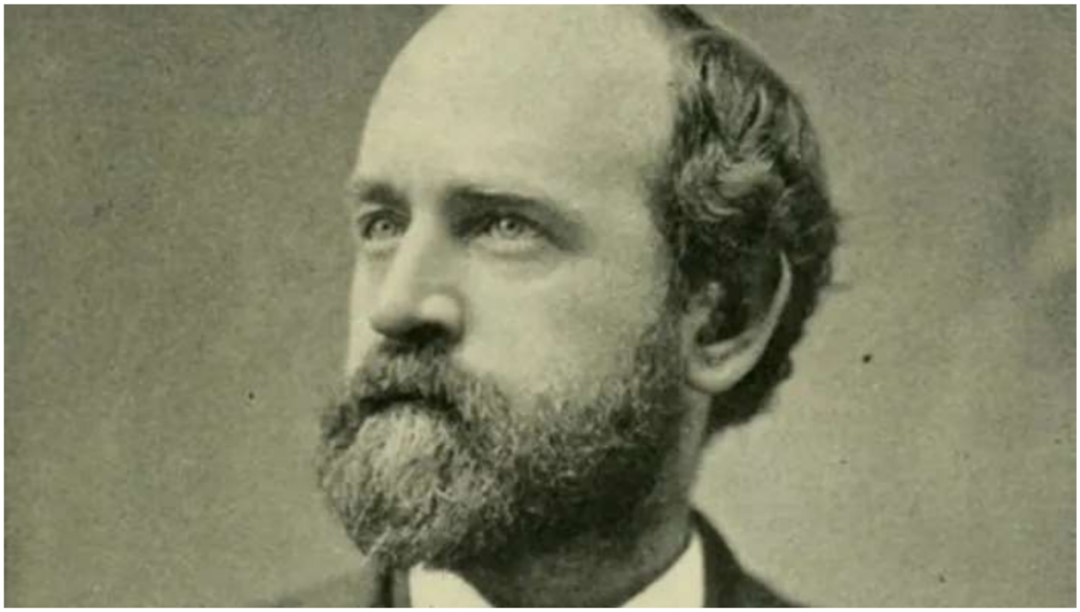
Books

The Future of Capitalism, by Paul Collier

A powerful dissection of contemporary failures that dares to suggest concrete reforms



Paul Collier proposes an updated 'Georgeism', based on the work of the political economist Henry George, above, who argued that the foundation of public revenue should be the taxation of rent on land

Review by **Martin Wolf** DECEMBER 3 2018

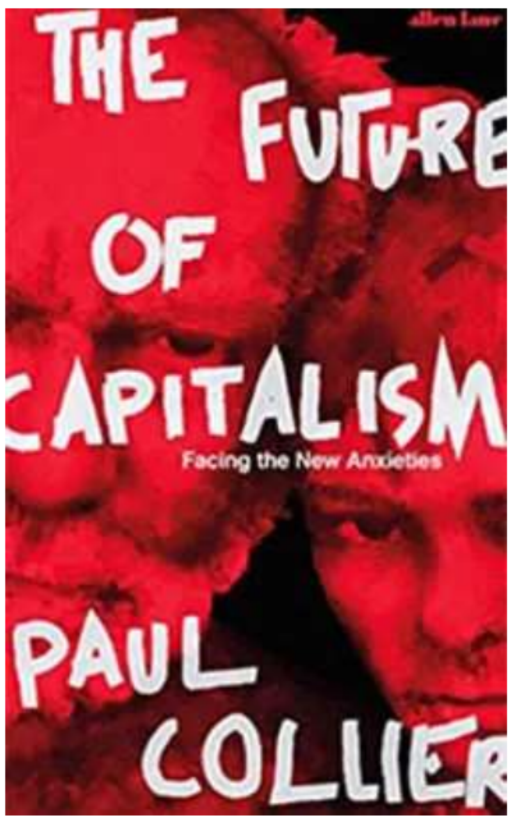
Paul Collier is one of the world's most influential development economists (and a friend of mine). In this personal, passionate and original book, he has taken on the discontent of contemporary high-income western countries. His target is the failures of contemporary capitalism. The topic is of great importance. One does not have to agree with everything in the book to realise its scope and power.

Collier's starting point is one on which surely everybody agrees: "Deep rifts are tearing apart the fabric of our societies. They are bringing new anxieties and new anger to our people, and new passions to our politics." He adds: "The social bases of these anxieties are geographic, educational and moral." These rifts have been tearing the UK and US apart, bringing Brexit to the former and Donald Trump's presidency to the latter.

The biggest rifts, argues Collier, are between the highly educated and the less educated and also between the cosmopolitan metropolises and declining provinces. Two breeds of charlatans — ideologues of the left and right and charismatic populists — exploit frustration and despair. Yet, while "both ideologues and populists thrive on the anxieties and anger generated by the new rifts, they are incapable of addressing them".

The argument then turns to what has gone wrong. The most interesting feature of the book is that its answer is as much ethical as narrowly economic. The central principle it advances is "reciprocal obligation", as the basis for the co-operative world, civilised society, ethical businesses and functional families we need. The enemies of this ethic have been extreme libertarians, on the one hand, and utilitarians and "Rawlsians" (after the American philosopher John Rawls), on the other. All are agreed on eroding the sense of mutual obligation, on which fruitful social arrangements depend.

Yet economic forces are also at work. Globalisation and technological innovation rewarded metropolitan agglomerations of highly educated people. But these processes also devastated industrial cities and towns. Again, the success of the educated and their relatively stable marriages have rendered class advantage more inheritable, as in the days of aristocracy. Finally, today's capitalism has bred pathologies: unshackled finance, unpaid taxes, unmoored business and unmanaged migration.



What is to be done? Collier suggests two types of reform: ethical and technical. His ethical remedies move towards re-establishing his core belief in mutual obligation at all levels: global; national; corporate; and familial. The idea takes the concrete form of re-establishing clubs of reciprocity at the global level; contributory social security at the national level; something like the old co-operative model at the business level; and stronger mutual commitment at the level of families. In this world, a refurbished patriotism linked to place, would unite countries.

The most intriguing technical proposal Collier advances is for an updated "Georgeism". The political economist Henry George argued that the foundation of public revenue should be the taxation of rent on land. Collier argues that we need to tax more forms of rent, including that from agglomeration, which now goes to lucky individuals and businesses. He has other provocative ideas: one is a crime of "bankslaughter", for managers who let their banks collapse.

This book is admirable in many ways: the broadened ethical approach to economics; the range of economic, social and political issues it analyses; and the analysis of the economics of agglomeration in today's world. Yet it also breeds despair, at least in me. The egalitarian western societies of the 1950s and 1960s had a global monopoly of industry and a social solidarity bred by shared adversity. That past is a foreign country. It can never be revisited.

Furthermore, the forces tearing western societies apart, internally and externally, are powerful. The sense of mutual obligation has faded away, the old industrial labour force has gone, and the arrogance and incompetence of the elite has bred anger in the rest. It is easier to recognise the sources of our woes and the fraudulence of most remedies than be confident of any solutions. Yet we must at least try to do better. This is a beautifully written and important book. Read it.

The reviewer is the FT's chief economics commentator

The Future of Capitalism, by Paul Collier, *Allen Lane, £20, 256pp*