

Economic Monitor

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One World, One Wealth

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Standing for Justice

Recent months have seen a sudden burgeoning in interest in the collection of land values for public purposes. In London, the land value gains from the completion of the underground railway's Jubilee Line extension are estimated to be worth, at capital values, some three times the cost of building the extension. But private landowners are the largest beneficiaries of the public investment.

This has led to serious questioning about the potential for harnessing land value gains to fund the proposed London Crossrail development which will eventually link Heathrow in the West with the expanding Stratford rail centre in East London and through there to the Channel Tunnel and Europe.

At the same time, the East London Borough of Hackney has seen sudden rises in property values with the announcement of the proposed East London railway line. More gains are expected as far away as Croydon in the south and Wimbledon in the south west as the full implications of the project are realised.

Meanwhile, in Liverpool, the Liberal Democrat city council has endorsed a plan for a pilot scheme to examine the potential for re-assessing the uniform business rate according to land values.

In Edinburgh a plan by local businessmen to re-open the derelict South Suburban Line is to be funded mainly by developing land and buildings adjacent to the line itself. Elsewhere in Scotland serious questions are being raised as to how local populations can benefit from the use of the estates on which they live and work instead of

seeing most of the benefits disappear into the hands of absentee landowners.

To add fuel to the fire, a new book, (reviewed on page 11), shows that some 90% of the United Kingdom is in fact owned by only 189,000 families, leaving the remaining 59 million of the population to share the rest.



Coincidentally, November 2001 saw the publication of *Standing For Justice*, the autobiography of Andrew MacLaren one time Labour MP for Burslem and a life-long advocate of the collection of land values for public purposes. Andrew MacLaren was one of the founding fathers of the School of Economic Science, whose early meetings took place in rooms booked by him at the Palace of Westminster.

This publication is particularly appropriate at a time when the meaning and values of western civilisation are under such close examination and so open to doubt, because Andrew MacLaren saw in the economic laws

that governed land ownership and land value the key to economic justice and to civilisation itself. For Andrew MacLaren civilisation was a matter of understanding and living by a few simple principles. These principles were essentially Christian, drawn from the Old and New Testaments, but there was room for the great philosophers and a place even for Karl Marx with whose writings he was familiar by the time he was eighteen.

But it was the American economist, Henry George, who gave him the philosophic but practical outlook which guided his adult life. George's writings showed him how it was possible for the fullness of civilised life to be available to everyone, and filled him with a noble vision of the possibilities that civilisation holds for every human being.

Andrew MacLaren was born of Irish descent in one of the poorer parts of Glasgow in 1883, the year that Karl Marx died and John Maynard Keynes was born. His upbringing was hard, though not desperate. At fourteen he became an apprentice engineer, but even by then his father and grandfather had ensured that he was familiar with the teachings of Newman, the speeches of Gladstone and the music of Mozart and Haydn. By then too, he had developed a love of art which stayed with him all his life. He saw these things as the proper inheritance of all mankind.

He took practical guidance from Moses Maimonides: '(The workman's wages should be paid without delay, and they must not be wronged in any of their rights; they must receive their pay according to their work'. He adopted and lived by the

Autumn 2002 course and events – see back page

principle '... it is the function of the intellect to discriminate between true and false – a distinction which is applicable to all objects of intellectual perception'.

He drew from his religious and philosophic studies a deep and abiding love of mankind. He saw in every fumbling instrumentalist a potential concert musician; in every stuttering infant a future Shakespeare; in every artisan a struggling artist; and in every human being a core of simple goodness.

He saw all this in the meanest streets of Glasgow. But he also saw it stifled by poverty want of education and above all by injustice. It was to the roots of this injustice that his attention was drawn by the work of Henry George.

As a young man in the United States, Henry George witnessed the huge technological advances which made industry far more productive than ever before. He looked forward to a manhood in which it would not be necessary to work so hard to earn a living, where there would be time and leisure for even the poorest citizen to cultivate his mind and improve his life. When it did not happen, he wanted to know why, and he found the answer in a simple observation.

Every human being draws life from the land surface of the planet. Our food comes from it, all the materials we use for clothing and shelter come from it. We are dependent on it for a place to stand, a place to stay and a place to work. Henry George saw that the land surface of the planet was being carefully parceled up and sold, usually to the owners of businesses who used their monopoly position as landowners to exploit the working population and reduce wages to a minimum.

This was the supreme injustice – to dispossess the large portion of mankind from their birthright of a place to live and work and a share in the bounty of nature. Andrew MacLaren, like Henry George, fought against this injustice with consistent determination throughout his entire adult life and political career.

Their solution was simple. All that was necessary was for those who held land

to the exclusion of others to return to the community through the tax system the benefit they derived from their exclusive use of the common resource. They were fully entitled to benefit from their own work and from any improvements they made to the land – and even to benefit from the work of others if they could organise and direct it efficiently.

There was no need to disturb existing property rights. It could be done by assessing the annual rental value of land and levying the tax accordingly.

That such a simple and elegant solution to injustice and exploitation should be the source of generations of controversy and hostility is a testament to the strength of the vested interests it challenged. That in the face of such controversy and hostility, a man could hold to his ideal and fight for it with eloquence and passion, and without regard for his own political or personal advancement, is a testament to the calibre of the man himself. It is also an example which, if followed, would transform modern political life.

