“Saving the Commons in an Age of Plunder,”
H. William Batt, PhD., Albany Torch Club Presentation, May 5, 2008.

Garrett Hardin's Lament

Forty years ago exactly, *Science Magazine* published ecologist Garrett Hardin's article, "The Tragedy of the Commons," now perhaps the most widely cited and reprinted scientific piece ever.[1] As both history and parable, it purported to show how unattended and unprotected natural resources were exploited and ultimately destroyed by villagers. The context was 16th century Tudor England and the enclosure movement that drove peasants off the land into the cities and provided cheap labor for the ensuing industrial revolution. “The commons” was well understood as the shared land, usually pasture, that provided the space for grazing animals.[2] Hardin recounted in metaphoric terms an explanation of an ecological history of resource overshoot that has since been replicated countless times over.

The article resonated with a public newly awakening to environmental dangers – Rachel Carson's *Silent Spring*[3] was published just six years earlier, and to the growing public fascination with economics – the Nobel prize in Economics was added the following year.[4] Hardin's article also offered, unintentionally, the perfect corroboration to neoclassical economics, which held that the most stable, productive, and efficient market system was one in which resources were best protected by their privatization, and where the public sector, vulnerable to exploitation and abuse, should be reduced to a minimum.

Neoclassical economic theory holds that wealth is best produced by competing interests vying with one another in open markets, with prices adjusting to supply and demand in ways that assure all participants and interests are served according to their enterprise and merit. It is a self-regulating equilibrium system assuming that human beings are wholly self-interested. One can trace its roots perhaps to the work of Bernard Mandeville, a Dutchman who wrote “The Fable of the Bees” in 1705, a notable piece of doggerel to test his English language prowess. It describes the division of labor of a hive, the efficiency and indeed the beauty by which its stability and continuance was assured. Adam Smith, intrigued and challenged by Mandeville's insight, incorporated this model of society in his 1776 work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, a work people know little more of today than by the phrase, “invisible hand.”

Mandeville, Smith, and Hardin have since been invoked to ratify the unfolding patterns of economic life, now more fervently than ever, as the apologists for privatization have

1"The Tragedy of the Commons," Garrett Hardin, *Science*, 162(1968):1243-1248, and http://dieoff.org/page95.htm

2 After over half a century, the greatest single account of this period remains Karl Polanyi's book, *The Great Transformation: The Political and Economic Origins of our Time*. New York: Reinhart, 1944.

3 Rachel Carson, *Silent Spring*. New York: Houghton Mifflin, 1962.

4 The Economics Nobel was not one of the original 1895 prizes; it was initiated only in 1968, and many now believe this was a mistake.

continued their ascendancy and preeminence.[5] The unfolding and increasing pace of the private capture of common wealth has left doubters and opponents today hard put to respond. The Chicago School economists' use of Hardin may have disturbed him, as he was alarmed by the growing neglect and privatization of the commons.

The Modern Era of the Land Grab

The year 1776, you recall, also marks the severing relationship between America and Great Britain, and it was in the New World where the new economic ideas saw their strongest application. As John Locke understood it, property meant one's personal possessions along with any elements of the commons with which one “mixed his labour.”[6] It meant essentially tools, clothes, and armaments. But the idea took hold in America that land also might be owned as a commodity, just like a horse or a house. The founding fathers, to a man, all quickly took to buying and selling land for speculative gain, and if they weren't involved in land dealing, they were likely making money litigating it like lawyers Patrick Henry and Abraham Lincoln. Robert Morris, one of the least scrupulous figures of the new Republic, wrote that "everyone with spare cash invested in land.” The new Secretary of State, Timothy Pickering, told his sister in 1796. “All I am now worth was gained by speculation in land. In 1785 I purchased about twelve thousand acres in Pennsylvania which cost me about one shilling [about fifteen cents] in lawful money an acre. ... The lowest value of the worst tract is now not below two dollars an acre."[7] Tocqueville observed that, “the European emigrant always lands, therefore, in a country that is but half full, and where hands are in demand; he becomes a workman in easy circumstances, his son goes to seek his fortune in unpeopled regions and becomes a rich landowner. The former amasses the capital which the latter invests.”[8] So, what Native Americans viewed as part of nature was quickly snatched up as property by western settlers, in what has been the greatest theft ever. New studies are now emerging about this era, and I predict that the impact of this research will be profound.[9]

