Development and Wealth: A Georgist Perspective

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ABSTRACT. This essay addresses concerns of economic and wealth distribution, especially as they challenge the developing world. The foundation for any new framework of economic thought must embody a structure that allows for a sustainable future, not only for individuals but also for whole societies and economic units, and the assurance of minimal standards of living for the entire world's people. The Georgist position is that all the natural resources of the earth and sky should require payment back to society for the privilege of their use. Hence the recovery of rent is the proper source of finance for government services, restoring what is otherwise an imbalance between the public and the private realms of society. The Georgist philosophy offers economic justice and clarity of vision, restoration of and protection for the commons, and protection for the environment of the earth in a deft and gentle way that is within the capacity of governments to implement.

Introduction

Just over a century ago American journalist and economist Henry George offered to the world a remedy for economic justice and market efficiency that reached beyond all extant social philosophies even as it built on them. He came to be regarded as a hero to some, a crackpot to others. Yet his grand theory of society has continued ever since to lurk in the wings of public-policy discourse. Claim is made that his ideas, even more than Marxism, were so powerful a threat to vested interests that he had to be discredited by whatever means necessary, and this, arguably, accounts for his near obliteration from historical veneration (Gaffney and Harrison 1994).

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For a time it appeared that his arguments would disappear from serious discourse entirely. But in recent years a convergence of forces has given the Georgist solution new life. The possibility of wholesale collection and aggregation of data, the arrival of computers to provide powerful analysis of that data, and the ability of the internet to spread findings have given a renewed promise to a compelling and visionary idea. It is now possible to provide substantive argument, both technically and politically, to what has for so long been simply a plausible theory.

This essay addresses concerns of economic and wealth distribution, especially as they challenge the developing world. But it inevitably speaks to all political and economic systems because the ideals are indeed universal and have applicability everywhere. The findings and lessons that come from study in the industrial societies of the "North" have no less value for the impoverished world of the "South." What is attractive to populations and their leaders of industrialized economies should be equally attractive to rural agricultural communities of impoverished nations.

The world today faces challenges that Henry George never anticipated: skyrocketing population growth, environmental despoliation, blighted and degraded cities of tens of millions, and huge disparities in national wealth. Students of George argue that he succeeded in harmonizing and reconciling the political and economic tensions between labor and capital, between the private and the public realms, between equity and efficiency, and between the demand for public finances and the resentment of taxes. He effectively made laborers and capitalists partners in harnessing the productivity of natural resources. That notables as diverse as Winston Churchill, Leo Tolstoy, Mark Twain, John Dewey, Sun Yat Sen, and Theodore Roosevelt could all understand and appreciate the import of what was offered in the Georgist promise makes it puzzling why today the agenda is so difficult to sell.

Georgists today, however, are now offered another chance. The world stands ready, for few if any other candidates for so comprehensive a remedy exist. Confidence in the validity of the idea compels Georgist adherents to press on; indeed, studies during the past two decades now provide more validation than existed throughout the 20th century.

Political and Economic Development in Context

The word development has been employed since World War II in successive iterations of discourse to bolster national strategies of economic and political transformation worldwide (Meier 2004). Conversations began with experiences taken from post-war Europe's Marshall Plan, and President Truman thereafter inaugurated a program in 1949 known as "Point Four." They were based largely on the success of America's capital investment in nations devastated by the war and inspired by a new world vision. The lessons learned were intended to achieve the same success in third-world nations as had transformed Europe. The first program began with substantial investment in Israel and the Middle East, but it lost support in the Eisenhower Administration and was formally abolished in May 1953.

One can trace the idea of programmed development earlier still to President Franklin Roosevelt's address to Congress in January 1941, wherein he outlined four basic freedoms to which all peoples of the world should be properly entitled: freedom of speech and expression, freedom of worship, freedom from want, and freedom from fear. These principles have in various guises formed the basis of political and economic development strategies ever since.

The literature on development exploded in the last half of the 20th century, followed by a substantial number of program initiatives. But it is questionable whether the world is better off today than at the time of their inspiration. There is a general consensus that political and economic development designs should go hand-in-hand, but palpable and demonstrable progress in their implementation has for the most part been wanting.

The consequence of the world's inability to face the challenge of the enormity of world poverty and the disparity of wealth among its peoples is that remedies are sporadic and ad hoc in nature. The developed world tires of reading and hearing about the tragedies of poverty and dislocation in what have been called "aid and donor fatigue." The result is that policies at the national and international levels have become exhausted, and the burden is left to various private charities. There is a tradition that maintains that only charity can adequately respond since want and suffering are inevitable.

Religious institutions are frequently identified with this view (Pontifical Council for Justice and Peace 2005; Sider 1984). The Georgist argument is that poverty is a result of injustice and poorly designed institutions. George wrote: "There is in nature no reason for poverty" (1992: Ch 8, 77). The same religious institutions that have long carried on campaigns for charity seem now to be basing their arguments more on justice.

Economic Development

The greatest debates have unfolded in reference to the economic dimensions of development. What lessons are to be had from the multiplicity of experiments over the past half century are not easily generalizable. Much of what transpired in the early post-war years needs to be interpreted against the backdrop of the colonial era and cold-war tensions. In the past 30 years, with the cold war now over and yet ironically without the intellectual or financial resources of the earlier years, nations have adopted a multiplicity of approaches to economic development. Most reflect disillusionment with strong government initiatives, whether because of a newly discovered faith in markets and the private sector or from simple lack of public resources. Significantly, however, there is little consensus about such strategies, and ideologies continue to dominate development studies. What is called for is examination of the problems at the systemic level rather than in terms of development's outward manifestations.

The nations of the developing world, once freed from much of their colonial past, were fortunate at least in some instances to have inherited reasonably competent bureaucracies, and sometimes considerable infrastructures. Former British colonies, especially those in Asia, were positioned to capitalize on a legacy of an educated elite, cosmopolitan exposure, and a cadre of English speakers that proved to be no small advantage over succeeding years. Other post-colonial regimes have been less advantaged, although explanations for evolving patterns vary. In almost all instances, however, the colonial policies were based on an economic philosophy known as mercantilism, wherein manufactured goods were sold to native peoples, who were in turn harnessed in extractive enterprises to provide raw materials to the mother country. Local elites with control over natural resources built insular appurtenances to service their growing western tastes, but that further isolated them from the broad masses in their own nations. These patterns of agricultural and mineral extraction did little to foster market economies on a broad scale, and left most emerging nations with compromised political systems as well.

The imposition of western law upon most of these nations was another profound transformation of their sociopolitical arrangements, often as a counterpart to what market regimes were instituted. One could argue that the legal systems were, and continue to be, some of the most radically disruptive factors in the changes wrought, constituting what Max Weber (1968) called the growing organization, rationalization, and "disenchantment" of their worlds. For whatever reason, however, the focus of development today has been more on the economic than upon the legal dimensions of change.

Equally significant, if not more so, has been the transformation of nature into a commodity (Linklater 2002). Historians have now begun to give this phenomenon the attention that it deserves, even though, in the words of one venerable account, it constitutes the "great transformation" of western society (Polanyi 1957). Not only did land come to be regarded as an economic asset in financial accounts, Americans especially, and then others began to rely on it to generate wealth and for speculative gain. The realization of profit that could be had from land speculation led shortly to the "great land rush" worldwide, which shortly thereafter altered economic theory as well as the manner by which spatial relationships would unfold (Weaver 2003; Freeman 2000; Wright 1992; Aron 1996; Banner 2005; Kluger 2007; Chandler 1945). Mention is made here because of its relevance for later discussion.

It is against this setting, I believe, that the recent ideas of economic development need to be understood. I personally came to the early economic-development field during the heyday of its greatest explication and optimism, coming as it did during my tenure in graduate school and early academic experience. Returning to the United States in early 1965 after spending two years' service as one of the earliest Peace Corps Volunteers, I was showered with generous offers from various schools willing to pay for my graduate study. I had every expectation that I would end up working for the US Agency for International Development or some similar program, and ride the cusp of this unfolding world promise of rising expectations.

