

## A question of power

The debate about “the end of history”<sup>34</sup> flushed out the poverty of the philosophy of the liberal democratic age.

We are told that the western approach to politics is the best model that can be devised. In the marketplace of ideas, the free market and liberal ideology have certainly outgunned the creed of the communists. And yet, the United States counts its malnourished citizens by the million. And then there is the federal deficit: the fiscal ballast, measured in trillions of dollars, that keeps the ship of state afloat even while threatening to sink it, a legacy of debt that future generations will have to finance without enjoying the benefits.

Something is wrong, and yet social scientists, with a few exceptions, are complacent. This is understandable; they are creatures of their time and place (the product of socialisation). So it is difficult for them to be objective. This, in part, explains why the social sciences have failed to match the great advances in the natural sciences. The astronomer has no difficulty in separating his personal objectives with the exercise of objectivity in his discipline. This reality will be explored in relation to the concept of power. Its centrality in our lives - and in everyday discourse - is commonplace. Yet few scientists have accorded it the investigation that it warrants. Melville Ulmer’s observation is justified:

Perhaps no subject in the entire range of the social sciences is more important, and at the same time so seriously neglected, as the role of power in economic life.<sup>35</sup>

Curiously, the Left has failed to fill that void, as Christopher Lasch, a Professor of History, has noted:

It seems to me that what's really at stake here is a discussion about authority, and ultimately I think a discussion about politics, and the nature of power. This, incidentally, is astonishingly a kind of vacuum on the Left. So much attention has been devoted to the realm of production, and proportionately so little to politics and authority....<sup>36</sup>

The nature of power is by no means unambiguous; much remains to be done, to clarify its roots. Until that task has been undertaken, knowledge and political activity will remain distorted and ineffective.

I acknowledge that social scientists are fallible, products of their cultural environment. They are "involved": not deterministically "conditioned" in the way that Marx would have us believe, but anchored in the prejudices and needs of family, community, nation-state. The mind does permit imaginative leaps out of our present condition, but this exercise is easier for the Hollywood scriptwriter who is churning out another StarWars fantasy; more difficult when we try to visualise a different kind of society, a process made more difficult if our vision threatens an accelerated pace of change for our community, which poses difficult questions about the reallocation of power.

Occasionally, however, there comes along a man who is able to abstract his thinking from his personal circumstances and develop a high degree of objectivity about the nature of his society. Such a man was Henry George, the journalist from San Francisco whose critique of society led to the elaboration of a new social paradigm.

Any attempt to challenge the ruling order has to offer a viable alternative. If this can be accomplished, we have at our disposal a fruitful theory, one that may be capable of yielding greater benefits than the obsolete paradigm. The role of the social scientist is to subject that theory to close scrutiny, to test its integrity and help to formulate practical solutions to ease the transitional phase to a new social system.

One approach is to analyse the distribution of power, for when the old gives way, it is because it has degenerated; it has become unsustainable because the power that holds it together is dissipating. We begin our analysis with a sketch of the power structures that distinguish the Georgist

paradigm from the capitalist and the Marxist models.

**The capitalist paradigm**

The system that was to emerge in western Europe owed much to its two principal theorists, John Locke (1632-1704) and Adam Smith (1723-1790). They were the philosophic craftsmen who searched for the keys that would unlock the secret to a post-feudal society based on individual liberty and material prosperity, the nexus of which was private property and the interactive process that we call the market.

John Locke clarified the foundation principles with his deliberations on property. He articulated the need for private ownership, which was necessary to liberate the individual. But what of the healthy interaction of the social system? Locke's failure was in not being able to formulate a practical solution to his crucial proviso: the private possession of land should be upheld insofar as it was possible to ensure that there was sufficient for everyone to enjoy access to land of equal value.<sup>37</sup>

But what if there was not sufficient good, vacant land to allocate to newcomers? Unless a solution was found, the power to regulate society would fall into the hands of those who controlled the means of life: the land. Here we have the origins of a lopsided power structure and of class conflict, for which Locke offered no answer.