So began a view and practice which continues to this day, that speculating on the resources of nature is a wholly legitimate enterprise. A person today would think it strange not to be able to sell his home at a gain years after buying it, even though the building be largely depreciated. People see gains in land value as an assured way to “build equity.” The greatest fortunes of the 19th century were built on the capture and sale of natural resources, not only land but furs, lumber, coal, oil; even, for a time,

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5 See especially the writing of Terry L Anderson and the Property and Environment Research Center, www.perc.org.

6 John Locke, Two Treatises of Government, 1690. Section 27.

7 Quoted in Andro Linklater, *Measuring America: How and Untamed Wilderness Shaped the United States and Fulfilled the Promise of Democracy*. New York: Walker & Co., 2002. p. 44.

8 Democracy in American, Book 1, Ch. XVII.

9 Three books particularly should be mentioned for their advancement of the historical and legal perspective: John C. Weaver, *The Great Land Rush and the Making of the Modern World, 1650 – 1900*. Montreal: McGill-Queens University Press, 2003; Lindsay G. Robertson, *Conquest by Law: How the Discovery of America Dispossessed Indigenous People of their Lands*. London: Oxford University Press, 2005; and Robert J. Miller, *Native America, Discovered and Conquered: Thomas Jefferson, Lewis & Clark, and Manifest Destiny*. Westport, CT: Praeger, 2006.

slaves, that were viewed as much a part of nature as animals.[10] It was easy to get rich harvesting the bounty of nature; costs of doing so involved mostly labor investment and a bit of capital. The sale price, driven by demand, might be many times as large. Consider how rich someone could become by striking oil; the only investment was the time involved in prospecting, and perhaps the expense of an oil derrick. Once found, it just gushed out of the earth and could be sold for whatever the market fetched. The "profits," if they could be called such, were stupendous. Sometimes there were added license and title costs, but trivial in comparison.

Today there are many more elements of nature that command a market price, exploited under private auspices and title. Some minerals have incalculable value, uranium being just the best known. Consider also all the elements of the biota -- seeds, algae, topsoil, wild animals, domesticated breeds, various plants for food, medicine and beauty. When Jonas Salk identified the polio vaccine in 1955, he was interviewed shortly thereafter by Edward R. Morrow. "Who owns the patent on this vaccine? ," he asked. "Well," Salk answered, no doubt taken aback by the question. "The people, I would say. There is no patent. Could you patent the sun?"[11] But less than two decades later things had changed. Close by here at the GE Global Research Center in Schenectady, Dr. Ananda Mohan Chakrabarty managed to genetically engineer a organism that could break down the crude oil at sites of spills. A patent was filed, and led to a court case that went all the way to the US Supreme Court.[12] He won. Strains of rice and other grains that have been in the public domain for millennia are now being captured and successfully patented by corporations. A massive outcry has come, especially in developing nations like India, along with scientist Vandana Shiva's several books protesting such practices, with titles like *Biopiracy, Stolen Harvest, and Protect or Plunder?*[13]

More recently still we've read news of water resources being privatized. We've typically thought of municipal water systems being part of the public domain, as well as that which our agricultural industry relies upon, as a "free good" from nature. But as it becomes more scarce, as aquifers drain, and as climate patterns become less predictable, water has become a commodity with a growing market price. Corporate interests have moved in to capture that resource for potential profit. It is not just the bottled water for sale; it is wholesale river systems, lakes, estuaries, and beaches. Dozens of cities in the US have seen their municipal water supplies taken over by private industry.[14] In the late '90s in the city of Cochabamba, Bolivia, the water system was privatized upon the insistence of the World Bank as a way for it to settle international debts. Urban riots ensued after the Bechtel Corporation tripled the price

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10 Gustavus Myers, *History of Great American Fortunes*. New York: Random House, 1907 and later.

