

## Strategic Thinking

The fact that the Georgist paradigm is once again within the realms of the possible has awesome significance for citizens and scientists.

A new paradigm is a frontal challenge to the Old Order. It threatens to rearrange the distribution of power and disturb the expectations of people who had assumed a continuity of privileges. The new paradigm courts hostility.

It is therefore necessary to embark on a radical public dialogue, to elucidate the means by which change might be effected; and, as a priority, to discuss whether the proposals in this essay do, indeed, offer the benefits that are claimed on behalf of the Georgist paradigm. In other words, we need some fresh strategic thinking. This is a sobering challenge. For it confronts us with the realisation that there will have to be a powerful demonstration of collective moral regeneration: a determined application of our sense of fairness, and a sensitivity to the needs of the community, rather than merely the pursuit of self-interest. The Georgist paradigm presupposes general participation in the process of change, for this is a necessary condition of a shift towards moral elevation. Rights prescribed in the model entail corresponding duties to be discharged by the individual; in other words, we are not visualising a social transformation that can be entrusted to an elite vanguard.

This leads to a consideration of the specific duties of scientists.

We have to sympathise with social scientists who have vested their careers in the study (and, even, the promotion) of the capitalist paradigm. But this does not mean we can relieve them of the duty to unfurl an understanding of the features of a competing model. I propose to pursue this

issue by reflecting on one feature of the capitalist model which is directly challenged by the Georgist paradigm.

It is a cherished belief that we can have both a free market and also privately appropriate the beneficial interests in land (rent). Enormous amounts of scholarship have been invested in enquiries into the conditions for establishing and defending the workings of the "free" market, all of which take for granted the private appropriation of land rent.

The Georgist paradigm, however, embarrasses this model. Insights it offers lead to the following conclusion: you can have either a market that meets the test of economic freedom, or you can retain the private appropriation of rent; but you cannot have both of them. One or the other of these cherished notions has to be abandoned.

If this statement is correct, it wreaks psychological havoc; most obviously, on those who have a vested interest in the private appropriation of rental income, but also on the rest of us who have promoted the virtues of the market economy. We can illuminate this dilemma by reference to a key sector of the industrial economy: transportation.

Henry George argued that the private appropriation of rent introduces fatal distortions in the economy. Among economists, this argument is generally restricted to a superficial discussion of how the taxation of land-rent may, or may not, lead to the misallocation of resources (general conclusion: there are no distortions). Rarely do they venture much beyond that. When they do, it is to note that land is sometimes held idle in urban areas, but this under-use is rarely evaluated for its implications for either the economy or the larger social issues (such as the displacement of people from the most efficient central-city locations).

In the context of the provision of systems of mass transportation, where does "land" figure? Almost not at all; it may surface in academic or professional research in a limited way (through discussions on how to resolve competing uses for land), but never are the key assumptions of the capitalist paradigm questioned. Could this be because there is no problem? Why investigate the spatial context of transportation, if such effort yields little of interest so far as investment is concerned?

The issue is crystallised in the words of John Hibbs, the Emeritus Professor of Transport Management at Birmingham Polytechnic Business School. In a monograph published by the Institute of Economic Affairs, a

British think-tank that advocates market solutions to economic problems, Hibbs stated:

The problems of transport in our large cities have been so acute for many years that it is doubtful whether an ideal solution exists. The reason for this intractability is the inevitable scarcity of urban land. The result is such a degree of competition for the scarce land that the market alone cannot bring about an acceptable allocation.<sup>60</sup>

In fact, the ideal solution does exist. It has been elaborated by William Vickrey, Professor of Economics Emeritus at Columbia University and the 1992 President of the American Economic Association. He investigated the proposition that optimum efficiency is achieved when the rent of land is taken as revenue to subsidise the transport system. Prof. Vickrey stated in a summary of one of his studies:

Full efficiency thus requires that all such land rents be devoted to the subsidy of these decreasing-cost industries, and the appropriation of these rents by landlords for other purposes precludes the achievement of full efficiency.<sup>61</sup>

