

Robert Schalkenbach Foundation

Crumbling **Foundations**



David Smiley

CRUMBLING FOUNDATIONS

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He was one of the first Peace Corps Volunteers (Thailand, '62-64), which led to his later interest in moral reasoning and social structures. He became committed to research and advocacy for Georgist political and economic philosophy in 1993 after leaving service on the New York State legislative staff. His many articles can be found online, especially on websites connected with Georgist philosophy.

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PREFACE

H. William Batt, Director, Robert Schalkenbach Foundation

This book examines the ways in which the principles of Henry George could be applied to the field of economic development to assist Third World countries in their efforts to modernize. After many decades of failed efforts to promote development with models derived from conventional economic theory, it is time to consider an approach based on a different set of principles than have previously been applied.

Henry George's *Progress and Poverty* is often listed among the 100 books that changed America. His ideas were the culmination and integration of over a century of penetrating insight from the greatest political economists of the age, beginning with the French Physiocrats, then to Adam Smith, to Thomas Malthus, to David Ricardo, to John Stuart Mill, and finally to George. They held an elegance and simplicity such that their understanding was widespread. They also encapsulated truths long held yet aptly reinterpreted for a changing world. Usufruct ownership, payment of rent, the nature of wealth, and the interdependence, obligation, and reciprocity of all elements of society to one another were once common themes in the discourse of the age. The disciples of Henry George applied them in a form that was suitable to an emerging industrial civilization. They acquired a timeless applicability. Today they are kept alive by a school of thought largely outside conventional academic programs of economics.

Yet in the introduction to his *Significant Paragraphs from Progress and Poverty*, John Dewey (1928) wrote, "It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers. No man, no graduate of a higher educational institution has a right to regard himself as educated in social thought unless he has some firsthand acquaintance with the theoretical contribution of this great American thinker."

Albert Einstein concluded that, "Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice. Every line is written as if for our generation. The spreading of these works is a really deserving cause, for our generation especially has many and important things to learn from Henry George."

George's "remedy" to the injustice of poverty came to be known as the "Single Tax on land," or simply "single tax." This impeded understanding inasmuch as it was not on "land" as understood in vernacular discourse

but rather on natural resources of all kinds. But one can only simplify so much, and those who didn't appreciate what this entailed were easily persuaded that land had less central importance in an industrializing economy than it had in an agricultural economy. Without understanding how the locational value of land compares in urban centers with that in rural hinterlands, there can be little appreciation of how enormous the revenue can be from the single tax alone. Without understanding also that an industrial and post industrial society avails itself of resources from nature that are unknown by earlier generations, the full dimensions of economic rent are not identifiable. There is now compelling evidence that George's ideas posed such a dire threat to the dominant political interests of the day, mainly railroads and banks, that every effort was made not only to defeat him politically but to disparage and even ridicule his argument (Gaffney, 1994).

What passed for conventional wisdom among those who could most stand to benefit from such thinking was that these ideas had been examined, tried, found wanting, and rejected. The truth is that they have been tried, have been successful in their settings, and so taken for granted in many cases that their impact has been unappreciated. Only in cases when they were rescinded did it become evident how centrally important they were. Or, when they receded into peripheral positions, their significance and impact was forgotten.

Three factors today explain the renewed interest in classical economic thought and the rekindled focus on Henry George's legacy. They are the disintegration of the prevailing paradigm of neoclassical economics that therefore calls for new thinking. A second factor is the capacity of modern societies to share ideas by modern communication, especially the internet, and to bring into contact the residual and widely-scattered element of disciples. A third factor is the power of computers and the availability of data to demonstrate the validity and the cogency of the Georgist idea.

For over a half century, the discipline of economics has grown in stature among the social sciences by relying largely on abstract models and by applying a contrived mathematical rigor to the exclusion of evidence that didn't fit its suppositions. It has grown in interest and visibility because of the need for answers more than by the success of its findings. It has become influential at both national and local levels of public policy by creating ever more complex models and explanations, integrating variables that were correlative rather than causative. It has looked at economic behavior in terms of its symptoms rather than as systems.

Things have now come crashing down during the latter half of the first decade of the 21st century, and it is not clear yet that they have reached bottom, even as this is written. With a renewed willingness of many to explore approaches that have persisted outside mainstream neoclassical orthodoxy, ideas and frameworks that evolved during the 18th and 19th centuries are now resurfacing.

A second factor explaining the renewed interest in the legacy of Henry George stems from the chance that the widely scattered but dedicated proponents of these ideas now have had the means to communicate and corroborate their intuitions. It is important to understand that they have done so largely outside the community of the academy. The persistence of this outlook owes to the fact that it finds easy and ready validation among those that have come to understand it.

Unlike mainstream neoclassical economic thought, Georgist economics is avowedly and expressly moral in its orientation. The convictions and concerns that have energized the enduring Georgist fraternity stem in most cases from an appreciation of the injustices that are readily apparent to them.

The key to an understanding of Georgist philosophy is the idea of ground rent, often also called economic rent. Rent is the surplus flow of value that flows through or lodges in natural resource sites. Since their market price is a function of their social demand, this cannot be anything except socially-created value to which the community has a rightful claim to recover. Their value comes not from the amount of labor expended or even from other production factors in combination. Rather whatever market price obtains is strictly a windfall gain to whatever party holds title. It is for this reason that it has often come to be called the "unearned increment." (For an extensive discussion of economic rent, and rent seeking, see Gaffney, 2008, Giacalone and Cobb, 2001, Hodgkinson, 2008 and Wenzler, 1999.) Rent in this context is the annualized market value of land parcels. For example, if the value of a block of land is 1000 and the interest rate is 5%, then the expected land rent would be 1000 times 5%, which is 50 per year.

Should rent instead be considered part of the commons, a tax on its value can be construed as recovering what is actually a social creation; and it possesses the financial means to support whatever public services society demands and requires. Because it can supplant taxes placed on people's wages and goods, it allows them to keep what is rightfully theirs by brain and brawn. Most importantly, rent taxes collected are commensurate with

the extent of the use of those resources as measured by market price, whether they be households or corporations. Those who have no titles to such resources at all are absolved from paying any taxes at all. The late and eminent neoclassical economist, Milton Friedman, titled one of his books (1977), "There is no Free Lunch." In fact there is a free lunch, especially if the rent flowing through natural resource titles is captured as "passive gains" by opportunistic speculators. As John Stuart Mill put it (1848), "Landlords grow rich in their sleep without working, risking, or economising."

Classical economic thought followed this logic in many instances, as is evident especially in the work of Adam Smith as well as Mill and which the ensuing chapters make clear. As further evidence that these thoughts are frequently expressed, Thomas Paine too, in his pamphlet *Agrarian Justice* (1795), argued that "[I]t is the value of the improvement, only, and not the earth itself, that is individual property. Every proprietor, therefore, of cultivated lands, owes the community a ground-rent (for I know of no better term to express the idea) for the land which he holds; and it is from this ground-rent that the fund proposed in this plan is to issue.... The plan I have to propose ... is, To create a national fund, out of which there shall be paid to every person, when arrived at the age of twenty-one years ... a compensation in part, for the loss of his or her natural inheritance, by the introduction of landed property

"Men did not make the earth," he continued, "and though he had a natural right to occupy it, he had no right to locate as his property in perpetuity any part of it; neither did the Creator of the earth open a land-office, from whence the first title-deeds should issue."