As it happened, personal circumstances eventually led me in different directions, and I remained at most at the periphery of the development-administration dialogue for the next several years. I was close enough to both the literature and the people, however, to have witnessed the growing disillusion and decline of excitement surrounding this subject in the 1980s and after. Many of those with whom I shared the early years of optimism and idealism left in disappointment. They left not from the lack of success in those early efforts, but as a result of the turn away from faith in a strong public-sector role in such initiatives toward an unwavering faith in privatization led by Chicago-school economists. Those of us whose interest was public administration and political design were left in a subordinate role in the ensuing discourse, if indeed there was any place at all. It was just as well that I followed new directions.

Defining and Re-Defining Development

For the first several decades of economic and political development discussion, utilitarian measures tended to dominate, and ideas of distributive justice seemed to have languished. John Rawls' (1971, 2001) breakthrough essay "Justice as Fairness" renewed interest in the moral dimension of development policies. It posed the question of what rightfully should be one's lot in political arrangements and market exchanges under a "veil of ignorance." In arguments similar to what in economics is called Pareto optimality, anyone's "original position," it argued, should be like anyone else's. But even if all members of a community are entitled to justice, Rawls' scheme did not incorporate future members, that is, those not yet living and non-human claimants. Furthermore, it was not clear whether the equality Rawls had in mind constituted equality of opportunity or equality of outcome. It was all very static and abstract.

One could surmise that development approaches had ignored distributive justice because of faith in what has come to be known as "trickle down economics." This is the idea that support, essentially through tax design, for wealth-producing investments will redound to the benefit of populations at all levels. Sometimes originally attributed to Andrew Mellon in the 1920s, it is often also expressed in the idea that a "rising tide lifts all boats." John Kenneth Galbraith (1982) relates the rejoinder to trickle down during the Roosevelt administration's New Deal as "the horse-and-sparrow theory: If you feed the horse enough oats, some will pass through to the road for the sparrows." There is little evidence that the trickle-down approach really assures optimal distribution, but it has nevertheless dominated both literature and practices of development administration. It has often been accepted as a matter of course that disparities of wealth and resources settle out in natural and inevitable gradations. Just as often encountered is the argument that increased population will generate economic activity and increased wealth commensurate with, perhaps even greater than, investments made (Simon 1981, 1984). Although this latter view is increasingly regarded as quaint if not dangerous, it is much closer to the view of Henry George as he viewed the open American frontier in the post Civil War era. Arguably, the economic development in the "South" has been most successful when birth rates have been reduced. On the other hand, there is considerable alarm about some European nations' shifting age distribution, and in some cases absolute population decline. It stands to reason, however, that increasing populations are likely to make more difficult maintaining well-being compared to those that have succeeded in stabilizing population growth. (The classic test is being played out in China, which has aggressively limited birthrates, and India, which has made less effort to do so. Note is also taken of some European nations that face steeply declining birth rates, and a census only equilibrated as a result of immigration.)

More recent and exciting than the approach of Rawls is the capability approach developed by economist Amartya Sen (1999), who in 1998 was awarded the Swedish Bank Prize for bringing an "ethical dimension" to a discipline that had largely lost sight of such considerations in its contemporary and dominant "neo-classical" tradition, and philosopher Martha Nussbaum (2000). Here development is understood as the extent of personal freedom available to people, not only in terms of their basic needs but also with respect to their opportunities for self-actualization and communal fulfillment. On these perspectives economically wealthier nations appear to fare less well. Where people are constrained by work demands, health, security, access to the means of growth and enrichment, opportunities for social sharing, and so on, certain dimensions of growth are a liability. They are effectively locked into a social and economic system that demands of them certain behavior patterns. Access to resources is also a central consideration. I recently had occasion to use a metaphor that builds upon an adage often used in development literature (Smiley, Batt, and Cobb 2010: 4). "Give a man a fish, the story goes, and he will eat for a day. Teach a man to fish, and he will eat for life." But that's not true unless the man has access to a fishpond. And in many regions of the world, he does not.

Recovering a Framework of Analysis and Direction

For the moment, however, things seem to be at an impasse. In the half-century since economic theory took on an applied dimension directed especially toward developing regions of the world, three perspectives seem worthy of particular note. The first is recognition that the earth is finite, and that the principle of limits as applied to natural resources has had ever-greater moment as its implications become apparent. The second is that free-market, and especially neoclassical economic, theory does not guarantee greater and more equal distribution of wealth. Contrary to the conventional wisdom of its many apologists, a rising tide definitely does not lift all boats. The third significant realization is that the discipline of economics, as with all the other social sciences, does not rest on the same epistemological premises as the natural sciences. The social sciences, it is important to appreciate, were established at the end of the 19th century by fiat, with the hope and expectation that by emulating the "scientific method" of the physical and biological sciences similar progress in the growth of human knowledge would eventuate. Considerable work has amply demonstrated since that not only was that view of science misunderstood, but that social sciences, if they can succeed at all, must develop their own philosophical grounding. The idea that there are laws of human behavior in the same way that there are laws of physics is highly questionable, and attempts to emulate physical sciences by simply applying formulas to numerical data are very much open to debate. During the post-war period, social science was generally enthralled by the philosophical school of logical positivism, particularly by a group identified as the Vienna Circle. Economics came under its sway more completely than any other of the social science disciplines with the possible exception of psychology. Yet the majority of today's Georgists argue, as did George himself, that economic behavior can be explained using a still earlier framework of natural law. Yet notable exceptions to this view include John Dewey. Indeed, there is a real question whether the Swedish Bank Prize in economics, belatedly added in 1969 to the list of awards given by that august Swedish body, would today be given that same status (Bergmann 1999; Gittens 2005; Hudson 1970). Recent years have seen the economics Nobel move far from its early "scientistic" model and take on instead a far more political and ideological character (for example, the 1998 award to economist Amartya Sen and the 2009 award to political scientist Elinor Ostrom).

The environmental movement took a leap forward with the benchmark study by the Club of Rome's Report on the Predicament of Mankind, *The Limits to Growth* (Meadows 1972). That study, and others that followed, spawned a whole stream of new literature and, arguably, led ultimately to the establishment of a radically different paradigm known as Ecological Economics (Daly and Farley 2003; Common and Stagl 2005) and to devastating attacks upon the current neoclassical school (Georgescu-Roegen 1971; Daly 1991, 1996; Nelson 1991, 2001; Fulbrook 2004). Although much of the methodology and data simulation done in the Club of Rome Report soon proved to be faulty, sufficient concerns were raised that the United-Nations-established World Commission on Environment and Development was formed, and issued a report entitled *Our Common Future* (1987). It defined sustainable development as the ability of societies to "meet the needs of the present without compromising the ability of future generations to meet their own needs." The Club or Rome team wrote a sequel (Meadows, Meadows, and Randers 1992) with new and better data, published as *Beyond the Limits: Confronting Global Collapse, Envisioning a Sustainable Future.* Today, with the stream of books issuing almost weekly, and with the growing expert consensus about global warming (Intergovernmental Panel on Climate Change 2007), it should be obvious that the economic paradigm that has dominated the past century cannot survive, and needs urgent replacement (Stern 2007). (To see the clash of conflicting economic paradigms and the extent to which neoclassical economics is on the defensive, see Leonhardt 2007.)

The second failing of the extant neoclassical school is its inability to solve the persistent continuance of poverty. Studies and books are issued almost daily showing how inequitably the 6.5 billion people on earth today share its fruits. The World Bank (2012) estimated that in 2008 22.4 percent of the world's population was living on less than U.S. $1.25 per day and the World Hunger Education Service (2012) reported that 925 million people were hungry in 2010. Probing analyses have been issued as the gravity and seeming intractability of the problem continues (Collier 2007, 2010; Easterly 2006; Prosterman, Mitchell, and Hanstad 2007). The imbalance exists not only between rich countries and poor countries: even in wealthy nations like the United States, roughly 15 percent of the population lived below the government-designated poverty line in 2010, "the largest number in the 52 years for which poverty estimates have been published" (United States Census Bureau 2011). Life is becoming more precarious rather than more secure for many people. The literate and aware population knows all this, as books and news articles recount it. But, in what Thurman Arnold (1937) famously called the "folklore of capitalism," belief persists that the failure of people to sustain themselves economically is not typically a systemic one but due rather to individual lack of resourcefulness.

