

IN LONDON, 1984, and Bonn, 1985, the leaders of the western world gathered for their annual Economic Summits. There also gathered the leaders of another, incipient world — in The Other Economic Summit. They had the orthodoxies of the West, and of the East, in their gunights. For they were expounding the New Economics.

They have now opened fire: *The Living Economy*, the book of the TOES conferences, has been published. How accurate is their aim?

The New Economics is an attempt to lift orthodox economics out of the shackles of outmoded values and assumptions and into "a different perception of reality itself". TOES' Director, Paul Ekins, once General Secretary of the UK Green Party, claims that this involves "a change in outlook as fundamental as, say, the Copernican revolution in astronomy."¹

Its intellectual forebears are Leopold Kohr's insights into the relevance of scale for human activities, and E.P. Schumacher's quest for a "synthesis of economic laws and spiritual values"² — a reborn economics, "as if people mattered."

Its concerns are not directly with material influence but with "personal development and social justice, the satisfaction of the whole range of human needs, sustainable use of resources and conservation of the environment."

But Ekins argues that its "newness is not just in a normative sense ... it also applies to positive economics, the study and measurement of economic 'reality'."

It is here that he is firing from shaky ground. Though he has bravely forged together some 50 papers from assorted practical, academic and national backgrounds, he is himself not formally trained in economics. The following remarks are intended as a contribution towards firming up the analysis.

Ekins writes: "a major break with conventional economic thinking is a commitment to economic self-reliance ... the antithesis of much of the thinking behind the growth economy. Specialisation, ... the theory of comparative advantage — these formed the intellectual organisational backbone of the industrial revolution ... The free market ... provided a theoretical basis for ... the global economy of today ... characterised by, among other

**By DAVID
RICHARDS**

things, over-specialisation, fragmentation, inequity, disadvantage, and a debilitating dependency: of peripheries on centres, of some countries on other countries, of people on 'the system'."

One can only wish that he had digested the writings of Galbraith, who was pioneering the New Economics a quarter of a century before, but whose contribution is unacknowledged here.

Galbraith points out that "The emphasis on growth developed as the economy and the polity came to be dominated by the large firms ... corporations, trade unions and the government have all united to impair or destroy the competitive or neo-classical market."³

Ekins himself quotes: "Transnational corporations now control one-third of gross world production; 40% of all world trade is intra-firm (i.e. between firms within the same TNC.)." And he observes: "covert protectionism is rampant everywhere."

At least three of the papers are more enlightened, however. In a key paper, "On the Theory and Practice of Self-Reliance", Johan Galtung pronounces that "No-

thing in self-reliance is against trade provided it takes place according to these rules:

"1. The exchange should be carried out so that the net balance of costs and benefits, including externalities, for the parties to the exchange is as equal as possible ...

"2. One field of production — production for basic needs — should be carried out in such a way that the country is at least potentially self-sufficient, not only self-reliant."

Taking the second rule first it need only be noted that the "agribusiness" promoted by protectionism serves to destroy the natural fertility of the soil, whereas the more organic agriculture that unprotected farmers have to rely upon builds it up.

The first rule tackles what is indeed the most telling criticism of *laissez faire* theory — that in a competitive world it is not absolute gains from trade that count but relative gains. The poorest country may well benefit — minimally — but the gap between it and the richest country may well go on widening.

Wolfgang Sachs, a theologian and sociologist by training, latches on to this in "Delinking from the World Economy": "in the long run ... it is the country offering more complex products which benefits by internalising

Continued on Page 20 ►

MISSING LINKS

IN THE NEW

ECONOMICS

the spin-off effects of more sophisticated production: pharmaceuticals stimulate research and complete processing technologies, whereas coffee beans don't!"

We have seen in recent issues of *Land and Liberty* how Ireland's economy regressed when it exploited its natural advantage in exporting livestock for the benefit of landowners to the exclusion of labour and capital. We have also seen how the key to retaining value-added processes in the peripheral economy is to redistribute the annual rent of the land for the equal benefit of all.

