

Do Revolutions Work?

By David Smiley



Revolutions usually start with the violent toppling of some hated figurehead, for example the French Louis XV, the Russian Tsar or some recent Middle Eastern despot. Revolutions usually finish in confusion. This is because, after the smoke and confusion of battle, a hastily patched up government may have given little thought about what comes next. And so, unless the underlying causes of revolution are carefully examined, then important opportunities for reform may be lost, and the revolution may not be successful. In these articles I will examine a number of revolutions, look at some of the opportunities that were lost, and draw some conclusions.

But first, how do we define revolutions? Classical Marxists saw revolution as the violent anti-capitalist uprising of an urban proletariat. But the urban poor in Paris and St. Petersburg had fled there from rapacious rural landlords, then to be fleeced by rapacious urban landlords. Even today, in the slums of Rio or Mumbai, most of the proletariat would identify the oppressor with the rent-collecting slumlord or protection racketeer round the corner rather than some conceptual capitalist. Marx would not

have recognised today's slum dwellers, without factories, workshops and work, without capitalist bosses, in a muddle of informal and criminal activities far beyond class mobilisation. Finally, since I wish to include some revolutions that have been non-violent, or simply evolutionary, I will therefore take revolution to mean any major socio-economic transition.

I must start with a few simplifying assumptions. I will test each of these against a number of revolutions. Where these assumptions do not fit I must explain why. Here, then, are my preliminary assumptions. Revolutions occur when relative deprivation becomes intolerable and some window of opportunity opens. Whether violent or non-violent, the focus on a king, a dictator or an occupying power prevents clear thinking about the powerful agencies that prop up this figurehead. In a country sliding towards revolution, one of these agencies may control capital assets, collecting monopoly rents. A contemporary example is the Egyptian military. Another agency, a network of absentee landlords and slumlords, collects the land rent. Contemporary examples can be found

in Kolkata, Mumbai or in any Latin American city. And a third agency controls the extraction of natural resources, collecting resource rents. Contemporary examples include the Saudi royal family and, at the time of writing, Colonel Gaddafi. Finally, there may be an external agency, an occupying power or a transnational corporation, often in collusion with one of the other agencies in order to share out the rents. So, when the king has been toppled, reforms that do not understand the power of these agencies may be quite inappropriate and the revolution is therefore unsuccessful.

A major object of these articles is to identify, for each case study, non-violent alternatives that could have avoided the huge costs suffered. In part one I will analyse three classical revolutions, the French, Russian, and the Chinese up to the death of Mao Zedong. In part two I will examine four non-violent revolutions: an evolutionary one called the Industrial Revolution, the coercive but peaceful creation of the Asian Tigers, the spontaneous one that followed the death of Mao, and one called the bourgeois revolution in India. In part three I will trace recent evolutionary revolutions that are experimenting with something that is itself revolutionary, the use of social media.



PART ONE

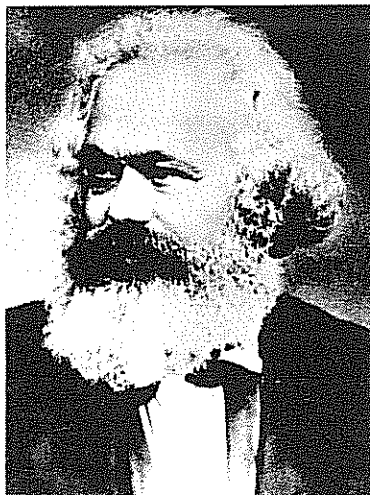


The French revolution arose from the relative deprivation of the working class under a wealthy land-owning class. The focus was the monarchy, symbolised by the opulence of the Palace of Versailles. The method was very violent, the removal by the guillotine of royalty and large numbers of the aristocracy. But did it reduce the power of the military? No, within six years Napoleon was dispersing a Paris mob "with a whiff of grapeshot" and, in another nine years, he had declared himself emperor. Did it reduce the power of the landowning elite? No, they soon returned to the building of luxurious chateaux. But though the collusion with outside powers continued it was mostly over strategic marriages, those "dynastic squabbles over real estate". The importance of natural resources had to await the industrial revolution.

So, what reforms followed the French revolution, and what opportunities were missed? The reforms included a secular constitution and the adoption of some of Thomas Paine's *Rights of Man*. What opportunities were missed? For an oppressive agrarian society the opportunities lost essentially concern land reform. With very few exceptions, which we will examine later, land redistribution from rich to poor has been violent, or condemned as property expropriation and therefore legally defeated. I believe the French revolution missed two opportunities which were both non-violent and legal. One opportunity had been explained by the French Physiocrats, who had developed the first ever econometric

model, the *Tableaux Economique*, which had hinted at the taxation of land rent. But in the revolutionary rough and tumble the Physiocrats had been forgotten. The second opportunity came with the publication of Thomas Paine's *Agrarian Justice*, in which he argued the need to match land rights with land taxation obligations. But by then, the French, and also the Americans, had thought, incorrectly, that Paine's earlier book, the *Rights of Man*, had said it all. It had not.