The foundation for any new framework of economic thought must embody, at the least, a structure that allows for, and even requires, a sustainable future, not only for individuals but also for whole societies and economic units. It must also offer, and perhaps guarantee, the assurance of minimal standards of living for the entire world's people. And in view of the fact that the earth and its resources are finite, any such design should assure that the impact of human life will promise that future citizens of the world will have undiminished, and even perhaps increased, opportunities for survival. This last has been empirically and also graphically portrayed in an easily comprehensible concept of the "ecological footprint." If indeed people are morally entitled to no greater return for their industry than what their ecological footprint prefigures, some radically altered lifestyle patterns are in store for us. Americans, for instance, are estimated to consume so much of the earth's fruits that some 3.5 "earths" would be required to allow everyone to be similarly entitled (Wackernagel and Rees 1996). This is especially well illustrated with the statistics on oil consumption, where the United States consumes 22.5 percent of the world's petroleum with only 6 percent of the population (Davis, Diegel, and Boundy 2011). The disparities in consumption are reflected also in the impact on the environment, as with fish consumption, the use of certain toxic substances, and in pollution emissions.

How might it be possible to reconfigure the world's political and economic systems in a way that is consistent with not only distributive justice but also sustainable development? This is the charge assumed not just for this venue but also for the world. One view is that individuals, once persuaded, can be depended upon to adopt personal choices and lifestyles that will be consistent with these requirements. Many people who have the choice to do otherwise have accepted this challenge and elected to live in ways that are consistent with the kind of steady-state environment of which Herman Daly (1996, 2007) writes. Leading lives of "voluntary simplicity" (Elgin 1993; Shi 1986) has a virtue of its own, offering at the least a feeling of righteousness and perhaps even moral superiority in a world that seems to have run amok. But it is difficult in environments where social and economic environments require the satisfaction of certain minimal demands to reduce needs to such a level. The infrastructures of our society necessitate certain indulgences and consumption patterns; life outside such systems is, practically speaking, impossible, and can only be achieved, if at all, in different social environments.

Any changes in lifestyle that can make a real difference in achieving a sustainable future need to be accomplished collectively. This means by government policy initiatives. But what government actions are possible, either technically, constitutionally, or politically? Only now is serious exploration beginning about how, in programmatic ways, governments might institute policies that can and will make differences in our behavior, both collectively or individually. Some measures taken by various nations and states are significant and incrementally sound. (Illustrative of some creative thinking in this area are the tax policies instituted by European nations. See particularly the website of Green Budget Germany: www.eco-tax.info.) There is much less thinking at levels that can and should guide policy decisions. Thinking about such measures broadly and conceptually will help facilitate movement toward such goals, especially as past paradigms disintegrate when facing changing and challenging demands.

The Necessity of Government Policy

Constitutionally speaking, governments have only two instruments to effectuate policy, referred to in constitutional law as police powers and tax powers. In reality there is a third constitutional power that has no immediate consequence or relevance to this discussion, and that is the power to make war. Even though governments often subsume certain functions otherwise precluded under the rubric of emergency war powers, only the first two above are germane as broad policy instruments.

Tax powers are typically taken to mean all measures through which governments raise revenue to support the general purposes of government. To be sure, the lines have been blurred in recent years insofar as governments have elected to use this power as means to further other public purposes. But such provisions are largely of recent origin, at least as far as they have been employed consciously and explicitly. The classic understanding of taxation is largely, if not solely, to generate revenue. President Ronald Reagan enunciated this view explicitly in 1981, when he avowed that "the taxing power of the government must be used to provide for legitimate government purposes. It must not be used to regulate the economy or bring about social change" (Baumol and Blinder 1991: 693).

Police powers, in contrast, include all those other measures that governments use to direct, channel, discourage, or prohibit behavior. Governments are hard-put to induce behavior, and there are only limited instances where they attempt to do so. A military draft might be one instance; certain taxes might be another. (One could argue, however, that the inducement then comes in such instances only by the threat of imposing some other measure that constitutes a prohibition. The subject/citizen then is faced with a trade-off choice: to comply or relinquish certain freedoms.) This is an important realization, and is something that policymakers have frequently lost sight of: that is, that police powers are better at stopping than they are at inducing. Given, then, that both tax powers and police powers are limited in their abilities to effectuate change, it becomes particularly important that public policies be designed to make best use of what limited resources are at their command.

All this must be borne in mind when designers of government policy consider the efficacy of government policies, particularly with reference to the scope, domain, and weight of government. Scope involves all those things or interests in which government concerns itself; the domain is the area or number of people over which it has exercise; and the weight, or intensity, is the degree to which a people or an area feels itself imposed upon, heavily or only lightly. If a government in some way over-extends itself, or imposes itself too much upon people, it will prove to be ineffectual, illegitimate, and have a difficult time maintaining itself. It is not difficult to find instances in the United States and elsewhere where that limited police power capacity is squandered, that is, where laws are flouted or circumvented. It is even more the case for taxing powers, where estimates are that as much as half the population believes it is legitimate to cheat if they can do so (Bartlett and Steele 2000: 12). Poor design of government administration has the effect of undermining the legitimacy of public authority and is costly in every sense of the word. Authors David Osborne and Ted Gabler (1993) have such concerns in mind when they exhort policy makers to employ measures that rest lightly on society, that do not require so much "muscle," what they call "Catalytic Government: Steering Rather than Rowing."

When referring to the various powers and instruments of government, it is usually the case to refer to "command and control" approaches and "fiscal" approaches rather than tax powers and police powers. This is because many revenue streams are really authorized by law under the constitutional rubric of police powers. This is so particularly when the intention is less to collect revenue than it is to influence or direct economic behavior in certain ways. Even when revenues explicitly labeled taxes are employed to induce some behavior pattern or other, they do so more often by imposing or alleviating a penalty or burden than they do by any positive inducements. This should be obvious in light of discussion above concerning their limited power to exert positive influence.

It must also be borne in mind that many, indeed most, taxes have consequences that impede economic activity and discourage constructive behavior. Tax theorists have over the years been successful in developing a number of textbook principles that together constitute the basis of sound tax theory. Among them are efficiency, neutrality, equity, administrability, stability, and simplicity. An ideal tax is neutral and efficient with respect to markets and progressive in so far as those who have fewer resources will pay less. A sound tax is also easily administered, simple to understand, stable, and provides a reliable revenue stream. It is certain in the face of any attempts at evasion. Many students hold the view that all taxes have downside attributes so that any revenue system must necessarily make compromises and trade-offs. This claim is very much open to challenge. It is important here only to emphasize that taxes impact behavior in ways that go far beyond their purposes of supporting public services. To this extent, their architecture needs to be carefully designed and understood (Batt 2005, 2010).

Instituting Practices on a Georgist Paradigm

A Georgist approach to politics, administration, economics, and law addresses and tries to solve the challenges and obstacles alluded to in the foregoing discussion. There is a strong tradition among the political-science profession, of which I am a part, which sees its greatest challenge as architectonic design. By this is meant that political configurations and institutional structures need to be designed in ways that larger principles and purposes are well served. The study of politics, then, is not about discovering laws of politics and human nature; it is rather about building a political system that works. It is squarely in the tradition of the American founding fathers, who were called upon to conceive government in ways that would measure up to all the pressures and tests to which we have since seen it put. In the intervening two centuries since its inception, governmental structures have been modified several times. Consideration of changes that might improve upon the constitutional framework is a proper subject of inquiry and debate. The task entails examination of questions ranging from the most theoretical and abstract to the most instrumental and concrete.

