

Introduction

THE world is at the crossroads of a new epoch. Old orders are crumbling fast, and necessity will surely spawn new social and economic systems as we arrive at the dawn of a new millennium. Whether the changes will be for good or bad depends on the nature of the philosophies that triumph on the streets. This book articulates an applied philosophy which, the authors suggest, offers the best prospect for peaceful, evolutionary development.

The crises that challenge the peoples of the world today may be summarised in these terms. The old orders exaggerated the potential for conflict by over-simplifying, through their institutions and social processes, the rights and obligations of the individual and of the State. In the West, at the beginning of the modern period of history, we defended the rights of the individual to the point where the supportive role of the community was all but buried. The social side of life was only grudgingly re-introduced, in the form of the bureaucratically administered Welfare State. East of Warsaw, an alternative solution was adopted in which the individual was buried in favor of the power of the State. Again, the bureaucracy came out on top.

How, then, do we re-work the relationship between the individual and society in terms of a creative partnership that is capable of meeting the needs of people in the 21st century? The time for recondite philosophising has gone: we are in a period in which people need guidance from an applied philosophy, one that offers practical solutions to conflicts over such vexed issues as property rights and the distribution of income, and which does so by addressing the heartfelt need for justice.

But the challenge goes deeper than that. In recent years, a powerful awareness of our obligations to nature has emerged to add a serious complication to the problems that now confront mankind. A relevant philosophy has to offer solutions to the systemic abuses that

threaten our ecological environment. With the enormous pressure for change building up, it is not possible to deal with social issues as separate from the environmental ones. In other words, what we need is a holistic philosophy; one that will 'work' in the modern era.

It is not with a sense of misplaced nostalgia that I say we have to go back in time, to rediscover the secrets of our forefathers. They developed cultural formulae that successfully guided them through evolutionary timescales, permitting them to experiment with increasingly complex social structures without undermining the integrity of Mother Earth. We now need to unearth those rules and translate them into a modern form. The overall objective: to liberate each person so that he can relate peacefully to other men and women ('the community') and harmoniously to his ecological habitat.

The solutions will have to be expressed in terms that are relevant to contemporary problems, display flexibility in the processes of decision-making and resilience in the social structures to ensure stability. This means that the favored solutions will be simple to apply but comprehensive in their relevance. In institutional terms, that means democratic politics and market economics. But if that was *all* that we needed, there would be fewer problems in the world today. Something fundamental has evidently been missing, these past two centuries of industrial life and strife.

The authors of these essays believe that an applied philosophy appropriate to the times is ready and waiting in the wings. Indeed, they go further than that. They claim that history is actually unfolding in the direction of the kind of social system that would be prescribed by that philosophy. This is another way of saying that, in historical terms, the philosophy articulated in this book has a certain preferential validity. Its principles must be tested and retested; but to ignore the lessons of that philosophy would be to risk the future wilfully.

Although the essential elements of that philosophy can be traced back several thousand years — the formula did not come out of a magician's hat, or off the mathematician's blackboard — they found their modern expression in the writings of Henry George. In this book, no attempt has been made to select contemporary issues merely to parade the genius of one social reformer. The authors chose those topics that are of central relevance to the public

dialogue. Then they applied the harsh test: to what extent were these events foreshadowed by Henry George? Alternatively, could these developments benefit from the insights which the American offered a century ago?

Many current issues are not addressed here, because of the constraints of space. For example, Henry George sought to stimulate political activity that would lead to greater efficiency in the actions of government, a full century before that subject became a popular policy issue when Margaret Thatcher became Prime Minister of Britain in 1979.¹

The authors are drawn from a wide variety of disciplines, and each was free to bring his individualistic style and point of view to bear on his subject. The overall objective was to discern the prospects of qualitative change — of progress, social evolution — in the world today; or, where these signals were weak or absent, to apply the Georgist critique in such a way as to illuminate the debates in the parliaments and coffee shops around the world. In other words, this volume is not merely a record of current events; it is also a manual offering principled guidance for the policymakers who are now confronted with harsh choices.

The epic debate focuses on the challenge confronting the leaders of the Soviet Union and Eastern Europe. The reformist zeal of Mikhail Gorbachev and his advisers was tempered, from the outset, by the inability of conventional economics to guide the transformation of the command economy into a free market system. The debates in Peking, in the 1970s, and in Moscow, in the 1980s, were not directly influenced by Henry George. This is ironic, because both Russia (through Leo Tolstoy) and China (through Sun Yat-sen) have Georgist traditions.