11 Recounted on Wikipedia, Jonas Salk.

12 Diamond v Chakrabarty, 447 U.S. 303 (1980), and *Who Owns Life?* David Magnus, Arthur Kaplan, and Glenn McGee (eds), Amherst, NY: Prometheus Press, 2002.

13 Vandana Shiva, *Biopiracy: The Plunder of Nature and Knowledge*. Boston: South End Press, 1997; *Stolen Harvest: The Hijacking of the Global Food Supply*. South End Press, 200; and *Protect or Plunder: Understanding Intellectual Property Rights*. London: Zed Books, 2001.

14 Alan Snitow, Deborah Kaufman, and Michael Fox, *Thirst: Fighting the Corporate Theft of Our Water*. Boston: John Wiley & Sons., 2007.

of water. Not only did the people refuse, the action ultimately brought down the government itself.[15]

We also hear that "The Public Owns the Airwaves." But in fact the electromagnetic spectrum has been privately owned ever since 1928 when the radio corporations were freely given frequencies in exchange for a promise that the public interest would be served. Those frequencies have since been bought and sold among media conglomerates for millions! It is not the electronics in the station that explains their price; it is the monopoly ownership of those frequencies. As spectrum use changes from analogue to digital signal, frequencies reclaimed or retained by the government are being auctioned off for a price, now to be owned as property much as earlier segments. Meanwhile, public expectations about media responsibility have largely fallen by the wayside, and spectrum owners are able to deploy those frequencies for radio, television, cell phone, and other uses with little oversight except as concerns technical efficiency. The Federal Communications Commission is viewed as industry-owned.

When natural resources come to have public utility and market value, private economic interests seek to confiscate them. When technology finds an application for them with commercial potential, pressures also grow for their privatization. This was even the case with oil, which was not at first viewed as having much market potential at all. An interesting and revealing illustration of the confiscatory impulses of corporate powers is taking place with efforts to install free over-the-air Internet service (Wi-Fi) in several cities. Two or three years ago, the news media was abuzz with the number of places that were embarked on installing Wi-Fi that would be free to all the users within range. Albany was one of those cities. But, alas, the program to complete the service citywide has now been scuttled,[16] What happened?

Companies that originally agreed to provide such service under municipal contract, like Verizon, Earthlink, and others, decided that "the operations of the municipal Wi-Fi assets were no longer consistent with the company's strategic direction." So it looks like I will have to connect to the Internet through my Time-Warner Cable for about $50 a month. It could have been much cheaper, both for me and for the community.

We are now seeing the very air we breathe being auctioned off as private! New York State has made an alliance with other northeastern states in what is called the Regional Greenhouse Gas Initiative – RGGI. Shortly, the "pollution rights" will be auctioned off to own or trade as property and for use as a dump for the effluents of utilities! The so-called "cap and trade" system will let industries own, buy and sell the air as a commodity, limited only insofar as the public is able to police and control its use.

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15 Maude Barlow and Tony Clarke, *Blue Gold: The Fight to Stop the Corporate Theft of the World's Water*. New York: The New Press. 2002.

16 Ian Urbina, "Hopes for Wireless Cities Fade as Internet Providers Pull Out," *New York Times*, March, 22, 2008.

Suppose the air has an impact on climate change, or on the acidity of rainfall, or on fauna and flora in other ways? Will the public have the political means and wherewithal to reign in those corporate powers that now have a financial interest to protect? Property rights, once granted, are hard to rescind or to limit.

There are many other elements of what arguably are the birthrights of all humanity, resources that by tradition and logic are best defined as “the commons” but have now been privatized that one wonders what is left. Journalist James Ridgeway's book, *It's All for Sale*,[17] lists elements of nature with market value that are now offered up for private bid. Among them are fresh water, fuels, metals, forests, fibers, fertilizers, foods, flowers, drugs, the sky, the oceans, biodiversity, and human beings themselves. One national organization concerned about the demise of nature's public realm has made an even more extensive list of what elements exist in the natural realm and repeated then again in the social realm.[18]

