the

community. Sydney's **David Smiley** continues his series wherein he fleshes out the meaning of rent through a string of vivid historical examples.

REVOLUTIONARY RENT

In an earlier article, *Ricardo on Rent*, I said that pre-industrial societies often become unstable and vulnerable to invasion or revolution. In that article we looked at invasion, using Ricardo's rent model to explain how European colonies and empires were formed by occupying land and displacing native populations. Today we will adapt Ricardo's model to help explain revolutions. Most, if not revolutions concern land and attempts to transfer its ownership. Most, if not all, revolutions have been very costly in terms of human lives. The French revolution inflicted large-scale and immediate costs by way of the guillotine. The Russian revolution's costs were spread over several decades, probably exceeding 30 million deaths. In the first land reform of the Chinese revolution ten million landlords were slaughtered. In the second, the commune phase, lack of peasant production incentives and bad economic planning led to starvation and possibly 50 million deaths.

The only successful land reforms have been non-revolutionary. After WW2 General MacArthur, advised by a Georgist, effected a redistribution and partial taxation of rural land, previously held feudally, to the peasants of Japan, Taiwan, and South Korea. The effects on social equity and productive efficiency were astonishing. In China, after the death of Mao, the peasants spontaneously redistributed commune land into family units, not formalised into the Household Responsibility System until two years later, by Deng. The release of peasant energy soon took economic growth from zero to an astonishing ten percent per capita per annum, where it has stayed for 30 years. Peasant ingenuity soon invested the surplus into what became known as Town Village Enterprises (TVEs) producing, at first, buttons and small plastic products until now, when most of our clothes and household tools come from China.

Compared to land value taxation, land redistribution does have disadvantages, now becoming painfully obvious in China. Land redistribution may be equitable to start with, but values change. Land redistribution discourages economies of scale and, most importantly, does not apply to urban or industrial land where speculation and corruption is now rife.

Could the French, Russian and Chinese revolutions have been handled better? Thomas Paine, who helped draft the French Revolutionary Constitution, published, unfortunately too late, perhaps his most important work, *Agrarian Justice*, in which he advocated the public collection of a ground rent to fund the social and political rights that he had previously argued for in *The Rights of Man*. Leo Tolstoy, a Georgist enthusiast, had argued in the 19th century for a land reform based on land value taxation. So also did another Georgist reformer, Sun Yat Sen, who has been called the father of modern China. ■