The point is that trading systems the world over at all scales are based on the expropriation of the land rents of dependent peripheries by powerful centres. And, at all scales, the economic answer is to redistribute those rents. That is

- To publicly collect the location rents of the *centre* for the equal benefit of all (the net benefit of the periphery);

- To publicly collect the resource rents of the *periphery* for the equal benefit of all (the net benefit of the periphery).

For the centre grasps both its own land rents and those of the periphery. The corporations that suck away the primary wealth of the peripheries enjoy free land and so either retain the land's rent or pass it on in lower prices to western consumers. Or they pay the rent over to the periphery's land-owning oligarchies (notably, OPEC's leaders) which then spend it on imports from the centre.

The world's "debt crisis" is due to these land-owning elites taking out loans (notably, petrodollars) to further the process, and then imposing austerity programmes on the poor in order to service them.

A free trade/land redistribution amalgam would tend to

- Lower wages and interest at the centre by allowing peripheral workers and capitalists to compete with those at the centre, and

- Raise incomes at the margin by recycling rents to the



● Dave Richards

marginal producers. Where the mass of the people are at the subsistence level, the land's surplus is the only possible primary source of savings and capital formation.

GIVEN that a "sound system of land tenure" based on the recycling of land rents is in fact promoted as "one of the most important" policies of the New Economics, it is ironic that its link with poverty should be missed.

Ekins sees only the "unfavourable situation for labour" at the centre, and proposes "delinking from the international market" (which is "very different from introducing protectionist measures").

Sachs is concerned at the plight of labour in the South (a periphery) and suggests "the magic question" is "how to avoid buying in the North?" (a centre). For "there seems to be no other way to lay the groundwork for a self-sustained growth, which will eventually turn all strata of the population into market producers and consumers."

It is refreshing, therefore, to read Frances Stewart and Ejaz Ghani's paper on "Alternative Trade Strategies": "From a developing-country perspective, genuinely free access to developed country markets would offer an enormous extension to markets."

The doctrine of *laissez-faire* as promulgated by western industrialists and politicians has, of course, always been a truth only half-applied (to exports to poorer countries, but not to imports from them) rather than a half truth wholly applied.

Published on the centenary of Henry George's *Protection or*

Free Trade, The Living Economy begins on page one with the same "paradox" as George began with: "the continued existence, even in the richest societies, of poverty with progress."

Yet George came down on the side of free trade — with "land value taxation" ("a tax only in form, being in nature a rent" securing "treatment of the land as the common property in usufruct of the whole people"). "Free trade does, indeed, require this... the two reforms are thus absolutely identical."

Smith, Ricardo and Mill before him were well aware that land is a special case, as is the Secretary of the British Free Trade League today: "The distinction that needs constantly to be made is between the capitalist or owner of productive artefacts and the freehold owner of the land itself, out of which everything else must come."⁴

On the high seas of political controversy, however, "land value taxation" was cast adrift by orthodox economists and allowed to flounder. But once the "new economists" realise that it is an integral part of free trade theory then they should see that free trade does not require dependent peripheries specialising in vulnerable mono-products for the benefit of the centre.

Instead, it would rejuvenate economies from the bottom up; local economic regeneration and self-reliance would be kindled.

THE PAPER from the Briarpatch Network of small businesses in San Francisco claims that its "database" stands "much conventional economic theory on its head." What it really shows is that mass producers can be out-competed at the local scale through superior provision of "factor N" — honesty, personal contact, quality — the non-price component of transactions.

"Competition is a poor model of the real world; co-operation and niches are more accurate," it concludes. But this is the way that free trade — the law of the jungle, nature's *living economy* — actually works. Niche differentiation —

HOW GREEN ARE THE LIBERALS?

AS SIR William Harcourt didn't say, "We are all environmentalists now". The world's population, which reached two milliards when the 20th century was already well advanced, now probably far exceeds four milliards, and will very likely attain six milliards before the century is out. Most of those people now expect to live longer, and at far higher standards, than all previous generations.

