

FOUR WORLDS IN ECONOMICS

Mildred J. Loomis

a paper at Fourth World Conference, London, Augst 2, 1981

Many people commonly identify nations by their geographical location, along with their degree of industrial development. In this naming, the Western "advanced" industrial nations (U.S. Canada and Europe) are the first world; Russia and her satellites are the second world; and the third world includes the relatively undeveloped countries in Asia, Africa and South America. Organizers of the Fourth World conference refer to nations small in size or which hopefully can be made small, if they are now large. In this paper I use another method for numbering worlds 1, 2, 3 or 4.

I propose a nation be identified by the essence and nature of the economic structure under which differing peoples live. Economics is the science of survival--SOS an old distress signal. Economics almost everywhere today is in distress, facing sink or swim; life or death. A more explicit definition is "Economics is the science of the production and distribution of wealth"; it deals with land, the surface of the earth; with labor, i.e., the physical-mental energy which produces and distributes goods; and with capital, or the tools and equipment which assist that production and distribution. From my life-long studying, observing and experimenting in economic practices, it's clear that there are at least four distinguishable ways of dealing with land, labor and capital. One of them is capitalism.

Capitalism

Much of the world is influenced by the Western world's capitalism. They welcome the remarkable technology and affluence it has produced. Many nations in the rest of the world envy it, and want to copy it. Other people criticize and deplore it.

Any serious student of economic affairs knows that freely choosing one's life is

needed, and should result from economic arrangements. Any serious student of Western capitalism recognizes that (while independence and liberty are said to attend Capitalism) fundamental freedom is in shambles. Most of the Western world--assuredly the United States -- has become increasingly governmental. More laws, more regulations, more bureaus, more federal control coming from Washington DC at the loss of local and direct-community action. Why?

Why did this trend appear (circa 1800s) and why has it proliferated since the 1900s and 1930s? Largely because the capital-individual approach to economics and survival did not extend its comfort and affluence to everyone. Involuntary unemployment appeared; bank failures, economic depressions and failure to find jobs were part of every decade. Too many families were without a pay check or lived in fear of being without a paycheck.

What can a person do who is unemployed; --who has no regular source of work or survival? Most people prefer to work and earn --but when this is not available in an "economic collapse", what then? Such victims have three options--1) turn to stealing and crime, personal violence; 2) he can be assisted by charity, 3) but if charity-benevolence is not adequate, then government support is turned to. This, a perceptive reader will point out, is legal violence. A legal agency, government, taxes and takes by force from those who have, and turns it over to those who haven't a means of survival.

Some people approve this third system, noting that recipients of charity or government pensions and social security welcome it. Is this true? Many --most-- Americans resisted early social security. Their pride and integrity were threatened. Dependence was an insult; they wanted survival of course, but they wanted it

by their own efforts.

But necessity made it a habit. Necessity and repetition can even change self-confidence. So in America, Government-help has to a notable degree, become the accepted, even the desired, the sought-after, along with its drop in integrity. A whole school of thought now supports the governmental answer. In many parts of the world, people think it is a good and proper answer to "How shall people survive?" They say, "In a complex world, government help is necessary. Justice can and should be attained by laws, regulating the distribution of wealth."

Some countries have moved full-scale into that pattern. The Russians did it by fiat, government edict and violence. They call it Communism. In my list, I name it the "second world in economics". Most of Russia's people accept, praise, promote and presumably enjoy it. They feel that its resulting guaranteed livelihood is better than the enforced poverty and riches under the Czars. Books and journals the world around explain, extol and criticize it. Enforced, collective ownership of land and capital, i.e. Communism, is a second answer to the universal problem of "How shall a human being survive?"

A Third Economic World

Another alternative moves in a similar direction. It would do this by vote of the electorate and first teaching the people the means and methods of public ownership of survival goods and services. They avoid armies, violence and government edict. This more gradual and temperate approach to the governmental answer to survival, many call Socialism. A dozen kinds of third-world Socialism exist: Domestic Socialism, Workers' Socialism, Peoples' Socialism, etc. Many countries have organized their economic and political systems socialistically --in Europe, Asia, Africa, South America and some in the Western continent, including some provinces in Canada.

Let's return to the first world, Capitalism. From its beginning Western capitalism was geared to avoid governmental action. America's founders fled the tyranny of a monarchical system where rulers and parlia-

8 Green Revolution

ments controlled and owned the land and goods. Western capitalism stressed individualism, attained through private property, i.e., one's own title to land and earnings; to business and factories; title to capital and wages. They had come to the land of the free; they wanted both independence and security; and essentially they had it until about 1800.

What went wrong? Why the bank panics and economic depressions? Why the Great Depression of the Thirties, followed by whole sale turning to government to bail out banks, businesses, farms and home-owners from debt? Why the failure of the American Dream? Why has capitalism changed to a predominantly government-oriented "socialistic" system? Why the welcome to this system by so many people? Why is a strong opposition developing to it? What are ethical alternatives?

Analysis of Ethical Alternatives

A fourth way is available, long espoused and championed by a few great American economists and philosophers. Let's carefully note the root aspects of the economy by underlying a fourth and more ethical handling of land, labor and capital. For this let's agree on definitions of these terms.

Every person in the world is affected by the way his society handles land, labor and capital. Most people see but two ways --to treat everything individually (including cooperative), or to treat everything governmentally.

Factor No. 1 Land, of course, is the natural world--the earth, water, air; plains, valleys, seashores, mountains from which all food and shelter are attained by labor. Labor is No. 2--the mental and physical energy people use with No. 3, the tools or capital, on the land. Who should own (have title to) these things?