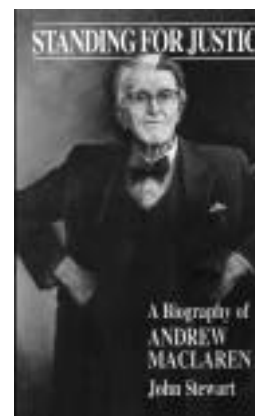
But economics interested him, not for its own sake but because he saw, as John Maynard Keynes put it, that 'economists are not the custodians of civilisation, but of the possibility of civilisation'. He would have welcomed the renewed debate, and would have regarded the financing of infrastructure projects as a perfectly valid application of the economic principles he advocated.

But he would also have seen it as a distraction from the real point, which is to replace an unjust economic system with a just one. He once said:

"The wonderful discoveries and inventions of our century have not really increased wages nor removed the shadowing hand of poverty. The effect has simply been to make the few richer and the many more helpless. But if, while there is time, we turn to Justice and obey her, if we trust Liberty and follow her, the danger that now threatens must disappear, and the forces that now menace will turn to agencies of elevation."

He would have had no hesitation in saying the same now.

Standing for Justice



A Biography of Andrew McLaren MP by John Stewart

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The Economic Monitor apologises for the recent interruption in publication occasioned mainly by the still incomplete move from Queensgate to Mandeville Place.

Normal service will be resumed with the Autumn edition due at the end of September.

Opposition in Zimbabwe

Eddie Cross writes from Bulawayo

For those of us accustomed to orderly democratic political processes and life under the rule of law, this account of life in Zimbabwe's Opposition party, the Movement for Democratic Change (MDC) will be illuminating, to say the least.

"The recent presidential elections have been found "not free and not fair" and the outcome declared illegitimate by people who matter in the world community. The economy of Zimbabwe is in a tailspin with all indicators negative - GDP expected to fall 12 per cent, exports to decline by another 15 per cent, employment falling to less than 850,000 adults, the deficit in the budget spinning out of control. The country is on the edge of massive starvation - we need two million tons of maize, 150,000 tonnes of wheat, 60,000 tonnes of soybean and 50,000 tonnes of crude vegetable oil to avoid starvation. A third of our total population will be on welfare by the year-end. Business confidence is negative and capital flight endemic.

In addition to these issues Zanu PF (President Mugabe's ruling party) has unleashed on the MDC and its structures a nation-wide programme of violence and intimidation. People are being killed, sexual torture is being widely used in Zanu camps and centres and beatings are so commonplace that they are no longer being reported. In one instance that came to my attention this past week four young MDC activists simply campaigning for the MDC were abducted and held in a hole in the ground for six weeks with limited water and food. One of their number died. Another was taken out and left to die in the bush but was rescued by local farmers. The other two dug their way out and escaped. One has his eyesight permanently damaged.

The ruling party and its activists are using food as a weapon. Whole districts are being denied food because they are perceived as being MDC areas. This includes some of the poorest people in the country such as

in the Binga District near Kariba. Ordinary people are being denied food if they cannot prove membership of Zanu or are identified by local Zanu leaders as being MDC supporters. The President has promised a purge of the entire civil service and thousands of civil servants anxiously await their fate.

A nationwide programme of violence and intimidation.

The impact on the region will be no less dramatic - South Africa has already lost at least half its growth in GDP in the past three years, seen direct foreign investment plunge and capital flight accelerate. Tourist arrivals in the whole region are down by half and the service infrastructure that is essential to any future recovery is now in jeopardy.

In the wider sphere, the whole future of the much vaunted New Economic Programme for African Development (NEPAD) is now under threat. The international community, tired of being led by the nose by corrupt leaders, who abuse their privileges to plunder their national coffers and impoverish their people, is saying to the continent's leadership that Zimbabwe is a test case. Handle this and we will see what we can do to help those states in Africa that can get their act together. For Mbeki and Obasanjo this is very important - too important to allow Robert Gabriel Mugabe to get in the way.

There is no way out of this economic and political crisis if we do not find a solution soon. This is clearly evidenced in the speed with which the leaders of Africa are putting the process in train. For us in the MDC the issues are quite clear and the way forward very simple - we want fresh presidential elections as soon as possible under international supervision and on a reasonable

playing field or nothing. We are not being unreasonable or irrational - this is the only way forward and no alternative will be acceptable. A government of national unity? We have consulted our structures and almost without exception they have said "no deals" - even if we have to suffer the consequences.

U.S. President Bill Clinton said in a speech in Georgetown University in December 1991, "The defence of freedom and the promotion of democracy are not merely a reflection of our deepest values, they are vital to our national interests. Global democracy means nations at peace with each other, open to one another's ideas and to commerce. The stakes are high: it is part of a worldwide march towards democracy whose outcome will shape the next century. If individual liberties, political pluralism and free enterprise take root we can look forward to a grand new era of reduced conflict, mutual understanding and economic growth".

If that was true for the USA in 1991, it is certainly true for Zimbabwe in 2002 and we are not going to accept less."

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Wealth or Illth

Herman E Daly offers the World Bank a new vision of sustainability

In an invitation address to the World Bank on the 2nd April, 2002 Herman Daly of the School of Public Affairs, University of Maryland, drawing on the work of Henry George, offered new insights into the measurement of economic success and into the concept of sustainable development. Taking account of nature's resources and considering an economy as a transformative metabolism rather than as a productive process has profound implications for how economic development is understood.