So we are pressing harder and harder on a diminishing natural environment. Britain is feeling the problem with particular acuteness. We are, after all, the world's greatest working museum of industrial archaeology, suffused with obsolete industries, obsolete housing, and obsolete attitudes. People with very disparate political and social opinions are united in a growing concern to do something about all this before we all get buried under our own effluent.

The Liberal Party has recently brought out a Discussion Paper on the subject. Like the curate's egg, it is excellent in parts, but is hard to summarise fairly because it contains many different proposals, dealing with a variety of separate problems. The underlying principle is clearly and unexceptionably stated:

"We want to create a world which can continue to provide for future generations the kind of environmental choices with which we ourselves would be satisfied... Our aim must be to achieve a sustainable society in which the activities of mankind develop in equilibrium with nature as a whole, neither using resources faster than they can be replaced nor creating effects or products that cannot be assimilated indefinitely by the environment."

So far, so good.

The section on land use gene-

By Roy Douglas

rates several useful ideas. Planning authorities, the suggestion goes, should not release green field sites for development when alternatives are on the register: a policy which would simultaneously discourage further destruction of the countryside and encourage the revitalisation of derelict inner-city areas.

VAT should be changed. At present, new building work is free of VAT, while most work on existing buildings carries that iniquitous tax. How absurd, the Liberals point out, to encourage people to encroach on new sites, and to discourage them from making good use of existing structure! Several other good ideas emerge from this section — such as encouragement for community groups which seek to improve existing housing and to develop new sites, and the establishment of more open spaces in urban areas.

Elsewhere in the Paper, the Liberals give abundant evidence that their hearts are in the right place. They want, for example, to help the small farmer against those awful *latifundia* generated by protectionist economics and the EEC; they want stronger measures against pollution; they want spending to be switched from nuclear research into the development of "alternative energy sources" and conservation. Animals matter as well as people. The Liberal group opposes all hunting with hounds, and they would ban importation of all seal and whale products.

An even simpler, but probably very effective, reform which they propose, is that all animal products should be labelled to indicate the methods of production.

● *The Liberal Way To An Environment For The Future*. Liberal Party, 1, Whitehall Place, London S.W.1. 31 p.p. £1.

Lots of people would be very shocked to learn the size of cage in which battery chickens spend their brief, unhappy lives; or what happens to a farrowing sow.

The same approach, radical and humane, is applied throughout the Paper. One rejoices to read that "The UK aid programme... and expertise should be directed to promoting resource-conserving technologies and sustainable agricultural practices. European markets must be opened to more imports from primary producers in the Third World." Do I detect just one scintilla of doubt about the EEC?

Yet there are two big defects in this Discussion Paper. In the first place, like many political documents, it tends to use words like "encourage" and its opposite without explaining too clearly what they will mean in practice. Do they imply subsidies from public funds, differential taxation, criminal penalties, or what? In some places we are told; in others we are not. No politician should be allowed to get away with such words without explaining exactly what he means by them.

A second defect is astonishing. Liberals have officially supported the taxation of land values for nearly a century, and LVT argue that this policy would be of considerable value in fostering the results which these Liberal environmentalists plainly desire. It would, for example, tend to reduce encroachments on the countryside, and to resist inner-city decay; and it would encourage the small farmer who makes the best possible use of every acre.

So why are the Liberals not shouting LVT from the housetops in a document like this? The policy is not mentioned once from start to finish. Am I justified in the suspicion that the authors don't even know what the policy is, and still less have thought out what effects it might have?

the minimisation of competition through the provision of unique services — produces diversity, stability and productivity. This is how the Earth supports five or 10 million species, mainly small, each making its own living, wrestling the maximum biomass from the resources available. Only the intervention of Man, with his

special dispensation, threatens that process.

The one substantial criticism of free trade in Stewart and Ghani's paper is that it involves "technological dependence... because it is necessary for countries to keep up with... technology change, if they are to compete internationally."

They quote the example of the Intermediate Technology Group's attempt to produce a small scale, low cost egg-tray packing machine. It was found that in the end the only competitive model was as "inappropriate" as those they were trying to replace.

