Ground rules for a sustainable society

AS IT IS claimed that Henry George's fiscal reform would unleash economic growth and even render population growth desirable, it would not at first sight appear to fit the environmental conservation bill, commonly associated as it is with the curtailment of both.

However, at the heart of environmental literature one finds a book, *Land for the People,* whose central chapter – 'Principles of Land Reform,' by agricultural journalist Robert Waller – is an explicit exposition of land value taxation.[1] And the doyen of the self-sufficiency movement, John Seymour, bases his recommendations for Wales and its agriculture on a "graduated land tax" which he attributes to Henry George.[2]

Clearly, there must be a misunderstanding over the nature of economic growth and its consequences. George himself deplored economic growth, **as manifest,** for disrupting the natural harmony and creating grinding poverty. But this spurred him to a discriminating analysis of its nature and a resolution of "the great enigma of our times" as expressed in the title of his book *Progress and Poverty* (1879).

BY DAVID RICHARDS

Henry George learned his trade in the frontier society of mid-19 century California. From this unique vantage point, unobscured by massed capital and commerce, he observed the manner in which the artefacts of man mushroomed from the virgin wilderness as population grew.

He concluded that it is the **mechanism** by which land and labour are married in the production process, that is the structure of property rights, which determines the economic lineaments of our civilisation. This fact alone – that of all economic systems only George's accords prime importance to land – should commend it to environmentalists.

MANY PRIMITIVE tribes are regarded as paragons of sound ecological land use and communal living. This does not restrict us to their horizons, for their success is based not upon their low technologies but upon their basic assumptions concerning how to make a livelihood. As that famous conservationist Chief Seattle explained:

> **"How can you buy or sell the sky, the warmth of the land? The idea is strange to us . . . The earth does not belong to man; man belongs to the earth . . . [The white man] kidnaps the earth from his children. He does not care . . . His appetite will devour the earth and leave behind only a desert . . ."**

Such is also Seymour's view: "The land should not be looked upon merely as something to make money out of. It is a sacred trust to be handed on to our descendants in better heart than it was when we got it."

So we are, in fact, beholden to make something grow, namely value. And that is what economic growth is all about. If this process is to be sustainable, non-exploitative and diversified as ecologists require, then account must be taken of the property laws under which the economy operates.

Indeed, the Ecology Party of 1979 had as its election slogan: "We do not inherit the world from our fathers – we borrow it from our children," which is a plain enough statement of the need for land reform. However, search through their manifesto for implementing this concern, and you will find nothing. "Such a programme adds up to . . . a new sense of values." indeed, but not to "a new economics for man," as claimed; nor, therefore, to "the chance of a new future."

Conserving our green environment without tackling the question of property rights is like eating salad without dentures. The Ecology Party is practising the art of the impossible.

The writers of *Land for the People,* however, are more practical. "It has now become clear that the social injustice of the present pattern of ownership of land is the key issue before which nothing else can be achieved." (Steve Hobbs) "Redistribution of the land is a prerequisite for the emergence of an ecologically viable agriculture." (Herbert Girardet.)

"Our main object," writes Seymour independently, "must always be borne in mind: a populace and a prosperous countryside. This cannot be achieved if people are not allowed to build houses to live in, nor workshops to work in. The popular view of the city sentimentalist that the countryside is only beautiful if it is an unpeopled desert must be disregarded."

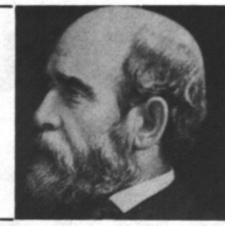
Giradet echoes this view and adds: "Neither agribusiness, nor smallholdings, are the answer . . . Rather the solution lies in the emergence of new villages with co-operative agriculture as the main economic base . . . and small-scale industry, preferably for processing local raw materials."

Given these ends how are they to be achieved? Pulling the strings together in the final chapter, 'Theory and Practice' Steve Hobbs notes that "the exact kind of reform of land ownership which should take place and how it is likely to be achieved are the most difficult questions we are faced with just now." He sees five alternatives: Land nationalisation; control of land by the local community; land value taxation; community trusts; and varied legal creations such as land companies.

My purpose is to put forward land value taxation as the necessary and sufficient solution to the conflicts between environmental, social, and economic ends experienced in the economic growth of advanced countries.

IT IS generally accepted as inevitable that economic forces in the modern state concentrate production, create social costs in city centres, and drain amenities and services away from more dispersed popula-

Henry George: his land tax would have sound ecological effects



tions. The noblesse oblige made it their task to discipline the economic free-for-all, and produced our brand of paternalism. A hydrocephalic planning bureaucracy now burdens the production process in order to preserve declining sectors and the regional populations dependent upon them. The growing sectors of the economy have been strangled in the process. After Office Development Permits were introduced in 1966, for example, a space shortage was created and office rents in London rose to four times the New York level. France, meanwhile, declined to sacrifice the economy for short-term equity and her economic story diverges accordingly.

