

Reform or revolution?

The Georgist paradigm was not developed in a reading room; it was the creature of the sweaty imperatives of everyday life.

Henry George did not have the anthropological and biological knowledge which is now at our disposal, so he drew heavily on theological perspectives. Land, for example, could not be privately owned, for it was given by God to everyone. Working within this cosmology, Henry George conceptualised a social architecture that was culture-specific, one that suited the needs of industrial society. He elaborated, in varying degrees of detail, the concrete solutions to match the pillars of that system - the liberty and equality of individuals. George did not have to resort to the language of the revolutionary; for he was not advocating a complete rupture with the past. His cosmology precluded the use of violence, which was why it was acceptable to Leo Tolstoy.⁴⁸ His was the advocacy of reform, for his institutional solutions could be teased out of the existing order.

This is a claim that invites scrutiny. We will examine it in terms of the seemingly intractable problem of poverty in the Third World, in the course of which we can test the claim that the fate of a community is inextricably bound up with the system of public finance.

We can approach our analysis by asking: why did the "Green" revolution - the cultivation of high-yield seeds - fail to abolish hunger in the so-called "under-developed" parts of the world?

The answer cannot be sensibly elaborated without first taking into account the spatial context within which wages are determined. People labouring at the margin of cultivation set the benchmark for wages. If monopoly power is exercised, that margin - and therefore the level of rents

and wages - is distorted, to the advantage of the landowner. If workers are progressively pushed out to ever-poorer soils, they have to accept lower incomes; these levels, in turn, feed back to depress the wages paid to labourers on more productive land, which leaves (other things being equal) a larger sum to be collected as land-rent.⁴⁹

The scientists who bred new strains of high-yield seeds for wheat and rice production in the 1950s did so ostensibly to put more food in the stomachs of the hungry millions in the Third World. They certainly succeeded in increasing output, but to whose advantage? Had the policy-makers and economists used Georgist insights to reflect on the impact of scientific innovation on income distribution, they would have instantly realised that rental incomes would rise. They would have also worked out that, under conditions where the monopoly power of land was privatised, there would be a downward pressure on wages. Unfortunately, there was no interdisciplinary approach; and even if there had been, the capitalist ideology would have blocked the relevant forecast.

Labour displaced

What are the facts, based on the history of the use of these seeds in India, Pakistan and Bangladesh?

Cultivation was biased in favour of extensive methods of production. Tractors were bought to replace labour. The sacked workers migrated to the cities, where they directly applied downward pressure on the level of urban wages, and to the foothills of the Himalayas, to scratch out a living which also applied downward pressure on wages.

The social price of the miracle seeds was matched by an ecological price. The seeds required the application of increasing quantities of imported chemical-based fertilisers. Small farmers could not afford these fertilisers, so they lost out in the competition with the large landowners. There was, as a result, a twofold effect:

(1) the large farms, which commanded the highest rents, grew larger, which meant that even more workers were displaced onto the urban labour market; and

(2) the quality of the soil deteriorated, because of the over-exploitation as cultivation was intensified.

The result was a predictable process of impoverishment of both the

population and the habitat - the tragic, malevolent and uncontrolled side-effect of humanitarian research. This was due solely to the failure of the policy-makers to take into account the workings of the land market in which rent was privately appropriated. Thus did the influence of the scientists reach beyond the laboratory, to deepen the condition of powerlessness of the peasants and redistribute income in favour of those who were already well-fed - the landowners.

Beyond the personal tragedies, of course, was the larger story: the progressive disintegration of those myriad bonds that hold society together, as the affected population is displaced from the land, expelled into alien social environments where poverty encourages anti-social behaviour. This, in turn, compels governments to employ increasingly coercive methods to contain the discontent. None of this was intended by the scientists, who were ignorant of the dynamic consequences of their pure research.

Dr. Norman Borlaug earned a Nobel prize for his work in the laboratory. Out in the fields, however, something happened of which he had no comprehension. His vision was framed within the capitalist paradigm; his understanding could not penetrate the economic process. When questioned about the social effects of his work, he had to resort to concepts that commend the industrialisation of Third World countries along lines experienced in Europe and North America. Of the farmer whose livelihood was threatened by the arrival of bags of Borlaug's seeds, the scientist said:

The small farmer is a dilemma and his social/economic situation, as long as fragmentation of land properties continues, becomes progressively worse. It is my hope that with industrialisation taking place in many of these developing countries, that many of these small farmers, or rather the descendants, can be absorbed off the land into industrial employment.⁵⁰

Men working on the land are a "dilemma". Not to themselves, of course, for theirs was a rational preoccupation that we trace back over 10,000 years. And not a dilemma for the soil, either, which, traditionally, the peasants have lovingly nurtured. They are a dilemma to those who perceive the world through the prism of the capitalist paradigm, and the only solution is to *hope* that they can be absorbed into factories. Meanwhile, the land is fed the fertilizers that are required by the seeds cultured in the laboratory, which nurtures the parasites that can only be removed by increasing doses of herbicide.