Among shared natural creations that have value, economic and otherwise, are the following:
water, rain, snow, ice
solar energy, wind energy, tides, water power
light, fire, electricity, radio waves
lakes, rivers, estuaries, beaches
DNA, seeds, algae, topsoil
biosphere, atmosphere, forests, grasslands
rocks, minerals, oil, uranium
UV protection, climate regulation, erosion control, pollination
oceans, watersheds, aquifers, wetlands
wild animals, domesticated animals, edible plants, healing plants
photosynthesis, waste absorption, nutrient recycling, freshwater replenishment

Among shared social creations, a realm that I have for lack of time chosen not to talk about, are:
musical instruments, sculpture, dance, crafts
jazz, blues, country music, hip hop
words, names, grammar, punctuation
nursery rhymes, children's games, sports, recipes
law, democracy, money, trust
museums, libraries, universities, the Internet
facts, data, know-how, wisdom
religion, holidays, the calendar, the sabbath
roads, streets, sidewalks, plazas
numbers, symbols, algebra, statistics
communities, neighborhoods, playgrounds, historical sites
sea lanes, air lanes, bike paths, hiking trails

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17 James Ridgeway, *It's All for Sale: The Control of Global Resources*. Durham: Duke University Press, 2004.
18 www.onthecommons.org

There is no shortage of commentary about the privatization of the commons, most of which is a lament. It typically sees the transformation as one of private greed and power, the theft of what rightfully belongs to all of us. David Bollier, for example, titled his book, *Silent Theft*,[19] reflecting his view that the shift in ownership is not only unnoticed but pernicious. But his is a minority view; the dominant economic ideology now condones privatization as productive and efficient, therein serving a public interest, whereas the commons is marginal and even parasitic.[20] Further examination of the economics upon which such views rest will demonstrate how totally misguided and wrong this is.[21] It isn't just that the private sector is by its nature compelled to internalize gains and externalize losses, that it drives the economy in directions that serve power. It's also the case that neoclassical economics actually violates the laws of physics! Destructive as it is, a century's reliance on this paradigm will be hard to overcome.

Restoring the Balance

Wherein arose the idea that pieces of nature should become owned? It can be traced, at least in theory, to Roman law, even though it was more often honored in the breech. The notion of freehold title in land is uniquely Western, even though it is now spreading worldwide. It was tempered initially by what is now known as Public Trust Doctrine, arising first with the Byzantine Emperor Justinian in the sixth century. The law of trusts evolved from the Institutes of Justinian (535 A.D.), a part of which reads, "By the law of nature these things are common to mankind: the air, running water, the sea and consequently the shores of the sea." These allodial (i.e., granted by God) elements were by extension the equivalent of the later-day commons, which distinguished those things made by man and those made or granted by God. Legal tradition off and on has made use of this concept ever since, most recently this year in Vermont where water is now proposed as a public trust.[22] We have among our local colleagues one of the foremost US experts on public trust doctrine in attorney and news columnist Paul Bray.[23] But the law has limited capacity to contain attacks on the public interest, important as it is. I believe pricing designs can be an equally powerful and complementary influence. The key, however, is in getting the prices right, which

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19 *Silent Theft: The Private Plunder of our Common Wealth*. New York: Routledge, 2003.

20 See especially the writing of the Competitive Enterprise Institute, www.cei.org.

21 Among the several books that explore the failings of neoclassical economics are especially the following:

Nicholas Georgescu-Roegen, *The Entropy Law and the Economic Process*. Cambridge: Harvard University Press, 1991.

Herman Daly, *Beyond Growth: The Economics of Sustainable Development*. Boston: Beacon Press, 1996.

Thomas Prugh, et al., *Natural Capital and Human Economic Survival*. Solomons, MD: International Society for Ecological Economics, 1995.

Joshua Farley and Herman Daly, *Ecological Economics:Principles and Applications*. Island Press, 2003.

See also further discussion below in this essay and On line, www.dieoff.org, the economic theory section.

22 "Regulating Vermont's Groundwater," Vermont Public Radio, April 1, 2008; http://www.vpr.net/episode/43281/

23 See, for example, "The Public Trust Doctrine," by Paul Bray, at www.geocities/Senate/3616/PublicTrustDoctrine.html.

means getting the economics right.

