

# THE GREATEST *INCONVENIENT* TRUTH IS A FIRST PRINCIPLE

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Indications of the unjustifiable concentration of wealth and income are worldwide. Even in societies such as the United States, the United Kingdom and Australia, millions of households live perpetually in debt, unable to earn enough income to achieve homeownership or save and invest for retirement. Even among homeowners, millions continue to live in substandard or worse housing conditions, in communities where there is limited or nonexistent access to clean water, freedom from violent crime, the opportunity to acquire a well-rounded

education, or access to affordable medical care – in short, a scarcity of nearly everything that contributes to what makes for a decent human existence.

Sadly, we have reached the twenty-first century allowing entrenched poverty to remain as a terrible common denominator characteristic of every society. Less acknowledged is that entrenched privilege is the great common cause of entrenched poverty. None of the great citizen movements for social and political reform have successfully attacked fundamental privileges. The century-long advance of social democracy – in part stimulated by the challenges of state socialism -- has, at best, prevented widespread uprisings against established socio-political arrangements and institutions. Political science has provided us with the term *disjointed incrementalism* to describe the process by which public policy decisions are generally made.

In the absence of proportional representation in the United States, citizens have tried to force changes on entrenched political parties by use of ballot initiatives and referenda. The gradual expansion of planning bureaucracies in many other social democracies has become an effective means of protecting the status quo from all but the most moderate incremental changes in how government policies are implemented. In nearly all cases, a large minority of citizens are effectively disfranchised from the decision-making process and simply withdraw from their responsibilities as citizens.

The day-to-day workings of political parties and elected officials is heavily weighted to the awarding of subsidies, government contracts, and other means of rewarding financial contributors and political insiders. In most U.S. cities and towns, there is a long-standing tradition of *pay to play* corruption of the public (i.e., common) interest. Efforts to end these practices have proven ineffective. As legislation works its way from committees to voting bodies, exemptions and loopholes find their

way into the language. Enforcement is left without sufficient funding and independence of action. Those in and out of power return to time-honoured deal-making and point the finger at political opponents when the next scandals become public. The need to impose term limits on those who hold public office is clear, as is the need for fundamental campaign finance reform. Yet, both measures are repeatedly rejected by those who acquire and become consumed by political power.


Those who possess the financial means consistently use their influence to secure for themselves some degree of advantage over others. Business executives seek exemption from enforcement of laws and regulations, special protections from competitors, and what economists describe as *free rider* use of public goods and services (i.e., benefit without cost). Experience reveals that the rewards are enormous, the risks minimal so long as one is insulated by retaining politically-connected legal representation.

Such is the state of civilization as we have acquiesced to it. Moral principle -- the basis for universal just law -- is subverted by systematic repetition of relativistic doctrines institutionalized to secure and protect privilege and vested interest.

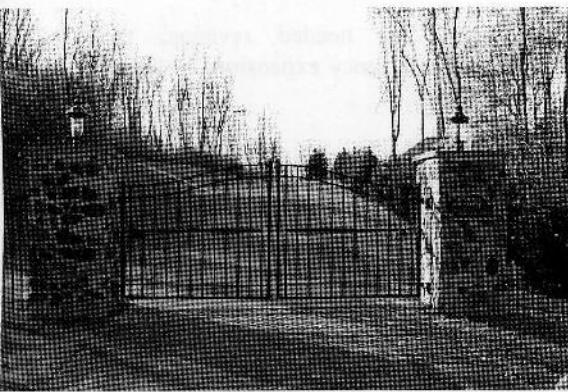
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## First Principles

The first principle of civilization (i.e., what ought to be) is that *each person has as a birthright equal access to the earth*. From this principle, justice requires we embrace the earth as a commons not subject to ownership claims by individuals, entities or nations. Claims by some to exclusive control over any portion of the earth are made in violation of the first principle of civilization. The



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exercise of our liberty is, as the world order is constituted, a virtual impossibility. Societies differ from one another only by the degree to which injustice is unfettered or mitigated.

