

Cloning the failures

The assumption of responsibility by the citizen and the social scientist diminishes the risks associated with the elitist approach to political change. Nonetheless, there is a need for statesmanlike leadership, and it is to this, and the geopolitical implications, that we now turn. My analysis will employ two examples to dramatise the responsibility of governments in the process of social evolution.

A central feature of the Georgist paradigm is the specification of the conditions for taking control over one's destiny. How this might be applied is illuminated by the complaint from Third World countries that the rich industrialised nations are failing to provide leadership to abolish poverty (through appropriate changes to the world trading system) or for protection of the environment. In fact, those countries are not as helpless as they suggest. Let us return to the problem of hunger in India, Pakistan and Bangladesh.

Critics of Western economic hegemony complain that the multinational agrochemical corporations, through the protection of rights to intellectual property, are diminishing the capacity of the Third World to relieve hunger. This complaint is designed to shift responsibility onto others, and it explicitly abandons responsibility over one's fate. It is an argument that stems from an acceptance of the capitalist paradigm.

The primary source of relief from hunger will be found in changes to systems of public finance that operate at the level of the village. Third World nations have (or ought to have) total control over the implementation of institutional and legal reforms, which would do more for the production of food than all the fertilizers and pesticides that could be imported from the

West.

In other words, responsibility for hunger must be returned to the leaders and voters of the Third World. The so-called "under-developed" (they are, in fact, mis-developed) countries ought to reflect on the possibility of paradigmatic alternatives (as they did with socialism, which failed them).⁶⁷

But I do not want to underplay the ideological influence of the rich nations. This brings us to our consideration of evolutionary change on a global scale. The world is in a mess, whichever way we look at it, but leaders of the industrialised countries are determined not to work outside the parameters of the existing order. These two related points suggest the makings of a crisis of geopolitical enormity at the turn of the century.

The disarray in which the world found itself in 1992 was summarised by *The Financial Times*, following the meeting of the leaders of the G7 countries (the most powerful of the capitalist nations) in Munich.

The G7 failed to rekindle the flame of global macro-economic co-ordination; it failed to promise anything new for Russia and the rest of the former Soviet Union; it failed to bring urgency to the task of rendering the nuclear plants of the former Soviet Union any safer; and, despite Mr John Major's creditable efforts, it failed to bring a resolution of the impasse in the Uruguay Round of multilateral trade negotiations closer...the leaders have not shown the needed ability to lead.⁶⁸

But the statesmen of the richest nations could not have provided leadership, even if they had wanted to; for they were blinkered by the precepts of the capitalist paradigm, as a result of which they were unable to formulate constructive solutions to the global economic crisis. They did, finally, sign a new world trade agreement in December 1993, but that was achieved on the basis of severe compromises of the kind that are likely to deny people the full benefits of free trade. Whatever the agreements being made, these have to be compressed within contemporary modes of thinking. Consider, for example, the need to construct a new framework for the former Soviet-style economies.

In July 1992, the Secretariat of the OECD (Organisation of Economic Cooperation and Development, which represents the leading industrial countries) censured Poland for failing to define appropriate property rights for a market economy. But what are the appropriate principles of property in a market economy? Surely not the ones that have failed the economies of

Europe and North America?

Yet the statesmen and their experts who presume to instruct the citizens of the formerly socialist countries do not attempt to re-evaluate their assumptions. This was reflected in the writings of some of the officials and economists of the OECD, who distilled their wisdom in a 431-page study⁶⁹ which was hailed as "A blueprint for policymakers in a world of change".⁷⁰ This "blueprint" offered an exhaustive study of the labour and capital markets, but remained silent about the land market, which might just as well not have existed!

It gets worse. The authors of the OECD study conclude that supply-side shocks should be treated as a rule rather than an exception. In other words, they wish to build instability into the system, for managerial purposes, even though the managerial approach has been tested and has failed in the command economies, which is why it was abandoned.

And what if one of the former Soviet-style economies decided that, theoretically, it was possible to escape those shocks? What if it selected a fiscal structure which could smooth out the business of production? The prospects for such an economy making headway - given the dependence on institutions like the IMF for funds - are not good. And, indeed, we read the following strictures in another OECD manual:

Relying on the experience of developed countries means that central and east European countries must take over from the west the basic types of taxes, such as personal income tax, corporation tax, sales tax and contributions for social security, and the basic principles on which they were formed.⁷¹

Yet the western economies that employ these policies have failed lamentably to find the formula for economic stabilisation, despite two centuries of practice and theorising. Nevertheless, the desire to clone more failures is powerful.

Thus, economies in transition should take over the leading tax forms and principles underlying those established in developed countries...It would be harmful and inadmissible...to initiate unfair tax competition among the countries in transition, or to transform them into tax havens, or for them to become a bridge for various forms of tax evasion on an international level...⁷²

Capitalism rules, to the point where it wishes to deny the right of countries to evolve in different directions. This was what Boris Yeltsin discovered, when he sought to retain Russia's land in the public domain. The International Monetary Fund made it clear that its financial aid was conditional on progress in the cloning process. President Yeltsin signed his Decree on Land in October 1993, in which he legalised the private ownership, mortgage and sale of land.

That cloning process is advocated to the democratic leaders of the post-socialist countries as if it were the only option open to them. One adviser, Jeffrey Sachs - a professor of economics from Harvard - has helped a string of governments to restructure their economies. He has no doubt about the strategy that they ought to adopt. In his study of the changes in Poland, over which he exercised considerable influence, he was to write:

Although there are many submodels within Western Europe, with distinct versions of the modern welfare state, the Western European economies share a common core of capitalist institutions. It is that common core that should be the aim of the Eastern European reforms. The finer points of choosing between different submodels - the Scandinavian social welfare state, Thatcherism, the German social market - can be put off until later, once the core institutions are firmly in place.⁷³

There is little to choose between these submodels: they all end up in the same place - mass unemployment! That palsied condition is the result of a flaw somewhere in those core institutions which the professor has so successfully helped the politicians to bury in the fertile soil of their post-communist countries.

It thus seems unlikely that a competing paradigm will be accorded fair treatment even at the theoretical level by the official organs of the nation-state. It will take considerable courage for a statesman to break through the ideological constraints and associate himself with a formal review of the foundation tax-and-tenure principles of the capitalist model of society.

Under the pressure of persistent failure, however, this radical review will one day have to take place.