Jefferson observed that

"The earth is given as a common stock for men to labor and to live on... Wherever in any country there are idle lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right. Everyone may have land to labor for himself, if he chooses; or, preferring the exercise of any other industry, may exact for it such compensation as not only to afford a comfortable subsistence, but wherewith to provide for a cessation from labor in old age." [Notes on Virginia, 1791]

"The earth belongs in usufruct to the living; that the dead have neither powers nor rights over it... We seem not to have perceived that by the law of nature, one generation is to another as one independent nation to

another." [Thomas Jefferson to James Madison -- 1789. ME 7:454, Papers 15:392]

"Whenever there is any country uncultivated lands and unemployed poor it is clear that the laws of property have been so far extended as to violate natural rights. The earth is given as a common stock for man to labor and live on...." [Letter to James Madison's father, Reverend Madison, 28 October 1785]

For their time, these were very prescient observations, because they referred to conditions not then widely understood. As time passed their significance would become more apparent as population, technology and public investment advanced. Despite the compelling nature of these assertions, they remained simply plausible propositions until more comprehensive and comparative theories of distributive justice were worked out. The discourse in this field of study is becoming ever more refined, and John Rawls' noted Theory of Justice (1971) now no longer stands at the leading edge of dissertations on the subject. To this writer's mind, the most exciting recent work incorporating a Georgist perspective is the doctoral thesis of Joseph Mazon, a recent graduate of Harvard University's Political Economy and Government Program. Now at Princeton, Dr. Mazon sorted through the range of theories in western liberal philosophy and posited "A Liberal Theory of Natural Resource Property Rights" resting on premises regarding distributive as well as intergenerational justice, significantly advancing the Georgist argument.

The extent to which these arguments have advanced is also very much due to the revolution in computer technology which has not only facilitated exchanges of ideas at an accelerated pace but given us greater capacity to collect and analyze empirical data. What had in many instances been a dormant theory resting on assumptions which could not easily be demonstrated can now be simulated and tested. Whereas the amount of economic rent in any society is often still trivialized in most conventional textbooks, and put at roughly 1 percent of GDP, it can now be shown to be far more. If economic rent is really as much as a third of the economy, as some studies now demonstrate (Dwyer, 2003; Gaffney, 2008), it cannot be dismissed as a rounding error. Rather, it can arguably supplant taxes on the other factors of production that have so many downside effects.

Instead of assuming that every revenue regime has its pros and cons, it is now possible to argue that there is a tax that incorporates all the virtues and principles that the venerable tax theorists of the past have enumerated as important. A tax on resource rents, first of all, is equitable: its

progressivity is understood by explaining that the poor typically have no titles to property in nature. Those who do hold such titles are overwhelmingly the well-off elites of society or else corporate entities. Middle class households usually own only the land under their houses, and these are hardly the sites commanding high market prices.

Nor does a tax recapturing resource rents distort markets in any way. The imposition of a tax on land is capitalized in its prevailing market price, such that the titleholder's payment obligation for its use may shift from time of purchase to extended durations. In fact payment for the use of land sites gives them more liquid currency, rather than as "frozen capital." Rent payment for the use of locational sites has the added advantage of obviating the need to pay bank mortgages for loans on land; one needs then only to borrow for structures. And because the public can rely upon this ground rent revenue for public services, it can be relieved of the burden of paying a second time in a tax on labor and goods. It is these latter taxes that impose distortions on economies, by what is referred to as "deadweight loss" or "excess burden." One study estimates that the productivity loss from the income tax alone is roughly 30 percent of its yield, and 50 percent if social security is included. Another study estimates the loss at about 10 percent of GDP.

Because taxes on ground rents are non-distorting and therefore neutral, they are also the most economically efficient taxes available to government. Taxing labor, people are prone to work less; taxing goods, people are likely to buy less; and taxing savings, people are apt to save less. There is a reason why architecture and other designs take peculiar forms. Dutch ships of the 17th century were taxed according to the width of their decks. The result was that they were built with bubbled hulls and narrow topsides. When buildings in Paris were taxed based on their height to the roofline, Mansard roofs came about. Homes, cars, and industrial practices too are all typically designed with tax considerations in mind, and not as they should be first of all with a regard for safety and efficiency.

All this says nothing yet about the enormous expense involved both to governments and to the citizenry of complying with the cumbersome tax structures which grow out of legislative compromises. Were the public and its leaders to better understand the philosophy of taxation, far better consequences would likely follow. This advisory goes double for developing nations that typically lack the bureaucratic capacity to maintain the administrative machinery necessary for adequate compliance. As will be evident in later discussion, the capture of rents by private interests due

to their failure to be collected in tax revenues leads to social pathologies and inequities of every sort. The reality of a tax on land sites is that they cannot be taken to an offshore tax haven or to a Swiss Bank. Corruption knows few opportunities with a well administered land value tax.

It is therefore an exciting time to be able to introduce this book. It comes at a time when opportunities for change abound. The book owes its inspiration to the decision by the Robert Schalkenbach Foundation to produce jointly with Cinema Libre Studio a major documentary film on poverty portraying the Third World context: "The End of Poverty?" That film is intended as a challenge to the prevailing views about economic development as reflected largely by the policies of the World Bank and the International Monetary Fund. The foremost intellectual apologist of that thinking is Professor Jeffrey Sachs of Columbia University who also leads an influential center of argument, The Earth Institute. Professor Sachs' several books have certainly been subject to criticism, but he remains the most often cited observer and participant in economic development discussions concerning Third World challenges about poverty. For Sachs, the answer to solving not only poverty but population growth, global warming, and environmental despoliation as well, lies in a simple willingness to get behind a "big push" needing only 3% of the world's income, he claims. He talks about how disease, ignorance, and a lack of infrastructure and public services lock people into "poverty traps," which he argues can be solved simply with adequate commitment to a grand plan. The problem with grand plans is they involve enormous resources and coordination and ignore the way today's markets are currently rigged.

With different methods and emphases, the film and this book question the starting point of most discussions of poverty. Instead of positing a lack of capital or resources, "The End of Poverty?" and this book attribute the persistence of global poverty to flawed institutions that deny opportunities to the poor.

In this book, David Smiley adapts the principles of Henry George to modern methods of policy analysis as applied to problems of development in the Third World. To do this, he returns to first principles both in terms of economic exchange and ownership and in terms of governance. To conclude this preface, we now turn to some of the fundamental ideas that guide any effort to reconstruct development theory from a Georgist perspective.

Governments, constitutionally speaking, have only two instruments through which to effectuate policy, commonly known as police powers and tax powers (leaving aside war powers and direct expenditures). Because legal discourse often confounds the meaning of these terms, they are more often understood administratively as “command-and-control” and “fiscal” instruments. Many measures that are ostensibly tax measures—fines, fees, licenses, and the like—fall constitutionally under the rubric of police powers. So also must it be recognized that many taxes have policing effects, inasmuch as they powerfully influence social behavior, even though they are ostensibly intended only to raise revenue. It is with these thoughts in mind that this book examines how existing measures of both command-and-control and fiscal nature have affected developmental goals.

The reason for inviting renewed attention to various government tools of a fiscal nature is because they have too often been ignored. It has long been understood that taxes are necessary to provide the revenue support for the general purposes of government. US Supreme Court Justice Oliver Wendell Holmes said, “taxes are the price we pay for a civilized society.” What is often not as well understood is how much taxes influence our economy, especially their frequent negative effects on what is socially desirable. The result is that what goals are established with one hand are frequently stifled by policies with the other. A few examples will quickly suffice: although numerous policies are instituted to foster development, one can easily see that when government taxes labor, it discourages work; taxing interest discourages saving, taxing market transactions discourages sales, and, so also, taxing houses and buildings discourages their creation. There are long histories of tax folly from the time trees were taxed effecting deserts, when taxing windows led to darkness, and taxing lot frontage led to outlandish “shotgun houses” in the old American West. But there are as many instances, especially when taking the long view, when societies got it right: they taxed land sites, which could not be hidden, moved, or altered. Through the locations on earth flow the value known as rent, which cannot in any way be concealed. For this reason Adam Smith (1776:833) noted, “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.”

As population growth presses on scarce land, the value of land, and hence its rent, increases. Those who own land benefit; those who do not own land have to pay more rent. Particularly in poor countries, the distribution of land ownership is a major cause of inequality and poverty.

One basic cause of poor political and economic performance is the associated phenomenon of rent seeking. It is particularly significant for countries rich in natural resources, like oil and natural gas, minerals, and precious stones. But land sites, air and water, natural resources also, yield rent as well. With time it has become clear that rentier behavior is a phenomena of widespread applicability, and not just to Third World and resource-rich regimes. In fact every polity manifests rentier attributes to some degree and these have come to be regarded as pathological.

