

sell the land, but property owners are not mugs. As Mr. Helmut noted: "Selling land is banned, and you can only sell buildings. But if we sell the building the price includes the price of the land!"

He cited the example of the sale of two identical buildings: the inner city building achieved a price three times as great as the similar one on the city's fringe! That is the lesson that Russia has to learn: ultimately, the letter of the law does not matter one iota, if the community fails to recover the full market rent for land for the public's benefit.

Initially, rents will be underestimated. Such mistakes won't matter, if Russia retains the legal right to correct them at an early opportunity. An immediate task is to get the land and buildings into the hands of users, to kick-start the economy, while reserving the legal right of the community to revise the rent charges in line with economic growth.

If the Russians handle that challenge correctly, they will develop something that is not available in any other country: a smoothly operating land market. Such a market can exist only if it is free of the rent-appropriators, who are the biggest drag on the wealth-creators in the other market economies. It also guarantees every citizen a direct stake in the riches of nature through the social expenditure of rent.

This is a prospect of what has been characterised as a Single Tax society envisaged by American social reformer Henry George which every trading country in the world should fear. For it would give Russia an enormous price advantage on the export markets (rents, unlike taxes, are not reflected in the prices of goods and services). Having lost the Cold War, Russia would be on the path to winning the peace.

#### REFERENCES

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- 2 David Hearst, "Portrait revealed of a Russia that is killing itself," *The Guardian*, London, Oct. 8, 1992.
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## CARNIVALS OF DESTRUCTION

*The Culture of Contentment,*

J.K. Galbraith,

New York: Houghton Mifflin.

THIS ESSAY is Professor Galbraith's attempt to jolt the American middle class, and economics profession, out of its complacency. His analysis is particularly, though not peculiarly, about America; similar trends are to be seen in Britain and elsewhere. (Galbraith claims to explain the unanticipated victory of the Conservative party, led by John Major, in the recent general election.)

Galbraith's thesis is simple. America is gripped by a contented electoral majority, who will tend to vote against any major encroachment on the politico-economic system that supports their comfortable way of life. Thus has America reached the position dreaded by political philosophers for centuries (in America by Tocqueville and Thoreau) - the tyranny of the majority. This is not what they hoped for from democracy, but it is perhaps inevitable, as Henry George foresaw, when democracy is grafted on to a politico-economic system that promotes and perpetuates great inequalities of wealth.

This is a society which pleads the social philosophy of utilitarianism in defence of the present politico-economic system. When first advanced by Bentham, and Mill, utilitarianism sought to satisfy the needs and aspirations of the many poor at the expense of the few rich. Now utilitarianism has been turned on its head, and the many who are comparatively rich are further enriched at the expense of the minority who are poor. Moral populism has descended upon us, and we are corrupted into thinking that the test of morality is endorsement by a popular majority. Thus has the contented electoral majority become in its own eyes the moral majority. Such is the bankruptcy, moral, political and now economic, into which America has sunk.

Galbraith's essay is not a philosophical or historical work. It is more of a report "from the front", and a guarded prediction for the future. In less than two hundred pages, it paints a broad panorama of the political economy of America in the aftermath of the 1980s. When the dust has finally settled, it could prove one of the most timely and important books of the 1990s.

This culture of contentment is not opposed to government interference in the economy. Far from it. It endorses big government, seeking subsidies for its members, from agriculture to defence. It seeks tax cuts for the rich, on the basis that more money will encourage them to produce more, while seeking cuts in benefits for the poor, on the basis that more money will only encourage them to live off the state. It seeks greater and more costly regulation of industries, to strengthen their position against potential competitors (domestic or foreign). It has privatised gain and socialised loss, for example through deregulation of the banking and finance industries but with the retention of federal deposit insurance; their speculative activities, therefore, result in profits to them and losses borne by the federal government (i.e. the American tax-paying public). It encourages the government to fund its expenditures not by taxing the rich but by rewarding the rich with interest on a national debt of awesome proportions.

And the consequences? The most immediate and important is the creation of a functional underclass, different from past lower classes in one important respect: there is now little prospect of escape from the ghetto. First generation immigrants may be content with their lot as an improvement on conditions in the societies from which they have escaped; but second and third generations seek a better life and become restive when they see no way of attaining it, other than through crime - from drug dealing to racketeering to simple fraud.

It is a bleak message. Galbraith was heralded as a prophet when the riots in Los Angeles erupted, only weeks after the publication of this seminal essay.