The usual measure of economic success is economic growth. Economic growth is the year on year increase in the Gross Domestic Product (GDP) or output of a national economy, so long as output is increasing, people are becoming increasingly well off and as the economy grows, so the beneficial effects of growth can be expected to 'trickle down' to even the poorest parts of the community.

In the same way, many economists assume that the continued sustained growth of already rich and relatively successful national economies will, through global trade and the globalised economy, pass on benefits to the poorer economies. This should enable them to achieve similar levels of economic growth and development and to trade their way out of relative poverty.

This is certainly the view of the established global institutions, the International Monetary Fund, the World Trade Organisation and the World Bank. But even they have been unable to ignore the effects of continued, apparently unlimited, economic growth: ill-effects that show themselves as pollution, depletion of resources, exhaustion of soils, debt and impoverished peoples.

This has given rise to the concept of sustainable growth by which most economists mean a level of output growth which can be maintained from year to year ad infinitum without distorting the economy by inflation, unemployment or over-production. The

mechanism of the free market is supposed to make this possible.

But there is mounting evidence that this is not what happens in practice. As Daly points out, the problem is that "economists define GDP as the sum of the value added by labour and capital in the process of production. Exactly what it is that value is being added to is a question to which little attention is given".

**Ecological limits
are rapidly
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economic growth
into uneconomic
growth.**

The solution is to consider not output but 'throughput', that is "the entropic physical flow from nature's resources through the economy and back to nature's sinks". "What is going on," he says, "is transformation, a fact which is hard to recognize if throughput is absent... Language misleads us into thinking of the production process as multiplicative, since we habitually speak of output as 'product' and of inputs as 'factors'. What could be more natural than to think that we multiply the factors to get the product! That is how we've done mathematics, not production! If we recognized the concept of throughput we would speak of 'transformation functions' not production functions."

In that light, sustainability means that "the capacity of the ecosystem to sustain these flows is not to be run down. Natural capital is to be kept intact. The future will be at least as well off in terms of its access to biophysical resources and services applied by the ecosystem".

"Moreover this throughput is the metabolic flow by which we live and produce. The economy in its physical

dimensions is made up of things – populations of human bodies, livestock, machines, buildings, and artifacts. All these things are what physicists call 'dissipative structures' that are maintained against the forces of entropy by a throughput from the environment. An animal can only maintain its life and organisational structure by means of a metabolic flow through a digestive tract that connects with the environment at both ends. So too with all dissipative structures and their aggregates, the human economy."

"Bringing the concept of throughput into the foundations of economic theory adds," he adds, "does not reduce economics to physics, but it does force the recognition of the constraints of physical law on economics. Among other things, it forces the recognition that 'sustainable' cannot mean 'forever'. Sustainability in the sense of longevity requires increasing reliance on the renewable part of the throughput, and a willingness to share the nonrenewable part over many generations."

Daly then proceeds to reject the idea of 'development' as simply growth in GDP and offers an alternative: "Development might more fruitfully be defined as more utility (i.e more human happiness or satisfaction) per unit of throughput, and growth defined as more throughput." When development is thus understood, severe doubt is cast on the notion of 'development as global growth' for two reasons, "one having to do with environmental sustainability and the other with social equity."

"Ecological limits are rapidly converting 'economic growth' into 'uneconomic growth' thus making us poorer not richer. The macroeconomy is not the Whole – when macroeconomy grows in its physical dimensions (throughput), it does not grow into the infinite Void. It grows into and encroaches upon the finite ecosystem, thereby incurring an opportunity cost of pre-empted natural capital and services. These opportunity costs (depletion, pollution, sacrificed ecosystem services) can be, and often

are, worth more than the extra production benefits of the throughput growth that caused them."

The question then is whether growth actually increases net wealth when the opportunity cost is set against the increased throughput. "How do we know that throughput growth, or even GDP growth, is not at the margin increasing illth faster than wealth, making us poorer, not richer".

Illth accumulates as pollution at the output end of the throughput, and as depletion at the input end. Ignoring throughput in economic theory leads to treating depletion and pollution as 'surprising' external costs, if recognized at all. Building the throughput into economic theory as a basic concept allows us to see that illth is necessarily generated along with wealth. When a growing throughput generates illth faster than wealth then its growth has become uneconomic. Since macroeconomics lacks the concept of throughput it is to be expected that the concept of 'uneconomic growth' will make no sense to macroeconomists."

Daly goes on to point out that "the cardinal rule in microeconomics (the economics of firms and individuals working within the economy) is to grow only to the point at which marginal cost equals marginal benefit. That has been aptly called the 'when to stop rule'. GDP is supposed to grow forever. The reason is that the growth of the macroeconomy is not thought to encroach on anything and thereby incur any growth-limiting opportunity cost. By contrast the microeconomic parts grow into the rest of the macroeconomy by competing away resources from other microeconomic activities thereby incurring an opportunity cost.

"The macroeconomy, however, is thought to grow into the infinite void, never encroaching on or displacing anything of value. The point to be emphasized is that the macroeconomy too is part of a larger finite whole, namely the ecosystem. The optimal scale of the macroeconomy relative to its containing ecosystem is the critical issue to which macroeconomics has been blind. This blindness to the costs of growth in scale is largely a consequence of ignoring throughput,

and has led to the problem of ecological unsustainability."