Rent is a pure surplus, accruing from mere ownership of a resource, not because of any productive contribution it alone makes. (If an owner does add value by transforming the resource, that value comes from labor or capital, not from the resource itself.) Hence, rent is the economic return to a resource monopoly, where monopoly is defined as concentrated possession or control. Rent seeking is the effort to gain or maintain control of a resource. Because rent seeking merely transfers the value of a resource from one party to another, it adds no value. Hence the cost involved in rent seeking milks an economy; it is a deadweight loss—a burden to society with no compensating gain.

This book puts forth the case for capturing the socially created economic rent to provide the financial means for supporting public services as well as alleviating or even removing the incubus of other taxes that now burden productivity. This comes about through the device of taxing the value of land sites, commonly referred to as land value taxation, or LVT. Doing so also removes the economic distortions that otherwise arise from rent-seeking behavior.

Land as well as all elements of the earth are arguably the birthright of all humanity, and therefore constitute a common heritage to be nurtured and preserved. The concept of common heritage rights goes back a long way. John Stuart Mill (1981:VII:232), for example, perhaps anticipating future problems of natural resource depletion and environmental degradation, noted: “The social problem of the future we consider to be, how to unite

the greatest individual liberty of action with a common ownership in the raw material of the globe.”

Assuring all people access to the resources of the earth, especially opportunities in land, is approached in many ways, few of which have been successful, as discussion later in this book will point out. But providing access, as well as the fruits of access, is certainly a key to addressing the challenge of poverty. Poverty is explained by the lack of means to resources resulting from institutional arrangements more than it is by the absence of the resources themselves. There is an oft-told adage that the answer to poverty lies in how aid is distributed. Give a man a fish, the story goes, and he will eat for a day. Teach a man to fish, and he will eat for life.

But that's not true unless the man has access to a fish pond. And in many regions of the world, he does not. This maxim is a metaphor for access not just to fish ponds but to land and all other natural resources to which all people are entitled to use. The private capture of ownership titles to pieces of the earth is always a questionable moral claim, as it is rooted ultimately in origins of force or fraud, even if some more recent titles have been acquired through payment. When one assesses the legitimacy of titles to natural resources of the earth against the counter claim that they are the common birthright of all humanity, the latter argument bears up far more firmly. Provisional ownership in what is classically called usufruct title is easily braced by the recapture of socially created resource rents.

The approach taken in this book, emphasizing the role of taxing land rent as a tool of land reform for development, directly challenges more conventional approaches to poverty alleviation. Land value taxation is an alternate market-based approach that is part of a venerable and proven tradition. It's a solution within grasp as well. One can actually trace the history of taxing land to the earliest periods of recorded history; it is taxes on other items and activities that are the exceptional pattern. LVT can be identified in many other civilizations and times, and historical accounts show that contemporary efforts to resurrect its use are not new, either in practice or in theoretical argument (Jones, 2004).

Since work on this book commenced, a dramatic case for land value taxation has arisen in connection with the 2008 global financial collapse. This collapse, like earlier ones, was preceded by the diversion of productive work and investment into unproductive speculative investment

in land. Compelling evidence has been amassed to demonstrate the link between the over-investment in real estate and the related involvement of financial institutions (Foldvary, 2007; Gaffney, 2009; Harrison, 2005). Financial Times writer Martin Wolf, who was recently acclaimed as “the world’s most respected financial columnist,” concurs with this assessment according to a recent review of his new book (Skidelsky, 2009). The real estate bubble then became so large it infected the rest of the economy. This bubble would never have formed had LVT been implemented, because the rent surpluses that fed the speculative fever would instead have been recaptured in the form of taxes. While fears are already being expressed that the finance sector will always find ways around any new legislation, there is no way of evading the taxation of such a highly visible and immobile factor as land. The Asian financial crisis of the mid-nineties was also fed largely by land speculation, but it largely spared those nations —Hong Kong, Singapore and Taiwan— that rely upon land value taxes to any extent.

CRUMBLING FOUNDATIONS

HOW FAULTY INSTITUTIONS CREATE WORLD POVERTY

INTRODUCTION

On a global basis, poverty remains as big a problem as it ever was. Market forces are supposed to allocate resources with perfect efficiency, and global capital investment and trade are supposed to kick-start economic growth and lift people out of poverty. Yet millions of peasants are displaced each year from their land by market forces. As a result, wealth becomes more concentrated and a growing pool of marginally employed people inhabits urban slums. Globalization and international financial institutions force billions of people in developing countries to pay back loans that never benefited them or their countries. And now, there is a growing realization that both global warming and its counter-measures may, without appropriate reforms, actually increase global poverty. Clearly, there are unseen forces at work between established theory and grim reality.

The purpose of this book is to provide a brief explanation of some of those forces perpetuating poverty in the world today. Instead of identifying a few unscrupulous individuals or corporations as the cause of this continuing misery, it suggests an ignored structural factor that makes it very difficult for the poor as a group to rise above the situations into which they were born.

The task is one which only governments are capable of taking the lead on, as well as assuming much of the burden. In good part this necessarily involves the allocation of resources, money as well as material and human capital, in order that the world stands any chance of success in altering what is today a perplexing and dire situation. But besides providing resources, the institutional designs must be conceived anew and perhaps wholly reconstructed. There is ample evidence that the political and economic programs of the past half century have not worked. This book explores the potential of alternate means, resting on a quite different set of assumptions, that have been shown to have positive results in altering behavior. It also points to ways by which to secure the necessary capital resources for restarting the engines of economic development while at the same time fostering political and economic justice in nations of the Third World.

Governments, constitutionally speaking, have only two instruments through which to effectuate policy, commonly known as police powers and tax powers (leaving aside war powers and direct expenditures). Because legal discourse often confounds the meaning of these terms, they are more often understood administratively as “command-and-control” and “fiscal” instruments. Many measures that are ostensibly tax measures—fines, fees, licenses, and the like—fall constitutionally under the rubric of police powers. So also must it be recognized that many taxes have policing effects, inasmuch as they powerfully influence social behavior, even though they are ostensibly intended only to raise revenue. It is with these thoughts in mind that this book examines how existing measures of both command-and-control and fiscal nature have affected developmental goals.

The reason for inviting renewed attention to various government tools of a fiscal nature is because they have too often been ignored. It has long been understood that taxes are necessary to provide the revenue support for the general purposes of government. US Supreme Court Justice Oliver

Wendell Holmes said, “taxes are the price we pay for a civilized society.” What is often not as well understood is how much taxes influence our economy, especially their frequent negative effects on what is socially desirable. The result is that what goals are established with one hand are frequently stifled by policies with the other. A few examples will quickly suffice: although numerous policies are instituted to foster development, one can easily see that when government taxes labor, it discourages work; taxing interest discourages saving, taxing market transactions discourages sales, and, so also, taxing houses and buildings discourages their creation. There are long histories of tax folly from the time trees were taxed effecting deserts, when taxing windows led to darkness, and taxing lot frontage led to outlandish “shotgun houses” in the old American West. But there are as many instances, especially when taking the long view, when societies got it right: they taxed land sites, which could not be hidden, moved, or altered. Through the locations on earth flow the value known as rent, which cannot in any way be concealed. For this reason Adam Smith (1776:833) noted, “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.”

Central to an understanding of the thesis of this book is the concept of rent, sometimes called economic rent or ground rent in order to distinguish it from rent meaning the payment for the use of cars, houses or tools. Rent, for all the classical economists, was the yield from land (and by extension all natural resources), and of critical importance, whereas the current neoclassical school has largely trivialized it. As population growth presses on scarce land, the value of land, and hence its rent, increases. Those who own land benefit, those who do not have to pay more rent. Particularly in poor countries, the distribution of land ownership is a major cause of inequality and poverty.

One basic cause of poor political and economic performance is the associated phenomenon of rent seeking. It is particularly significant for countries rich in natural resources, like oil and natural gas, minerals, and precious stones. But land sites, air and water, natural resources also, yield rent as well. The term “rentier state” describes behavior of widespread applicability, and not just to Third World and resource-rich regimes. In fact every polity manifests rentier attributes to some degree and these have come to be regarded as pathological.