Implicit in the Georgist vision, first of all, is the view that humanity owns the world in common and is entrusted with its stewardship. Government responsibility assures that it is used and watched over properly under principles of environmental soundness as well as political and moral justice. Arguably, concern for safeguarding the physical and natural world itself comes even before justice, lest there otherwise be no world assured for future inhabitants. This means that the lands, the air, the water, and all the other elements of nature need to be protected by whatever means governments have at their command. Alluded to earlier are the two principal powers granted by constitutional authority: police powers and tax powers. Governments, as sovereigns, may delegate these responsibilities or not, but they remain essential and primary if our earth is to survive. Sometimes, therefore, flat prohibition of certain behaviors may be called for, as when chlorofluorocarbons that threatened the existence of the ozone layer were banned not too long ago. No one doubted that governments acted properly to institute such actions.

The public has the right to expect that governments will take similar actions with any other threats to the integrity of the earth, and they should do so by employing its police powers as occasions fit. They may do so by outright curtailment or by other suitable measures, such as rationing, regulation, or assignment (Prugh et al. 1995: Ch. 6). Imposing such rules, however, needs to be considered with respect to the scope, weight, and domain of government limits, else they overextend themselves. Flat prohibitions are not necessarily the answer in all circumstances where economic behavior needs attention. Fiscal measures, properly designed, can be a far more refined and a deft tool with which to attend policy. They are adjustable because pricing leaves discretion to users. The variety of such instruments continues to grow: user fees, impact fees, fines, tolls, Pigou charges, licenses, and permits are only the best known. Such charges can generate a substantial amount of revenue by themselves.

In addition, the Georgist position is that all the natural resources of the earth and sky should require payment back to society for the privilege of their use, as this is indeed a privilege and a simple means of understanding the philosophy. If the earth is a common birthright, there is every reason to expect that those who use it most should compensate the rest of us. Following the tradition of classical economics, this payment takes the form of rent. Unlike the conventional use of the word rent in the English language, economic rent, or ground rent, is a term of art. It is typically defined as a payment beyond what is necessary to retain its use. As long as there exist accessible resources beyond what the economy demands, rent for their supply will be nil. But as soon as resources are called into play above the supply margin, rent attaches to those resource units as a matter of course and awaits collection by government. It becomes, in effect, a form of rationing, but relies on pricing rather than command-and-control approaches. Land rent is perhaps more easily understood when it is capitalized into a "lump sum" payment at title transfer, when it becomes the "present value" of all anticipated future payments for use of a natural resource site. ("Present value" is another term of art among economists, defined by one economics dictionary as "the worth of any future stream of returns or costs in terms of their value now"—Pearce 1992.) Since rents are socially rather than individually generated, George argued that they should by right be returned to government. Hence the recovery of rent is the proper source of finance for government services. And because the provision of such services is for the most part spatial and reflects the worth of those provisions, it gives them much of their market value to boot.

The existence of rent is also a function of a community's investment in locations—usually in the form of infrastructure. Locations have rental value not due to anything that a titleholder of a parcel does but rather on account of what activity and investment is made in proximate and neighborhood sites. Rent therefore is a socially created value, and it is this that gives a community the primary claim on its recapture.

The Georgist paradigm maintains that all economies have rent, and that it should properly be recaptured rather than left to appreciate in the market prices of the sites on which it .comes to rest. Absent its recapture by government, it has many detrimental effects upon the economy generally as well as constituting an unearned windfall for fortunately situated titleholders. First, the detrimental economic effects of rent accretion need to be understood. There are first the distortionary effects at the margin, among the three factors of production, so that resources are not employed in the most optimal way. There are in addition the debilitating effects of rent accretion so that the economy is hampered in its operation. Lastly, there are environmental impacts upon society beyond economic factors that are difficult to identify and calculate but become apparent with its full understanding.

Unlike labor and capital, the other factors of economic production, natural resources, or "land" in classical economics terminology, normally have a fixed supply, or are "inelastic" in economic parlance. This means that any increase in demand for their use raises their market price disproportionately relative to the other factors. The titleholder to such commodities may, and usually is, the accidental beneficiary of such increases in price. Should that party choose to sell, the return is a windfall gain explained more by the common activity and economic vitality of the neighborhood or region than by anything due to that titleholder. In American urban localities as well as in many other nations of the world, speculation in land, whether in the form of locations, air, water, electromagnetic spectrum use, airport landing and take-off time slots, or even more abstruse forms, has evolved into a high art form, at the same time often causing irreparable harm and cost to proximate interests. Its most palpable harm comes from distortions in land parcel prices and the consequent urban sprawl configurations that would not exist if the public captured the rents. Another illustration arises from the wasteful allocation of valuable airport runway time creating congestion because time-slot rents are not auctioned to those for whom they are most economically valuable. These illustrations reveal inefficiencies in use of time and other resources.

In a sense, it is sometimes helpful to understand ground rent as a "deposit" that either flows or accretes in land sites and that, when not removed, constitutes a profound economic drag on the vitality of a community. This drag could at times be equated with the friction of a mechanical apparatus, and has two names to economists: excess burden and deadweight loss. These distortions lead to less than the "perfect competition" modeled by economists. The uncollected rent surplus accreting to resource sites often induces titleholders to keep it outside the market's reach and out of play; the inefficiency of its being on the sidelines may or may not be apparent. Those parties seeking opportunities to use such sites, however, are forced thereby to choose suboptimal and second-best locations that put the whole community at less advantage. Economic efficiency is thereby reduced so that everyone (except perhaps the titleholder to a land site with passive rent accretion) must work harder as a consequence for the same level of comfort and satisfaction.

The Distributional Impact of a Georgist Regime

The moral dimension of the Georgist paradigm is even more compelling. The first question often raised is why is it right to collect the economic rent in the form of taxes from landsites that people regard as their bought-and-paid-for property. If one could make a compelling case for total ownership then that argument might hold. But one would be hard put to find an instance in which real property ownership constitutes an absolute title in fee simple. The argument more often recalls Pierre Joseph Proudhon's (2008) comment over a century ago that "property is theft!" All titles to real property originate in some manner through force or fraud if traced back, even though current owners typically see their titles as legitimate (Miller 2006; Miller et al. 2010). Therefore, the reality is, as courts have decided, somewhere in the middle: ownership of title is always conditional.

Law books (for example, Friedman, Harris, and Lindeman 2005) refer to real property ownership as a "Bundle of Rights," among them, possession, use, alienation (the power to give away), consumption, modification, destruction, management, exchange, and profit taking. One does not see it given the blindness of neoclassical economics, but it could also include the right to the retention of the economic rent. Were the right to keep rent protected by law, the real property tax as presently constituted would certainly be challenged. Any market value that "land" possesses owes its price to the present value of rent, and were such ownership titles to acquire the nature of absolute freeholds, taxing it would constitute a "taking." Yet one sees nothing of the kind: in fact taxes on land were the first this nation ever experienced, and the collection of land rent has a tradition going back 6,000 years (Webber and Wildavsky 1986). The Georgist view is that since rent is a socially created value it should be the moral right of society to reclaim it as the most suitable source of public revenue. Henry George (1962: 405) wrote:

> I do not propose either to purchase or to confiscate private property in land. The first would be unjust, the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent.

Already alluded to is the fact that the existence of rent is a consequence of a community's efforts and not that of any one titleholder, gainfully employed or not. The stronger moral case rests, therefore, with those that would recover all rent to support services for society. John Stuart Mill (2000: Book 5, chapter 2, section 5) recognized that "landlords grow richer in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title." After reading Mill, Henry George made this the core of his economic philosophy. He argued that taxes on labor and capital were both inefficient and unjust, and that the only proper source of taxation was the surplus rent that otherwise links to land.