There are several effects of ignoring throughput. One is to consider GDP as a sort of 'pie' to be shared out. Daly points out: "There is a real and important sense in which the original

The focus ...should be on the value of the contribution of nature.

contribution of nature is indeed a 'pie', a pre-existing, systemic totality that we all share as an inheritance. It is not an aggregation of little tarts that we each baked ourselves. Rather it is the seed, soil, sunlight, and rain from which the wheat and apples grew that we converted into tarts by our labour and capital. The claim for equal access to nature's bequest is not the invidious coveting of what our neighbour produced by her own labour and abstinence. The focus of our efforts to redistribute to the poor, therefore, should be on the value of the contribution of nature, the original value of the throughput to which further value is added by labour and capital..."

There is a fundamental difference between this view and the view that nature is a free, infinite resource. Once it is seen that economic activity takes place within the constraints placed upon it by nature, a whole new series of considerations arises. To begin with, the demands of humanity on nature create what economists call 'scarcity'. The fact that no two places are the same makes each of them 'scarce' because they are unique. This gives rise to 'scarcity rent', that is, a willingness to pay more than the necessary supply price for access to the place that is most advantageous for the activity in question, known to many as the economic rent of land.

Daly says: "The above reasoning reflects the basic insight of Henry George, extending it from land to natural resources in general. Neoclassical economists have greatly

obfuscated this simple insight by their refusal to recognise the productive contribution of nature in providing 'that to which value is added'... Value added belongs to whoever added it. But the original value of that to which further value is added by labour and capital should belong to everyone. Scarcity rents to natural services, nature's value added, should be the focus of redistributive efforts. Rent is by definition a payment in excess of necessary supply price, and from the point of view of market efficiency is the least distorting source of public revenue".

The conclusions from this reasoning are: "Reducing poverty is indeed the basic goal of development, as the World Bank now commendably proclaims. But it cannot be attained by growth for two reasons. First, because growth in GDP has begun to increase environmental and social costs faster than it increases production benefits. Such uneconomic growth makes us poorer, not richer.

"Second, because even truly economic growth cannot increase welfare once we are, at the margin, producing goods and services that satisfy mainly relative rather than absolute wants. If welfare is mainly a function of relative income then aggregate growth is self-cancelling in its effect on welfare. The obvious solution of restraining uneconomic growth for rich countries to give opportunity for further economic growth, at least temporarily, in poor countries, is ruled out by the ideology of globalisation, which can only advocate global growth. We need to promote national and international policies that charge adequately for resource rents, in order to limit the scale of the macroeconomy relative to the ecosystem and to provide a revenue for public purposes. These policies must be grounded in an economic theory that includes throughput among its most basic concepts. These efficient national policies need protection from the cost-externalising, standards-lowering competition that is driving globalisation. Protecting efficient national policies is not the same as protecting inefficient national industries."

Herman Daly is former Chief Environmental Economist of the World Bank and Senior Research Scholar at the University of Maryland.

Privatising Climate Change

Hidden dangers in the Kyoto Protocol

The rest of the world hardly knows what to think about President Bush. We applaud him for fighting terrorism and for accepting Russia as an ally. Then he spoils it all by slapping tariffs on steel and beefing up subsidies to US farmers - in utter contradiction of a nation's notions of free trade. How far does Mr Bush's vision extend?

Non-Americans see a regrettable lack of global public spirit in ratifying treaties to control chemical weapons or ban landmines, in supporting the UN or in protecting the planet from environmental harm. As the European Director of the World Bank told an audience in London at Chatham House, there are a score of problems that now confront the world as a whole but are not capable of solution by governments acting on their own. The world needs better ways to collaborate, and the US can't sit on the sidelines.

To do something effective about the world's disappearing fish stocks, for example, needs international co-operation. The same is true of global terrorism, the use of land mines, or chemical and biological weapons. The worldwide problem of refugees and the armies of stateless people on the move in so many countries clearly needs a collaborative approach. So does the international trade in narcotics. And it is obvious that global warming in particular and environmental degradation in general require countries to act together if they are to be checked. Pollution does not respect boundaries any more than fish do.

Hence the outcry at one of George Bush's first pronouncements after he became President, that the US would not ratify the Kyoto Protocol on climate change. This exhaustively negotiated agreement is supposed to stop climate change by getting the industrialised nations to reduce the amount of carbon dioxide they emit through burning fossil fuels. Britain and its allies on climate change spent months delicately pressing Japan, a backslider on the environment, that it should overcome its reservations and sign up to Kyoto. The resulting Protocol

gave John Prescott, Britain's deputy prime minister his finest hour in government. Then the Americans spoiled it all. Mr Bush proclaimed that he would do nothing that imposed an extra burden on US motorists. Notwithstanding that petrol is cheaper in the US than bottled water.

Without the US, the Kyoto Protocol would be no more than symbolic. The more environmentally-minded

Kyoto: the largest invention of monetary assets by voluntary international treaty in history.

governments and campaigning organisations like Greenpeace were annoyed. As they saw it, the US was jeopardising the future of the planet for the sake of its gas guzzling habits. A new pressure group, *Families against Bush* started a boycott campaign against the corporations that had contributed to Bush's election fund. They hoped to force companies like Coca Cola to influence the President to change his mind. Offences in comparison names were posted on the *Families against Bush* website.

But how good is the Kyoto Protocol? Will it really slow down and eventually stop global warming? Well, no, comes the answer from a thorough and provocative briefing by an independent research group, The Corner House.

