

## The wax works

The reason why society is not functioning properly cannot be a mystery.

The ancestors of *homo sapiens* successfully negotiated the evolutionary challenges in the course of two million years. They got here, from the slime of creation, because they learnt to know themselves and their habitat. It was that accretion of consciousness, built into the genes of the species, that transformed us into the unique bearers of culture and language. And yet, today, we find ourselves out of tune with both our fellow human beings and our living environment. In searching for the clues to this detached state of affairs, therefore, we probably need not look far for the answers.

Where do we start? The beginning is as good a place as anywhere. Let us rehearse some basic facts.

Earth is threefold: land, sea and air. Life would not have emerged, but for the appropriate combination of those three elements, the interaction of which over billions of years has come to constitute a satisfactory system for maintaining life.

Nature is threefold: animal, vegetable and mineral. It would not make sense to try and understand life by studying two of the three elements (ignoring, say, the mineral component).

Man is threefold: body, mind and spirit. His language is based on a grammar that has a classification based on sex: masculine, feminine, neuter; or first, second and third person.

We could not hope to understand how these primary systems work unless we have a grasp of reality - unless we are firmly rooted in the world of three dimensions (length, breadth and thickness). Try erecting a house on two dimensions!

In asking whether there is a basic flaw in the structure of modern society, we need to start with a definition of the constituent parts. Again, we find that the system is characterised by a trinity: the individual, the group and the habitat. A human being is a distinctive individual, but he cannot be separated from the social milieu or the natural environment that gives him meaning and the means of life. The individual is what he is, today, because he evolved - both physically and psychologically - within a community, and adapted to the habitat. The search for a fundamental flaw in the system, therefore, would be doomed to failure, if our cosmology excluded from consideration one of the three elements.

Unfortunately, social science today attempts to do just that: its practitioners search for solutions to problems without taking into account all the facts. We have learnt to view ourselves and society from a partial perspective, an approach that has had a fundamental impact on the way in which political decisions have been taken for the past 100 years. Those who had the power to shape society approached life on a two-dimensional level. They sought to control the fast-moving circumstances of industrial society as if they were living on a dualistic plane. They emphasised Man and Society, and ignored or disparaged the role of Nature. They counterposed Private Life (the family) with Public Life (community), struggling to define a balance between the two, while for most important practical purposes excluding from consideration the ecological habitat within which people lived. Whether this was deliberate, or accidental, is for the reader to judge, after reflecting on the history of economics as presented by Prof. Gaffney. For the moment, our problem is to cast off the blinkers. We have to excavate from the past a complete appreciation of the condition of mankind.

To illuminate our problem, let us move from the broad picture to a particular case. Consider the economy, which is where problems emerge in their most vividly fractious state.

Economics is supposed to be the scientific study of three factors of production: land, labour and capital. The classical economists correctly defined the terms, but early in the 20th century the neo-classical exponents of the discipline defined away one of the factors. Land was assimilated into, as a species of, capital. So successful were they in burying Land, that this third dimension to life now barely rates a mention in the most voluminous of the university textbooks that are recommended to students.

This is one of the primary causes of our state of incomplete understanding of how the economy works, a claim that can be illustrated by the way in which we classify the income of the nation.

Classical economists recognised that income must be decomposed into the returns to the three factors of production: Rent, Wages and Interest. Today, in the national accounts, and in the analyses of professional economists, rent is not acknowledged as a unique category: it is but a part of the returns to "capital". If, therefore, there is a qualitative difference between Land and Capital - or between Rent and Interest - the impact of that distinctiveness on the economy is concealed from puzzled eyes.

In fact, there is something fundamentally different between Land and Capital, in terms of both their nature and in their operational impact on human behaviour.<sup>10</sup> By telescoping these differences into the stratosphere of incomprehension, economists successfully deny themselves the practical understanding of how the economy really works. We know they do not know how the economy really works, because they always evince surprise when the economy changes gear!

An analogy may help to clarify the point. Reflect on why a system is likely to malfunction if the conditions appropriate for its optimum effectiveness are not preserved. Consider, for example, a car, the engine of which receives power from two sources: electricity from the battery, and the combustion power generated by the injection of petroleum (Figure 1). Is that all you need for a lively engine? Hardly; the machine won't function without the interaction of a third element, which does not come from either the dynamo or the petrol tank: oil.