Because neoclassical economics conflates land with man-made capital to comprise a two-factor theory, capital appreciation of real property is likely to be more in land than not. This becomes even more apparent when one realizes that buildings typically depreciate from 0.5 percent to 1.5 percent yearly (Davis and Palumbo 2006), and capital equipment—motor vehicles, computers, and factory equipment—can typically be written off entirely in an even shorter time period. Peruvian economist Hernando de Soto (2000) has received a good deal of recent acclaim for arguing that improved titling of real estate in developing nations would substantially improve economic growth. Securing better titles, he argues, would provide banks more adequate collateral for the loans that start-up enterprises need to be successful. The assurances of a capital base in real estate offers to borrowers the leverage they need to obtain the further capital that allows them to grow. To de Soto, therefore, land titling is the critically lacking ingredient holding back the development of third-world nations.

Consider this argument from another perspective, however, one looking beyond the simple investment stratagem on which de Soto would grow the economy, to its impact upon the whole society. More than just enterprise ventures are needed to induce development; what about stable government and bureaucracy, reliable infrastructure, quality education, assured health care, and other elements that make for an economy that grows? If leveraged land becomes the basis for private-sector development, the surplus rent created is paid to financial institutions as interest. Rents could not then be the basis of taxation to support public services, and revenue practices would have to emulate the tax structures of Europe and the U.S., that is, income, sales (or VATs), corporate franchise, or real property taxes. These taxes have downside effects that are far more drastic: the rate of evasion is high, the costs of collection and administration are high, and the deadweight loss is high. One can anticipate de Soto's answer being similar to that typically voiced by mainstream neoclassical students of taxation: that all revenue designs have downside effects and there is no perfect tax. The Georgist position is that a land-value tax, and the collection of rent in all its guises, is really in fact an ideal tax, with few if any downside effects at all (Batt 2005).

One needs to ask how much rent is there in a nation's economy. With all the advantages to be had by removing rent from the markets, just like removing sand from the gears of a machine, what kind of productivity surplus does it constitute? Estimates are difficult because even with the advent of computers and data, the neoclassical economics profession has not pressed governments for the financial data compilation that would allow us to measure it adequately. The U.S. National Income and Product Accounts list a figure of roughly 1 or 2 percent, a figure that we know is ridiculous. Even back-of-the-envelope calculations suggest that it is many times this. Moving beyond contemporary attempts at its calculation, one finds references to rent payments of this amount for many societies and times. Historically, rent payments were usually made in other forms than money. It was often the case that payment was a proportion of a farmer's yield or in a specified number of days of corvée labor. Based on practices of the period, classical economic theory took as a given that rent surplus constituted about a third of a society's economy (Bloch 1970: 72; Bennett 1971: 97–125; Bairoch 1991: 283). An old English nursery rhyme (traceable to France as well, as far back as the 17th century) reflects this common practice when feudal arrangements were at their peak: "Bah, bah black sheep, have you any wool? Yes sir, yes sir, three bags full. One for my master, one for my dame, one for the little boy that lives down the lane."

One quick study (Cord 1985), tabulating just based on the potential of a full land tax, excluding rent from pollution rights, the spectrum, landing slots, corporate charters, internet addresses, and other sources, suggested that it amounts to about 28 percent of GDP. A far more detailed and sophisticated study of land rent in Australia (Dwyer 2003: 40) estimated that total rent is well above 30 percent of GDP, and it concluded that "the 'bottom line' reinforces the overall conclusion . . . that land-based tax revenues are indeed sufficient to allow total abolition of company and personal income tax." An enumeration of sites where additional rent situates would take enormous effort, but Mason Gaffney (2004) has suggested 15 major sources as a start, all of which by their private capture reduce economic productivity. When all is said and done, Gaffney (2009) suggests that "The Hidden Taxable Capacity of Land [is] Enough and to Spare" in supplanting all present taxes. This is a significant finding because we know from various studies how much the deadweight loss from the current taxes is. Harvard economist Martin Feldstein (1999) estimated that the burden from the income tax alone is more than 30 percent, and about 50 percent if social security taxes are added. The sales tax is in all likelihood just as inefficient (Diewert and Lawrence 1997). Looked at another way, substantial proof has now been developed to show, as George (1962: 406) originally argued, that:

> In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better-developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present government revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances.

In the past 30 years, such major economists as Swedish Bank Prize Laureates William Vickrey and Joseph Stiglitz have demonstrated the validity of what has come to be called the Henry George Theorem. Gilbert Tucker (2010), a self-taught student of Henry George, foretold the case decades earlier in a short book titled *The Self-Supporting City*. In it, he boldly argues (Tucker 2010: 1):

> Municipal taxation as now levied can and should be a thing of the past: the American city can be a self-supporting corporation, meeting its expenses from its rightful income. Taxation is unnecessary, because the city has, in its physical properties, acquired through the years, by the expenditure of its people's moneys, a huge capital investment from which it collects only a very small part of the return earned.

The question, then, begs: why tax those revenue bases that create significant efficiency loss in an economy when alternatively one could tax something else that not only removes the inefficiency from the market but can actually be collected for public service and be adequate for its total support at no loss to the general economy? From a strictly economic viewpoint, leaving aside for the moment any moral arguments, this makes perfect sense! Even more so than in the economies of the developing world generally, it is the public sector that is most starved. Given the common arguments offered about the importance of infrastructure investment as a vehicle for development "take-off," this is the "natural tax" to facilitate it. (The term "natural tax" was a common substitute for the "single tax" that was espoused by the Georgists a century ago; see Shearman 1897; Fillebrown 1917.) Yet, if de Soto's approach is applied, the economic rent pledged to banks as collateral is just as likely, perhaps more so, to be siphoned off for the benefit of extra-national institutions as used as resource capital within a country for its own public development (George 1988, 2004; Perkins 2004; Hudson 2007).

The moral argument is even more compelling: economic rent is windfall income to the titleholder of the site on which it sits, a surplus that is demonstrably the result of community effort and has nothing to do with the behavior of any owner. Mention was made earlier of John Stuart Mill's observation but one could as well cite the widely read story about "Mr. Dooley" in *Plunkitt of Tammany Hall* (Riordan 1905):

> There's an honest graft, and I'm an example of how it works. I might sum up the whole thing by sayin': "I seen my opportunities and I took 'em." Just let me explain by examples. My party's in power in the city, and it's goin' to undertake a lot of public improvements. Well, I'm tipped off, say, that they're going to lay out a new park at a certain place. I see my opportunity and I take it. I go to that place and I buy up all the land I can in the neighborhood. Then the board of this or that makes its plan public, and there's a rush to get my land, which nobody cared particular for before. Ain't it perfectly honest to charge a good price and make a profit on my investment and foresight? Of course, it is. Well, that's honest graft.

Henry George was quite emphatic about this kind of thinking: to him it was theft! One of his most easily understood and therefore widely reprinted speeches (1887) was titled "Thou Shalt Not Steal." In *Progress and Poverty*, he viewed owning land in freehold as the moral equivalent of owning slaves (George 1962: Ch. 27). Looking once more at the morality of taxation, compare the logic of taxing wage labor, which one earns with one's own hands or mind, or the taxation of capital goods, which are produced by sweat and inspiration, with the recapture of economic rent. In the one case it is wrung out from a person's hard-earned labor under threat of punishment; in the other the taxation is the painless collection of socially created windfalls to sites. King Louis XIV, Jean-Baptiste Colbert, had it right when he said that the art of taxation consists in so plucking the goose as to get the most feathers with the least amount of hissing. But for some reason his maxim is not followed; with proper public understanding of the nature of rent—that it is in no instance an owner's entitlement to begin with—there should be no hissing at all!

There is also the distributional issue in any economy that professes to rest on free markets, of which Henry George was certainly a proponent. In his time much of the wealth captured by the American moguls and tycoons was a consequence of their having cornered a source of rental income from land. A review of the titans of the era shows that the sources of early American fortunes were due to their having done just that. Consider the Fortune 400 of the time: Astor (furs and real estate), Field (land), Sage (lumber), Rockefeller (oil), as well as many others like Gould who through their control of railroads extracted rent, Carnegie, whose coal mines facilitated his steel manufacturing, and Morgan, whose banking empire relied upon passed-through rents for further speculation (Myers 1936). The recapture of rent, he argued, removed the phenomenon of unearned income from land to be used for the support of public services.