A far more reasonable and effective check on the avarice underlying privatization of the commons exists in the framework growing out of classical economics, the founder of which was the same Adam Smith noted earlier. As classical tradition evolved, from Smith and other Scottish moralists, through Thomas Malthus, David Ricardo, John Stuart Mill, and finally with Henry George, the economy was based on three factors of production: land, labor and capital. Land meant “not merely the surface of the earth as distinguished from the water and the air, but the whole material universe outside of man himself.”[24] Capital was defined as all the products of labor and land, essentially tools. Land was its own factor category. The most significant point to make about land, however, is that its market value consists of a continuing flow of ground rent, which reflects the vitality of economic enterprise of proximate locations.

Rent, moreover, is a phenomenon not of any one site's activity but due rather to a total community's or region's market vitality. The market value of your plot is due mostly to the value and activity of your neighbors'. It was this insight that led Smith to conclude that “Ground-rents and the ordinary rent of land are . . . the species of revenue which can best bear to have a peculiar tax imposed on them."[25] Because the flow of rent is a continuing reflection of the economic activity of an area larger than a single site, it can't be eliminated or stemmed. Nor can it be shifted. But it can be recaptured in the form of a tax or capitalized in the exchange value of a parcel as a market price. It can also be captured in part through rent-seeking, a practice that reduces economic performance but is a high art of those looking to get something for nothing. But in any given area, and however it is cut up, the flow of rent is constant. Absent its being taxed or skimmed, the promise of a gain from capitalized parcel sites, or from any other element of “land” in the economy, speculative investment in titles is all but assured by those hoping for the eventual increases in market prices. The gain in market prices is a good bet on account of both the speculative competition for titles and by the demands of a growing population and economy.

Failure to recapture the socially created ground rent by properly designed taxes leads by default to its capitalized market value in sites, and the growth in that value inevitably prompts “land grabs” that have been so evident in modern history. The word “land grab” has come to mean not just purchase of any element of nature that is arguably part of the commons; it means the wholesale privatization of resources by the most rapacious element of society. Contemporary neoclassical economic theory sanctions the notion that “greed is good,” that avarice leads to increased wealth and productivity, no matter its source. Classical economics at least rewarded a person for what he earned by his labor; neoclassical economics rewards unearned gains from the rent captured from privatized titles of what had been part of the commons. Smith appreciated the significance of taxing land for how it tempered greed and protected and preserved the commons. Mill too saw that taxing land rent not only fostered a

24 Henry George, *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth: The Remedy*. 1879, and afterwards, p. 38.

25 *The Wealth of Nations*, Section 18, page 833.

more productive economy; he also believed that it was far more just. "Landlords," he observed, "grow richer in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."[26]

The transposition from classical to neoclassical economics was momentous. This paradigm shift from three factor economics – land, labor, and capital – to two-factor economics where land was conflated into capital, has allowed economic rent to be hidden so the owners of natural resources escape their full duty. I discussed this about a decade ago in an earlier presentation to Torch,[27] and how this is arguably the greatest instance of corruption in American history.[28] It was due, after all, to the blandishments of the wealthiest corporate powers in the country that the founders of the American Economics Association were persuaded to change their definitions and formulas so that they would henceforth be advantaged. The concept of rent in the century since has been all but eliminated from discussion in American neoclassical economics texts. Even calculating the amount of rent as an amount or as a percent of the GDP is impossible except as a plausible guess. Texts typically put it as about 1 percent of the GDP.[29]

But that is far from the case. Although calculating rent in the American economy is impossible (due to the failure of our government to keep numbers properly), it is possible in Australia, and Professor Terry Dwyer, a Harvard-educated economist, has taken on this challenge for his native country. His analysis shows that economic rent is well over 30 percent of the Australian GDP, for real estate rent alone, ignoring other resource rents that exist.[30] "The 'bottom line' reinforces the overall conclusion . . . that land-based tax revenues are indeed sufficient to allow total abolition of company and personal income tax. Further, to the extent that some taxes, such as rates, land tax, resource rent taxes and even part of income tax on land rents are already capitalized in lower market values for privately held land, the figures would tend to understate the capacity of land income to replace existing taxes." I earlier explained how taxing rent would comport with all the textbook principles of sound tax theory, and explained how it would also stem and reverse sprawl development,[31] and improve our

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26 *Principles of Political Economy*, bk.5, ch.2, sec.5.