A more sensible approach would have been to alter the economic gradients themselves in such a way that wealth would naturally flow where required, and not slough around leaving dereliction and pollution. Social, environmental and economic criteria can be satisfied harmoniously, and they could pull in harness towards a better future.

Wealth comprises the energy flux of the economic system, money its working fluid. Wealth is value added to land by labour and capital in four stages. The primary sector produces the raw materials; the secondary adds form-utility to them; the tertiary, time –, place –, and transaction-utility; and the quaternary, the utility of order. In exchange for their efforts these producers receive claims upon the wealth in the form of wages and interest.

"Modernisation" of society involves migration downstream, away from the primary sector, of the highest proportional contribution to gross value added. This naturally follows from the compounding of the added value at each stage. In 1976 the relative contributions of each sector to GPD were 5%, 32%, 50% and 13% respectively (the last being undervalued as it is present in the other sectors as well). Opportunities for employment in each sector, therefore, vary accordingly.

However, it is the spatial manifestation of this process which is of crucial importance, and geographers have produced a body of "central place theory" to account for it. Just as fluvial sediments are graded according to size by gravity, so too are settlements distributed regularly over space according to size by the relative attractions of economic activities to natural resources, markets and each other. Primary activities are dispersed over the land, but the higher value-adding sectors tend to concentrate at the centres of markets and agglomerate for external economies of scale. Those activities requiring larger markets will be restricted to a few locations. Other activities in such centres with lower market thresholds would have larger than necessary hinterlands and enjoy "abnormal profits" were it not for competitors setting up at locations in between until these profits are soaked up.

A regular spatial pattern of settlements of discrete sizes and spacings results with the number of functions performed per category of settlement (city, town, village) decreasing down the scale. Village-level functions such as general stores are obviously thickest on the ground for they are present in each settlement's category, but some functions such as central government are located only in the most "central" place of all.

Now, under present conditions, advancing technology has tended to undermine the role of settlements at the lower end of the hierarchy. Complexity, interlinkage, and the relative growth of the higher stages of production which require greater centrality, has concentrated the country's wealth production in the higher-order centres. Claims to wealth, effective demand, and opportunities for investment follow suit.

Moreover, those claims to wealth which are earned down the hierarchy and in the rural fields, are inevitably sucked towards the whirlpool at the centre. Two one-way ratchets operate. First, countryside earnings are more likely to be spent in the town than vice versa. Second, it is possible to do most of one's shopping in one weekly visit to town but it is not possible for a townsperson to frequent town-level shops when he is in a village.

In south-west Wisconsin, J. E. Brush discovered that village functions in towns commanded market areas four times the size of those in the villages.[3] In 1976 I studied the area of South Wales served by Bridgend as the central place. It contains 150,000 people and supports one village-order shop for every 500 people. However, in the town itself there are 870 people per village shop compared with between 300 and 400 in the outer hinterland. A professional survey found that 15% of the convenience shopping of these latter areas and 50% of that of the sub-urban ring was done in Bridgend. This raises the people per village-level shop in Bridgend to 1540, and lowers the average outside the town to 360, which precisely confirms Brush's findings.

So where are the excess profits received by the spatial monopolists of the Bridgend market place going? Obviously, mainly into higher rental payments. Money earned in the countryside is channelled into the pockets of the landowners in central places. They will probably invest it higher up the hierarchy and if it finds its way back to the countryside it will be in the form of capital equipment or rationalisation, displacing workers into the towns and cities to produce the capital with which to further depopulate the countryside. The more capital-intensive agriculture becomes the more farmers have to sell their land to raise capital, and then rent it back. Thus the rural surplus is further drained by city businessmen.

That all surplus value is creamed off as rent and gravitates to the centre is a well-known failing of underdeveloped countries, but we overlook its consequence in advanced countries and thus fail to propose land reform as the solution to our economic and regional problems.

The centre-periphery configuration of economic activity in inevitable: industry, community, service-provision and the (ecologically desirable) minimisation of transport-costs each require centrality. Sound ecological land use requires dispersion. The solution is to revive the lower rungs of the central place hierarchy, as Girardet and Seymour advocate, by attracting value-adding activities down the scale into the villages. This can only be done by raising the market potential of village areas through urban-rural migration, and preventing it draining into the existing regional centres. The confiscation of rent by government would achieve both objectives.

WERE ALL the unearned value of the land to be taken for the needs of the community (whose demand creates that value) then all firms would have to prune their underused land: those who held land merely as a capital asset would find that it had become a capital liability. Land would come on to the market and its selling price would be reduced to the value of the improvements the user had made upon it. There would be real freedom to choose to produce on the land rather than in cities.