Our responsibility as intelligent beings is to serve as wise stewards of this rare life-supporting planet. In this responsibility we are failing. The human footprint on our planet is heavy and continuously destructive of the very means by which life has emerged. Despite the tremendous increase in our numbers, our social organization has changed little over time. Hierarchy is another common denominator, the origins of which are traced to the time when groups began to settle in one place to cultivate the earth, domesticate animals and begin to treat territory as property.

Conflicts over the control of territory and the resources provided by nature continue in every part of the world. Sustainability remains a distant goal of the thoughtful among us. True participatory democracy remains a utopian concept. No society lives under just law equitably enforced. Everywhere around the globe the commons has been claimed for sovereign control by some group of people, then privatized for individual exploitation and profit. Territory and resources under the control of national or regional government entities are more frequently than not allocated for private exploitation under monopolistic licensing agreements that enrich licensees at the expense of the society as a whole. The beneficiaries reward their political benefactors with

campaign contributions and lucrative private-sector employment when their term of office has ended.

Look around. Everywhere there is evidence revealing the violation of the first principle of civilization. We have allowed the earth to be carved into geo-political territories over which some groups of individuals claim sovereignty. Initially by the strength of arms, and eventually by acquiescence to the status quo, we *protect* borders from entry by individuals who are not recognized as citizens of *our* country. In other cases, we prohibit individuals from migrating to another part of the globe where they might choose to settle and live. We have proceeded to carve the earth into individual parcels of land, empowering government to issue deeds conveying exclusive ownership (protected, in most countries, by the police powers of the state) to that portion of the earth. Deeds protect claims to small parcels large enough for a private dwelling, to entire city blocks, or to thousands of square miles of grazing, forest or mineral lands. Deeds even convey control over naturally-occurring bodies of water. Ownership is protected in perpetuity, generation after generation – so long as some more militarily powerful external group does not invade, take control, and either evict or murder the previous deedholders. History provides the details. Force, theft and fraud are the basis for how we have carved up the earth as enclaves of monopolistic control. The principle of the earth as our common birthright and heritage is, today, among the great inconvenient truths that demands justice.

### **Looking Forward to the Past**

There have always been a thoughtful few among us who concerned themselves with the objective pursuit of truth, who relied upon reason and observation to come to the principles upon which societies ought to be organized. From time to time they paid with their lives for challenging existing socio-political arrangements. More rarely, their work became the basis of debate to end practices linked to a barbaric past. The rediscovery of the writings of Plato and Aristotle rocked the early Renaissance Eurasian world to its very

foundations, setting the stage for the rebirth of the scientific method.

What distinguished the philosophic investigations of the ancients from those who in the last three or four centuries have examined many of the same questions is their rejection of divinely-inspired orthodoxy when conflicts arose with knowledge acquired by use of the scientific method. We find these conflicts played out again and again in the writings of history's deepest thinkers. The greatest leaps forward occurred when -- beginning with the successive and collective writings of late Renaissance and post-Renaissance -- scholars began to challenge on principle the claims by rulers to hereditary rights to power as mandated by a Creator. After numerous religion-incited civil wars, the Inquisition and other attempts at mandated orthodoxy, some societies were brought to discard state religions and permit individuals to practice the religion of their choice. Yet, even in these instances brought forward to our own day, *freedom of religion* has not been accompanied by *freedom from religion*. In numerous ways, atheists and agnostics are obligated to subsidize the true cost of providing public goods and services to religious organizations.

Pursuit of knowledge in the face of privilege-based socio-political arrangements and the heavy-handed disbursement of *justice* thereunder has never been for the faint of heart. Thankfully, a small number of individuals in every generation has somehow found the courage to engage in the scientific pursuit of truth. While some sought to make sense of the physical world, others devoted

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themselves to the study of human behaviour and our social, political and economic organization. To assist humanity on the path forward, these latter scientists constructed *the science of political economy*. Over the course of three centuries, those engaged in the work of the political economist argued and debated over distinctions between fact and fiction, between what

constituted moral behaviour and what was an exercise of privilege, and over the proper powers and responsibilities of those who governed.