But how much greater was the prophet of San Francisco more than a century ago. Henry George could have had no advance warning of what was to come in the 20th century other than what he could read in the troubles of his own time. In 1879 he foretold of a century of unparalleled bloodshed and social disintegration:

# BOOK REVIEWS

"Strong, unscrupulous men, rising up upon occasion, will become the exponents of blind popular desires or fierce popular passions, and dash aside forms that have lost their vitality. The sword will again be mightier than the pen, and in carnivals of destruction brute force and wild frenzy will alternate with the lethargy of a declining civilisation....

...Whence shall come the new barbarians? Go through the squalid quarters of great cities, and you may see, even now their gathering hords! How shall learning perish? Men will cease to read, and books will kindle fires and be turned into cartridges!"

Galbraith's prognosis in the 1990s is similar. In his view the age of contentment will only end when the contented are sufficiently disturbed in their contentment, which he conjectures could happen in three ways: widespread economic disaster; adverse military action that is associated with military misadventure; or eruption of an angry underclass. In the absence of these, the likely prognosis is that the American will drift into greater decline, and the middle class will steadily be reduced to a working class lifestyle. It is what George described as "the lethargy of a declining civilisation".

It is brilliant analysis and compulsory reading, but, although the disease is well diagnosed, few cures are put forward. Galbraith advocates a reduced military, the abolition of subsidies for the well protected, the increase of taxes on the rich and the increase of welfare spending. The message is little different from that peddled in Britain and America in the '60s and early '70s. It certainly does not appeal to the culture of contentment (which Galbraith freely admits), but nor does it appeal to the intellectually discontented. They are surely looking for something more radical than this "milk and water socialism" of a generation past?

IAN LAMBERT

## REVIEW TITLE?

*The Long Wave in the World Economy,*

Andrew Tylecote, London: Routledge, £40.

THIS excellent attempt to picture the grand sweep of trends in the industrial economy offers detailed analysis of the components of a dynamic system which, alas, has failed to evolve a stabilising mechanism. Growth proceeds in fits and starts; a system whose logic is allocative efficiency - which supposedly abhors waste - periodically inflicts on itself waste on a gigantic scale!

Tylecote, an economics lecturer at the University of Sheffield, stresses the waves of technological innovation. He seeks to synthesise technological trends with demographic, climatic and the other variables which make life so seemingly unpredictable - for the individual - yet cyclical (and therefore predictable) for the system.

What distinguishes this book from the other attempts at economic analysis in recent years is the recognition that land tenure and tax policies can damage society and the environment. For example, Tylecote explains how landlessness in Brazil - where "millions of hectares lie uncultivated, or undercultivated, on the great estates" - encourages peasant farmers to exploit the rainforest.

The perplexed governments of today could do no better than to examine Tylecote's discussion on "The way to the next upswing". Naturally, we all want lower interest rates; the snag, notes Tylecote, is that this would encourage the speculative hoarding of land.

The solution, in his view, is the introduction of a tax on land values - a tax which he regards as setting the standard for fiscal policy in general: "look for taxes which, besides raising revenue, improve both

the distribution of income and the allocation of resources in the economy". There are precious few of them, apart from the land-value tax, the virtues of which are emphasised:

"One kind of wealth tax, however, has no distorting effect, because it is practically impossible to avoid whatever you do: the tax on the value of land. Such a tax is already in use in (among other places) Pennsylvania and New South Wales. Land taxation indeed offers much more than a harmless way of raising money. It would be highly redistributive in most countries. It would much reduce the incentive for a corrupt relationship between property developers and those administering planning control (and zoning systems), since it would cut, even perhaps eliminate, the gain to the owner from permission for change of use. And since it would make speculative hoarding of land prohibitively expensive, it would make for much more efficient use of scarce urban land: less dereliction of unused properties, more construction jobs available in the inner cities, less suburban sprawl. A side-effect would be a reduction in house prices and thus in consumer borrowing out of capital gains anticipated by the owners."

The primacy placed by Tylecote on the importance of technology as the causal mechanism for changes in trends requires much more investigation. I strongly suspect, for example, that he will discover that development of much of the technology of the early years of the industrial revolution was (directly or indirectly) influenced by prevailing economic conditions as shaped by the land-and-tax system of the time.

If this is correct, we need not fatalistically assume that booms and slumps are with us forever.

PETER POOLE