

# FEUDAL CAPITALISM

THE Reagan-Gorbachev meeting reminded me that, years ago when I was a journalist in Ecuador, most young people I met called themselves Marxists. Their typical excuse was, "We've tried capitalism and it doesn't work."

As I travelled around snow-capped peaks and lush jungles of that beautiful country, I heard an oft-repeated phrase: "We're a rich land, a poor people." True, industrious people were living in abject poverty. But the phrase was not entirely true.

One exception: a handful of far-from-poor families with huge haciendas. President Galo Plaza, one of the better Latin American leaders of that era, proudly told me about his thousands of acres of prime pastureland.

Another less well-known exception: many whole villages and cities belonged to one or two owners. At that time a single super-rich family owned most of central Quito, the capital city.

For struggling shopkeepers, rents to these landlords absorbed the biggest part of their earnings.

What Ecuador had, of course, was only a thin veneer of enterprise on an essentially feudal system. Focusing on this veneer rather than on what underlay it, the younger generation, the professors and the social reformers thus insisted that "capitalism" had not worked.

When slight concessions to private enterprise are permitted in

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China or Hungary, we do not mistake their collectivized economies as anything but state socialism. Why, then, allow Ecuador-type feudalism to be called capitalism, tarnishing capitalism's reputation?

This happens because many who consider themselves champions of free enterprise fail to grasp a critical distinction stressed by Jefferson, Henry George and others. Feudalism condones special privileges for the landed few, overlooking the injustice this engenders. Capitalism at its best promises economic rewards in proportion to one's efforts, offering "opportunity for all, special privileges to none."

During America's dynamic early years, it met this standard by offering easy access to cheap land, by imposing taxes mainly on land, and by shying away from taxes on earnings, goods and production. Sadly, America is drifting rapidly away from this kind of capitalism towards the landlordism that is at the root of so much of the world's social friction.

This is illustrated by the growing gap between America's rich and poor, documented in a recent comparison of family wealth in 1963 and 1983.

sources and rivers and lakes.

Taiwan is still the model for the Philippines. Cory Aquino's revolution, led by the cheering middle class of Manila must still deal with the major problem of land reform. Marcos lacked the will, and perhaps the power to overcome the landed interests. It remains for Cory Aquino to return to the task, for the issue of land reform will decidedly not go away.

The Joint Economic Committee finds that the richest 0.5% of the population amassed 35% of the total net worth of U.S. families. Two decades ago, this same minute fraction held 25% of the total. The richest 10%, which held 65% of total net worth in 1963, held 72% by 1983.

What is the biggest item of net wealth held by American families? Real estate — \$5.4 trillion worth, or 44% of their \$12 trillion in gross assets. Since 1963, gross assets increased 164%, real estate holdings, increased 651%.

Since land inflation far exceeds inflation in capital and consumer goods, land holdings represent a growing portion of these real estate figures. Anybody who has witnessed the extreme forms of landlordism that plague the Third World must be alarmed at the accelerating concentration of landownership among America's superwealthy.

Communism, despite being packaged so seductively for the downtrodden, has lost much of its bloom. Communist practice diverges sharply from promise. Economic and technical advances are won at terrible human cost, as revealed in the walls built to keep Soviet subjects from fleeing in droves.

In contrast, personal freedoms remain the strong suit of democracies which continue to serve as sanctuaries to the world's persecuted peoples.

The capitalist underpinning of the democracies is losing its bloom too. It is perceived increasingly as an exploitive instrument of the rich as its virtues are corroded by creeping landlordism. Will the democracies cleanse capitalism of this defect?

Peace may hinge more on correcting capitalism's bad image — and this reality that stands in the way of a just social order — than on big power Star War games or disarmament debates at Reykjavik and Geneva.

Philippines infant deaths are 51 per thousand births.

As *Current History* (April 1986) points out, Taiwan was able to produce this booming equitable economy "on land that has virtually no natural resources, little arable land and with a population density three times that of Japan and nine times that of China". The Philippines, on the other hand, are rich in resources, good soil, suitable climate, mineral re-