

Review of the new book by Fred Harrison, *Ricardo's Law*.

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Although there is consistent truth in the statement, “history is written by the victors,” the voices of critics now and again emerge from the wilderness. In two instances, that of Thomas Paine and Henry George, the path they chose was journalism. Their writings ignited the moral conscience of people from all walks of life. What made their contributions extraordinary was the pursuit of truth without regard to what might happen to them in their own lives.

With his most recent book, *Ricardo's Law*, journalist Fred Harrison adds his voice to the moral crusade to which Paine and George devoted themselves. He does so with the advantage of an even deeper historical perspective. Paine's efforts helped to secure the future of republican governance and democratic processes. George and his supporters formed the *Progressive* vanguard fighting for an end to monopoly privilege. Tragically, they failed. Fred Harrison describes the injustices that so troubled Paine and George, and provides a “take no prisoners” analysis of the subsequent failed efforts by central planners and so-called *free market* proponents to solve the problems of wealth concentration and generational poverty.

Fred Harrison resurrects *the land question* in *Ricardo's Law* as the most important societal issue yet to be addressed. For a long time now, the safety valve of empty lands to which the landless could migrate has been closed. Armed with the data produced by government and other experts, Harrison's analysis challenges a long list of conventional wisdoms.

Paine had joined the best of his age's moral philosophers in calling for the public collection of “ground rents” to cover the costs of government and provide an income supplement to many citizens. Henry George described how market dynamics determine the amount of ground rents available for public collection. Fred Harrison agrees, writing: “The theory of land rent provides the single most illuminating way to track the dynamics of the enterprise economy.” Acting on this knowledge, however, requires a degree of moral integrity few of the world's political leaders display. His challenge to them is direct: “They bear personal responsibility for the expectations they create when they seek power.”

The British people secured through long struggle only the form and not the substance of democracy. Landed privilege was firmly established by Magna Carta and has never lost its grip on the people of Britain who must produce wealth in order to satisfy the demands of those who control the nation's landed assets. This has been accomplished

by what Fred Harrison describes as a complex “social process” that “survives by co-opting people into exploiting themselves.” Despite periods when political power was wrestled from Tory conservatives, only the appearance of reform occurred. In the process, writes Harrison, “the intellectual landscape has been so distorted that rational people are co-opted into abusing their welfare.” Faith in experts, in the professionals, to come up with measures to solve societal problems has replaced citizenship:

“No one false statement, issued by individuals or agencies in authority, closes our minds. But the cumulative impact of persistent falsehoods and half-truths exercises a corrosive effect because the public tends to defer to the authority of the experts. The outcome is a tyranny of the state’s servants who claim to know best.”

With this as his perspective, Harrison goes on to detail what he calls “the tax clawback scam” that perpetrates ongoing injustice to Britain’s wealth producers to the benefit of the landed. This continues to occur, in part, because those with great personal wealth disproportionately influence government policies and programs. They are aided by experts guided by “a one-dimensional model of income distribution” that fails to “explain how income on the bottom rungs is transmitted to the top.” Reform (i.e., just law) will come only when the public “fully comprehend[s] the forces ... at work.” This understanding, Harrison asserts, is to be found in “the economic logic of Ricardo’s Law.”

Students of economic history are introduced to David Ricardo, and most textbooks on economics pay some tribute to his contribution to economic theory. Several generations of political economists – versed as much in the debates over moral principles as in the operation of markets – defended or attacked Ricardo’s limited exposition on the *theory of rent*. Fred Harrison resurrects “rent” as “a surplus” – as “what is left after paying people’s wages and the costs of using capital equipment, the raw material and all the other inputs of an enterprise.” For the producer (or, more accurately, the potential producer), rent is what “an enterprise (or an individual) can hand over for the use of land.” That is, hand over and still remain in business or subsist.

Ricardo described what he saw operating in the real world. Fred Harrison does this as well, engaging his readers from the perspective of the moral philosopher as historian and economic analyst. His message is that *rent* is a societal fund, not individual property. “Rent is the price we pay to participate as paid-up members of civilization,” declares Harrison. Yet, this principle was systematically removed from our code of moral principles by generations of powerful, landed interests. By reintroducing his readers to Ricardo’s Law, Harrison offers a clear explanation of how entrenched privilege guarantees that many among us have no opportunity to reach their full potential as human beings. Harrison’s solution is similarly straightforward:

“The lesson is this. Ricardo’s Law delivers the best results when people locate their behavior in a code of practice that secures their freedoms. This means that rent should be made available to the community through a market-based pricing mechanism that is efficient, one that does not deprive people of their earnings, and which requires everyone to pay their way in life.”

So ingrained into conventional wisdom is the idea that the state must counter market tendencies with poverty-mitigation programs and policies that Fred Harrison has devoted a considerable portion of *Ricardo's Law* to an explanation of why this approach has not and cannot work. He provides extensive data from government and other sources to make his case. His tale is one of betrayal and of lost equality of opportunity, of the lost promise of democracy:

“People thought that, when the property qualification attached to the right to vote was abolished, democracy would unite the nation. In fact, it has been appropriated as a device to legitimate the continued disuniting of the population between taxpayers and the owners whose land captures the windfall gains.”