Continued on Page 22 ►

LAND AT THE CENTRE attempts to relate some of the major issues now on Britain's political agenda through a discussion centred on the use and control of our land. This is done in the context of a review of global and European developments.

We live in a world of accelerating change, whether of population, communications, urbanisation or consumption of resources and energy. In the dangerous situation of nuclear and ecological threat, nature is the basis for life survival.

The use and control of land and its resources are crucial for the wellbeing of nations, both in the developing world and the advanced industrial countries.

Yet the latter debates on the economy or social problems largely ignore the role of land for its place has never been rigorously examined in modern economic theory, which is based on presumptions of unlimited supply and the primacy of the market.

The work of Henry George and his followers is fundamental, but in spite of its once potent force, it has not succeeded in altering the broad historical movement. In his time nations were then transforming from rural to urban societies, and land ownership, control, and taxation were central political issues. But since then the thrust has turned towards the

Crucial choices

● John C. Holliday, a consultant in urban management, planning and landscape design, discusses the thinking behind his recent book, *Land At The Centre*

town planning movement, which, while succeeding in certain respects, has become increasingly removed from central political affairs.

Today, as the west moves from an industrial urban era into what has been called a post-industrial — or as I prefer to call it, a post-urban era — transformation is again under way. The threats to life survival, the profligacy of old productive systems, (including agriculture) and the waste of human resources all demand a new assessment of the role of land, whether for city or town, agriculture or wildlife.

IN PERIODS of rapid change, rapid adaptivity is required. The process is one of public awareness, assessment, resolution of conflict, the wide acceptance of new values and their translation into political action.

This was true of Britain in the

eighteenth and nineteenth centuries, and it is true today. Current issues include human rights, freedom of information, social polarisation (whether inner city or small farm as compared with prosperous Britain), taxation and subsidy (rates, mortgage tax relief, agricultural support), wildlife, the green question and of course the bomb.

The attempt to relate these issues requires a new perception of patterns of life. The approach in *Land at the Centre* is made initially through the way we perceive our land, which is unveiled through an examination of historical circumstances. I analyse the era of town and country planning, seen alongside the economic and social changes of this century. The policies now followed, those of urban containment and countryside protection formulated in the 1930s and 40s, are outmoded. They damage the

◀ From Page 21

What this demonstrates is that competition does its job — selects the most suitable means for the end. The secret of "appropriateness" is to diversify into those niches that competition has not reached; to breathe new life into those parts of the economy from which the growth-men are excluded.

The paper on the Green Belt Movement among Kenya's women provides a telling example: wasted labour and wasted land are being rescued through tree-planting to rescue the country's basic raw material; rescue its nu-

trition through rescuing its fuel for cooking; and raise the status of women. Were Kenya's land rents to be rescued from its private landowners how much further could public goods provision and public employment go!

THE LAND reform chapter, in fact, forms the pivot of *The Living Economy*, commencing the practical half of the book. This is chronologically significant, as James Robertson notes: "The conventional path of development creates dependency... Historically, it starts by excluding people from access to land, and thus makes people dependent on paid labour or cash handouts for

the money to meet needs formerly met by ownwork."

Shann Turnbull discusses co-operative land banks, which are a Trojan horse for land rent recapture and local democracy within the present system. Her business model provides a clear picture of the economic principles underlying the land stewardship versus ownership issue, which apply equally at the local, national, and international scales.

Fred Harrison succinctly summarises the social, economic and ecological implications of "land value taxation" (LVT), and assesses its practicability.

One wishes, however, that he

economy, lock poverty into the inner city and are inequitable. A case is made for the repopulation of our countryside as well as improving the cities.

Over the post war period, three attempts to deal with the problems of compensation and betterment have failed. But the better linkage of private profit and public gain becomes ever more important as the public need for sharing our inheritance of land, air and water grows stronger.

Old style town and country planning is outmoded, but new forms of management (containing good planning) are developing. New strategic and practical skills are as essential for land as they are for government or industry and policies over the whole system of government and taxation need urgent review.