Fred Harrison (chapter 4) does not share the view that economic theory is unable to formulate a model for a relatively smooth transformation of the socialist system into a post-Marxist society. In his view, the classical concepts and theories of Adam Smith and David Ricardo, if applied in a consistent manner, could smooth the transition from the antithetical economy. But to what should the peoples of the eastern countries aspire? A carbon copy of the western model? Or should they synthesise the best elements of the past into a new social system, one that would find its central expression in

the fiscal policy for which Henry George is best known: the Single Tax on the rental value of land? This latter option enjoys a high prospect of realisation because, in the Soviet Union at least, land is already in the public domain, and is the one to which Mikhail Gorbachev has been intuitively guided. His one sticking point over the Shatalin 500-Day Plan — an emergency program to transform the command economy into a free market — was the issue of land ownership.

Land, in Gorbachev's view, ought to remain in social ownership, but with the individual user having secure possession of the sites he needed upon which to live and work, paying the community a rent in return for this privilege — a solution straight out of Henry George's *Progress and Poverty*. Boris Yeltsin, the President of the Russian Federation, impatient though he was with the reform process — an impatience that brought him into serious political conflict with Gorbachev — nevertheless agreed that the ownership of land was not negotiable. Yeltsin was quoted as stating: 'People here do not understand the concept of buying and selling land. The land is like a mother. You don't sell your mother.'² That philosophy is a primitive one, which has found its expression in numerous declarations by the leaders of aboriginal societies; Henry George acknowledged it, and had the imagination to clothe it in a fiscal policy that was suitably adapted to the needs of industrial society.

Gorbachev, in promoting the virtues of the market economy and the individual ownership of capital, was so adamant about the land question that he declared a willingness to stage a nationwide referendum in defence of the principle that land should remain in social ownership. The prospect of building western-style poverty and unemployment into the structure of the new Soviet Union will turn on the outcome of this debate.

Doubts about the nature of 'the system' are not confined to the East. The London *Financial Times* editorialised the following warning to the leaders of the capitalist West on May 26, 1990:

To hold a nationwide referendum on the case for a market economy in a country where people have been subjected to decades of anti-market propaganda is, to put it mildly, a high-risk strategy. The irony is that if market economics were put to a test in the west similar to that proposed by the Soviet Government last week, the outcome might be less clear cut

than the recent rhetoric of western politicians would tend to imply . . . are the instincts of those Russians really so different from those of their American counterparts who are now having to confront the unhappier consequences of Reaganomics? The model of capitalism that delivered a boom under Reagan and an impending slowdown under President Bush is not one which the average American would necessarily wish to sell to the Soviets.

All bets are off; at the level of the street, there is a deep-seated anxiety about the quality of life in the West. Materialism has eclipsed much of the spiritual side of life, but without the compensation of spreading its benefits to every able-bodied man and woman willing to work for wages.

In the view of our authors the best prospects for defining a new approach have long been nurtured in the West, which retained the Lockean spirit of liberty, a spirit that was progressively suppressed after 1917 in the East. In the free expressions of individual men and women we discover the seeds that, as they germinate, appear to propel society towards the realisation of the synthesis. Central to the prospect of social evolution is the vexed question of property rights, the maldistribution of which is at the heart of most of today's social and individual traumas. Representative of the dissatisfaction with the simple-minded perception of individual property rights is the Chief Judge of the Court of Appeals of New York. Judge Breitel's seminal words were voiced in his judgment in a suit brought by Penn Central Transportation Company, which challenged the right of New York City to impose a landmark order on Grand Central Station. That order meant that the company could not construct a building above the terminal. In his judgment, the judge — whether or not he realised it — articulated the view most eloquently stated by Henry George that the community was a partner in the creation of wealth, and was therefore entitled to share in the stream of income generated by a particular enterprise. Judge Breitel said:

Although government regulation is invalid if it denies a property owner all reasonable return, there is no constitutional imperative that the return embrace all attributes, incidental influences, or contributing external factors derived from the social complex in which the property rests. So many of these attributes are not the result of private effort or investment but of opportunities for the utilization or exploitation which an organized society offers to any private enterprise, especially to a public utility,

avored by government and the public. These, too, constitute a background of massive social and governmental investment in the organized community without which the private enterprise could neither exist nor prosper. It is enough, for the limited purposes of a landmarking statute, albeit it is also essential, that the privately created ingredient of property receive a reasonable return. It is that privately created and privately managed ingredient which is the property on which the reasonable return is to be based. All else is society's contribution by the sweat of its brow and the expenditure of its funds. To that extent society is also entitled to its due.³