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For readily apparent reasons, even the most forward-thinking of the political economists of the seventeenth and eighteenth-centuries were careful in the language used to make their learned attacks on entrenched privilege. Wherever possible, they pointed to heralded *beacon lights* of past generations to affirm their own observations and conclusions. John Locke's writing had opened the door in the West. Others could with reasonable safety later quote Locke on many sensitive issues. Investigators could point to Locke's declaration "*that morality is the proper science and business of mankind in general.*"<sup>vi</sup> And, when members of landed aristocracies defended their privileges as divinely mandated, political economists could draw upon Locke to respond. Did they not have it on Locke's authority that "*God, who hath given the world to men in common, hath also given them reason to make use of it to the best advantage of life and convenience.*"<sup>vii</sup> Indeed, some would begin to recall the teachings of Moses to affirm Locke's inconvenient truth.

The remarkable Scot, Adam Smith, absorbed the wisdom of Locke and built upon it. Long before the appearance of his masterwork, *The Wealth of Nations*, he told an audience in Edinburgh that "*[l]ittle else is requisite to carry a state to the highest degree of opulence ... but peace, easy taxes and a tolerable administration of justice.*" To do otherwise was to "*arrest the progress of society.*"<sup>viii</sup> Throughout his writings are subtle challenges to entrenched privilege.

The major contribution made by political economists, generally, was one of historical analysis. They described how social mores evolved into legal codes that formalized societal hierarchy and claims of control over territory, natural resources, as well as goods people produced. And, they raised moral questions concerning the outcomes. One, in particular, took the gloves off to attack privilege and

injustice wherever found. This was Thomas Paine.

To the French in 1792, Paine urged, "*...it must surely be impossible for any reasonable person to believe any longer in such an absurdity as hereditary monarchy.*"<sup>ix</sup> More generally, he declared "*...governments of the past managed to stimulate enmity and suspicion in every direction between nations as well as between individuals, and in this fashion to perpetuate their miserable domination.*"<sup>x</sup> And, writing in terms France's great school of political economists, *the Physiocrats*, could appreciate, Paine later called for *agrarian justice* – demanding that those who controlled land owed a ground rent to society for the privilege enjoyed. Paine's closest American collaborator, Benjamin Franklin, declared the philosophy of the Physiocrats to be his own.

A key observation by Smith and other political economists of his generation was that control over land comes to have an exchange value when demand for the best located or most fertile land exceeds the supply. At this point, those who require access to land for their survival are forced to locations that have a lower potential ability to generate goods or commerce. With population growth and enough time, frontiers and freely-accessible locations disappear. When some are permitted to monopolize far more than they need or are able to use productively, ground rents are artificially driven upward, leaving producers with less and less upon which to live. At some point, whether by the natural growth in population or by monopoly-created artificial scarcity, some number of people lose access to any land capable of providing for their existence.

As might be expected, few others joined Paine in his call for the societal collection of ground rents from those who enjoyed the privilege of controlling locations. Governments dominated by landed aristocracies looked to every other form of asset or activity for revenue, leaving ground rent in the hands of the privileged. For most of the nineteenth century, goods imported from foreign producers were the particular subject of heavy taxation. Periodically, governments resorted to borrowing from the wealthy and from

bankers for needed revenue, then utilizing currency expansions to service their debt.

Thanks to the journalism, books, lectures and political activities of Henry George during the final quarter of the nineteenth century, landed privilege enjoyed a brief period of public attention and organized challenge. He also made one of the last meaningful attempts to perfect the science of political economy, the title given to his last book, published after his death in 1897.

## **The Rise of the Professionals**

Well before Henry George began his investigations, reliance on political economy for insight into the development of civilizations began to lose ground to the specialist. Political economy provided an interdisciplinary platform gradually displaced by compartmentalized *disciplines*. Industrializing and militaristic nation-



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states discovered the pressing need to know much more about the raw materials, labour skills and industrial capacity that could be drawn upon. European universities, particularly those in Germany and Austria, responded by establishing doctorate research programs in the new field, *economics*. By removing the moral questions raised by political economy, economists would concentrate on data gathering and schemes of how to most efficiently allocate scarce resources. Foreign students coming from the United States, Britain and elsewhere returned home with their credentials in

hand, ready to offer their services to government and to teach what they had learned to a new generation of students attracted to their newly-created discipline.