The second pillar of the new system was Adam Smith's defence of free enterprise. *The Wealth of Nations, inter alia*, was a treatise against government involvement in the market; the mercantile approach to economics, warned Smith, was an impediment to the creation of wealth for the benefit of the consumer.

This critique opened up the debate about the correct division between the public and private spheres of life, but it did not go far enough. As we have noted, Smith, ultimately, defended the preservation of the rights of land owners. Their power, as Winston S. Churchill was to note in one of his 1910 campaign speeches, was "by far the greatest of monopolies - it is a perpetual monopoly, and it is the mother of all other forms of monopoly". Adam Smith, in advancing the cause of market economics, failed to specify the primary condition for denying one class of people the power to manipulate the market to their unequal advantage. He sought to undermine the manipulative power of the state over the economy; but instead, was to

substitute the equally uncompromising power of the landowner over the economic fate of the nation.

We have already noted why it is in the interests of a class of people to diminish awareness of the centrality of land as a factor of production. The answer is grounded in ideological roots. Professor Gaffney has offered his account.<sup>38</sup> For present purposes, it is sufficient to note the striking identity of perception between the capitalist and communist paradigms: in conceptual terms, they both operate on the basis of a conflict of interests between two power blocs: labour and capital.

### **The Marxist paradigm**

The defining feature of Marx's paradigm was the dictatorship of the proletariat within a system in which land and capital were conflated into a single category - "the means of production" - and property rights were nationalised. To remove the risk of a dilution of this form of property ownership, political power was vested in the hands of the proletariat, represented by their vanguard - the Communist Party.

The Marxist model over-simplified anthropological reality. Through evolutionary timescales, culture-bearing humans had devised complex property rights that facilitated the adaptation of social arrangements to ecological niches of the richest variety. These solutions had to balance the needs of individuals with the welfare of the community. This was successfully achieved, until modern times.

Industrialisation dictated the need for a recodification of property rights. The social reformers of the 19th century, however, failed to define a structure for property rights that was capable of accommodating historical imperatives with the needs of the new mode of production. Marx fared no better, and added to the damage with his alternative paradigm. By his pronouncements on the need for dictatorship of the proletariat, he encouraged an approach to politics that was to place totalitarian authority in the hands of a few people; with the majority at the mercy of the whims of a Stalin or Brezhnev.

But there is no historically valid alternative approach, according to spokesmen for the Austrian school of economics. Ludwig von Mises, in his discussion on capitalism and socialism, asserts that "there is no compromise possible between these two systems," and "no third system".<sup>39</sup>

His verdict was most recently echoed by *The Financial Times*, the London newspaper whose reassuring Christmas editorial to the worlds of finance and industry on December 24, 1993, was: "No known alternative stands ready for the choosing." Yet, after recounting the fate of the lowest 25% of income earners in the developed world (income had continued to trickle up from them to richer people) and the two-thirds of the world's population which "have gained little or no substantial advantage from rapid economic growth", the voice of the capitalist world opined:

Christmas is a time when sentimentality may be guiltlessly enjoyed. But the true spirit of the festival requires that those who desire an economic success built upon something other than foundations of much misery and deprivation engage in the search for policies which are both hard-headed and ethical. Human economic history has not ended with the triumph of the free market. It has hardly begun.

Conceptually, alas, such policies cannot be developed within the capitalist version of the market. *The Financial Times* may urge politicians and economists not to be deterred from "seeking to ensure that the fruits of capitalism do indeed reach the lower quarter of western society, as well as the global two-thirds," but such exhortations are empty: capitalism is a paradigm that is as played out as communism.

Fortunately, a third paradigm does haunt the realm of ideas, and it "stands ready for the choosing".

### **The Georgist paradigm**

The Georgist model displays a distinctive matrix of characteristics that constitute a viable and unique social system. The reforms to institutions and processes that flow from it would emancipate every individual within a healthy community that was intrinsically biased in favour of preserving the habitat.

Henry George built his socio-economic framework on a sophisticated concept of property rights. Capital was privately created, and ought to be owned by the individual. This was a practice employed by *homo sapiens* in the hunting phase of cultural evolution, when bows and arrows and other artefacts were the property of individuals or families. Private property in those artefacts was not at variance with the welfare of the community;

indeed, it was a necessary feature of a viable social system.

