

A Philosophy for a Fair Society

Does the Georgist paradigm offer the promise of a unique social system, or one that is no more than a variation on the capitalist theme?

It could be argued that, had the recommendations of Adam Smith been consistently adopted, the transformation from feudal to industrial society would have been in the direction that was to be visualised by Henry George. This argument collapses when we note that Adam Smith, while clearly acknowledging the unique attractions of rent for public revenue purposes,²¹ championed the landlord class. He explicitly justified the maldistribution of land. In *The Theory of Moral Sentiments* (1759) he argued:

When providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last, too, enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for.²²

One doubts that the beggars who live underneath the arches in London's Charing Cross, or who huddle in the corners of the New York subway, would share Adam Smith's characterisation of the life of the landless.

It is Adam Smith's wish to protect the landlord class that divides him from Henry George. This is dramatically emphasised by his fiscal stricture that "The ground-rents of uninhabited houses ought to pay no tax".²³ Thus, the landowner is not to pay for the privilege of monopolising urban land,

even while homeless people wander the streets. The landowner is rewarded with a persistent increase in the value of the land he occupies, thanks to the growth of the community and the expenditure of government on social services, even while he withholds land from use. Thus was the land speculator enriched in the burgeoning cities of early industrial society, even as the freeborn Englishman was dispossessed of his farm and expelled to the cities.

We do, then, have before us three distinct social paradigms, each apparently distinguished by the emphasis it places on one of the three factors of production.

Land \longleftrightarrow Georgism
Labour \longleftrightarrow Communism
Capital \longleftrightarrow Capitalism

In fact, the symmetry is not a perfect one. For while the ideologies of capitalism and communism accord primacy to one of two factors of production, the Georgist framework does not assign pre-eminence to land (which would downgrade the importance of labour and capital). The distinctiveness of the Georgist conceptual framework is that it synthesises all three factors of production into a holistic system.

Nonetheless, given the intellectual record of the last century, the primary function of the Georgist paradigm, today, must be the rehabilitation of the importance of land in the economy and society.²⁴ This would recalibrate the roles of capital and labour. This, in turn, would strike a new balance between the private and public sectors of life, and open up the prospects for cultural evolution and individual liberation of the kind that are not currently within the realms of admissibility.

Some of the distinctive characteristics of the Georgist paradigm are displayed by the facility with which it addresses seemingly intractable problems. Its tenets identify the source of the problems while simultaneously offering solutions. To see how the paradigm works, we will briefly review the two crises to which we have already alluded: the urban and the ecological.

The social city

The great cities of the 19th century were largely built to suit land speculators; the result was overcrowded Dickensian hell-holes for large numbers of people.

In Britain, a comprehensive solution was offered by Ebenezer Howard, who had been inspired by the writings of Henry George. He developed a scheme for what he called the garden city: a new town built on a greenfield site, the first of which was to be Letchworth, in Hertfordshire, just north of London.

In the social city, the citizens demonstrate the feasibility of social ownership with private use of the land, to harmonise the mutual interests of the community and of the individual. In his book, Howard presented a diagram which he called "The Vanishing Point of Landlord's Rent". Rent would not disappear, of course; it would be transformed back into public revenue and used to defray the expenses of society.²⁵

The relationship between private poverty and social decay was stressed by Howard. Ray Thomas, in his introduction to the 1985 edition of *Garden Cities of Tomorrow*, examined the contemporary relevance of Howard's insight:

The theory of income distribution which underlies Howard's advocacy of social cities postulates that land ownership in old cities is the principal way in which inequalities in income are established and perpetuated. The maintenance of high urban land values in Britain over recent decades in spite of recessions in the economy, and the maintenance of high land values in Britain's old cities in spite of the exodus of population, is consistent with Howard's theory. It is also consistent with Howard's theory for inequalities in the distribution of wealth to be greater than inequalities in the distribution of incomes - a pattern which is very marked for Britain. It is unfortunate that Howard's theory has yet to be seriously considered by economists.²⁶

Despite the example of Letchworth and the New Towns that were to be built in Britain in the postwar years, however, the need to treat rent as a social revenue that would solve major social problems was no longer part of the public dialogue. Why? Thomas suggests one reason:

Howard's ideas in this area are sketchy in comparison with those provided by theoretical frameworks such as exist in the Marxist tradition. But it is not easy to identify any other contribution since that of Henry George

which relates the problem of material inequalities so clearly to the structure of cities and the pattern of land ownership.²⁷

The link between land, rent and the social environment of the city has not been altogether lost, however. The connection was reiterated by the United Nations' Habitat Conference in 1976, at which a resolution was passed which declared:

...the unearned increment resulting from the rise in land values resulting from...public investment...or due to the general growth of the community must be subject to recapture by public bodies (the community).²⁸

Ebenezer Howard knew that his experiment in public finance, if applied to the extensive areas of dereliction in the great cities of the nation, would transform society.²⁹ Unfortunately, that vision was to be betrayed by successive generations of scholars who detached themselves from the lessons of the land. Finally, under Margaret Thatcher's programme of privatisation, the property of the New Towns (Letchworth, for legal reasons, was an exception) was sold off. Thus was terminated a symbolic experiment in the Georgist paradigm.³⁰

Habitat as home

We turn, now, to the environmental issue.

The depletion of natural resources and the despoliation of nature is due to a single reason: the failure properly to measure the rental value of all of nature's resources, and to make the users pay the community for the benefits they receive.

Since the dawn of the industrial era, factory owners have been allowed to belch damaging effluent into the atmosphere or rivers and seas without paying rent for occupying those precious spaces. If the users had been obliged to pay rent, they would have nurtured nature; they would have calculated carefully before abusing her. The Georgist paradigm sets in motion a sophisticated drama that prevents the exploitation of nature. This is achieved on the basis of a correct distinction between public and private property; and insistence on the principle that users should pay for the benefits they receive. Rent is the measure of those benefits.

There can be no solution to the environmental crisis until this principle is clearly established. This has not yet been achieved, despite an enormous

amount of research into the problem, because the original environmental concerns were formulated from a mainly ecological perspective. This is illustrated by Gaia (the name of the Greek mother god of earth), the most popular paradigm in the field of ecology.

The Gaia hypothesis, which was developed by John Lovelock, postulates that the world is a single complex living entity that is capable of regulating and sustaining itself.³¹ The hypothesis is attractive for its holistic qualities, but it cannot offer specific economic solutions for society at any particular stage of development. For example, we need to know what type of system of public finance is necessary if mankind is to work with, rather than against, Gaia.

A variety of schemes have been proposed by environmentalists, but they are generally hostile to the market economy - that is, the monopoly-inspired capitalist version.³² The Georgist paradigm, because it is earth-based and culturally comprehensive, provides the answers to the hard practical questions; and it can smoothly embrace the Gaia paradigm as one of its components.³³

We begin to see that the Georgist paradigm, if it were to be adopted as a guide to policy formation, would ultimately yield a unique social system. Cultural evolution would have, as its starting point, the principle that anyone who wants to have exclusive use or occupation of land would be obliged to pay to the community the full annual rent - as measured in the competitive market - for the privilege. Once the obligation is accepted, the user is then free to deploy land to realise the best results within the limits set by a democratic system of law-making. From this would spring a fruitful partnership between the public and private sectors in place of the tensions that exist today between the two spheres of life.