27 "How the Railroads Got us on the Wrong Economic Track," *The Torch Magazine*, Vol. 71. No. 3 (Winter 1997-98), on line at http://www.sbs.utexas.edu/resource/onlinetext/Definitions/LandValue.htm

28 Mason Gaffney, The Corruption of Economics, Shepheard Walwyn, 1995. and http://homepage.ntlworld.com/janusg/coe/!index.htm

29 Rental income is $7.9 billion of a total GNP of $5,234 billion, or 1.5 percent. Table 7-5, p. 137. Baumol and Blinder's *Economics: Principles and Policy, Fifth Edition*. Harcourt Brace, 1991. Rental Income was 4.7 billion, or 0.079% of GDP in 1992. Table 22.3, p. 559. Karl Case and Ray Fair, *Economics, Third Edition*. Prentice Hall, 1994. Rent is 1% of U.S. economy in 2004. p. 283. Paul Krugman and Robin Wells, *Economics*. New York: Worth Publishers.

30" Terry Dwyer, "The Taxable Capacity of Australian Land and Resources," April 1, 2003, p 40, on line at www.taxreform.com.au/dwyercapacity.pdf and www.prosper.org.au/evidence/

31 "Stemming Sprawl: The Fiscal Approach," Chapter 10 from the book, *Suburban Sprawl: Culture, Theory, and Politics*, edited by Matthew J. Lindstrom and Hugh Bartling; Rowman & Littlefield

society in so many other ways.[32]

Most of all, however, it is the moral argument that makes the recapture of socially created economic rent so compelling. First of all it removes the tax burden on that which we want and puts it on that which we eschew. In a word, it taxes bads, not goods, as an oft-seen environmental protest button states, or taxes waste not work. Rent-seekers, like all those that speculate in resource gains, are freeloaders. John Houseman, an actor perhaps most widely known as Professor Kingsfield in the film and long-running television series, The Paper Chase, later became the pitchman for Smith Barney. In one advertisement, his tag line was "They make money the old-fashioned way — they earn it." *That* is economic justice! In the tradition of classical economics, Thomas Paine (Agrarian Justice, 1797) put it this way: "Men did not make the earth... it is the value of the improvements only, and not the earth itself, that is individual property... Every proprietor owes to the community a ground rent for the land which he holds." Our nation might just possibly have gone in this direction, and taxed rents instead of facilitating land grabs and speculation. Thomas Jefferson wavered in his view: "The earth," he said, "belongs in usufruct to the living; the dead have neither powers nor rights over it. The portion occupied by any individual ceases to be his when he himself ceases to be, and reverts to society."[33] Given the land grab fever of the era, the forces opposed to taxing rent were just too strong. Besides, economic theory, which always lags behind social reality, had not yet evolved as a coherent paradigm that would make such arguments clear.

As Jefferson understood them, usufructory titles are consistent with the idea of land rent. It helps that property law abjures use of the word "ownership" in preference to the term "bundle of rights" that lawyers talk about in enumerating the privileges attaching to locations.[34] The idea of "fee simple" title to real property is a misnomer; ownership is never absolute. Typically enumerated among the several contingent but partial rights that are linked to titles are the rights to sell, to mortgage, to bequeath, to lease, to use and occupy, to alter and install, and to subdivide and develop. The right to the retention of the ground rent is overlooked because its understanding is an artifact left behind in classical economic theory. But the power to recapture rent is the one element of ownership that society should restore.