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This book puts forth the case for capturing the socially created economic rent to provide the financial means for supporting public services as well as alleviating or even removing the incubus of other taxes that now burden productivity. This comes about through the device of taxing the value of land sites, commonly referred to as land value taxation, or LVT. Doing so also removes the economic distortions that otherwise arise from rent-seeking behavior. Land as well as all elements of the earth are arguably the birthright of all humanity, and therefore constitute a common heritage to be nurtured and preserved. The concept of common heritage rights goes back a long way. John Stuart Mill (1981:VII:232), for example, perhaps anticipating future problems of natural resource depletion and environmental degradation, noted: “The social problem of the future we consider to be, how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe.” He also appreciated the moral dimension to taxing land rents: “Landlords,” he observed, and meaning rentiers (1848:Book V, Ch.2), “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.”

Assuring all people access to the resources of the earth, especially opportunities in land, is approached in many ways, few of which have been successful, as discussion later in this book will point out. But providing access, as well as the fruits of access, is certainly a key to addressing the challenge of poverty. Poverty is explained by the lack of means to resources resulting from institutional arrangements more than it is by the absence of the resources themselves. There is an oft-told adage that the answer to poverty lies in how aid is distributed. Give a man a fish, the story goes, and he will eat for a day. Teach a man to fish, and he will eat for life.

But that's not true unless the man has access to a fish pond. And in many regions of the world, he does not. This maxim is a metaphor for access not just to fish ponds but to land and all other natural resources to which all people are entitled to use. The private capture of ownership titles to pieces of the earth is always a questionable moral claim, as it is rooted ultimately in origins of force or fraud, even if some more recent titles have been acquired through payment. When one assesses the legitimacy of titles to natural resources of the earth against the counter claim that they are the common birthright of all humanity, the latter argument bears up far more firmly. Provisional ownership in what is classically called usufruct title is easily braced by the recapture of socially created resource rents.

The approach taken here, emphasizing the role of taxing land rent as a tool of land reform for development, directly challenges more conventional ones like that of either Jeffrey Sachs (2005, 2009) or William Easterly (2002, 2006). Land value taxation is an alternate market-based approach that is part of a venerable and proven tradition. It's a solution within grasp as well. One can actually trace the history of taxing land to the earliest periods of recorded history; it is taxes on other items and activities that are the exceptional pattern. LVT can be identified in many other civilizations and times, and historical accounts show that contemporary efforts to resurrect its use are not new, either in practice or in theoretical argument (Jones, 2004).

Since work on this book commenced, a dramatic case for land value taxation has arisen in connection with the 2008 global financial collapse. This collapse, like earlier ones, was preceded by the diversion of productive work and investment into unproductive speculative investment in land. Compelling evidence has been amassed to demonstrate the link between the over-investment in real estate and the related involvement of financial institutions (Foldvary, 2007; Gaffney, 2009; Harrison, 2005). Financial Times writer Martin Wolf, who was recently acclaimed as "the world's most respected financial columnist," concurs with this assessment according to a recent review of his new book (Skidelsky, 2009). The real estate bubble then became so large it infected the rest of the economy. This bubble would never have formed had LVT been implemented, because the rent surpluses that fed the speculative fever would instead have been recaptured in the form of taxes. While fears are already being expressed that the finance sector will always find ways around any new legislation, there is no way of evading the taxation of such a highly visible and immobile factor as land. The Asian financial crisis of the mid-nineties

was also fed largely by land speculation, but it largely spared those nations —Hong Kong, Singapore and Taiwan—that rely upon land value taxes to any extent.

The target audience of this book is a large number of people, including students of international affairs, as well as those employed in UN organizations, national governments and NGOs, who are concerned about poverty but now often seek answers in the wrong places. An objective of this book is to provide these people with a new way of understanding the nature of poverty and what can be done about it. There are three reasons for reaching out to those professionally interested in poverty:

1. Third World problems now attract not only continuous active intervention for economic development, but also call for frequent reactive and intermittent responses to humanitarian emergencies, to political violence, and to environmental damage. Since all these ultimately concern property rights in land and natural resources, there appears to be considerable scope for coordination and cooperation between apparently separate Western initiatives and non-Western responses.
2. Nonprofit research and advocacy groups as well as government agencies represent an extraordinarily wide range of professional field experience and head office research which can be brought to bear in evaluating the arguments and proposals put forward in this book.
3. Lastly, the arguments in this book can lead professionals to carry out more detailed feasibility studies of the effectiveness of land value taxation in fighting poverty. At a minimum, this analysis points the way toward the modification of existing strategies for social change, particularly in developing countries.

Certainly, the models developed in this book are subject to criticism. They may be too simple. The growth projections are based on insufficient data. Additional government revenues generated by tax reform might be unproductively consumed. The proposed reforms may be politically and administratively difficult to implement. Given the complexity of the issues involved, no single book can possibly analyze all the implications of these ideas. Yet the benefits of these proposed reforms, in reducing poverty, conflict, and human rights and environmental abuse, appear staggeringly large. Hence, the hope here is that readers will pick up where this exploration leaves off by engaging in more extensive and expert evaluation.

The opportunities for such evaluation and research are now greater and timelier than ever. This is because the availability of computer power and the increasing corpus of data make possible analyses and simulations that can either disprove or validate the claims put forth here and elsewhere. Moreover, it is readily apparent that the dominant schools of economic thought and revenue systems are very much under assault, due both to the changes in contemporary markets as well and their inadequate empirical grounding.

The genesis of this book can be summarized in a comment by Mary Robinson, United Nation Human Rights Commissioner from 1997 to 2002: “Count up the results of 50 years of human rights mechanisms, 30 years of multi-billion dollar development programmes, and endless high level rhetoric and the general impact is quite under-whelming...this is a failure of implementation on a scale that shames us all.” (quoted in Robertson, 1999:37) Yet, the Economist (1991) not much earlier concluded that the only successful human rights and development initiatives in those 50 years occurred quite independently of UN and Western guidance. In East Asia, poor in resources and short of capital, “The groundwork for both fast growth and the income equality that eased the social strains of development was laid by a radical land reform.” Finally, American economist Mancur Olson (1996) was the first to have convincingly shown that the difference between rich and poor countries has almost nothing to do with differences in capital, and almost everything to do with differences in their institutions.

The contents of this book attempt to follow Mary Robinson’s critique, Olson’s assertion, and East Asia’s successes in moving towards a new institutional approach to poverty.

Chapter One examines the history of poverty, from the time when scarcity drove homo sapiens out of Africa and across the globe, up to the present day. It examines the geography of poverty, by World Bank regions and with reference to selected countries. Since the world’s revolutionary reforms have had enigmatic effects upon poverty it summarizes these before concluding with a brief statistical snapshot of poverty.

Chapter Two explores the main causes of poverty, and the main responses in terms of development and humanitarian aid, large scale interventionist programs of the UN and non-governmental organizations, and foreign and domestic investment and welfare initiatives. It explores reasons why most

of these have been unsuccessful, broadly in terms of institutional failure, and more specifically with regard to institutional distortions caused by rent-seeking initiatives. Rent seeking, a concept key to understanding many of the practices and difficulties confronting the performance of all societies and economies, is described in greater detail later.

Chapter Three examines three hypotheses: that the roots of global strife today lie in Islam, in Western imperialism, or in an endemic parasitical form of poverty. It looks further at responses to violence in several of its various forms on a region-by-region basis, and argues that American political historian Francis Fukuyama's (1992) assertion that we have reached the "end of history" is presumptuous, especially in light of the widespread requirement for removal of a logjam of long-overdue institutional reforms.

In Chapter Four, Southern responses, the challenge of human rights and development are examined from the standpoint of the Third World. It explores the particular effects of Eurocentric regimes of development and human rights as well as some fundamental cultural and economic concerns of the Third World. Hence reference to these societies and states as the "South." This Chapter revisits some early development initiatives such the call for a New International Economic Order (NIEO), for the Rights of Solidarity, and, most recently, for the Right to Development. One can discern in these, clearly articulated for the first time, the potential of an alternate strategy based on recognition of a common natural heritage and birthright for all of humanity that includes land and its associated natural resources.