The chemical impact on the soil is acknowledged by scientists like Dr. R. Hardy, president of the U.S. institute that discovered the first commercially-available herbicide, 24D. Scientists like Dr. Hardy are well-qualified to explain the chain-reaction that follows the introduction of factory-processed nitrates to soil that has been nurtured by hand and humus over millenia. But when it comes to the social impact of the latest laboratory advances, Dr. Hardy is coy. When he was asked by a TV interviewer: "Have you looked into any of the social relations which need to be changed for adoption of new technology, like land reform?" Dr. Hardy raised his right hand, to protect his face from the lens of the camera, and replied:

That is a complex area that you are raising there, can we cut this? That is a question we haven't talked about.⁵¹

In the fields, where the human and ecological price is paid for the flaw in the system, the farmers know exactly what is going on. One Indian farmer put it this way:

The land is like an opium addict. A man who takes opium can do twice the work. The same applies to the land. Just as men become addicted, so land is addicted.⁵²

To pay for the increasingly expensive fertilizers and pesticides, farmers have to fire labourers and borrow money with which to buy tractors and combine harvesters. Field hands turn to the brick kilns for work, expanding that dependent workforce in which, according to the London-based Anti-Slavery Society, indebtedness has created a new class of urban slaves.

The law of rent

This analysis is not intended to suggest that the "green" revolution should never have occurred; rather, it obliges us to ask what would have happened if the scientific progress had been associated with the Georgist approach to public finance.

Recall that a rise in land rents, as a result of an increase in productivity, could be predicted on the basis of the theory of rent. That much has been simply evident for over 200 years, ever since the theorising by David Ricardo in England (who stressed soil fertility) and, in Prussia, Heinrich von Thunen (who stressed location). They demonstrated that rents rose to

mop up the surplus income after the costs of production (in terms of labour and capital) have been met.

This effect was either good, or bad, depending on the nature of the social system - and, most specifically, the system of public finance. In the capitalist system, this was a disaster: the privatisation of rent provided the leakage that guaranteed that the economic mechanism would, at some point in time, seize up. The consequence is quite the reverse in the Georgist system.

The first step associated with a rise in land rents, as one of the "externalities" of the skills of the scientist, would be the sharing of that revenue on a social basis. So if there was a downward effect on the wages of the individual, the opportunity existed for compensation through the rise in public revenue without having to burden productive enterprise with higher taxes.

It is that flow of additional revenue to the community that provides the key. In the case cited above, for example, the rise in public revenue would have provided the finance for additional investment in the infrastructure that would have opened up new employment prospects for displaced farmhands. General living standards would have risen, as workers were absorbed into higher productivity jobs. And the pressure to use soil-damaging methods of growing food would have been reduced.

It is the failure to incorporate the theory of rent into their thinking that has allowed policy-makers and the world's financial institutions to wreak havoc. Every day, we see enacted before us the bizarre theatre of good intentions with bad results. One example, again ostensibly intended to solve poverty in the Third World, is the attempt to improve the quality of water. The World Bank, in documenting its investments in water projects (in its policy paper *Water Resource Management*), acknowledges that much more needs to be done if suffering is to be alleviated among the poor people of the world. An estimated \$700 billion, invested over a 10-year period into the first decade of the 21st century, would be needed to produce comprehensive water management strategies.

But what is the use of such investment, if the poor do not benefit? Under present tax-and-tenure arrangements, there can be no doubt that the economic benefits of such an investment would be capitalised into higher land prices. These would then lead to a further displacement of people from

the land, as the larger property owners deepened their control over the tracts that benefited from the new supply of fresh water.

But what would happen if the World Bank's money was invested in a social system that employed the Georgist system of public finance? Why, in that case, the increase in land rents that would flow from the influence of the new supply of water would be the fund out of which to repay the World Bank while maintaining a stable social system!

It is this comprehensive problem-solving capability that makes the Georgist paradigm relevant for today, faced as we are with impoverished people in the Third World numbering in the hundreds of millions.⁵³