The second argument for recapturing rents is that it offers to us a way to maintain and recover the commons. The commons wouldn't necessarily be a collection of the world's or the nation's natural resources as earlier held, but it would be comparable inasmuch as the economic yield from those resources would be recaptured by the taxation of rent. There would be a public realm, a commonwealth! It would be the proper corrective to a contemporary economy that is distorted and debilitated. Rent,

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Publishers, Inc., 2003, online at www.cooperativeindividualism.org/batt-h-william_stemming_sprawl.html

32 See my articles as well as those of many others in the collection at www.wealthandwant.com.

33 Jefferson letter to James Madison, September 6, 1789. *Writings of Thomas Jefferson*, 1892-99. Ford, Lesson IX.

34 See, for example, Barron's Educational Series: *Dictionary of Real Estate Terms, Sixth Edition*, Jack P. Friedman, et al. (editors). 2004; also at http://www.answers.com.

after all, is a central element of the commons; as I earlier noted it is socially created and by rights it should be communally owned. Recapturing the socially created land rent would provide sufficient revenue to government that the support of public services would not be so precarious. The taxes on our labor and our goods that we often evade and abhor could be scuttled. And the income that we garner would be based on our earnings, not on our pursuit of windfall gains that are the "unearned increment" that Henry George talked about. As I have written elsewhere, such tax regimes would essentially be painless.[35]

A New Commons of Recaptured Rent

I mentioned earlier that the economic rent generated by a nation's economy is as much as a third of its GDP, but a bit more elaboration of its elements could be helpful. We recognize first of all that natural resources generate rent that right now remains in the pockets of titleholders without regard to any merit on their part except by their having captured ownership titles. The manifold sources of rent-yielding resources is carefully enumerated in a new paper by Professor Mason Gaffney.[36] To those sensitized to the concept these places become readily apparent. Discounting inflation, and with a 5 percent return on principle, one wouldn't even need to capture it all. Good numbers are unavailable from US government sources, estimates are spotty and scattered, but the following are indicative:

Author and entrepreneur Peter Barnes estimated a decade ago that a "sky trust" for the rental of pollution sinks in the US (rather than the proposed auction sale as RGGI intends) could generate from $140 to $280 billion annually beginning in the year 2010.[37] New York alone shortly expects to auction off the CO_2 cap-and-trade rights for about 64 million tons per year at a current projected one-shot price of about $2.32 per ton, for a total estimated annual yield of about $150 million.[38] A comparable US value would be over $14 trillion, with a projected (5%) annual rental value of over $700 million.[39] The 2001 price for auctioned spectrum rights was $4.18 per MHz per capita, which figured to be $1.2 billion annually. The total spectrum by extension may be worth $3 trillion, which could provide a rental yield of $150 billion annually.[40] The estimated value of the world market for water is in the neighborhood of $300 billion

35 I submitted a paper with these ideas in April, 2005 to the President's Advisory Panel on Federal Tax Reform. It is reprinted in *Groundswell*, May-June, 2005, on line at www.progress.org/cg/painless_0605.htm

36 "The Hidden Taxable Capacity of Land: Enough and to Spare," forthcoming in the *International Journal of Social Economics*, Vol. 35, Issue 6 (Summer, 2008), on line as a working paper draft at www.economics.ucr.edu/papers/papers07/index.html

37 Peter Barnes, *Who Owns the Sky? Our Common Assets and the Future of Capitalism*. Island Press, 2001, p. 41.

38 New York State Department of Environmental Conservation, " Regulatory Impact Statement 6 NYCRR Part 242, CO_2 Budget Trading Program, Documents. On line at www.dec.ny.gov/regulations/39148.html.

39 Based on US Annual CO_2 emissions (000s) of 6,049,435 tons. wikipedia list of countries by carbon dioxide emissions.

40 J.H. Snider, "Who Owns the Airwaves? Four Theories of Spectrum Property Rights" New America Foundation, 2002.

to $800 billion annually.[41] Who knows what the American share of that is worth and what the rental value might be? Nor is the total market value of land in the US available; the US Census of Housing recorded numbers based on assessment data from the States until 1987, but it proved to be so inaccurate that the records were discontinued.

How simple is it in fact to institute a reform in tax regimes and in the economic design by which we live? Not hard, as it happens. Consider the way in which our present tax regimes are conceived.[42] All tax revenue is drawn from one of three factors of production: land, labor, or capital. The price of labor is paid in wages; the price of capital is paid in interest, and the yield from land is paid in rent. Most likely what is involved is simply a tax shift; phasing out taxes on labor and capital and raising the taxes on tax bases that yield rents.[43] For real property this is already being done in many places worldwide, twenty cities in Pennsylvania alone.[44] It means simply phasing out the tax rate on improvement values and increasing the tax rate on the land values on a revenue neutral schedule. The schedule could continue addressing sales taxes and others too as planning and modeling could dictate.

