# Mostly Economics

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# A Teacher Writes to Students Series (68): Cooperative Individualism

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Annavajhula J C Bose, PhD
Former Professor, Department of Economics, SRCC, DU

The Coffee-Klatch-with-Robert-Reich videos can spook you out of your stupor as regards what do we do now with Trumpist academics and think tank politics. Likewise, if you dig up the history of economic thought and classical liberalism, especially since the year 1900 AD, you can spook yourself out of impossibilities to discern the possibility of progress, by cooperative individualism, without extreme inequality, poverty and destruction of human freedom as also nature. And you might wonder, if the world does not take even this much minimalistic progressivism, then whither the world with all its ideological spectrum?

Thanks to Henry George (1839-1897), you can think about a society which is not socialism and which is also not capitalism. It is a society without the dangers that extreme inequality, unchecked individualism and laissez-faire government pose to democracy and republican citizenship—"a society in which the common right of mankind to the universe and its natural materials, forces, and opportunities is recognized, a society in which economic success can be achieved only by positive contribution to the community, a society where it is no longer possible to extract wealth from others through the monopolization of nature's gifts, abuse of the commons, or favors bestowed by government."

You can sensibly argue that "because no one created the Earth, all have an equal right of access to it. That is, the bounties of nature are the inheritance of mankind in common, and that justice requires that the public be compensated when nature is occupied, used, or destroyed. Land, as a factor of production then, is owned by by mankind in common. And simply taxing the value of economic land while leaving private management intact, combines the benefits of market-based private land use with the common ownership of the benefits of the natural world. Returns on labour and capital, being created through human effort and ingenuity, rightfully belong to the labourer and the capitalist respectively. So, taxation on labor and capital should be done away with completely.

It is not the institutions of wage labor and private property that create so much grinding poverty, but the current regime of land ownership (known in some circles as "royalism," referring to its derivation from feudal terms of tenure). Royalist land ownership allows landlords to demand payment from laborers and business owners for access to something that the landlord did not create, and even takes a portion from technological improvements, economies of scale, and agglomeration as these increase land values. Rents, whether those be from location, pollution, natural resources, or natural or artificial monopolies, are common property. Make those rents common property, and eliminate monopolies where possible.

This maintains a market-based system with private ownership of labor and capital, but the resulting change in the economy is dramatic. No longer is it possible to profit merely by extraction of rent or the imposition of externalities on others; only productive contribution to the economy by work or investment provides returns. Additionally, the removal of the rent-burden from the economy dramatically changes the experience of economic life for workers. The elimination of taxes on labor and capital would save the median taxpayer thousands of dollars a year, while spurring economic growth and opening a new frontier of land for easy acquisition. Because economic rents are one of the primary drivers of economic inequality (as the rich are able to capture natural opportunities and take advantage of regulatory barriers and special state privileges), such a society would be both more dynamic and more equal than the present."

To emphasize, according to Henry Georgy the basic problem in the world lay in the monopolization of the Earth. "The value of urbanization and technological progress was being captured by private land ownership. As technology improved and urbanization increased, the value of the land also increased. The result was soaring land rents, which soaked up the gains in productivity, leaving workers impoverished. ("Rent" here refers to the wealth and advantages derived from control over a scarce resource, as opposed to the colloquial use of "rent" meaning money paid to lease housing.) The primary beneficiaries of this process were landowners, who could extract more value from both workers and businesses who needed access to the land to live or set up shop, without the landowners providing any positive contribution to the economy themselves.

In 1879, George published a book titled Progress and Poverty, in which he built on the work of earlier liberals to argue that people own what they create with their labor. Because no-one created the land, the land belongs to everyone in common. But the absolute necessity of land for human life, both to live and to work, allows landowners to extract immense amounts of wealth from workers and business owners by charging for access. This activity incentivizes speculation, prices people out of their homes, makes it more difficult to operate a business, and creates decaying cities and urban sprawl. When land is monopolized in this way, the rents it produces enrich the landowners at the expense of society and cause seemingly intractable poverty. The remedy George suggested was simple: replacing other taxes with a Land Value Tax (LVT). LTV is a tax on the unimproved value of land. It is premised on the idea that taxing the value of land prevents rent-seeking and speculation while unleashing the productive capacities of the economy.