The new tax would fall in proportion to centrality and spatial monopoly. The source of unearned income purely dependent upon these factors would become a tax burden so that incomes proportional to effort might be relieved of much of theirs. Abnormal profits in central activities resulting purely from monopoly over lower-order settlements would be at an end. Owner-occupiers in centres who had "enjoyed the rent" would either have to put their land to its most productive use, or take themselves elsewhere.

The tax which destroys the capital value of land to owners would restore fair competition in the economy and result in pressure to use the land more efficiently. Each site, with its intrinsic qualities and extrinsic locational situation, has its optimum usage which obtains when the activity that can produce the most surplus over wages and interest, and thus offer more rent than all competitors, locates there. The total pattern of land use that maximises rental values, maximises the surplus value created by the economy over and above the claims of labour and capital. This mechanism, however, is destroyed when fair competition is removed, as under government favouritism or the favouritism of private land ownership.

A further burden is imposed when the surplus is not reserved for the proper needs of government but is allowed to be claimed as rent by whoever has the legal title to land (however procured), in return for no contribution to production. The Government has then to turn instead for funds to the legitimate earnings of labour and capital. These obstacles alone separate us from the "pipe-dream" of a marriage between economic growth and economic deconcentration (or "decentralisation"). Far from being the enemy of conservation, productivity per occupied-acre is its handmaiden. Under equity, as restored by the taxation of land values, the free market ensures the most efficient use of finite resources.

Regional resuscitation and rural-urban integration cannot be achieved from the top down by the dispersal of industry, the migration of commuters to dormitory villages, and the Town and Country Planning Acts. These must occur organically from the bottom up by the restoration of the land-labour amalgum, the prime engine of production.

THE FARMER is the custodian of our landscape. Environmentally hazardous "ranch-farming" has replaced the labour-intensive, highly productive methods of the British "agricultural revolution" that produced the landscape we all wish to conserve. The modern farm is devoted to maximising revenue per worker. High receipt-payment ratios have been achieved by concentrating on cheap resources of oil, land and space (once initial costs are overcome). This bestows economic "fitness" upon those who major in these factors. Thus the size and capital-intensity of agricultural units has tended to grow.

However, the true running costs of production would be restored by the annual removal of the rental value of the land, so that unfair advantage would no longer accrue to the bigger monopolisers of nature. Value added per acre would return as the criterion of profitability, and careful husbandry the safeguard of livelihood. Coupled with the trend in oil prices all the previous economies of modern agriculture would have become diseconomies, and the small-scale farming of yore, intimately attuned to the ecoclines restored. All scale-economies in agriculture can be provided by co-operatives.

Ironically, even the prime architect of the EEC farm rationalisation policy, Dr. Sicco Mansholt ("the peasant killer"), now recognises the need for small, husbandry-intensive farms for "closed-cycle agriculture is the only way in which high production can be achieved on a permanent basis."[4] But there is a dangerous shortage of the necessary skills. "A dull man, who can hardly be called a good farmer, can raise his production with artificial fertilizers and other chemicals." So the tax which puts talent upon an equal footing with wealth in the land-access stakes must be regarded as invaluable.

In fact, John Seymour proposes that "A party of observers should be sent forthwith to Denmark to make a study of agricultural co-operation there." They would find small farmers enjoying the fruits of the land value tax they had voted for over half a century earlier.

It may still be feared that it is laissez-faire rather than unfair ground rules which threatens our environment. One thing is certain: planners cannot cope. It is of the essence of ecology that the complexity of the controlling system must match the complexity of the system controlled. In cybernetics this is "the law of requisite variety." Neither direction, nor private ownership with its high fixed-costs, permits a man-land relationship flexible enough to allow fine adjustment between the potential of the land and the numbers working on it. They are also inconsistent with true local democracy.

Another law of ecology is "the law of the minimum." A species cannot increase beyond the limit set by the least abundant necessary factor in its environment. The dislocation caused by the use of land as a capital resource is clearly a weak link in the social chain which pushes us up against method-constrained environmental limits. However, the tax on rent would ensure that the land that is held is used to its full potential. All urban wasteland such as the 12% of land vacant in my home Borough of Southwark would be returned to industry and commerce. Urban and industrial sprawl would be halted and with it the annual predation on agricultural land. In fact, agricultural land itself could be expected to contract with the intensification of land use.[5] "Natural" marginal land would spread and so, too, opportunities for self-sufficient communities with their own domestic economies. The city monopoly of employment would have ended, a prosperous peasantry replacing the dole queue.

Again there is "the law of sufficient redundancy." For stability there must be a diversity of opportunities and plenty of redundant capacity to cope with change. As we have seen land value taxation promises to harness the spare capacity, by freeing overmanned industries and relieving pressures within the economy.

The relationship of man with the land is fundamental. The tax which restores equal rights to the usufruct of the land and balances them with obligations to the community reproduces the conditions common to all ecologically sound societies. It is no coincidence that the Values Party of New Zealand both espouses this reform and has close links with the Maoris.[6]

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