To be fair, economists were not immune to the concerns raised by political economists in their writings. However, most viewed their responsibilities as citizens or as moral agents as separate and distinct from their economics work. Their discipline was to be *value free* (i.e., dealing with socio-political arrangements as they existed rather than how they ought to

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be). This would save them from being linked to various schemes for radical reform advanced by Progressives, Socialists and even more fringe groups, such as the remnant who had championed the measures advocated by Henry George.

As the twentieth century unfolded, economists increasingly found themselves taking sides in the expanding political debates over the role of government in markets and economic affairs, generally. The failure of what was called *capitalism* to provide for all a reasonably good quality of life was hard to ignore. In much of the Old World, industrialization occurred as an add-on to ancient systems of *agrarian-landlordism*, burdened by monarchy, aristocracy or despotic militarist regimes. In the face of expanding political turmoil on the Eurasian continent, apologists for *The American System* became even more committed to its defence as a bastion of freedom; that is, of freedom to accumulate personal wealth without limit, without responsibility to be wise stewards of the earth, or without obligation to treat one's fellow citizens with humanity. In a society plagued by generational poverty, racism and an escalating concentration of wealth, the American establishment was not about to allow socialism or bolshevism to take hold on their side of the Atlantic.

What emerged in the United States was *liberalism*, not a set of principles upon which to base law and public policy, but a range of policy options that promises some degree of mitigation to the nation's most serious outward problems – without any penetrating upheaval to the system of privilege that had been carried forward and enhanced since the American colonies gained independence from Britain. In response to reformer demands for better sanitation and clean water, for slum clearance and decent housing, and for public funding for schools, elected officials enacted legislation to permit the taxation of real property – of the value of buildings as well as land – by municipal and county governments, as well as school districts. State governments and the Federal government gained authority to begin to tax individual incomes and business profits. These measures were implemented and administered by members of the new professional class, the vanguard of an ever-growing bureaucracy.

### **The Illusion of the Managed Economy**

World war early in the twentieth-century did more to integrate the nations of the world into a system of global political and economic stresses than might otherwise have occurred. Repeating the details of what occurred during the postwar decade is, hopefully, not necessary. We know that by the end of the 1920s the system imploded,

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bringing the production and exchange of wealth almost to a standstill. Most economists were stunned.

The game was on. In the midst of societal turmoil, public pressure on governments to take action increased. Too many people were suffering while mainstream economists urged political leaders to wait for their economies to

cleanse themselves, to return to a state of equilibrium where investments could yield profits and the business cycle would begin its next upward climb. A U.S. President elected on a platform to curb government spending and reduce taxes introduced new programs for disaster relief and expenditures on public goods and services. In Britain, the economics of intervention was provided a theoretical base by John Maynard Keynes, and his converts around the globe entered into government service, expanded on the perspectives of Keynes in their own writings, and (arguably most importantly) nurtured the minds of young students entering university economics programs. By the end of the Second World War, there was widespread acceptance that government must play an ongoing and significant role in the economy, making use of accepted fiscal and monetary policy tools to moderate market fluctuations and maintain stable economic growth.

Thanks to the efforts of Keynes, Harry Dexter White and others, nations agreed to new means of conducting international trade that no longer held trading partners hostage to gold reserve requirements. The International Monetary Fund was created to facilitate short-term currency imbalances. A new world bank was subscribed and charged with channelling funds to countries to stimulate industrial development and resource exploitation (ignoring environmental and social welfare issues). The United States, which by



this time held the overwhelming majority of the world's gold supply, became the primary contributor of financial reserves to rebuild the war-ravaged societies of non-Communist controlled Europe and Japan. Domestically, the U.S. economy relied upon a huge pool of savings built up during the full employment war years to fund the postwar era housing boom and

its related expansion in spending on automobiles and other consumer goods and services. Economists confidently declared they now possessed the theoretical perspectives and the policy tools to orchestrate sustained economic growth that could absorb almost any shocks to the system short of global war or a cataclysmic chain of natural disasters. As the next decades would reveal, however, successful Keynesian *demand management* proved to be only an illusion.