Absent the ability of such figures to reap the windfall gain of rents, it would be interesting to know how their fortunes would have compared with others. Can one in any way conclude how much of their income was explained by the sweat of their hands and brow or the returns to what manufactured capital they came to own? One might look at today's counterparts for a partial answer. Many of the "world's top billionaires" are software developers like Bill Gates, Steve Ballmer, and Paul Allen who had the good fortune to capture the rent from computer codes, language that is every bit as "natural" in its own way as the land of classical economics. Warren Buffett has always had the prescience in his Berkshire-Hathaway Corporation to invest in ventures that had strong rent features. Ted Turner owes his wealth to his capture of a satellite orbit, which is largely capitalized rent. Several other family fortunes exist largely, if not exclusively, because of investments in real estate, that is, rent returns.

Concern needs to be expressed as well about the preservation of the commons. In classical and feudal societies, the existence of the commons was a given. Only in modern society is it threatened with demise, largely perhaps due to the misreading of many classical economists, and especially of Adam Smith. The notion that the economy is a self-regulating system overseen by an "invisible hand" of natural equilibration is simply false, and the specter of the commons being over-run by private avarice is a misreading of the classic article by Garrett Hardin (1968). Professor Robert Andelson (1991: 41) in response pointed out that pre-modern societies appreciated the limits to growth, and knew that by collection of economic rent, private impulses overwhelming the commons could be kept in check. He pointed out that "the only way in which the individual may be assured what properly belongs to him is for society to take what properly belongs to it: the Jeffersonian ideal of individualism requires for its realization the socialization of rent." Rent, he argued, is every bit as much a part of the commons as any of its correlatives in land, water, or air.

We are witnessing a rebirth of interest in the protection of the commons, especially in light of the looming disappearance of so many parts of it—such as wildlife and fisheries. A word that had for all practical purposes become archaic has now suddenly been given new life. The burgeoning interest in protection of the commons is reflected not only in the recent literature but also by the award of the Swedish Bank Prize in 2009 to Indiana University Professor of Political Science Elinor Ostrom. She was long thought of as working in the proverbial wilderness with little acclaim or recognition in her chosen field of academe or beyond (Ostrom 1990; Buck and Ostrom 1998; Burger et al. 2001; see also Baden and Noonan 1998). The award came very much as a surprise, especially the economics Nobel, as her work was not thought of particularly even as "economic" in nature! The movement toward privatization of natural resources has at least been served notice now, even as inventory of its rightful dimensions as a commons proceeds. Recognition of the phenomenon of economic rent as an element of the commons opens opportunities for additional ways of thinking about common property, open-access regimes, common-pool resources, privatization designs, and so on. Indeed, institution of a program of rent recapture allows for the possibility of protecting public entitlements and interests where the proverbial "horse" is otherwise already "out of the barn." Where rent is to be regarded as part of the commons its collection restores what is otherwise an imbalance between the public and the private realms of society (Batt 2008).

Spatial Configurations with Rent Recaptured

Even if it is clear that rent is recovered from sites where it locates, it needs to be asked who would pay rent. When David Ricardo (1911) originally worked out the theory of economic rent in 1817, he applied it to the productivity of agricultural land and the growing of corn. Today, land-rent calculation has far greater applicability to urban spatial configurations and the differential site values due to strategic access. Looking solely at real property, it is apparent that the market value of land sites is a function of where people choose to gather, and the most valuable sites, therefore, are in urban centers. Typically, these sites are commercial markets or else close to common arenas where people congregate in any case. The land value gradient falls very quickly as one recedes from core areas until coming ultimately to areas where the site values are unmeasurable if not trivial. Looking at land-use configurations one typically finds residential plots outside the commercial core, and farms or forests at the farther reaches. The land value per acre in a typical city core can be as much as 100 times that in residential areas. Much of the theory worked out for this was done in 1826 by a German geographer, Heinrich von Thünen (1966), whom some have ranked among the great economists of the 19th century. Along with Ricardo, he worked out many formulas calculating economic rent. The differential market value of land is most clearly understood when visualized on land value maps. (For an account of the history of land-value maps, see Batt 2009.) His models are now being applied in various ways today because they have proven to be so apt.

In localities where a tax is imposed on land value alone, rather than upon both buildings and land as the conventional property tax prescribes, it is clear how the payment burden is shared. Following von Thünen's formulas, the overwhelming proportion of land rent is in cities, and one typically finds that about half of this rent is on sites that are commercial in nature, the other half on residential sites. (Farmers' land has so little market value—unless it is located inappropriately in urban areas—that it has trivial market price.) This means that, in the United States, where about 65 percent of all households own their own home, the 35 percent remainder who are tenants pay no tax at all. This is because land, being inelastic, capitalizes rent in its market price and does not pass it through to others. Tenants pay nothing at all under a land-value tax regime. All this makes a land-value tax highly progressive. Indeed, if comparative studies of tax incidence were done, there is a good likelihood that a land-value tax would be most progressive of any.

This leads to the third set of consequences of applying land-value taxation, especially in urban localities where the site rents are highest. It neutralizes and even reverses the centrifugal forces of sprawl development that have plagued many cities in the world, especially where motor-vehicle transportation has become the primary means of mobility. By taxing away the site rent, parcels with the highest market value (or rent flow), are induced to develop first in order to recover their carrying costs. Rather than sit idle and wait for speculative gains, thereby driving prospective developers to peripheral and second-best locations, these parcel owners are moved to invest in them—or else to sell to those who will. If one assumes that the "highest and best use" of parcels obtains through the application of a land-value tax, development would unfold in much more concentrated areas.

Site rent is also often easily understood as capitalized transportation cost, because whatever isn't paid for location is likely to be paid (even if assumed by society rather than individuals) for access and mobility (Batt 2003). This relieves the pressure for development in peripheral localities and thereby lessens the costs in terms of time and resources for transportation. Given that public transit services typically need a certain minimum density to be economically viable—about 10 to 12 households per acre, or the commercial equivalent—it means that motor-vehicle dependency is mitigated, and all the expected consequences for pollution, health and safety risks, social disamenities, and so on, are profoundly reduced.

Looking Beyond Land Rent Broadly Defined

Until now the focus has largely been on land-rent recapture, "land" in its contemporary vernacular meaning rather than the sense in which it was used by the classical economists—that is, any element and dimension of nature that had market value as a resource. The advantages of collecting economic rent from other sources should also be apparent, mainly in the way by which it increases the liquidity of the commodity or resource employed. Two illustrations should illustrate the point. First, the electromagnetic spectrum is now treated as "property" by its titleholders, whether used for electronic media presentation, communication, monitoring of various natural or social phenomena, or whatever. Were it paid for at its full marginal cost of operation rather than kept in abeyance for whatever future purpose titleholders saw fit, its use would be far more efficient and its service would have greater reach. To take a second example, the time slots at airports are, in effect, now "owned" by the airlines for their scheduling of take-offs and landings. Regardless whether they are used, or used efficiently from a flight-management perspective, they constitute a "property asset" to an airline. The London-based Institute for Public Policy Research has proposed that those time slots be opened to periodic auction so that the scheduled flights in and out of U.K. airports would be arranged in such a way as to relieve the congestion (O'Connell 2003). Applying the same principle to relieve congestion in the center of London by the institution of a congestion charge proved to be very effective and has since been expanded twice.