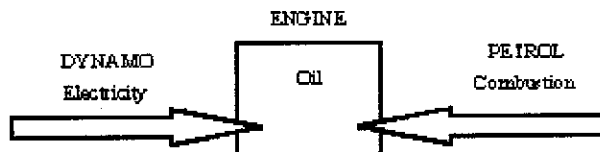


Figure 1

If the engine seized up, we would be poor mechanics if we did not question the possibility that the oil had dried up! No amount of power from

petrol, or electricity from the battery, will turn that engine if the oil has leaked out of a broken gasket.

Now, return to the economy. Wages and profits are the rewards for the injection of labour and capital into the productive process. Rent is the reward to land - the measure of the beneficial use of particular sites, or natural resources, which have no cost of production, and which are literally provided free by nature. Unfortunately, every now and again that engine of the wealth-creating process - the market - seizes up (Figure 2). People lose their jobs. Obviously, we want to know why. Economists do not have much of a clue as to the reason why the economy is afflicted by the business cycle. If they did, the cycle would have been eradicated long ago! There appears to be a simple explanation for this puzzle. What we discover is that economists turn a blind eye to the special role of land.



Figure 2

Rent serves the function of oil. Properly deployed within our social system, it is the fluid that lubricates the working environment: the public sphere of life. Rent is thus distinguished by its social character. It is income that is not created by particular workers or particular pieces of capital equipment. It is the product of the union between the community and nature.

Now the probable reason for the cyclical breakdown of the economy becomes apparent, once we incorporate into our investigation the flaws that have been built into the modern market in land. Industrial society was built in such a way as to allow rent to leak through the financial gaskets. That is the essence of the problem. The income flows are not in harmony. Now and again, the liquid dries up in some sections of the market and there is overheating of the working parts, and seizure. We express astonishment, we appeal to the mechanics - who scratch their heads in puzzlement - and

then, blindly, we jab at the parts that ought to be working. Eventually, unexpectedly, something happens - we do not quite know what - and the engine splutters back into life. We breathe sighs of relief, and drive on...until the next time the engine seizes up! And so on, a bizarre cycle of Stop-Go sequences that have blighted every generation for two centuries.

We may now begin to appreciate why neither of the alternative ideologies that were developed in the 19th century - capitalism and communism - could sustain themselves for long. They generated social systems that were detached from people's roots on earth, thereby creating an artificial state of affairs that could only be preserved - against all the instincts of mankind - by wrapping a conceptual blindfold around society.

Those with most to lose by the solution to this problem were alert to the threat posed by the penetrating analysis in *Progress and Poverty*, which Henry George published in 1879. He toured the world on lecture engagements that commanded mass audiences. His philosophy inspired land leagues from Ireland to Scotland and Australia. Yet the people who manipulated the levers of power were unyielding.

One man who spent years reflecting on this tragedy of history was to record his explanation. Leo Tolstoy campaigned for the policy in Russia, carefully studying the social response to the wisdom of the Georgist paradigm. In an interview with Herman Bernstein which was published in the *New York Times* on July 20, 1908, Tolstoy said:

As I have pointed out in my introductory note to the Russian version of '*Social Problems*,' Henry George's great idea, outlined so clearly and so thoroughly more than 30 years ago, remains to this day entirely unknown to the great majority of the people. This is quite natural. Henry George's idea, which changes the entire system in the life of nations in favor of the oppressed, voiceless majority, and to the detriment of the ruling majority, is so undeniably convincing, and, above all, so simple, that it is impossible not to understand it, and understanding it, it is impossible not to make an effort to introduce it into practice, and therefore the only means against this idea is to pervert it and to pass it in silence. And this has been true of the Henry George theory for more than 30 years. It has been both perverted and passed in silence, so that it has become difficult to induce people to read his work attentively and to think about it. Society does with ideas that disturb its peace - and Henry George is one of these - exactly what the bee does with the worms which it considers dangerous but which it is powerless

to destroy. It covers their nests with wax, so that the worms, even though not destroyed, cannot multiply and do more harm.

The wax worked. For 100 years, people groaned under the injustices of the social systems, without seeing the source of their suffering.

But then, in the late 20th century, Earth hit back: hard enough for some people to begin searching for fundamental answers. The wax has begun to melt.