Unlike property taxes, which punish development, LVT incentivizes landowners to put land to productive use because the tax remains the same no matter how the land is used. Productive use can include using the land for commercial purposes, building housing on it, or selling it to others who will use it. Furthermore, land value taxes fall solely on the owners of the land, who find it much harder to pass the burden of the tax onto their tenants. This is because landlords charge the highest price the rental market can bear, which is determined by supply and demand. Because an LVT doesn't impact the supply of land, and doesn't cause any rise in rental demand, the market for rents does not shift in response to the introduction of an LVT. Landlords who try to raise their rents will find that their tenants

eventually move out and switch to landlords charging lower prices (the existence of low-value land that is taxed at small or zero rates guarantees cheaper options). Landlords cannot afford to lose tenants in this way, given the cost LVT imposes on people who hold land without using it."

Modern Georgism does not stop at LVT (about which you have come to know as the tax without deadweight losses a la Gregory Mankiw's Principles of Economics). "In order to guarantee equality of opportunity, all the various forms of monopolistic rent-seeking need to be addressed. America's mineral and oil industries are worth hundreds of billions of dollars a year, much of which takes the form of revenue made by companies who have the right to access natural energy resources. 21st century Georgism would mean moving to a model more like Norway's, which heavily taxes profits from the extraction of oil, while offering deductions when companies engage in technological improvements and exploration. In other areas, it would mean reducing the unfairness inherent in many intellectual property laws—for example by allowing public buyout of patents for lifesaving drugs, while appropriately compensating researchers, inventors, and companies."

This is the background material to appreciate all the historically conditioned current discussions in favour of universal basic income or social dividend to be shared by all people by taxing all kinds of rent-seeking and other extractivism rampant in the world.

This model of cooperative individualism, however, is opposed by vested interests as follows. "Landlords and developers of shopping centres, residential, and other properties seek to influence state policy to benefit their interests rather than the common good. Big landlords, who extract rents from their investments, engage in land grabbing and speculative property development, usually under the guise of creating jobs, supporting the economy, or driving green transformation Politicians who have significant investment in landed property become a major property lobby, blocking attempts at socialising urban land rent. A yet broader array of homeowners, who live in gated or non-gated estates, constitute a collective property lobby with considerable power over the housing question, the size and form of rent, and how the rental relation is varied in their favour. This property lobby also influences the 'property mind'. Universities, real estate professional bodies that accredit economics courses, and individual teachers wield considerable power in influencing students away from this thinking. This is explicable in terms of the close relationship between property developers, the class of academics who double as speculators and real estate investors, while seeking to make private property in land look natural in their courses on real estate finance. There are also wider institutional impediments.

The World Bank, for instance, provides significant funding to de-collectivise African land tenure systems. World Bank conferences on 'land and development' might give the impression of pluralist engagement, but the Bank's systematic financing of land administration programmes aimed at making relations to land transactionary reveal the Bank's own interest in defending and extending the global institution of private property rights in land. Whether via rural or urban development, free or fair trade, the institutions that have promoted the commodification of land (the media, sector agencies and the empire church), have played important roles in inhibiting" this progressive thinking

But in thinking on the Georgist lines above about sharing the earth's fruits and redistributing the proceeds to all, you may feel good that you are not the usual moronic economics student in Mankiw's classroom. It is like feeling good when you smell roses even as there are no roses anywhere.

Homework: Study the hoary Georgist political economy as integral to The Next Systems Project that "There are political-economic system models that deliver superior social, economic and ecological outcomes." Read Speth and Courrier (2021).

Watch: https://www.youtube.com/watch?v=ma3bss__sKM (https://www.youtube.com/watch?v=ma3bss__sKM)

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