The land is a resource for the life of the nation and should be treated equitably across its surface. *The old class landed interests and presently confused public and private interests now prevent clear perceptions and fair deals.*

The means by which we move forward are necessarily complex, but the principles are not. The case for reform rests on six arguments:

- the mismatch between economic structures and land policies;
- tight planning controls



• John C. Holliday has worked in English local government and is now active in the field of European management. He was previously head of the urban and regional planning department at Lanchester (Coventry) Polytechnic.

leading to high land prices;

- agricultural subsidies and misdirected investment;
- social unfairness;
- a failure to perceive land as a resource for all life, and
- lack of design vision.

Opposition there will be, but it is indisputable that the country is undergoing structural changes in every walk of life, and some clear vision is required.

WHAT WE are seeing in politics today is the result of the stress inherent in changing social and economic systems. To leave land out of the discussion will only perpetuate unfairness.

We have got to learn to think less in specialised boxes (an in-

heritance of science) and more in connected ways; nowhere more so than in Whitehall. We shall also have to be less selfish in the protection of private territories in the name of public interest, especially in the countryside.

There are now new opportunities everywhere, but also the burden of vested interests. This is not the place to write of Henry George and site value taxation, (SVT), for my book does not discuss them at any length. It does, however, recognise the force of the argument relative to our prosperity and wellbeing.

I would contend that it is not enough to consider SVT separately from other major reforms. Concepts of the market must be complemented by concepts of the inherent values and uses of land. It is no good encouraging overinvestment in cities if thereby they suffer heavy public costs of congestion.

My own view is that the opening out of the land debate is essential if social progress is to be made and justice done. The relative poverty of a third of the population of the UK could be turned to a more fulfilling life on a land re-populated, better managed and more productive in landscapes of different but new beauty.

• *Land At The Centre* is published by Shephard Walwyn at £7.95

had been further consulted regarding the links between LVT and the rest of the economy. It is only subsequently mentioned in order to encourage the informal economy.

The "blinkered, binary language of 'jobs' and 'unemployment'" is scorned by the New Economists. The informal economy — small scale, flexible, socially aware — is glorified as the "true safety net" underpinning the formal economy, and the present social security system is seen as an obstacle in its way. Much is therefore made of an unconditional basic income guarantee — "minimum econo-

mic rights" — for all individuals in order to abolish the present disincentives to low paid work.

It is admitted that this would require a "substantial" additional tax burden, however, which is where LVT comes in. Steven Cord's calculation of the land and resource rent of the USA has been noted, suggesting that the public haul would be "enough to replace all taxes on labour and capital, apart from user charges... [with] no disincentive effect on production, rather tending to bring land into use..."

Given such potential, one is entitled to ask why the formal economy is virtually written off in

the first place? It is said to be straining against increasing resource scarcities, capital scarcities, and environmental and social costs.

The savings required to finance the new technologies are unlikely to be sufficient "to generate growth fast enough to absorb shed labour." Jobs will become increasingly the monopoly of a "technocratic elite", and more taxes into fewer jobs to support the "drones" will not go.

This scenario can certainly be challenged. Rofie Hueting, a leading environmental statistician in Holland, notes in his paper that

Continued on Page 28 ►

"it cannot be shown for certain on scientific grounds whether a lasting emphasis on the growth of production leads in the long run to disastrous exhaustion of the environment."

Methods of internalising externalities in firms' business accounts, and deducting other externalities from the national income rather than adding them in are also devised. More savings and more taxation into higher national income, not fewer jobs, is the relevant calculation. And taxation itself can be better tailored to future requirements.

It is emphatically argued that "an undeniable result of placing the tax burden most heavily on income, and therefore on jobs, through income tax and National Insurance, has been discrimination against labour with regard to the other factors of production — capital, land and resources ... Mechanisation and automation are, therefore, not mechanisms that are powered by free market considerations alone."

Unfortunately, this argument is fallacious, as E.J. Mishan, a "new economist", has shown.⁵ The *relative costs* of labour and capital are unaffected by imposing taxes on labour alone. All capital embodies labour, and the capital-intensive firm that escapes the direct tax burden finds that increased capital costs restore parity with the labour-intensive firm.