In summary, the French revolution seems to conform to my assumptions. Was it successful? The net benefit has been debated ever since, but there is little doubt that it incurred a huge opportunity cost in ignoring the Physiocrats, and Paine's *Agrarian Justice*.



The Russian revolution arose in a similar way, with a wealthy land-owning aristocracy owing allegiance, in this case to the Tsar. The focus was therefore the Tsar, symbolised by the palaces of St Petersburg. Peter the Great, in a fit of pique over an unsuccessful palace revolt in Moscow, and with the income from his own immense landed estates behind him, had then ordered the construction of a new capital in a freezing Baltic swamp. In an insane attempt to rival Versailles and Venice, the building of St Petersburg cost the lives of 150,000 serfs and bankrupted the economy. In 1861 the emancipation of the serfs made little difference to their fortunes since land ownership, and hence rights to collect whatever rents they wished, remained

concentrated in the nobility. Under Marxist leadership the revolutionary method was, and continued to be, very violent. Capital assets, land and natural resources were nationalised. Already low production incentives were raised only by extreme coercion. Under Stalin massive assassinations and failed economic plans cost something like 30 million lives. After further huge costs from the Second World War and the Cold War, Russia started to lose its way.

What then, were the opportunities forfeited by Russian communism? Tolstoy had already recommended land reform, and the implications of Ricardo's law of rent was not lost on Engels whose *Communist Manifesto* started with "The collection of all land rent for public purposes." This was never implemented and, when Russian communism finally imploded and property rights were suddenly up for grabs, an American Georgist economist collected 30 signatures, three from Nobel Prize winners, for a letter to Gorbachev advocating what was essentially the collection of all land rent for public purposes. But by then the Commissars had already morphed into capitalists and it was all too late.



The Chinese revolution also arose from poverty and extreme deprivation caused by the feudal system. But this was made worse by the Japanese invasion which overlapped with the Chinese civil war. After the Japanese were defeated and Mao Zedong's won the civil war, his revolutionary method consisted of

two land reforms and a disastrous industrial experiment. The method employed in the first land reform was the slaughter of ten million landlords. Thus liberated, the peasantry were easily driven into collectives and communes, the largely unsuccessful second land reform. The industrial Great Leap Forward then led to mass starvation and the cost of 35 million lives.

Locked into Marxist ideology and being economically illiterate, Mao was quite unaware of the opportunities of other reforms. After his death, occurred China's third land reform, perhaps the most successful revolution in human history, the subject of the next article.

PART TWO

The industrial revolution, though it possessed the classical revolutionary ingredients, British dispossessions labelled *The Great Hunger* in Ireland, the *Highland clearances* in Scotland, and the *Enclosures Acts* in England, generated no major uprising. I include it here to compare its opportunity costs with those of violent revolution. Its method included rural dispossession that fed surplus labour into overcrowded factory towns, exploitation of the resulting cheap labour, private capital industrial investment, the extraction of raw material from colonies, and profits from the slave trade. The short term outcomes were poverty, starvation and mass migrations to America and the British colonies. But the long term outcome was a leap in industrial efficiency in which Adam Smith's optimism defeated Thomas Malthus' pessimism. The industrial revolution evolved across Europe and to North America, creating what we now call the "West", a combination of competitive and monopoly capitalism, an imperialism that once owned more than half the world, and now a neo-imperialism called the Washington Consensus. The old feudal class system put its money in factories and, in the 20th century, evolved, into a system of agricultural support that

rewards landowners at the expense of taxpayers and the third world farmers which the scheme bankrupts.

The opportunities forfeited by this laissez-faire system, already labelled capitalism, would by then have included communism. But the socialisation of the means of production would probably have been as unsuccessful as it was to be in Russia, China, Cambodia and North Korea. However, having seen how the expropriation of peasant land created a factory underclass and an urban upper class of landlords and factory owners, Engels in 1848 published, along with Marx, the *Communist Manifesto*. Item one advocated "the collection of all land rent for public purposes". This revolutionary idea was developed into Henry George's *Progress and Poverty*. Though the idea found its way into local government revenue systems, it was never fully implemented. This reform could have raised incomes, reduced inequality, and avoided the recent Great Financial Crisis.