Land, defined to include all the resources of nature, was different: its possession was diffused in the group (family, clan, tribe, etc). There had to be private possession, if land was to be used effectively by releasing the creativity of the individual. But the usufruct - what we now call rent - was the result of interaction and growth of the community: rent was a public revenue, therefore, which ought to be reserved for socially-necessary expenditures.

Henry George saw that the treatment of rent as public revenue was the essential device for enshrining the conditions for cultural progress in the industrial era. Civilisation, he pointed out, was made possible by co-operation and equality. Other factors were necessary, if people were peacefully to co-operate with each other; but a precondition for such progress was the social collection of rental income.<sup>40</sup>

Was he overstating his case? Was he doing no more than declaring a subjective preference? This is the argument of neo-classical economists, who (like the Marx of Vols. I and II) do not recognise substantive differences between land and capital. The operational consequences are discussed by Kuhn in his attempt to reconstruct social sciences in what his publisher calls "a new, single form".<sup>41</sup> He states:

Most market systems operate under the private ownership of land, so that landowners are among the factor suppliers who receive income...One of the outstanding questions of economic justice is whether any private person or organization should receive payment for land, since human beings do not produce it. We will not go into the controversy here, which is essentially a value judgment with relatively little logic to assist it. We can observe, though, that private ownership is a technique of administering the use of land as well as of distributing income.<sup>42</sup>

Kuhn offers no objective method for testing whether private ownership of land is appropriate within the market system of production, and yet he presents as a key test of the functional performance of the market his assumption that "equal payments to factors represent equal costs to factors". He illustrates his point thus:

That is, if two men receive the same hourly wage, we must assume that they both suffer the same cost, opportunity plus disutility, of providing the hour's labor.<sup>43</sup>

On the basis of Kuhn's objective test, then, it seems that land is peculiar: it has no cost of production - it is supplied free. So for any one individual to appropriate the rent of land must mean a dysfunctional situation has been created. In Kuhn's terms, then, we are able to declare that capitalism fails to "satisfy the greatest total desires".

There is, of course, an opportunity cost of using land: this cost is paid even when land is socially owned, as Kuhn acknowledges:

The scarcity cost of digging coal from the ground is that it is not available to be dug out again a year or a generation hence. This scarcity cost prevails just as much in a socialist as in a capitalist nation.<sup>44</sup>

But this cost does not fall on the individual owner; it falls on society.

Henry George analysed the tensions at the interface between the public and private spheres of life, and he was able to propose a matching solution. His prescription was perfectly synchronised with the need to optimise the allocation of resources to produce the maximum welfare for both the individual and society: people should pay the full market rent to society for the exclusive use of a natural resource.

For Henry George, rent was the integrating principle of the system, the third dimension that synchronised labour and capital into a symbiotic order. In this way, the triadic relationship of Man, Society and Nature was enshrined in a fully functional system. The power structure was a balanced and fair one. People derived their share of power on the basis of their contribution to the welfare of society rather than the monopolisation of a scarce natural resource. No matter what unique contribution a person made (for which he was individually rewarded), everyone shared equally in the creative power that was brought to bear by the community, through the natural right of equal access to the resources of nature. Not everyone could have land of equal size and quality: but everyone could share equally in the total rental value of a nation's land and natural resources. This was the principle of social integration that was, and remains, absent from the two systems that came to dominate the past two centuries.

The Soviet experiment failed because Marx's heirs did not pay attention to the imperatives of land.<sup>45</sup> It would be fair to acknowledge that Marx did succeed, in Vol.III of *Capital*, in identifying the differential power of capital and of land.<sup>46</sup> His acolytes, however, failed to follow through with

the analysis. As a result, therefore, a society modelled on the primary Marxist constructs was untenable.<sup>47</sup>

That the capitalist system has succeeded in maintaining itself tells us something important about the power that was deployed; and we are obliged to reflect on the nature of that power, to assess its apparent resilience and prospects.