Chapter Five, returning to Mary Robinson's devastating criticism, traces failures of implementation to failures of program design, and to failures of the social sciences that have informed program designers. It explores the individual limitations of anthropology, demography, economics, history, law, jurisprudence, political science and sociology when facing the poverty that is rooted in the maldistribution of rights to our natural heritage. The argument continues by suggesting that the various disparate languages and models used by these social sciences hamper the horizontal integration needed to address complex global problems.

Chapter Six summarizes the major reasons why economic growth has failed to reduce poverty, and critically explores the factors of production that contribute to growth. It then demonstrates the crucial significance of rights and obligations, and finally argues for reestablishing in economic

discourse the primary importance of one neglected economic factor of production, that of land and natural resources.

Chapter Seven examines ways of reducing poverty by matching rights to land and natural resources with our obligations to pay society for any uses and misuses of these resources. It evaluates underlying theories and practical issues of implementation. It recalls earlier objections to land value taxation while noting at the same time the staggeringly large contribution to poverty reduction that might follow its implementation. It argues that the administrative and technical objections sometimes offered in the past no longer obtain due the power of computers and the availability of data to overcome these challenges.

Finally, Chapter Eight draws conclusions, and presents recommendations, to all those organizations that have tried so hard, and with such disappointing results, to solve the problems of poverty and of the abuses of our human rights and natural heritage.

CHAPTER 1.

ORIGINS AND SCOPE OF POVERTY

Poverty matters, not only for humanitarian reasons, but also because of apparent links between poverty and economic stagnation, gross social inequality, environmental degradation, civil wars, and terrorism. This Chapter explores definitions of poverty and examines its history, geography, and consequences. Thomas Malthus' poverty model asserts that population tends to increase geometrically, faster than food production can keep up. Inexorably, food and other natural resources keep populations close to the edges of provision, and unforeseen changes can therefore quickly jeopardize both individual and social welfare. David Ricardo's rent model maintains that land rent increases with population and can add further to Malthusian misery by creating inequitable and artificial scarcities. Yet Adam Smith's model assures us that investment in skill and capital can offset Malthusian and Ricardian outcomes, in theory at least, if not always in practice.

DEFINITIONS OF POVERTY

Poverty is almost always defined and reported in terms of income, typically gross domestic product (GDP) per capita. The United Nations Development Program (UNDP) Human Development Reports, published annually, attempt to place income in the wider context of human development by including other determinants of poverty like life expectancy, security, literacy and health. Moreover, poverty is a function of both low income as well as low assets. The poorest people of the world do not even have access to enough land on which to build a house. For those who are possessed of titles and access to land, their security and welfare is almost assured. Hugely different endowments in landed assets help explain social inequality and economic stagnation. Despite the importance of asset-deficiency as a characteristic of poverty, no UN organization has, until recently, recognized the place of imputed land rent (or lack of it) as part of income. (UN Habitat is now addressing this oversight; see Chapter 7.) World Bank and United Nations reports give as complete a picture as data compilations are capable of providing, and data on land titles and access are strikingly absent.

As if to raise, or perhaps to settle, the discussion, the Oxford Dictionary of Economics (ODE, 1997) concludes, "Economists have differed as to

whether poverty should be considered in absolute terms, as falling below some fixed minimum consumption level, or whether it should be defined in relative terms, so that poverty means inability to afford what average people have.” This is a damning indictment of the discipline: it lacks even the capacity to form a consensus about the simple and assured right of people to exist. Its regard for poverty as belonging not in the realm of economics as Paul Samuelson (1964:542) avers, but rather the province of political science is both revealing and embarrassing. Yet many in the field, like Nobelist Amartya Sen (1999), take a very different view.

Absolute poverty. Perhaps to offer a counterview, development economist Michael Todaro (2009: Ch.2) defines absolute poverty in terms of the minimum food, shelter and clothing necessary to subsist. Where malnutrition and hunger exist in the world, measuring the effects of institutions and policies on subsistence levels is literally a matter of life and death. The UNDP has developed a poverty index (HDI,2008:Table 3) that lists the proportion of a nation’s people living below the poverty line, as well as the proportion living below a given threshold. The absolute measure, the international poverty line, is now usually drawn at \$1.25 or \$2.00 a day, although the latter figure is increasingly being used depending on the region of the world or the country.

Relative poverty, like absolute poverty, is almost always measured in terms of income, and this Chapter compares poor households, countries and regions. The term ‘inequality’ is often used interchangeably with ‘relative poverty.’ A common measure of both is the Gini coefficient, (see Appendix I) which ranges from zero (complete equality) to one (complete inequality). The Gini coefficient is a measure of statistical dispersion, and can show how much the amount of a nation’s income compares with a comparable proportion of its population. But, where land is the principal form of wealth, undeclared incomes and imputed land rents mean necessarily that inequality is greatly understated. This is because the value of the rent flow through land is not manifestly evident and counted until and unless the land is sold; and only then is that capitalized flow is identifiable by its market price. The accumulation of landed wealth, and the difficulty of measuring it, are well illustrated in the following extract about rural land purchases in India:

“The buyers are a motley group, some connected with land through family ties, some altogether new to agriculture. A few have unemployed rupees acquired through undeclared earnings, and most of them look upon

farming as a tax haven, which it is, and as a source of earning tax-free supplementary income. The medical doctor from Jullundar who turned part time farmer is sitting pretty. The 15 acres he purchased four years ago have tripled in value. To listen to him, he is farming 'for the good of the country'.... His only vexation is whether or not he will succeed in buying another 10 acres he has his eyes on—and what a disappointed man he will be if they escape him. As we watched him supervise the threshing, he was anything but a gentleman farmer.” (Lappe and Collins, 1997:126-7)

THE HISTORY OF POVERTY

Poverty arises when population overwhelms the supply of scarce resources. Different forms of social organization arise in response to these pressures, some reduce poverty, some increase it, almost all change the distribution of poverty within a population. A historical chronology makes clear Malthus' point that population growth over time always presses the limits of natural resources, especially food. It is helpful to look historically at how different social structures have responded to poverty or, in some cases, caused it.

The great Diaspora. Accounts differ concerning the extraordinary human migration out of Africa to colonize all parts of the world. Recent research suggests that the people we call homo sapiens, emerged in Africa 150,000 years ago. Following the trail of earlier human migrants, a small group arrived in the Middle East 85,000 years ago. Their descendants reached far into Asia 75,000 years ago, Europe 50,000 years ago and from India into Australia and New Guinea via a land bridge from Indonesia about 50,000 years ago. These hunter-gatherers, who had not yet reached the Americas, now numbered two million in a world with a carrying capacity for hunter-gatherers of 8 million. About 13,000 years ago, some were crossing a land bridge into Alaska and down into North, Central and South America. The world's hunter-gatherers, now numbering 7 million, started to turn capitalist, saving up spare time to invest in spears and bows and arrows, lifting the earth's carrying capacity to about 9 million (Ponting, 2000). These migratory patterns were by no means uniform: geographical features had much to do with both the rate of population growth and the associated fauna and flora on which humans came to depend (Diamond, 1999). Since total carrying capacity had not yet been reached, what caused this extraordinary migration? It seems that local carrying capacities must have been somewhat quickly exceeded, suggesting that the diaspora was driven, in waves across the world, by shortages of food, clothing and shelter, in a word: poverty.

For hunter-gatherer societies accidents, malnutrition and disease limited average ages to 20-25, and their extensive ranging in search of food led to the development of new weapons that increased the depletion of prey and hence increased the range of excursions and the chances of territorial disputes with other tribes. Of the few surviving hunter-gatherer societies today, living in the Kalahari desert and inland Australia, appear to have adequate food since population densities are very low. Population pressures and poverty eventually led all other such societies to domesticate animals and experiment with agriculture. About 10,000 years ago the early farmers settled along river valleys, in the first great transformation of human society, the Agricultural Revolution. This constituted a reprieve from the pressures of population growth and enduring hunger for millennia.