When ratified, the Protocol will bind 38 industrialised nations to reducing their fossil fuel emissions by an average of 5% by 2008-2012. Countries unable to achieve these modest targets are allowed to compensate in three ways. They may buy credits from countries that have exceeded their targets. They

can put money into forestry or soil conservation. Or they can invest in energy technology abroad. So if Japan finds that cutting its emissions by the required percentage is too difficult or expensive, it will be able to buy cheap emission permits from elsewhere to fill the gap. Or if Germany overshoots its target it will have what The Corner House calls an 'atmospheric dump' which it doesn't need and can sell elsewhere. If I don't need to fill up both my dustbins I can let my more wasteful neighbour rent one from me.

The Protocol is, as The Corner House observes, a technocratic fix. It sees global warming as a physical phenomenon. It does not concern itself with the deeper causes of the unequal use and the overuse of the atmosphere. It averts its gaze from the politics of industry, the explosion in trade-related transport, the subsidies for fossil fuel exploitation and use, or indeed from any notion of greed as a cause of climate change.

Much of the analysis in The Corner House briefing is taken up with the imprecise science that underpins the Protocol and the Alice in Wonderland accounting and verification system that is supposed to regulate it. But the truly controversial part of the Protocol is the carbon emission trading regime it will set up.

The Protocol will in effect be creating a whole new category of property rights: rights, that is, to the planet's atmosphere. Once distributed, they will tend to become assets that, like other property rights, owners will fight to protect. On one calculation, pricing carbon dioxide emission at \$14 per tonne - the mid range price expected if global climate trading schemes are set up - the new carbon commodities created by Kyoto would represent the largest invention of monetary assets by voluntary international treaty in history. For those who can comprehend trillions, the estimated sum is \$2.3 trillion. Who will be awarded these assets? Why, the industrialised countries, because developing coun-

tries 'under-use' fossil fuels and the climate in comparison to the developed world. The third world will have fewer chips when the game starts.

Consider the provision in the Protocol which allows 'dirty' countries to offset their pollution by investing in forestry. This is part of the Clean Development Mechanism (CDM). It allows industrial countries to finance projects in developing countries that aim to mitigate climate change; in return they get credits which are banked and may be used to license continued pollution at home. In effect, the well-off are enabled to buy the right to operate air conditioning, sports utility vehicles or jet fleets. They encourage companies who already use more of their share of the world's carbon sinks to buy still more of them.

Under the CDM, the industrialised countries get the right to emit extra greenhouse gases in exchange for not only maintaining trees or soil in their own rural areas but also for planting trees in Africa, Asia or Latin America. If Japan uses 24 times more per capita of the atmosphere for carbon-dumping than India, then it will need 24 times more plantation land and 24 times more trees in order to compensate. Experience suggests that the land will be taken disproportionately from poorer people in developing countries.

According to Friends of the Earth, the Norwegian companies Tree Farms AS and Norwegian Aforestation Group have already leased land from Uganda to use to soak up Norwegian carbon dioxide. This takeover threatens the livelihoods of thousands of farmers and fishermen, many of whom supposed that they were the owners of the land. The carbon revenues will far exceed the rent paid to the Ugandan government.

In neighbouring Tanzania, Tree Farms anticipates selling carbon credits from pine and eucalyptus plantations worth \$27 million to Industrikraft Midt-Norge on a land-rent payment of just \$565,000. The people hired as casual plantation workers were paid less than the government's minimum wage. The agreement requires that local people give up rights to the future use of land. It also demands that Tanzania

plantations in its own carbon dioxide budgets when, as is likely, the Kyoto Protocol is expanded to include restrictions on developing country emissions. As The Corner House notes, using technical fixes to remedy political problems piles inequality on inequality.

This is land enclosure, 21st century style. As readers of Economic Monitor are well aware, there is a dynamic that helps perpetuate economic injustice. You could describe it as the endless activity by individuals and groups to

Land will be taken from poorer people in developing countries.

create and control for themselves the resource rent. It amounts to holding to ransom the free gift of nature, whether it is land, natural resources, or in the present case, the atmosphere. The activity puts a brake on the naturally distributive action of the market system, and because no government in modern times seems to have identified the problem, or has felt able to tackle it directly, we have instead the whole complex and unsustainable apparatus of government intervention to offset economic injustice.

In an earlier issue of Economic Monitor this author described another 21st century attempt to privatise the free gift of nature. This is the patenting by life science companies of an array of plants and crops whose genetic structures look promising and profitable as sources of drugs and food. The neem tree in India, and Basmati rice have both been the subject of patent applications by companies. As the British campaigning charity ActionAid has pointed out, if these patents are upheld they will deprive third world farmers of their livelihoods by preventing them from

growing and selling their traditional crops.

The proponents of the original land enclosures of the 18th and 19th centuries in Britain justified them on the grounds of economic efficiency. Modern agriculture, they said, demanded that villagers' rights to graze their animals on the commons should make way for big fields, proper hedges and better drainage. Much the same excuses are being made for the 21st century forms of privatising the earth's resources – whether they are what ActionAid calls biopiracy, or what the The Corner House calls Carbocracy.

Climate change needs to be addressed, and it will take multilateral resolve to do it. Those governments that take it seriously deserve support, and the efforts to find binding global solutions should not be derided. But encouraging people to be more frugal in their use of fossil fuels should surely not entail the creation of individual rights to ownership of the air we breathe. Ironically, the solution to getting people out of their cars and onto public transport – a priority for beating global warming as well as for efficiency – lies in the self same law of rent. At present we are in a catch 22: we urge people to commute by train and leave their cars at home, yet the railways are in a state of collapse with no money to improve them. As Don Riley has pointed out in Taken for a Ride, the funding of public transport is best done from the enhanced location values that the transport system creates.