The judge did not use the technical terms of the economist, but his message was clear: 'It is exceedingly difficult but imperative, nevertheless, to sort out the merged ingredients and to assess the rights and responsibilities of owner and society. A fair return is to be accorded to the owner, but society is to receive its due for its share in the making of a once great railroad.' In fact, for the clear-thinking economist, the process of disentangling the 'merged ingredients' is not a difficult one at all; it can be done in terms of the flow of income — a fact to which Judge Breitel drew attention when he declared: 'To recapitulate, a property owner is not absolutely entitled to receive a return on so much of the property's value as was created by social investment.' The clearest statement of the dues of the individual and of society appears in *Progress and Poverty*: people are entitled to a fair return on their labor and their capital investments, but the rental value of land is a measure of the wealth created not by the individual property owner but by the community; and that rental value properly belongs to the community.

Judge Breitel's analysis remains controversial, but it is one of the many chinks in the door that is opening up a debate for change. In Nicolaus Tideman's view (chapter 2), however, the redefinition of property rights ought not to take place within the courtroom, through legal precedent, but through amendment to the constitution. This strategy commends itself for the prospect of a principled debate on the rights of the individual and the nature of the good society.

But the identification of communally-created land values as a fund over which society has exceptional rights does not rely on future action for its expression: the process has already begun in Britain,

explains Francis Smith, through deals that are called 'planning gains' (chapter 3). While defective in many respects, this policy at least has the virtue of pointing us in the right direction, in that it employs an *ad hoc* system of taxation on the economic rent of land to fund the provision of social amenities such as roads, recreational facilities and housing. Prof. Elson, in a new assessment of planning gain, predicts that in the 1990s this levy on land values will be used increasingly to underwrite the public's desire for conservation of the natural environment.⁴ This mechanism for capturing some of the increases in land values that occur from the growth of the community is still a controversial one, however,⁵ and is likely to be a focus for fresh political debate over the rights of the individual against the rights of the community.

Foreshadowing the current concern with the well-being of the natural environment by a full century, Henry George voiced this warning about the fate of trees and the fertility of the soil in *Social Problems*:⁶

We do not return to the earth what we take from it; each crop that is harvested leaves the soil the poorer. We are cutting down forests which we do not replant; we are shipping abroad, in wheat and cotton and tobacco and meat, or flushing into the sea through the sewers of our great cities, the elements of fertility that have been embedded in the soil by the slow processes of nature, acting for long ages.

Sir Richard Body, a British parliamentarian and working farmer, offers a powerful critique of agri-business (chapter 9). He demonstrates that the beneficiary of government policies has been the landowner, rather than the farmer, laborer or consumer. Surprisingly, however, as David Richards reports (chapter 7), ecologists — with the notable exception of the British Green Party — have yet to appreciate that land value taxation, aligned with the free market, is the most powerful tool for conserving our natural environment. The penetrating analysis by Prof. Backhaus and Dr. Krabbe (chapter 8) illuminates the scope for using the tax on the economic rent of land as an instrument for financing socially-necessary expenditure while simultaneously protecting and conserving the natural environment.

In advancing the proposition that society is evolving inexorably in the direction of a Georgist synthesis, we are not denying that there is

still much to be done by the philosopher and the reformer. The cries of despair from the Third World are particularly harrowing. Yet there is hope, for the analytical tools for laying bare the structural problems are at our disposal. Professors Busey (concentrating on Central America) and Heavey (analysing the origins of the problems in the former European colonies) offer critiques in terms of misaligned land tenure systems. If malnutrition and death by hunger are to be banished, action will have to focus on land tenure and fiscal policy. In the view of our authors (in chapters 5 and 6), the principles articulated by Henry George will serve as the benchmarks for reform.

But just how free is the market? Seen from an international perspective, the answer is not an unmitigatedly bright one. The industrialised countries continue to flirt with the idea of imposing limits on trade with each other on the basis of spurious notions of self-interest and 'fairness.' In the 1980s, arguments between the United States and Japan (over semi-conductors) and with the European Economic Community (over protection accorded to its farmers) threatened the outlook for free trade. Lowell Harriss reminds us (chapter 10) that Henry George's unremitting advocacy of that policy in *Protection or Free Trade* was sound then and is of salutary significance now: the living standards of many people improved as the opportunities to exchange wealth across national boundaries were enlarged over the past century. To retrace our steps now would be a tragic mistake. The hard choices over the shape of society in the 21st century presented themselves sooner than the authors of these essays anticipated when the negotiations over free trade (under the umbrella of the General Agreement on Tariffs and Trade; GATT) broke down in December 1990. As the disputing nations sought a solution to the impasse, they were constantly reminded of the cost of failure; at stake was an estimated \$4,000 billion, the value of trade that would be lost to the world during the 1990s if the multilateral trading system was dismantled. The hidden interest behind the brinkmanship is worth noting, here, for the way that this case underlines the importance of the Georgist critique.