With the Agricultural Revolution settled societies required only about one tenth of the land that hunter-gatherers needed to keep alive. Malthusian poverty was postponed for a time. Meanwhile, rising population and unequal land ownership continued to create stratified and hierarchical societies. British historian Clive Ponting's books take a very long view of the human drama, giving most attention to periods before the modern era. He suggests that "Societies that were broadly egalitarian were replaced by ones with distinct classes and huge differences in wealth.... The overwhelming mass of the population remained peasants, landless laborers or slaves, and subject to extensive expropriation of their produce, forced labor and the risks of highly destructive warfare." For example, in Europe by 1300 "the growing shortage of food was exacerbated by the fact that the nobility and clergy were taking about half the peasants' output of food after tithes, rents, taxes and ... [labor obligations to] the lord's estate are taken into account. Most of this wealth was spent on conspicuous consumption" (Ponting, 1991:65,67,97).

In the early empires urbanization formed one of several parallel components of the second great transformation of human society. Here, a trading and services economy grew up around kingly and priestly control centers. These hierarchical urban societies, though very unequal, were persistent, disturbed only by enclosures, industrialization, colonization or war. For example, the pre-industrial city contained ten percent of the population that it controlled (Malina, 2001:86; Trigger, 2007). Of these, two percent were priests, administrators and absentee landlords (minor landlords lived on their farms). The remaining eight percent were small

merchants, craftsmen, beggars and slaves. Such societies could, and still can, remain stable for hundreds of years, population being limited at the level of subsistence. “Until the nineteenth century most of the cities in the world were parasitic on the rest of the economy—they sucked in people and food but contributed very little in return. They were places of consumption, often built around the ruler’s court and its large number of hangers-on, the elite and their servants” (Ponting, 2000:662). Attempts to reform landed monopoly were dangerous. Tiberius Gracchus was clubbed to death in the Roman senate for suggesting a legal limit on the size of estates.

Land enclosure contributed to both the industrial revolution and to internal and external colonization. The English enclosures in Scotland essentially replaced people with sheep but, in Ireland, the shift led to massive starvation, emigration, and political conflict. Nobel economist Paul Samuelson (1964:728) makes some insightful comments in his earlier text editions (the sixth) on the conflicting interests in Irish history: “No wonder that some landlords greeted with joy the introduction of the white potato, which enabled people to live on cheaper calories, and hence in effect lowered the subsistence curve and raised equilibrium rents. And no wonder that some few landlords regarded the spread of birth control information as a threat to their own standards of living. One man’s slavery is another man’s comfort.” The enclosures within England actually lifted farm productivity. According to Ponting (1991:641) farm output was growing twice as fast as population, but through the improvements of small farmers, not ‘improving landlords.’ The latter seized 7 million acres of common land and reinvested only 10 percent, the rest going to prestige consumption. In all three parts of the British Isles, surplus peasants were fed as cheap labor into the new industrializing cities of England. “Industry was in fact the only refuge for thousands of men who found themselves cut off from their traditional occupations.... Thus the enclosures and the engrossing of farms resulted in placing at the disposal of industry resources in labor and energy which made it possible for the factory system to develop” (Taylor, 1958:71,72).

Industrialization catapulted Western societies into relatively high rates of economic growth. But with a global population 200 years ago of 800 million, one needs to imagine two graphs of carrying capacity, that of the West rising, that of what we now call the Third World remaining flat. Ponting (1991:88) says that until then “about 95 percent of the people in the world were peasants...high infant mortality, low life expectancy, chronic

undernourishment and with the ever present threat of famine.” Industrialization of England, and the feeding of its rapidly growing population, was only possible by importing food from Ireland, from the large estates owned by absentee English landlords. Meanwhile the Irish population, also growing rapidly, had to rely on the potato. Development economists define industrialization as the process of building up a country’s capacity to process raw materials and to manufacture goods either for consumption or further production (Ponting, 2000:642). There is a huge body of literature, however, especially by sociologists and political scientists not to mention writers like Charles Dickens, that paints a more lurid picture of urbanization in factory towns or shanty towns, land enclosure and industrialization.

Fossil Fuel Dependence. Were it not for the industrial revolution’s growing capacity to harness fossil fuels, mainly coal, more recently oil and natural gas, there is good reason to believe that much of the increased population, first in the Western world and now everywhere, would not have come about. Dependence on this gift of energy has arguably given many areas of the world a temporary respite from continuing need. This increase in population can be linked directly to the growth of industrialized agriculture, which depends at every step on manufactured fertilizers, mechanized production and, now, remote delivery. Even in the Third World, where much of the population has also come to depend upon external food sources and massive trans-shipments of grain, it is problematic how much longer such supplies can stay ahead. Wealthy Western societies today increasingly rely on fish and animal harvests, industries all very much dependent upon intensive fossil-fuel-based energy use. The “green revolution” of hybrid crops and cultivated animal breeds has for the moment forestalled famines in regions where manual labor continues to provide adequate foodstuffs, but many experts (Pfeiffer, 2006, Catton, 1980) envision a time quickly approaching when population pressures will again overwhelm supplies and mass poverty will return. The shortages have already led to resource wars in Africa (Flint and deWaal, 2008). There could soon again ensue an enormous “die-off” of populations when fossil fuels are not so freely accessible. The carbon age that stoked the industrial era and permitted the population explosion may ultimately also make the luxury of modernity transitory.

Colonization. Marxist interpretations of history explain the colonial era as an aggressive pursuit of markets that were needed to feed the growing industrial revolution in the Western world. In a search for markets, it holds,

newly emergent powers colonized far-distant regions so that the resources located there could be harvested and new markets developed for manufactured goods. No single pattern of land ownership emerged to dominate, but ownership control over land, mineral and petroleum resources supplanted traditional powers and was able to prevail over indigenous peoples. Along with these enormous economic shifts came an enormous dislocation of populations, new geo-political boundaries, shifts in status hierarchies, spread of disease and so on.

Another model of colonization depended on the creation of a landed elite, for example in India, where a vast body of rich landed proprietors remained now dependent on the British Raj. This system, in fact, antedated British rule: "Rural areas were largely controlled by local chiefs, zamindars to the Mughals, who often had their own infantry forces, and imposed their taxes on the peasantry.... Gradually the Mughals were able to incorporate them into the structure of the empire by turning them into a semi-official class who passed on some of their revenue to the state." This form of local delegation was also set up elsewhere as in the division of the Ottoman Empire. "Nearly all of it was split between Britain and France through the creation of client states under puppet Arab rulers imported for the purpose" (Ponting, 2000:549, 760).

Still another model, originating in the British enclosures, was repeated in Africa in what eventually became known as apartheid. Here, in a classic example of Ricardo's rent laws, European intruders forced native populations further and further back, onto poorer land or increased population density or both, reducing native standards of living, until eventually they were forced to abandon tribal life and work for wages on the new European farms. For example, so-called Black Homelands in South Africa were set up on the poorest 13 percent of the land.

A fourth model akin to the Latin America, similar to the African model but often on a large scale, was the latifundia model. Here large landholdings granted to settlers from the Spanish crown, evolved from feudal origins into plantations: capital-intensive exporting estates that were less dependent on local labor than were other models.

All the aforementioned land arrangements gave the lion's share of ownership and/or control to a few and meant the disenfranchisement of the many. To be sure, this was not often seen as unjust or exploitive, but it limited the productive efficiencies of their economies. It is not ownership

per se that necessarily leads to greater economic vitality (although this has often been alleged); rather it is the sluggishness that permeates such arrangements that is limiting, as later Chapters will explain.