By the mid-1970s, it was becoming exceedingly clear that the capacity to efficiently produce capital goods was shifting to Asia, primarily to the Japanese but also emerging in South Korea and Taiwan. The high cost of doing business in the United States, in Britain, in Germany and most of the world's societies with an aging manufacturing infrastructure was driving businesses to become multinational. Faced with rising

What the new conservatives unleashed was speculative investment in land, in real estate, and in the markets for equities and bonds. Dramatically lowered rates of taxation on the sale of capital and on the highest individual income ranges added to the already enormous storehouse of disposable income held by the top 5 percent of the citizens in these countries. Only a small amount was invested in the creation of new businesses or in new technologies or new capital goods. Most served to drive up the price of land, of real estate, of equities and bonds. In the United States, these measures resulted in declining revenues without any reduction in government expenditures. U.S. government debt began its upward climb under Ronald Reagan, a climb that the current Congress and President have brought to nearly \$9 trillion.

These days, economists are less visible than in the recent past. There are no media savvy economists on display in the way we were accustomed to seeing and hearing John Kenneth Galbraith, Milton Friedman or (for a time) Arthur Laffer. The reason was hit upon back in 1994 by former *Wall Street Journal* economics editor Alfred Malabre, Jr., who wrote:

*"The economists' woes come amid increasing concern over such troubling long-term trends as mounting debt, relentless foreign trade deficits, and perhaps an end to the long postwar rise in the nation's standard of living. By their training, economists appear well suited to lead the charge against these problems. But this hasn't happened. At corporations, economists are an endangered species. Their clout is waning in Washington."*

Malabre recalled in this book that his colleague at the *Wall Street Journal*, Lindley Clark, "urged that the Nobel Prize for economics be discontinued." The discipline had devolved into something less than what another economist (and a socialist), Robert Lekachman, suggested was *the dismal science*.

## Resurrecting Political Economy

### *The Need is Urgent and the Time is Ripe*

For far too long economists and historians and political scientists and legal theorists and sociologists have been severely hampered by their drive for professional isolation. The scientific study of human behaviour and societal organization requires interdisciplinary collaboration and reintegration. These are the characteristics of political economy as a method of scientific investigation. These were the methods relied upon by Locke, Turgot, Smith, Ricardo, Mill, George and others.

The consequences of how we have organized ourselves comes from the recognition of the first principle of civilization, which is (to repeat) that *each person has as a birthright equal access to the earth*. Only when the evidence shows this principle to be upheld will there be justice in the world. And, among the long list of political economists who grappled most courageously and forthrightly with the moral dilemmas involved, none did so with greater clarity of insight than Henry George. I end this call to action with the words he used to introduce his final effort to clear up the contradictions he found in the political economy of his predecessors and contemporaries:

*"I shall try in this work to put in clear and systematic form the main principles of political economy."*

*"The place I would take is not that of a teacher, who states what is to be believed, but rather that of a guide, who points out what by looking is to be seen. So far from asking the reader blindly to follow me, I would urge him to accept no statement that he himself can doubt, and to adopt no conclusion untested by his own reason."*

*"This I say, not in unfelt deprecation of myself nor in idle compliment to the reader, but because of the nature and present condition of political economy."*

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unemployment and the resultant social problems, politicians broadly self-described as conservatives called for dramatic cuts in government spending on social welfare programs, for curtailment in the privileges granted to labour unions, and for reductions in the high rate of taxation on individual incomes and on gains received by the sale of equities, bonds and other assets (all lumped together and described as *capital*).

Desperation brought Margaret Thatcher to power in the United Kingdom and Ronald Reagan to the Presidency of the United States. Other *conservative* leaders emerged elsewhere to right the wrongs of postwar interventionist programs and policies.