Land hunger drove millions of people to make the dangerous passage across the oceans to the Americas. Over the course of three centuries, those who came from the Old World gradually displaced or decimated the tribal societies of “First Americans” who occupied the continent for thousands of years. Such a huge, and resource-rich continent provided the oppressive Old World regimes with a safety-valve, or what Fred Harrison describes as “a continental-wide bolthole to freedom.” At least for a time. “When the land ran out in the 1890s,” writes Harrison, “the land of plenty turned into a hell of poverty.” The poverty that plagued the Old World had arisen with an equal vengeance in the New World cities established by the descendants of the first Old World migrants. Of course, the land did not actually “run out” in a literal sense; the commons (i.e., the public domain) was given away to the railroads, to politicians and their close friends, to land speculators, and to settlers. The process began even before the United States had a written Constitution. Territory needed to be occupied, surveyed, subdued and subjected to governance – as quickly as this could be accomplished. Sales of public lands allowed the Federal government to keep taxes on U.S. citizens, on commerce and on landholdings low, at least until the crisis of the 1860s brought on the enormous costs of civil war. From this point on, the Federal government was constantly in search of additional sources of revenue. And, of course, the wealthy utilized all their influence over the political process to ensure the burden of taxation would be felt most deeply by others.

Harrison did not have the space in *Ricardo's Law* to explore U.S. economic and social history. He reviews key indicators of individual well-being, comparing conditions in the U.S. with those in Britain and elsewhere to show that *the American System* has failed an even larger percentage of the current population than is the case in the other social democracies. Moreover, under law and policies the depth of failure is increasing at an increasing rate. He asks Americans to examine the fundamental values on which our society exists:

“In the 1960s, something started to go seriously wrong. The nation's state of happiness did not improve alongside the aggregate increase in material prosperity. Why? Was this not offensive to the constitution of America?”

One can argue that the beginnings of the problems occurred much earlier. Even during times of near full employment (e.g., when millions of people were engaged in the production of war goods or directly “employed” by the military), millions of families remained impoverished. What went wrong in the 1960s, in part, was the acceptance of ongoing borrowing from the wealthy in lieu of asking them to contribute proportionately to the costs of public spending. The changes in tax law advanced by the Bush administration and legislated by a Republican majority Congress have orchestrated the largest transfer of tax burden in U.S. history, while pulling the Federal government debt to a level that would cause panic in any other nation in the world. The new Congress (and, in 2008, a new Presidential administration) will be faced with the challenge of how to respond. As Fred Harrison reminds American readers:

“...if the US government wishes to balance its books by 2040, on present policies it must either cut total federal spending by 60% or raise federal taxes by 200%.”

Harrison takes pains to note these are not his predictions but those stated by David M. Walter, head of the US. Government Accountability Office. Walter’s alarm has not fallen on deaf ears, but it remains to be seen what, if any, measures the incoming Congress will take to prevent collapse of the U.S. financial system and economy. To his readers, Fred Harrison calls for what many will seem radical. “Justice does not come in half measures,” he writes. “Either we want it, or we don’t.” And, what has been resisted for so long are measures that achieve justice in the realm of property:

“People agree that we are entitled to own the products of our labour. We work, and we have a clear conscience about asserting our ownership of the fruits of our labours. We may dispose of that value in whatever way we see fit.

“Vexatious problems arise when we turn to the property we share as a community. ...

“Part of the value created in the community does not belong to any one individual. This becomes apparent, once we understand how this value is jointly created by the co-operative spirit in society. As individuals, we labour to create wealth for our own use. But by participating in the wealth-creating endeavor – that is, by accepting the competitive spirit of free people – we isolate part of our product as the rents that we are willing to pay for the use of nature’s resources. No one individual makes a superior contribution – if he does, he is rewarded with higher labour remuneration. And no individual can be excluded from participating in this joint exercise in generating the rents of land. The mere presence of a person adds to the attractions of a community, for the larger the population, the greater the opportunities for profitable enterprise. As populations cluster in communities, so the productivity of the economy increases. People seek to share in those benefits by paying rents to gain access to the location.

“There are no losers in this competitive market – if, as citizens, we exercise our right to a share in the rents. We may be out-bid for the right to occupy a house ... where we wanted to live, but the higher price paid by the winner for the right to use the land is pooled for the benefit of all of us. As citizens, we share the public goods that are funded out of the rents of land.”

In essence, the public collection of *rent* ought to replace taxation of the goods we produce and the services we provide to one another. Not only is this just, argues

Harrison, but achieves the highest level of economic efficiency. Given the state of the world, urgency would seem to demand immediate change. Harrison is a bit less demanding:

“I am not arguing for the abolition of all taxes tomorrow. A few may be retained, but they need to be renegotiated. The rules regulating their use need to be carefully framed to rebalance the distribution of power between the individual, civil society and the state.

“Tax reform is necessary because the state converts much of its revenue into an asset that is handed over to those who have financial claims to land (these include banks and mortgage institutions). If we are to abolish this inequity, people themselves must initiate the action that leads to the democratization of their public finances. They need to specify what, precisely, they regard as “the common good”, and how this can be delivered.”

And, here, Fred Harrison leaves us. He has issued a powerful salvo. His voice must be joined by others who read his words and reach the same conclusions. Privilege is a powerful enemy strengthened by ignorance and despair. We shall see if *Ricardo's Law* provides the spark to re-light the torch of liberty carried by Paine, then lifted high by Henry George, only to fall to the ground where it has rested for far too long.

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