Slavery is defined in the Oxford Dictionary of Politics (1996) as “the condition in which the life, liberty and fortune of an individual is held within the absolute power of another,” common since the first settled societies. Although now officially outlawed, there are still an estimated 27 million slaves world wide. Most are women, many overseas, paying off debts to a moneylender or landlord, often the same person, in their country of origin. Many are children, debt bonded through their parents to a landlord following bad harvests and loan defaults. Whether slaves or not, families can afford little education or workplace security for children who must contribute labor to the poor family’s survival. During the infamous slave trade some 12 million Africans were shipped to the Americas by the Europeans while the Arabs took some 2 million from East-Africa. “The Atlantic trade built around slavery was immensely profitable to Britain... over five times the amount that the English landlords gained from their Irish estates. Only in the mid-nineteenth century did conditions for the majority of Britons start to improve even though huge inequalities remain.” (Ponting, 2000) The variety of socio-economic arrangements among peoples, however, make slavery a difficult practice to identify, especially where dependency and obligation shades into exploitation and manipulation. Exchange relationships are redefined in time and place depending upon what opportunities arise for their alteration.

Protection and unfair trade. Besides his “law of rent,” David Ricardo was also famous for developing a general model of market exchange, showing how, for example, two people or two countries could both benefit from exchange of goods. Economists have generally supported free trade because it is based on rules of comparative advantage and economies of scale. Free trade is defended even though it acknowledges that production subsidies are often capitalized in higher land prices. Defenders are also protectionist by their acceptance of unfair advantages in world trade to subsidized producers. Subsidizing a few hundred of the richest agricultural companies in the world denies the benefits of free trade to billions of people. For Africa, for example, access to one percent of world trade would be worth five times the amount of aid it receives. Finally, as happened between World Wars I and II, “where goods cannot pass, armies will.” Still, protectionism (from trade) is widespread, drawing upon a few

standard arguments. Protectionists often invoke patriotism, an argument which Samuel Johnson called “the last refuge of the scoundrel.”

The classical arguments for free trade have been subject to criticism in recent years on new grounds. Land and natural resources are largely immobile, and so, until recently, was capital. Labor also was relatively immobile. But today financial capital can whip around the world in seconds, and a fair number of capital goods—tools or wholesale components—are as easily shipped. What this means for global economic competition is less clear: totally free trade can mean a “race to the bottom.” Moreover, with environmental safeguards varying from nation to nation, employers that adhere to higher standards can be placed at a competitive disadvantage. (Cobb, 1989, 1994).

The most recent debates have been more about how best to make global trade work well rather than about whether or not it should be encouraged. Contrasting views are to be found in the work of Jagdish Bhagwati (2007) the most ardent proponent, and Joseph Stiglitz (2003, 2007) whose support is more measured. Lastly, historical research now shows that just about all nations changed their policies about free trade depending on what stage and form their economic evolution was experiencing (Chang, 2008). Although the debates about globalized trade are both rich and contentious, it is unlikely that the trend is likely to be reversed; rather rules need to be worked out according to how it should unfold. The direction itself seems to be inexorable. Advocates for The South typically argues for greater trade rather than aid which by general consensus has not been effective (Moyo). There are writers, however, (Saul, 2005; Lynn, 2005) that forecast the collapse of global trade. Their reasoning stems from the enormous and periodic market swings and economic ricochets that occur in global markets, striking vulnerable nations with unforeseen impact.

Successful and Unsuccessful Development. Until 200 hundred years ago the majority of the world’s population lived in conditions of grinding poverty. As earlier noted, it was the industrial revolution and the advent of fossil fuels which allowed certain economies to flourish. In today’s Third World at least a third of the urban population live in illegal squatter settlements. A practical definition of development is the process of moving from a pre-industrial society to an industrialized one. More idealistic, and regrettably more elusive, definitions include “the process of improving the quality of all human lives” (Todaro, 2009:820) and, for sustainable development, “Development that meets the needs of the present without compromising

the ability of future generations to meet their own needs” (Brundtland, 1987).

Very few models of successful development assume reliance on a single centralized agency. The Marshall Plan for the economic re-development of Europe after WW II put Europe on its feet. It was effectively planned development from the top down. The land reforms engineered by General McArthur after WW II effected the transition from feudalism to today’s economically dynamic and socially egalitarian societies of Japan, Taiwan, and South Korea. Three decades ago, British professor of geography Russell King (1997:204) could write that “since the 1950s in Japan...land is no longer a major factor in politics. Herein lies perhaps the greatest tribute to the land reform.” The land redistribution formulated by Deng Xiaoping’s Household Responsibility System after 1977, harsh as it was, effected a transition from communes and collectives putting China on the road to an economically dynamic society as well.

What are the characteristics of these success stories? A recent United Nations Human Development Report concluded, “When the Marshall Plan was implemented in Europe, it interacted with countries with strong financial, judicial and public administration capacity and a large pool of skilled labor, entrepreneurs and managers. Aid success stories in the Republic of Korea and Taiwan province of China followed a similar model of one dominant donor interacting with strong governance structures. Times have changed in the aid relationship. Of the 23 members of the OECD’s Development Assistance Committee, only five give aid to fewer than 100 countries. The flip side is that aid recipients are dealing with multiple donors.... The Ethiopian government received aid from 37 donors in 2003. Each donor may be operating dozens of projects supporting a variety of sector strategies. Tanzania has about 650 donor projects operating through either national ministries or local government. Meeting donor requirements for reporting, consultation and evaluation imposes a heavy burden on the scarcest of resources in developing countries: skilled people” (HDR2005:116). The relative simplicity of some kind of Marshall Plan and the coercive effectiveness of the East Asian land redistributions need somehow to be synthesized. But aid flows today are too porous, and formidable obstacles now stand in the way of land redistribution?

Rural debt is responsible each year for a reported 1,500 farmer suicides in India. As one moneylender put it, “If they pay back the loan, we give them back their deed. If they don’t, we get to take their land.” And the landless

then become dependent laborers or move to the shantytowns on the edges of the cities. Easterly's writing (2002, 2006) is replete with stories of ill fortune striking the rural poor. Rural debts, and associated urban migration, are often linked to harvest cycles. Before the bounty of each new harvest arrives, hard-up peasants have to pay high prices for grain. After the harvest lifts supply, prices fall and they can only sell low. When times are bad, the peasant might have to sell his land or debt-bond his children to moneylenders or landlords. In these "push-pull" theories of migration the "pull" is the lure of easy money in the city, but the "push" of starvation seems the more convincing.

Refugees. Migrants can be driven by poverty, land shortages, political oppression or, more often today, by development and climate change. For example, most of today's 27 million slaves are migrants from poverty-stricken societies, exploited either as illegal aliens or by the confiscation of passports. Rural land shortages in China, resulting from social fragmentation and lack of economies of scale, are now shifting more than 100 million to its cities. Refugees from oppression, even if they have capital, often sell in falling markets, then have to pay rents pushed high by the growth of population and housing shortages driven by land speculation. And, over the next 50 years, development and climate change—especially in Africa, South Asia and the Middle East—may force another billion people to leave their homes. In all these cases land values will increase for those who were there first, enabling them to charge high rents to those now arriving.

Poverty today. Here Malthus, Ricardo and Smith are all helpful to better understanding. The Malthusian gloom may well lift by 2050 if the number of children per woman drops, as expected, from 2.8 to 1.9 per thousand per year. But for Susan George (1991) hunger and poverty are directly related to inequitable land distribution, much in accord with Ricardo's law of rent. As a nation develops and national income rises, the value of land, and therefore its rent, increases. Those who own land benefit, those who are landless have to pay more rent. Particularly in poor countries, this is a major cause of inequality and poverty. A few simple comparisons demonstrate that poverty is not related to overpopulation as measured by population density. Poverty and starvation still exist in Bolivia, with only 5 inhabitants per square kilometer, and in India with 172, but not in Holland where there are 326. Fertility has fallen earlier and faster in rich countries. Following Adam Smith, one sociologist has remarked, "Capitalism is the best contraception," especially when linked to the improved status of women.