A third, and partial, instance where the application of the value of rent has been recognized is in the institution of "pollution rights" in many of the developed nations of the world. In the United States and in the European Community, the air is appreciated as property for its capacity, within limits, to absorb a certain amount of emissions from power plants. The utility companies, identified by the amount of NOX, SO2, and other pollutants into the air, have been given the rights to do so in statute law. Following this, they have been able to trade these "rights" among themselves in a way that balances the costs of investment in scrubber technology and other emission-control measures with the costs of owning pollution rights. Arguably, the use of pricing as a means of achieving the optimal deployment of resources for pollution abatement is an improvement over the earlier "command-and-control" approaches. But the same result, with a far more principled basis, could have been reached had it been recognized that the public is the rightful "owner" of the atmosphere, and that any payment for its use should redound to the public in the form of rent collection. Relinquishing public ownership of the air to the use of utilities to use as a "dump" for their effluents is not only economically inefficient but morally reprehensible as well. Peter Barnes (2001) has proposed something close to this logic: returning the rental dividend directly to each citizen rather than using it to pay for public services. If the threshold level of emissions were set at a level comparable to currently acceptable limits, each American could receive a yearly dividend check of roughly $1,000. Each recipient would then be better positioned to decide how much of this entitlement to pay to government in taxes. Proponents of a citizens' dividend, sometimes called a "basic income guarantee," argue that placing the collected resource rents equally in the hands of all members of society would ensure that a more balanced set of choices would eventuate between public expenditures and private enjoyments. It would be comparable to the design of the Alaska Permanent Fund that distributes a portion of petroleum royalties to every citizen of the state as a matter of entitlement. This distribution now typically amounts to about $1,000 annually for every resident of the State of Alaska. Several American planners and statesmen, including former Secretary of State George Schultz, proposed a similar plan for Iraq with respect to its oil royalties.

All these examples have applicability worldwide, in developing nations as well as advanced industrial nations. In fact, comparatively speaking, it may be easier to apply them in circumstances where other measures are less possible. In the Soviet Union, just before its collapse, where *perestroika* called for the creation of a revenue structure *de novo*, a tax on natural resources and "land" would have been the simplest of all from a technical and equitable point of view. A group of notable western economists, including several past Nobel Prize winners, wrote a letter to then President Gorbachev, urging him to implement a tax on land values (Tideman et al., 1991). The interest in the approach at the highest levels grew to a point where Georgist advocates made as many as nine visits to Russia to advise leaders on its feasible implementation (Banks 1994). No doubt this was aided by the fact that a century earlier, Count Leo Tolstoy was an ardent follower of Henry George (Redfearn 1992). Despite the fact that titles to land in Russia had been dissolved long ago and there were no vested interests in defense of private property, the advice was not heeded for political reasons. It doesn't detract, however, from the fact that it was technically quite feasible.

Georgism as an Answer for Our Time

Presently it appears that the political discourse of western nations has reached an impasse. Radical free-market capitalism, despite a current resurgence of interest, has demonstrated its limitations, and doctrinaire socialism, whether of the Marxist variety or any other, has been shown to be unworkable. There have been many proposals for a "third way," and numerous proposals have sought to seize that mantle. But despite the many approaches offered, none to date has achieved any strong tractability. In most cases its proponents have sought to sell it rather as a "radical middle," rejecting both top-down redistribution and hands-off laissez faire capitalism. The number of political leaders claiming to be the inheritors or apologists for the third way have been legion—Bill Clinton, Tony Blair, Gerhard Schroeder, and Jean Chrétien. Among the more scholarly advocates have been the U.K.'s Anthony Giddens (a prolific author identified with the British think tank Policy Network) and the U.S. communitarian movement's Amitai Etzioni. (Although decrying the "communitarian" label, those most closely identified with its thinking are Harvard political scientist Michael Sandel, Boston College political sociologist Alan Wolfe, Canadian philosopher Charles Taylor, Harvard Law's Mary Ann Glendon, California sociologist Philip Selznick, Scottish philosopher Alisdair McIntyre, and Princeton's Michael Walzer, with Professor Etzioni seemingly the central figure and driving force.) The communitarian movement, however, seems not able to address the question of what ought to be public and what ought to be private. It entreats people to be more mindful and considerate of others and of the social community, but at least to this reader's thinking to date, it has yet to offer a compelling grounding for such action. It does not, or at least has not been able to, build its political philosophy on interests rather than upon expectations. On the other hand, its concerns are very much on the mark with reference to the vitality of community and the need for its revival.

Closer to the Georgist approach perhaps, indeed somewhat a sister to it, is the public-trust doctrine, most recently amplified and edified by author and activist Peter Barnes (2006). Barnes is alarmed by the imbalance between the public interest and the growing power of corporations, having become disillusioned with the capacity of government to serve as a countervailing force for its protection. In response, he proposes that not-for-profit corporate bodies be established to govern and assert the positions of sectors in need of protection against the aggressive forces of corporate power. These bodies would be governed and maintained by elected boards that serve as the guardians of trust interests according to their charters. Their control over resources would be both "propertized" (his word) and privatized. The problem, however, is that these bodies cannot guarantee that they will serve any interest wider than their own. As happens among established trusts of this order, they have often become enclaves of elite and privileged populations. A Georgist approach, in contrast, collects rent not for any private community but by and for the entire society. (For a review of the Barnes book, see Batt 2007.)

Solving the Political Impasse for Nations in Transition

Instances abound, particularly in developing nations, where common resources have been seized either by authoritarian governments or else by powerful corporate interests, and are then seemingly beyond the reach and responsiveness of the public at large. Two instances recently in the news serve well to illustrate the dilemmas, one involving Cuba, where public ownership of land resources may well be in jeopardy with the death of Fidel Castro, the other in Thailand, where monopoly control of almost the entire telecommunications industry was amassed privately and then sold to a corporate body beyond the nation's borders.

Cuba's economic development has been impressive under the almost half-century of the Castro regime. By many standards it measures favorably even with the most developed of nations. Life expectancy, literacy and education levels, and general quality of life are high. On the dimension of sustainability, Cuba has largely weaned itself from fossil-fuel energy sources, has preserved much of its forestland, and prospered in many other ways. There is no question that the legitimacy of the Castro government is not in any jeopardy from any challenges by the resident population. However, there continues to be a large expatriate community, mostly based in Miami, which is eager for the day when it will be able to return to its ancestral homeland and recover its historical position in the political and social scale. This would be a fanciful dream except for the fact that the United States is perhaps willing to support such change when Fidel Castro is no longer on the scene. The expatriate Cuban community dreams of recapturing titles to property that were either seized or abandoned with the arrival of the Castro government decades ago. With the sanctity with which property is held in the United States and with its willingness perhaps to impose this value on a Cuba restored to status quo ante, this is not an unrealistic expectation.

A Georgist solution offers a possible compromise, one that would restore a greater dimension of free-market rule to the Cuban economy as well as recognize some legitimacy to property titles, if push comes to shove. It is not really titles that the erstwhile landowners and property owners are covetous of; rather it is the rent yield from those properties. If a tax regime were instituted in Cuba whereby the rents were collected from any and all the "propertized" parcels, titles would have meaning only for their use value and not for their rental value. Recognizing use value would grant former titleholders the power to choose the purposes to which such lands might be put, and at the same time relieve the puissance of their demands. At the same time, the inheritors of the Castro legacy would be able to accept the equity of the design in as much as this was their greatest concern in the original seizure. This approach is not beyond possibility; representatives of the American Georgist community have had occasion to visit Cuba and talk with officials at the highest level, and there is at least one expatriate Cuban living in America who is a strong supporter of the Georgist agenda. (Tomas Estrada Palma IV is the great grandson of Cuba's first president, 1902–1906, of the same name. He has a website that not only chronicles much of the Cuban political activity, both in the U.S. and in his home of origin, but strongly supports Georgist measures to remedy the nation's economic challenges; see http://tomasestradapalma4today.blogspot.com/.)

Thailand has, to many observers, been a success story of development for the past 30 years, having attained the status of one of the emerging "little tigers" of Asia. Thai government and business control has always been heavily concentrated, belying the outward appearance of a free-market society. The hierarchical order that nests all its institutions and enterprises has roots in the patrimonial structure that marked the society for centuries and gave it much of its stability. In the modern era, enterprises like radio and TV, electric power, and rail transport were owned either by military branches or by the government directly. Other businesses like cement, beer, oil, and insurance were owned by a small network of families or by the king. But stupendous economic growth in the 1970s and 1980s led to binge spending on entertainment emporiums, hotels, resorts, and other ventures, over-extending much of the nation's credit system and leading to a spectacular financial crash in 1997. This crisis shook the economy to its roots. Pressure in response from the World Bank and the IMF resulted in the wholesale privatization of companies, often at fire-sale prices. Many of Thailand's flagship companies thus ended up in the hands of new owners, some under a considerable degree of foreign control.