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The creation of the Asian Tigers was a response, by General MacArthur, to instructions to stop the spread of communism into South East Asia after World War 2. Given absolute power to do so, he recognised the link between feudalism and poverty. So, his focus was on feudal landlords. His method was non-violent, agrarian land redistribution, from the rich to the poor, in Japan, South Korea and Taiwan. The results were spectacular. Feudal class relations were replaced by egalitarian family farms, and the sudden leap in production incentives carried economic growth from zero to eight percent per annum. "In all three of Asia's biggest successes - Japan, South Korea and Taiwan - the groundwork for both fast growth and the income equality that eased the social strains of development

was laid by a radical land reform." (Economist, 29 June, 1991, p. 16.).

But there are two large opportunity costs of land redistribution that become obvious as a country urbanises, as I will examine in the case of China. First, land redistribution is inappropriate to cities. Second, as urban migration responds to industrialisation, they leave behind assets of falling value but must pay high rents in the cities to those who were there first. Rural poverty migrates to urban poverty.



The third China land reform arose in the inter-regnum after Mao died in 1976. Deng Xiaoping recorded that "Almost immediately, and perhaps spontaneously, the peasants began to divide up the land themselves and grow food as they thought fit instead of following state directives." Then, in 1978 Deng Xiaoping was smart enough to claim this as his Household Responsibility System. Later, Deng admitted that "What took us completely by surprise was the development of township and rural industries" as the peasants invested surplus and turned capitalists. By the mid-1990s, over half of China's industrial output came from these rural enterprises that operated outside the planned economy.

Was there an opportunity lost to Deng? This third land reform, in one of the most egalitarian countries in the world, was non-violent and led to an unprecedented and almost continuous economic growth of ten percent per annum. What more could he want? But after three decades of prosperity China now faces corruption and social unrest resulting in 15 million urban migrants a year. And



the vibrant underlying economy must still carry inefficient state-owned industries and a largely unnecessary political bureaucracy. To keep ahead of popular uprisings China's domestic policy must be continued high economic growth while trampling on human rights. But to achieve this it needs natural resources it does not have. Therefore, China's foreign policy must be to control or obtain these resources as ruthlessly as necessary, from anywhere, anyhow, controlling water from Tibet, food from Africa and energy from Australia. Paralleling that of the Washington Consensus, China's new foreign policy has now been labelled the Beijing Consensus. To get these it must provide money, guns, bribes, political leverage, anything, to any state, good, bad or ugly, that is rich in oil, gas, coal, minerals and steel.



There is one opportunity still overlooked. Engels called it "The collection of land rent for public purposes" but communism ignored it to its peril. George called it the "Single tax" but the West also ignored it.

PART THREE

India's bourgeois revolution.

Robert Stern in *Changing India: Bourgeois Revolution on the Subcontinent* attributes India's economic takeoff to the effects of capitalism and parliamentary democracy. That he calls it "change from the middle upward", one that is bypassing the poor, is well illustrated by this quote from *World Hunger* by Lappe and Collins

"The buyers are a motley group, some connected with land through family ties, some altogether new to agriculture. A few have unemployed rupees acquired through undeclared earnings, and most of them look upon farming as a tax haven, which it is, and as a source of earning tax-free supplementary income."

The medical doctor from Jullundar who turned part time farmer is sitting pretty. The 15 acres he purchased four years ago have tripled in value. To listen to him, he is farming 'for the good of the country'. His only vexation is whether or not he will succeed in buying another ten acres he has his eyes on – and what a disappointed man he will be if they escape him. As we watched him supervise the threshing, he was anything but a gentleman farmer."

What, then, are the opportunity costs of this bourgeois revolution? Marxism has failed in Kerala, been abolished in West Bengal, and discredited elsewhere in the world. Since India's

economic takeoff has benefited mostly the landowning class we must look to land reform. But every attempt at rural land redistribution in India has been defeated by people powerful enough to legislate around it. Meanwhile urban slumlords extract rent, even from those squatting on footpaths and railway sidings. This leaves land value taxation as the only way out of poverty while, at the same time, increasing economic efficiency.

CONCLUSIONS

Our preliminary assumptions closely fit the case studies so far, encouraging me to look at other world regions in a later article. For example, I grew up in South America and extensive studies since then suggest for me the relevance of my assumptions to that region. For Sub-Saharan Africa I would add bureaucratic rents to those of capital, land and natural resources before proceeding. In a previous article I hinted at Georgist solutions to the problems in the Middle East and North Africa. Though my assumptions closely resemble the agencies propping up kings and dictators in that region, events are still unfolding. Therefore, it is too early to know what effective reforms, if any, will follow the toppling of the tyrants. But I am sure, without tax reform, they will carry large opportunity costs.

So, when do revolutions succeed? When the tyrant is toppled? Or when the power behind the tyrant is reformed? The more diffuse the power, as with feudal, caste, oligopoly and reciprocity systems, then the less effective is legislation, and the more effective are financial incentives. Economists always reach for taxation when they want to change behaviour to achieve social objectives.

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