The amount of rent to be recaptured from various sources could be open to debate, but consider its contrast with current tax regimes. As "Left Wing" advocates now would have it, taxes should be drawn from all three factors to pay for public services and foster social equity by its redistribution. This entails considerable planning and administration, as well as what critics call "social control." "Right wing" proposals, by contrast, hold that efficiency requires more wealth to remain in private hands, and that government should only get the minimum necessary for the provision of public services. It views government as a "traffic cop" with minimal intrusion on the economy that is largely privatized. Still, revenue necessary for government functions is drawn in each case from all three factors of production, land, labor, and capital. Moderates, or "middle-of-the-roaders," seek a balanced system in the distribution of wealth and power between individuals and society, and try to trade off considerations of efficiency and equity which always appear at odds. In none off these choices is there a distinction between earned and unearned incomes when it comes to taxation.

The revived classical economics approach, which is supported largely of proponents of Henry George, makes a distinction between the unearned income of land (rent) and the earned incomes of labor and capital (wages and interest). Rent is returned to society, and wages and interest are retained by the individuals who earned them. The proper spheres between individual and society are clarified. It achieves the goals of left-wingers for security and social action, but without restrictions on liberty. It achieves

41 Ridgeway, p. 5, citing Barlow.

42 I am indebted to the Henry George Institute, and its director Lindy Davies, for this explication; www.henrygeorge.org.

43 See Alan Durning and Yoram Bauman, *Tax Shift: How to Help the Economy, Improve the Environment, and Get the Tax Man Off our Backs*. Seattle: Northwest Environment Watch, April, 1998, online at www.sightline.org.

44 For more on this, see the work of the Center for the Study of Economics, on line at www.urbantools.org.

the goals of "right-wingers" to attain freedom, but without privilege and monopoly. And it achieves a balanced system sought by "middle-of-the-roaders" but in a just rather than an arbitrary way.

There has been a lot written recently about which elements of society are "free-riders," and who is getting the "free lunch."[45] Right now, by our failing to collect economic rent, the title holder to land gets the "Free Lunch." That's at the expense of the rest of society. It was Adam Smith, again, who reminded us that rent was the natural and just source of revenue. Among more recent supporters have been Bill Buckley, Molly Ivins, Steve Moore, Ralph Nader, Michael Kinsley, Jack Kemp, and George Gilder. They don't always espouse their views very publicly, as they may not understand the philosophy in great depth. But they have said many good things about it. What promise it holds is due largely to the fact that computer power and available data now make it possible to demonstrate the merit and the feasibility of an idea that has been on the "back burner" for a century. It may depend in part, especially in light of the current economic crisis the nation is facing, upon the collection of more and better financial and statistical data.[46]

The culmination of classical economic theory, defeated by its opponents just when it achieved full fruition and articulation, embodies an appreciation of a public realm, comparable to what existed in the pre-industrial era as "the commons." At a time when neoclassical economics sees the greatest virtues in total privatization, classical economics now offers an opportunity to look once more at wisdom of the past. It is well expressed in a folk poem that is traceable at least to 1764:

They hang the man and flog the woman
That steal the goose from off the common.
But let the greater villain loose
That steals the common from the goose.

The law locks up the man or woman
Who steals the goose from off the common'
And geese will still a common lack
Till they go and steal it back.[47]

Saving the Commons.odt
April 11, 2008
Word Count: 6,550

45 The most recent use is by New York Times Tax reporter David Cay Johnston, *Free Lunch: How the Wealthiest Americans Enrich Themselves at Government Expense (And Stick you with the Bill).* Portfolio Books, 2007. Professor Milton Friedman wrote a book in 1975, *There is No Such Thing as a Free Lunch*. Open Court Publishing.

46 See the draft of a proposed "Monetary Transparency Act," at the American Monetary Institute. www.monetary.org.

47 David Bollier, *Silent Theft: The Private Plunder of our Common Wealth*. New York: Routledge, 2003. frontispiece.