A strong national educational system along with a cadre of trained civil servants and a resurgent tourism trade gave the country the strength to recover quickly. The nation was viewed as an emerging democracy when, to the surprise of many, the military stepped in to sack the incumbent and popularly elected Prime Minister Thaksin Shinawatra. Sickened by the realization that this was necessary, the urban middle class reluctantly condoned the action, even greeted the military with gratitude by tossing flowers in the paths of soldiers. It realized that Thaksin had become a demagogue, if not worse. The rural population was the base of Thaksin's support, even to the point where had he stood for re-election once more he would have won. He had risen very quickly to power, only in the year 2001, having fortuitously invested in the mobile-phone industry just at the moment that it was exploding in use. (As an illustration of how strategically placed Thaksin's Shin Corporation was, one needs only to recognize that telephone service through landlines was practically non-existent when suddenly cell phone technology burst forth. This allowed the country to install signal towers across the land and essentially leapfrog over existing technologies at a far lower investment cost. When I was first in Thailand in 1962 in a rural Peace Corps post, the only way I could have asked for help, had I needed it, would have been to rely on the police radio service to contact Bangkok. Today cell phones are as ubiquitous in Thailand as they are in any advanced industrial nation.) In a period of a decade Thaksin came to be worth billions. From there he expanded his empire to include other communications enterprises such as radio, television, satellite, newspapers, and of course real estate, and was able on that basis to essentially buy his way to political power. As in the typical Thai way of doing things, he formed his own political party, had his own newspaper, his own media network, and his own coterie of attendants.

To be sure, Thaksin had instituted many measures for which the public was grateful, the most important being the institution of universal health care. For the price of roughly 75 cents a visit ($US), any citizen in the country could have medical treatment. On the other hand, Thaksin had opened even wider the floodgates of the country for foreign investment, and gave international companies attractive opportunities to snatch up hundreds of businesses at bargain-basement prices. Then, suddenly, still as prime minister, Thaksin sold his own cell-phone business for an estimated 4 billion dollars to Temasek Holdings, an international conglomerate in Singapore partially owned by its government. This not only gave control of one of Thailand's key industries to an organization beyond its own borders, but the sale was done in a way that allowed Thaksin to avoid any tax payments to the Thai government.

The politically aware elements of the Thai population, already uncomfortable with this arriviste's control of so much of the country's essential services and fearful and sickened by much of Thaksin's demagoguery, were outraged by this behavior. It was then that the military stepped in with the tacit blessing of the Thai monarchy to seize governance of the nation while Thaksin was in New York at the opening of the UN Session. After a history of military coups going back to the 1930s, it was a move that Thailand watchers, both within and beyond its borders, thought they had moved beyond and hoped would never happen again. Sadly, it was not the case.

The military cabal held new elections soon, following the drafting of a new constitution, one that hopefully would not allow so much power to be amassed by a prime minister. But the general population was mobilized and polarized for the first time in Thai history: the rural people favoring Thaksin for the health program and low interest loans he initiated, and the middle class cognizant of his more egregious financial corruption. The military leadership that stepped in was initially somewhat ham-handed in its rule, one instance of controversial policy being an attempt to rewrite the rules about how much control international corporations should be allowed to have over Thai businesses. National leaders came to be alarmed about threats to Thai sovereignty by the new forces of globalization. Instead of requiring a certain proportion of corporate directors to be Thai citizens, it chose to stipulate that a majority of capital be owned within the country. The globalizers abroad roundly condemned this proposal, and the rules soon collapsed in the face of pressures by international political and business interests. Meanwhile, the government also sought to recover control of the privatized telecommunication monopoly that had fallen into foreign hands.

As matters now stand, a struggle continues over property titles and governing structures and it is by no means clear which factions will prevail. The world community, claiming to be the forces of enlightenment, is on the side of increased free trade. But one can understand how Thai people, and many of their leaders, are concerned that they are about to lose control of their own country, and in effect become a latter-day colony of international corporate interests. (GRAIN, an international organization, has formed to raise awareness about the extent to which land parcels, both urban and rural, are being purchased by individuals and corporations in outside countries. This practice is nothing less than a latter-day land-grab and is being promoted by the World Bank. Dozens of grass-roots organizations worldwide, including several in Thailand, have joined this coalition and have put forth principles to guide national awareness. The largest of these in Thailand is the Land Reform Network of Thailand.) As noted earlier, Thailand has a strong cadre of government experts in finance and economics, and the banking community is equally well staffed with worldly western educated professionals. But these officials, both in government and outside, are totally immersed in conventional neoclassical economic philosophy. They are as blind to the concept of economic rent as are most economists working for international banks, American government agencies, and others.

But there is a Georgist solution to Thailand's dilemma. Were the nation to collect the economic rent from the internationally owned businesses, there would be less incentive for them to be captured, less leverage over Thai government and economy, less tax revenue needing to be taken from Thai people themselves from other sources, and greater recovery of the "commons" the country is now at the risk of losing. Collection of economic rent is the natural defense against the seizure of resources by international businesses on a worldwide basis, a logical protection against the pressures of globalization, and the best protection against corporate power overwhelming political sovereignty. How to help Thailand appreciate this realization is a challenge for not only the international Georgist community but for those in Thailand that have become fascinated with the Georgist paradigm. The one long-time active Georgist in Thailand is retired Admiral Suthon Hinjiranon, who has translated Henry George into Thai, has written his own book for Thai readers (2002), and who maintains a website (http://utopiathai.webs.com/) to promote the Georgist message. (Admiral Suthon was exposed to the ideas of Henry George decades ago when he was stationed in New York as a naval officer and elected to practice his English at the Henry George School in New York. With the support of the Schalkenbach Foundation, he printed copies of his translation of *Progress and Poverty* in 2003, as well as his own book, *The Unjust Poverty*.)

It is almost beside the point to ask what happens to democracy and distributive justice in circumstances where corporate power becomes the prevailing force in a country's operations. This appears increasingly to be the case in world affairs, as elucidated earlier in this paper. Thomas Friedman, foreign-policy columnist for the *New York Times* and an effective chronicler of globalization trends, is as much a journalistic apologist for globalization as Columbia University economist Jagdish Bhagwati (2005) is among economists. Friedman (2006) argues that in a world that is "flat"—that is, where capital and labor are on a level playing field worldwide and where trade offers the efficiency of the lowest common denominator—no two countries having

McDonalds are likely to go to war against one another. Perhaps so, but this is a world where corporate hierarchies are beginning to dominate over political democracies (if they do not already), where wealth and power threaten to prevail over distributive justice, and where freedom and initiative are in danger of becoming subordinate to the "iron cages" of organization that Max Weber dreaded in a coming rational and bureaucratic age. A century ago, Henry George (1966) defended the open market free-trade policies first advocated by David Ricardo as means by which to enhance competitive advantages and raise the quality of markets to the full extent of their reach. When his book on the subject was written, however, labor and capital were for the most part immobile; there was no way he could have envisioned the prospect of worldwide money transfers by wire in an instant. This practice invites reconsideration of George's defense of open markets, at least until such time, should it ever arrive, that economic rent is first and fully collected from land in all its natural forms (Daly 2002; Braund 2005: Ch. 9).

In the final analysis, the Georgist philosophy and its very practical agenda has both wide applicability and moral force. It offers an answer, perhaps the only answer, to a world increasingly captured by private interests, by corporate power, and by distant elites. It offers economic justice and clarity of vision, restoration of and protection for the commons, all critically necessary dimensions if politics is to prevail over economics. Lastly, it offers protection for the environment of the earth in a deft and gentle way that is within the capacity of governments to implement. If the Georgist vision is to be successful, however, it requires a level of altruistic thinking that represents a challenge to political discourse at a local, a national, and a global level.

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