Shifting the tax burden "on to the use of capital and resources ... to allow fairer competition between people and robots", would work, however. But it would reduce productivity and, hence, income levels, which hardly suggests, as claimed, that failure to advocate this "has been a blind spot in the labour movement."

The only tax which does promise a way out of this conundrum is LVT. This is because, as we have seen, it is not a tax at all but a rent. Public rent "crowds out" private rent and so does not increase production costs, as the Cord reference indicated.

In the USA, at least, the whole

REFERENCES

1. P. Ekins, ed., *The Living Economy*, Routledge & Kegan Paul, 1986, p. xviii. Ppbk: £8.95.
2. *Ibid.*, Foreword by Christian Schumacher, p. xii.
3. N. Salinger and J.K. Galbraith, *Almost Everyone's Guide to Economics*, Penguin, 1981, p. 154 & p. 52.
4. Oliver Smedley, *What is Happening to the British Economy?*, The Reliance School of Investment, 1976, p. 83.
5. E.J. Mishan, *21 Popular Economic Fallacies*, Allen Lane, 1969, ch. 2.
6. V.H. Blundell, see *Economics the Political Science*, ESSRA, 177 Vauxhall Bridge Rd, London SW1V 1EU.

of the present "tax wedge" could be eliminated. Land rents would rise in consequence (of greater effective demand, not tax shifting) but this would mean further public revenue which could be used to enhance international competitiveness or, given a more participative democracy, to employ people producing "public goods".

Thus the New Economics offers hope for the formal economy (if it did not, how could a basic income scheme be sustained?) Nevertheless, there is a conscious preference for the informal economy.

In the concluding ten-point agenda, chosen for its immediate practicability, a Royal Commission on the basic income guarantee is included but not one on LVT. *Obviously the latter is too much of a threat to the bastions of orthodoxy.*

One interesting idea, however, is raised in relation to basic incomes. That is to take the collateral of property out of credit creation in order to short-circuit a vicious circle of inequality in wealth ownership.

The already-wealthy monopolise the future ownership of capital by monopolising current credit-worthiness (as well as retained earnings). The government could step in to pre-empt credit creation by guaranteeing loans to every family.

Stuart Speiser's Super-stock plan envisages that 20 years' worth of credit in the USA would yield 50m American families \$20,000 p.a. each, reducing the share of the top 6% of productive asset owners from 95% to 50%.

Combined with LVT, which short-circuits the other vicious

circle in productive asset ownership, this would "entail wide participation in the fruits of new technology." And unlike other basic income schemes it would be self-financing, involving no transfer payments out of the formal economy, just redirecting the ownership of new capital assets.

THE NEW Economics certainly has a strong normative stance. But does it know anything in a positive sense which the traditional economics spectrum does not? I am not convinced — though its work on scales, for example, is important.

It contains much of the decentralised socialist antithesis to state capitalism. But it is more environmentally aware, and has a more catholic taste in modes of production, allowing a reformed market place to solve many problems.

It would be a mistake, however, to think that the New Economics is a unified entity. Being a good editor, Paul Ekins has been fair to all his contributors and attempted to forge "a coherent, consistent theoretical framework." But Wolfgang Sachs distinguishes two camps among them — the reformers and the radicals.

"On the one hand are the environmentalists ... they are the avant-garde of eco-capitalism and self-help welfare. On the other hand, those who might be called eco-decentralists insist on inverting superstructures and revitalising the self-reliance of local communities ..."

Sachs ranks himself with the latter, and Ekins, by his remarks on free trade, is clearly in sympathy. Perhaps this is why he believes in the "new species"? But it would be nearer the truth to suggest that the New Economics is in fact the old species *devolved* — to a state where limbs atrophied by neglect are re-used and strengthened. Amongst these are:

- Classical Economy's labour theory of value (as perfected by George⁶). This suggests that workers are not receiving their rightful share of what they produce.

- Classical Economy's macro-distribution of wealth be-