The conflict within GATT stemmed from objections to the protection accorded to the European Economic Community's farmers, and in particular the EEC's practice of dumping food on the

world markets at prices well below their production costs. The economic benefits of this protectionism were not reaped by the working farmer (through higher profits on his capital equipment), or by his laborers (through higher wages). As Sir Richard Body (chapter 9) reminds us, the economic value of subsidies and the other devices that raise the price of food is capitalised into higher land prices. The landowner is the primary beneficiary — in return for what services to the consumer or the community?

It is not only the EEC that is at fault: agricultural protectionism in the industrialised world costs taxpayers and consumers an estimated \$250m a year. Little wonder that the price of farmland is so high! The benefits of free trade in food would be reflected in lower land prices: thus, the pressure to over-exploit the soil would be taken off farmers, freeing them to use ecologically benign methods for nurturing food out of the land. Free trade would also lead to an increase in the output of food, to the value of an estimated \$100 billion a year. Third World farmers would be able to compete on the world markets, and therefore earn the incomes that they are at present banned from receiving by the policies of protectionism. The prospect for abolishing malnutrition (which is measured in the tens of millions) and mass death by starvation, are self-evident.

Agricultural protectionism, then, is yet another reminder of the timely relevance of the philosophy of Henry George. His vision of a new society built on social justice and economic efficiency rests on two inalienable rights: the freedom of the individual, and the right of equal access to the fruits of nature. Expressed in such abstract terms, it would be difficult to find many people who would disagree. But it was the genius of George, through prose that was at once poetic in its beauty and scientific in its rigor, that he was able to offer a practical definition of a social and economic system that would provide men and women with the means for realising that vision.

President George Bush promoted the notion of a 'new world order' in the wake of the concerted military opposition to Iraq's annexation of the land of Kuwait. The mobilisation of armies in the shifting sands of the desert, however, could not provide a firm foundation for a sustainable social order that achieved the twin goals of eliminating poverty and protecting our natural habitat. And yet, there is reason to be optimistic: the undercurrents of change are

shifting their direction towards a set of institutions and relationships that augur well for mankind and the evolution of society in the 21st century.

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NOTES

1. *Social Problems* (1883), centenary edition, New York: Robert Schalkenback Foundation, 1989, Ch. 17.
2. Yeltsin's attitude did not stop the Congress of Russian People's Deputies from passing a resolution giving peasants a share of their collective farm's land for life, with the right to pass it on to their heirs. See Jonathan Steele, 'Russia allows private land,' *The Guardian*, London, Dec. 4, 1990.

But as Henry George was at pains to point out, what mattered was not who owned the title deeds, but who benefitted from the rental income. Yeltsin and his colleagues evidently failed to spot the difference. Their legislative action provoked a remonstrance from Ivan Polozkov, the Communist Party leader, who wrote a letter protesting against the Russian parliament's decision to allow peasants to 'own' land. See Mark Frankland, 'Lipstick-deep revolution holds kiss of death,' *The Observer*, London, Dec. 9, 1990.

Polozkov cited a letter written by Tolstoy to Pyotr Stolypin, the Czar's reformist Prime Minister who believed that his plan to alienate village common land would lead to the enhancement of the status of peasants. Tolstoy, taking a radically different view of the historic consequences of this action — a view that was inspired by his close study of the writings of Henry George — told Stolypin in his letter dated July 26, 1907, that Russia had the option of 'taking the lead among all the countries of Europe' by striving 'to abolish the oldest and greatest injustice of all, which is common to all peoples; the individual ownership of land.' Tolstoy, whose advice was rejected, understood that there was a difference between the secure individual possession and use of land, and the exercise of rights over land that gave owners the power to exploit others.

3. *Penn Central Transp. Co. v City of New York*, 366 N.E. 2d 1271, 42 N.Y. 2d 324 (1977).
4. Martin Elson, *Negotiating the Future: Planning Gain in the 1990s*, Gloucester: ARC Ltd, 1990.
5. Samantha Jenkins, 'Moves to stamp out planning gain abuse,' *Estates Times*, July 20, 1990.
6. *Social Problems*, p.27.