So what will save the planet from destructive climate change? It will be the sum of countless unselfish actions by people, organisations, companies and communities, encouraged or cajoled by intelligent government. There are already examples to follow. One is the extraordinary city of Curitiba in Brazil, which has the world's best transport system and clever policies to promote responsibility for the planet. In the meantime, perhaps we should be grateful if Mr Bush's own anti-environmentalism has helped derail the worst aspects of the Kyoto Protocol.

Economic Culture

How can economics be guided by human values?

Economic activity is simply an expression of human cooperation and exchange but economic laws, policies and trade rules rarely harmonise with human values. A new economic culture, guided and regulated by natural laws and by ethical and social values could be the answer.

The first need is to identify what human values and natural laws apply. Religious traditions, based as they are on knowledge and understanding of truth can help.

Awareness and morality:

For example, the Dalai Lama of Tibet says:

"The reason why we seek to behave in a good manner is that it's from good behaviour that good fruits are derived. So, the basic reason is that one wants happiness and doesn't want suffering, and on the basis of that one enters into good actions and avoids bad actions. Goodness and badness of actions are determined on the basis of the goodness and badness of their fruits."

The development of individual awareness gives rise to moral scruples and provides one useful starting place for a new economic culture based on truth and moral values.

Human development and fulfilment:

Another aspect of our human nature which can be developed is our potential to develop an understanding and knowledge of spirituality upon which human fulfillment and happiness depend.

It is a spiritual understanding that tells us that one of the the natural ways to fulfilment is the development and use of our skills and talents, not only for our own benefit, but for the benefit of others also. The social and economic conditions we live under need to allow such development for everyone.

Social, religious & cultural traditions are the substratum of the laws which guide to our behaviour. But we need to examine how we can preserve and

develop them.

Simple family values such as caring for one another and our environment form the basis of family life. Matters related to raising children need particular attention since so many mothers come under financial pressure to earn a living and motherhood is often considered not to be a worthwhile vocation. If we want secure and happy communities where our children can be nurtured and develop fully, whilst the natural environment is respected and cared for, these values need to be included.

Government and law:

In the UK our laws are provided by common law, as well as statute laws. The British constitution offers everyone the right to the quiet enjoyment of their own lives, provided that they do not infringe upon the same right of others. The great English common lawyer, Sir William Blackstone, put it like this:

'The Creator has so intimately connected, so inseparably interwoven the laws of eternal justice with the happiness of each individual, that the latter cannot be attained but by observing the former; and, if the former be punctually obeyed, it cannot but induce the latter....this is the foundation of what we call ethics or natural law.'

Hence the function of law is to provide the rules, based on ethics and natural law, that we must all live and work under, so that justice, and by inference human happiness, prevails.

Taxation, or rather provision for the combined needs of civilised societies, is also the function of governments. We need law and order, roads and other transport infrastructures, health care, education, and other services and provisions at the level of local and national communities. But we need to understand the effect of how taxes are levied and choose methods which are in harmony with our value systems.

We need to identify how our laws and governments could provide the

conditions for a new economic culture based on equity (a fair playing field for everyone).

A New Economic Culture:

The challenge for a new economic culture is to provide the ideology and policies which will lead to the provision of the basic needs for human life for all. The new culture would provide the conditions for nurture and human development, which would lead to both individual fulfilment and to communities living in harmony with each other and with nature. This will require global understanding and participation.

We need to recognise our common inheritance of the Earth and share her gifts justly. We need to understand the effect of our economic laws and policies as they currently exist. We need to discuss many questions: What kind of security do we require? What is the effect of property rights? What is the effect of taxation and how it is levied? Is there a natural source for taxation? What is the effect of world trade rules? Why are so many in debt and what is the effect of this? What is the proper function of money and of credit? How can we ensure our activities have a benign effect on the environment?

We need to understand that our economic laws and policies work at a causal level. In other words the effect of the economic policies and laws we use can be either devastating or life enhancing, both for humanity and the natural world.

Hence, reform of economic laws and policies (including taxation, environmental regulations and trade rules in particular), needs to be given the highest priority in order to ensure that society's laws and policies are based on ethical and social values; and therefore provide the conditions for human development, fulfilment and real happiness for everyone.

Leonie Humphreys

LVT IN LIVERPOOL

LESSONS FROM AMERICA

The City of Liverpool has many problems, but they are being met with vigour and invention. Strong and radical political leadership is the order of the day in this Liberal Democrat stronghold and the city is regenerating at a rate not seen for a hundred years.

Added to this good fortune, the city is proposing to pilot an innovative tax system that could see a reduction in existing local taxes for ordinary people and small businesses. Liverpool City Council is set to request central government approval soon.

Liverpool has teamed up with the Henry George Foundation of the UK (HGF) to conduct research in an effort to prove that a land value based tax is workable in this country. The idea of Land Value Taxation (LVT) is as old as human society. It is a system that ensures that wealth created by society and not by individual effort is returned to the community. Taxation of labour and profit is a disincentive to work and it is an unpopular method of raising revenue.

Former Chief Executive of HGF, Tony Vickers, has been awarded a third Fellowship in LVT by the Lincoln Institute of Land Policy, this time to focus on how to introduce LVT in Liverpool. Previous Fellowships were to look at the barriers to LVT in Britain and to see what lessons could be learned from cities in Pennsylvania and the USA that have had a form of LVT for years.