A further elaboration of the attractions of the Georgist paradigm has been offered by Professor Stiglitz. He wrote:

Not only was Henry George correct that a tax on land is nondistortionary, but, in an equitarian society, in which we could choose our population optimally, the tax on land raises just enough revenue to finance the (optimally chosen) level of government expenditures.<sup>62</sup>

Thus is the social scientist brought into confrontation with political ideology. Objective analysis of the facts now presents him with a traumatic choice. If he skates over the fact that the private appropriation of rent is a fatal obstacle to efficiency in the market, he abandons all pretence at wanting to improve the workings of the market; the freedom within which must necessarily remain limited. But if he condones inefficiency as a systemic feature - where does that leave the defence of capitalism?

### **Political leadership**

The comprehensive nature of the vision exposes the paradigm to powerful opposition from vested interests. Politicians, for example, who are supposed to offer leadership, can be expected to deny "fair dealing" to the policy

because they draw financial support from the real estate industry that would fear a loss of income if they were denied the opportunity to speculate in the future increase in land rents. Why, for example, should we expect President Bill Clinton to throw his weight behind the policy? As governor of Arkansas, he and his wife participated in a land speculation deal in the Ozark mountains that was supposed to net them an unearned profit (in the event, according to the president's testimony, they suffered a loss).<sup>63</sup>

Under pressure from the vested interests, today's politicians will voice objections to the Georgist paradigm; answers will have to be provided. One question, for example, which ought to inspire research, is this: if Georgism really is so wonderful, why have some of its principal tenets not been adopted? As an "objection", such a statement is facile; nonetheless, it raises interesting questions which need to be addressed. For example:

- Why was Henry George so successful in attracting into reformist politics people like George Bernard Shaw, only to lose them to a lifelong infatuation with socialism? Many eminent artists and scholars of the 1880s were captivated by the Georgist vision, but only as a staging post in their journey (we now know) to socialism.

- What was it that made the 1880s fertile ground for Henry George, whose devoted audiences spanned the globe? There may be little to be gained from lamenting the past in an "if only" mode, but historical re-appraisal does offer the prospect of a deeper appreciation of the state of the world today.

No matter how instructive the past, and necessitous the present, there is no guarantee that people will adopt the theoretically most satisfactory solution for the future. When people are free to exchange ideas, the prospect exists for the irrational to surface and command attention. This is most likely to occur in periods of deep-seated social instability, such as we are now experiencing.<sup>64</sup>

In the past, the irrational could be contained - even if, as finally occurred in the 20th century, to do so entailed Wars of global proportions. Now, however, with the demise of the USSR and of communism, and the emergence of a market in hand-held nuclear weapons, military conflicts assume a new dimension in destruction. This, together with the Balkanisation of the nation-state system and the disintegration of cultural bonds, transforms the nature of the problems confronting social scientists. We have already

witnessed the state of unpreparedness of economists who were invited to offer advice on how to transform a command economy to a market system. Strategic thinkers, using the Georgist paradigm as a tool, could develop a substantial list of problems of equal significance, the solutions for which would be all the easier to elucidate.

On social scientists, then, falls an enormous responsibility. They have to restore a balance between the knowledge of human behaviour with the vast amounts of information accumulated about the "natural" world. The task is made all the more difficult because society itself is now a fast-moving "target"; there has been an acceleration in the rate of change of our cultural context, which renders measurement and quantification increasingly difficult - which, if correct, commends the virtues of quality thinking by philosophers.<sup>65</sup>

In their role as citizens, social scientists have a moral obligation to provide us with intellectual leadership. They are not obliged to accept any one research-guiding paradigm; but they do have to acknowledge that "science has, so to speak, a soul which lives in the conscience of scholars".<sup>66</sup> As scientists they are obliged to try their best to detach themselves from present commitments, the better to serve the interests of humanity in the 21st century. If the outcome of debate is the adoption of the Georgist paradigm, so be it.