We can quickly agree that humans own our own Life, our energy. It belongs to us; we say we have 'rights' (title) to our own energy--that is, to our own labor. Then it follows that what we produce from and by our own labor is also ours. Do not the products of labor belong, by eth-

ical right, to those who produce them? Would it therefore be wrong--unethical--for one person to claim what another produced?

O.K. Labor (human energy) and capital (tools) belong to the individual. No wonder American forebearers had such strong devotion to private property. It was their base for getting out from under tyrants, rulers and government to their own independence and security.

Rights to Land?

But what about land? What about rights and title to natural resources? Did any humans produce them? Think carefully here. Sure, people produce from and on the land, in both urban and rural settings. But the land itself? Who has natural title to that?

Here's where promoters of a fourth alternative economic system make obvious and ethical conclusions. They emphasize that all natural resources are Nature- (or God-) created. By their differing fertilities, natural resources yield differing amounts to the same labor on differing sites. Non-man-made fertility makes a difference.... Land and its value responds, too, to community factors. The value and yield of land goes up when it is near good streets, sewers, schools, fire and police protection. Did the holder-owner create this value in his land? Obviously, no. Should he then pocket this value in sale or rent of that land? Watch your answer. For centuries the Old World said "Yes".

The Old World, especially Merrie England, has been the historic scene for struggle around this problem. Before the Roman conquest, in the early days, English land was free. Sheep could graze anywhere. But lords and nobles changed that. Especially after the invention of the spinning wheel and loom, were their changes crucial. They passed the Enclosure Acts, giving possession and title to any person of all land which he could claim, fence or "enclose" with boundaries. Then a sheep-owner must pay rent for its use to a land-lord. Many of them were forced to move into cities to become weavers and wage-workers in factories. Rack rents increased; wages fell. After payment for access to the land, how much

production is left to pay for labor and capital? It was this economic oppression, not primarily religious domination, that early dissidents were fleeing in coming to America.

In America, for the most part in the early days, they found a new freedom. Why? They had all the land they could use and more. Some tried to practice "common land" --witness Boston Commons. But the old habit of profit and property in land asserted itself. Individuals "bought up" land (more than they needed) to hold and sell to newcomers. Private property in, and sale of, land became an American ideology.

As land values soared in Eastern cities, people could "escape" to cheap or free land farther west. Cheap and free land were the root of liberty. For how long? For so long as any free land remained. But land is a limited resource. More people need and demand it than the supply can meet. That time is now. All American land is held -- much of it, sad to say--held idle, awaiting a higher price.

The sorry land holding statistics in America show, to the informed, an exploitative situation. Here in the U.S. a handful of corporations own a land area larger than Spain and Japan. About 5% of the population own 55% of all American land. The top 1% owns more land than the rest of the population together. During the past 50 years, 40% of the farm population has been squeezed out of their livelihood by land prices, mortgages, taxes and insurance. Today small and medium-sized farmers are leaving their land at the rate of 2,000 per week. 25 landowners hold over 16% of California's private land. All this because land is considered property, subject to private title, buying and selling.

A Fourth, Property-Trusterty System

Perceiving the crucial difference between land and products of labor, promoters of a fourth solution to economic survival arrange treating land as a common heritage. They separate land and land-value from the value in the products from the land. These

persons suggest that the unearned value from natural fertility and the land value due to the community-services available to the land, be turned to the use of the community. Leave the value of the products of labor--crops, trade, wages, etc.-- to the producers and workers. The community-land-value would then pay for the community's common needs -- the streets, schools, protection, sewers, etc. The value of the buildings, equipment, wages, income--would be private, subject not even to taking by taxation.

With good results, citizens and voters in many places have implemented this system --in Alberta, Canada; in New Zealand, Australian cities, partially in Denmark. in Scranton, Pittsburg and other Pennsylvanian cities. Their salubrious effects are widely discussed; articulate promoters urge its wider use.

Observers note that a confirmed American pattern of separating land from improvement in assessment and taxation is in this fourth dimension. Agreed; this partial approach accounts for much of the existing democracy and independence in American history. Its extension and increase would be a welcome, ethical and crucial step.

The Community Land Trust

A group of American decentralists implement the common heritage of land in another fourth-approach via the Community Land Trust. The Community Land Trust is a cooperative association of persons who are convinced that the land should be held as a trust for future, as well as present, generations, free of buying and selling. They join in a non-profit corporation, procure an urban or rural land-site, and in charter and by-laws, dedicate it to trust-use. Contracting parties use the land for an agreed-on annual rental (to the trust) rather than a sale price.

Ralph Borsodi, founder of the School of Living, in a life-time (1886-1977) of work initiated the community land trust as early as 1932; repeated it in 1935-45 at the Suffern, N.Y. School of Living and several intentional communities. In 1968, the concept was internationalized and registered at Luxembourg. Borsodi recognized

the validity of private property in labor products; similarly he recognized the trust-nature of land. He named trust-holding of land, "trusterty". The fourth economic-political system of property-trusterty is welcome, and is being implemented. Hundreds of groups are studying and working toward it; some thirty community land trusts are guided by The Institute of Community Economics, 120 Boylston St., Boston, Mass.

Books and Literature, from School of Living, RD 7, York, Pa. 17402

<u>Who Owns The Earth?</u> Robert Scrofani	\$1.00
A study of Appalachia	
<u>The Community Land Trust</u>	\$5.00
By Borsodi and Swann-definition, models, legal forms	
<u>Progress and Poverty</u> , Henry George	\$5.00
A seminal book, condensed	
<u>Henry George, World Citizen</u> , 25 pg,	\$1.00
summary by M. J. Loomis	
<u>Effective Wider Social Action</u>	\$1.00
Book lists - M. J. Loomis	

For further information on the ideas of Henry George, and their application, contact:

COUNCIL OF GEORGIST ORGANIZATIONS
5 East 44th Street
New York, NY 10017
(212)697-9880