Taxing land values whether the land is in use or not will act as a disincentive to land speculators who regularly hold onto derelict land and keep it out of use and use its value simply as collateral to invest funds elsewhere. Another advantage is that any land based tax is impossible to avoid. Land cannot be shifted to an offshore bank account or hidden in an electronic database.

Before taxing land values it is necessary to value each site as though it was developed at 'highest and best use' in accordance with the local development plan. The main activity in this year's research will be to conduct a

trial valuation of a part of the inner city that has a wide range of uses. Researchers will then present the results in graphical (map-based) form to interest groups for debate.

Perhaps the hardest part will be to estimate what it will cost to value the whole city and to establish exactly what changes to property and tax law will be needed.

To conclude the second stage of the Fellowship and launch the third, an international conference was held in February at Liverpool's Tate Gallery on the scenic Albert Dock, on Liverpool's Merseyside waterfront.

Three speakers from the USA gave enthusiastic accounts of how modified forms of LVT were being used to regenerate their cities. Ted Gwartney described how land values were assessed during his thirteen years as Chief Valuer for the state of Columbia in Canada.

Speakers from the UK addressed the difficulties involved in introducing the system here. One major difficulty is the completely different status enjoyed by local government in the U.S., where local authorities have considerable autonomy including their own revenue raising powers.

In the U.K. local authorities are completely circumscribed by central government and have no independent powers to raise revenue. Any initiative therefore requires central government approval.

Another problem to be overcome is the identification of taxable land parcels in the absence of a properly completed land register, and there are no signs of government enthusiasm for that.

The conference, chaired by Louise Ellman M.P. and Sir Joe Dwyer, Chairman of Liverpool Vision brought the prospect of LVT in Britain a significant step closer.

Councillor Chris Newby
Liverpool City Council

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Exorcising the ghost of Malthus:

The Sceptical Environmentalist: Measuring the Real State of the World

by Bjorn Lomborg. Published by Cambridge University Press

Malthus was certainly not the first to conclude that human life, at least for the vast majority, was necessarily miserable but he was possibly the first to assert that it was naturally and inevitably so. His uniqueness also lies in the fact that he sought the proof for this dismal judgement in the facts of economics and everyday life. His method was based upon commonsense assumptions and mathematical logic and not the abstractions of moral philosophy. He knew that the world was a bad place and he proved it.

Habitual Thinking

In this he told us what we always knew. Malthus, following in a tradition that goes back to Machiavelli, advised us simply to wise up and accept the facts of life. Life is unfair and we should expect no more. Nemesis is waiting to strike us down even in the moment of our triumph.

Those that came after Malthus, whilst rejecting his idea of the irredeemability of the human being, were never the less so taken by the commonsense and the logic of his economics that, rather than rejecting them as nonsense, they conspired to keep the horrid vision alive. This they did by adopting almost without exception every one of the fallacies and half-truths that together make up the Malthusian doctrine.

Why do we prefer to believe in the inevitability of poverty and despair rather than abundance and hope? If you read this book you will see that the Malthusian doctrine, in all of its varieties, is utterly refuted by the facts.

The Sceptical Environmentalist challenges widely held beliefs that the environmental situation is getting worse and that our world is about to come crashing down about our ears either because of pollution or inability to feed an ever growing population or the exhaustion of oil and other natural resources etc. Bjorn Lomborg, Associate Professor of Statistics in the Department of Political Science, University of Aarhus, Denmark, establishes the fact that in every area

and on any measure the situation is better than we have been led to believe and that we are not about to expire in an orgy of self destruction and waste.

The argument is carefully structured in a series of sections and chapters, which deal in turn with each of the major problems that are likely to affect Human Welfare; resource depletion, food production, pollution, energy, water and the rest. Each subject is tackled on its own and in combination with the others to produce a well researched and convincing argument; that, although we are not there yet, there is evidence for renewed optimism and hope and not for the despair and guilt so favoured by the opponents of growth.

Errors of the Green Lobby

Unusually in this era of anti globalisation, this book lays a charge against the environmental lobby which is fully substantiated. Whether prompted by the need to justify and secure funding for their activities or justified by a genuine desire to arrest and redirect attention, significant sections of the environmental lobby have preferred to scare the world into taking notice, exaggerating problems, fabricating evidence where it did not exist and where it does, drawing unwarranted conclusions rather than engaging in sober debate.

This has prevented the collection of proper evidence and proper debate leading to a workable understanding of the problems which we undoubtedly do face and a consensus on what can be done to solve them. According to Limborg, a lot already has been done and more remains to be done that is well within our capacity to achieve.

Example: Food Production in India

He quotes extensively from the works of the environmentalists such as Paul Ehrlich, a renowned writer on food matters and propagator of the idea of imminent global starvation, who thought India was bound to fall victim to food shortage and who said we should:

"...announce that we will no longer send emergency aid to countries such as

India where sober analysis shows a hopeless imbalance between food production and population...Our inadequate aid ought to be reserved for those which can survive"

This was written in 1967 when the average Indian consumed 1,875 calories per day but before the Green Revolution that transformed agricultural productivity in the decade that followed. In 1998 the average Indian, and there are very many more of them now, gets 2,466 calories per day The resemblance of Ehrlich's policy proposal to that of the Malthusians of the 19th Century should strike even the most casual observer. Professor Limborg says

" I believe it is important to emphasise that being overly optimistic is not without costs, but that being too pessimistic also carries a hefty price tag. If we do not believe in the future we will become more apathetic, indifferent and scared – hiding within ourselves. And even if we choose to fight for the planet it will, very probably, be as part of a project that is born not of reasonable analysis but of increasing fear."

The real reason that we continue to believe in Malthus is fear, nothing more and nothing less; the fear that says, "there might not be enough", "it might not last". In stark contrast to this is the real state of the world and the real nature of the human being. The real world in which we live is one of increasing prosperity and in a few places, abundance. The reason for this, spelt out so clearly in this book, is the human genius that can turn less into more and still leave some over. There is nothing to be afraid of! Yes, there is still much to do, but the problem is not one that afflicts the production of wealth, but relates wholly to the distribution of wealth. On that subject Lomborg is sympathetic but silent, trusting to growth itself to solve the problems of distribution. But his trust in growth is, at the same time, a trust in the creativity and genius of human beings and that is no counsel of despair

Joseph Hyde

Exposing Britain's Land Scandal

Who Owns Britain?

by Kevin Cahill. Published by Canongate Books, £25 hb, ISBN 086241 912 3

"News", said Lord Thompson, "is what someone didn't want printed. All else is advertising." So writes Kevin Cahill at the outset of this epic work, an account of the history and hidden facts behind land ownership in the UK. On that basis, this book is news.

One of the unsung effects of the removal of the hereditary peerage from the House of Lords has been to remove entirely the greatest single obstacle to land reform in the United Kingdom. The landowners, who have used Parliament over the centuries to seize and retain control of the vast bulk of Britain's land, are a spent force (at least in Parliament). Their power to block or amend legislation which affects their interests is removed.

"Our country," writes Cahill, "the United Kingdom, is 60 million acres in size. Some 59 million of us live on those 60 million acres. The areas taken up by the homes of these 59 million people takes up less than 10% of the land, a maximum of 6 million acres, but more probably just 4.4 million acres. It is impossible to settle on a more accurate figure as the statistics for most of the UK are estimates, drawn from samples ... while the government of Northern Ireland has no figure available for its residential acreage."

There follows a brief summary of land distribution, concluding:

"(This) leaves some 40 million acres of often beautiful, sometimes productive countryside. This is owned by just 189,000 families".

Cahill's thesis is that it is these 189,000 families who do not want this information to be published. British landowners form a small, inter-related clique which has obtained and maintained its hold in political and financial power in Britain for at least 800 years. Its members swell the hereditary peerage while directorships of all the major banks and financial institutions are shared amongst them. Quietly affable, tolerant and mostly benign and apparently civilised, they unite as a single, ruthless, secret

society when their position as holders of the stranglehold on the nation's most precious resource is threatened with exposure.

Their technique has always been to use their overwhelming influence in the Lords to obstruct measures of land reform that do not suit them. In particular, they ensured that the Land Registry, the only official record of land ownership in Britain, only registers land when it changes hands through sale or inheritance. The operation of trust laws ensures that their lands never change hands in this way with the result that their holdings have never been registered.

Cahill claims that this scandal is here exposed for the first time. No-one who has read the Hammonds, Prebble's Highland Clearances, or any of the more recent work of Mason Gaffney or Fred Harrison, (none of whom are mentioned in the extensive bibliography) could agree with that. But nowhere has the scandal been more completely or more thoroughly documented. Sixteen short chapters set out the history, significance and methods of the great confidence trick that has been perpetrated on the British people. They are followed by a county by county analysis of the figures he has been able to unearth.

Perhaps most telling is the fact that his figures have to be based as much on a survey conducted in 1872 as on the official land registry figures, which are not available on any comprehensive basis. The 1872 survey was itself suppressed almost as soon as it was published although the author found that by determined application it is possible to obtain it from public libraries who often begin by denying its existence.

The figures show that in 1872 upwards of 95% of the population owned no land at all. With the 20th century development of a property owning democracy this figure is much improved. But the average value of the 36.2 million domestic holdings (allowing 2.2 stakeholders per household) in the UK in 2001 is put at

£38,000. The average value of the 157,000 non-domestic family holdings is £1.8 million.

Cahill puts this in perspective. "... there can have been few more specific examples of the brutality of power in relation to land and its ownership than the period 1990 to 1997, when a total of over 500,000 families had their homes repossessed. The probable cost of keeping these people housed in the homes they had bought was a maximum of £5 billion over those seven years, about £700 million a year, and might have been as low as £2.4 billion. During that same period the 157,000 wealthiest families in the UK received up to £21 billion in (agricultural) subsidies."

The book is not without its flaws – which may partly be excused by the difficulty amounting to near impossibility, of obtaining any accurate information about land-ownership in Britain. It's author distinguishes between housing and agricultural land (exposing en route the myth of the shortage of housing land in the UK), but makes no real attempt to consider the importance of location in determining land values or the power of individual land owners. Similarly, there is no evidence of any real understanding of the economic importance of land as the source of all material wealth production. The reality is that landowners have a passport into everyone's pocket, a prior claim on everyone's productive labour, simply by being able to demand a rent.

The real importance of this work is that it exposes how a few people over many generations have enhanced and consolidated their power over the wealth creating efforts of a whole population. It is not just their capacity to attract formal subsidies that matters. It is the continuous subsidy from every working member of the population that is the real injustice. For those with an interest in ending the deepest injustices of the modern world, this book is essential reading and an invaluable tool.

ECONOMICS WITH A HUMAN FACE

Foundation Economics

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One World, One Wealth

Published by the Fellowship of the School of Economic Science

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