THE GEOGRAPHY OF POVERTY

Malthus, Ricardo and Smith are also useful in exploring the geography of poverty. The World Bank's annual Human Development Reports estimate that there are today about 2 billion people worldwide living in 'abject poverty.' That means they lack even the very basics—adequate food, shelter and clean water. The World Bank and the UNDP divide the world into nations and regional groups. Table 1 assembles a number of indicators of poverty by region. Appendix I includes data on income and expenditure inequality from the 2006 World Development Report as measured by Gini coefficients. Earlier World Bank Reports included aggregated Gini coefficients by region, but the increasing disparities within regions make this less meaningful as nations differ. The highest levels of inequality remain consistently in Africa and Latin America, and aggregate data give no indication that the disparities are attenuating. (World Bank, 2004:Table A-6). To put this into better perspective Table 2 compares some measures of Third World poverty in relation to the West. Where regional data on the causes of poverty are scarce other material from countries thought to be typical of their region is supplied.

Row	Low & Middle Income	Pop M	Growth	Inc	Growth	Life	Lit.	CO2	HDI
1									
2	East Asia & Pacific	1960.6	0.7	6604	5.8	71.1	90.7	3.5	0.771
3	Latin America & Caribbean	556.6	1.2	8417	1.2	72.2	90.3	2.6	0.803
4	Arab States	313.9	1.9	6716	2.3	66.9	70.3	4.5	0.699
5	South Asia	1587.4	1.5	3414	3.4	62.9	59.5	1.3	0.611
6	Sub-Saharan Africa	722.7	2.3	1998	0.5	49.1	60.3	1.0	0.493
7	WORLD	6514.8	1.1	9543	1.5	66.0	78.6	4.5	0.747

Table 1. UNDP regional data for low and middle income countries

Pop M	population in millions in 2007-8 (Table 5)
Growth	average annual population growth 2007-8 (Table 5)
Inc	GDP per capita PPP US\$ 2007-8 (Table 1)
Growth	GDP per capita average annual growth 2007-8 (Table 14)
Life	Life expectancy at birth, 2007-8 (Table 10)
Lit.	Adult literacy % ages 15 and older 2007-8 (Table 1)

CO2 Carbon dioxide emissions per capita metric tons, 2007-8
(Table 24)

HDI Human development index, a composite measure, 2007-8
(Table 1)

1980	1995	2007	Income (per capita GNP) for the West was found to be:
16	23	14	times greater than that of the rest of the world
40	58	65	times greater than that of low-income economies
45	86	57	times greater than that of low income, excl. India and China

Table 2. Income comparisons. World Bank Development Report, 2009.

East Asia and Pacific. China, Taiwan, and South Korea have lifted their populations out of poverty to give this region the highest average income growth rates ever recorded, and an exceptionally high sustainability index. Incomes are now average. These data are consistent with successful land reform. The Gini coefficient is only average, reflecting the limitations of rural land reform in times of rapid urbanization. For further details, see A Ricardian Analysis of the China Land Reforms and Land Tenure in Pacific Island Countries in Appendix VIII and XI of this book.

Representing East Asia, China's land redistribution of 1978 lifted its economy out of stagnation into an incredible GDP per capita annual growth rate of between 8 to 10 percent. The land redistribution maintained the high level of economic equality that had been achieved under the communes. However, as has been widely documented, land redistribution applies only to rural land. With massive urban migration, untaxed urban land appreciation is now increasing social inequality in China, and indeed throughout the world. To make matters worse China's peasants are discouraged from leaving the land. Recent media has reported protests of land seizures, quoting one farmer as saying "We are prepared to die for our rights. The entire village is doomed anyway. We have no money, no job, no land. There's nothing left to be scared of." Newsweek (2007), a year later, reported that "the rich-poor gap is largely an urban-rural one, and the divide is widening. China's Gini coefficient has already reached 0.496, which is greater than in the United States. . . . More than 200 million Chinese born in the countryside have migrated to the cities to find work in the past decade and a half. . . . arable land is too scarce to support the rural population through agriculture." Yet, as farmers do not have the right to

legally sell or mortgage their land, they arrive in the cities with little money to pay escalating rents. Meanwhile, back in their villages, land grabs by unscrupulous developers are also escalating. And so China's peasants, who have had subsidized and inefficient state-owned-enterprises and corrupt bureaucracies for decades, now carry a new elite made rich by real estate speculation.

Reflecting the Pacific Islands, Fiji offers an instance of laws restricting land ownership to those, as well as their parents, who were born there. This means that the migrant Indian population, prevented from owning land, must lease it from indigenous Fijians, under the notion that land titles should be tied to an ethnic group. This is adding to Fiji's shantytowns an increasing number of poor and desperate people. In another case, a gas pipeline running from Papua New Guinea to Australia has led Aboriginals to claim the economic rents from sea rights and land rights. In Cambodia huge oil revenues are under the control of ex-communist bureaucrats who have inherited the communist traditions of secrecy.

Latin America and Caribbean. In this region, almost ten percent live on less than \$1 a day. The region's average income is now above the Third World average, but its long-term growth rate is negative and its sustainability index is the world's second worst. Its aggregate Gini coefficient is also second worst. One study shows that the Gini coefficient for land ownership ranges among the six nations for which data is available (although drawn from the 1970s) from Colombia, 0.82; Costa Rica, 0.84; Peru, 0.86; Uruguay, 0.91; and Venezuela, 0.91. (Huque and Zafarullah, 2006; de Barros, 2009). Reports typically suggest that two thirds of rural land is owned by only 1.5% of all landowners. These patterns are not unlike feudal social structures.

Fifty years ago, the plight of the rural landless in sixteen Latin American countries was fully documented and statistically tabulated by the International Labor Organization (1957). The Report reached general conclusions that have been repeated in country reports ever since, even though the systems of land tenure and efforts at reform have been futile. Over time, conditions of housing, health and nutrition have differed only in minor detail from country to country. The report concluded that "Since opportunities of acquiring ownership of land are severely limited, the peasant with no land of his own has but two alternatives: either to remain where he is and give up any hope of improving his lot, or else to migrate if he can [leaving his family in the village] to the towns or industrial areas....

Any improvements in the conditions of these farmers depend largely on government action in the form of legislation or agricultural development schemes.”

An OXFAM pamphlet, *OXFAM in Central America*, describes the economic disaster of poverty in six countries and quotes one peasant as follows: “The landowner owns six million acres throughout Honduras. All the peasants live around the edge of this land. It’s been impossible to get the government to break up the large landholdings.... Eventually we decided the only thing we could do was to move onto the land.... It was always abandoned land.... Sometimes we were on the land for one or two months.... Then the landowners would move in cattle and destroy what had been cultivated... We were accused of being communists and subversives. If they jail you for this it means you never get out.” In Guatemala an estimated 2% of the population owns 72% of agricultural land, including the most fertile land. “ Traditional exports are monopolized by some 20-50 of families. At the other extreme... over half of rural households are landless or own less than one hectare. Poverty rates in this group are over 80%.” (HDR 2005:123) In Mexico the number of landless peasants rose from 1950 to 1980 by 1.5 million. In Colombia paramilitaries in the 1980s, notorious for massacres and narcotics, robbed peasants of millions of acres of land thereby dislocating three million people.

Middle East and North Africa. Though the region’s average income is now high due to its dependence upon oil, its long-term growth rate is barely positive and its sustainability index is the only negative one. Its land inequality index is unknown. Most alarming of all, the United Nations projects its population to grow from 350 million in 2000 to 678 million by 2050. These data are consistent with short term rent seeking by both domestic and international exploitation of natural resources, as well as with long-term economic unsustainability and social unrest.

Doreen Warriner (1948), a British economic historian addressed matters of land tenure issues six decades ago, and concluded: “All the influences which make for poverty, indebtedness, ignorance, instability, are reinforced by the social structure of the countries and unless this is changed there can be no real advance.” In an early and prescient comment on oil, Warriner observed that, “The rights of exploration of these supplies are held by a few foreign companies.” She forecast the Middle East bonanza, and worried that “Much of it will doubtless be spent on direct personal

consumption.” The disparities in wealth and poverty resulting from the arbitrary political demarcations of the region were predictable, as the British officials largely responsible for their arrangement well understood the potential riches which oil would bring to the region. American journalist Michael Parenti (2002:16) gives a World Bank figure showing that in Yemen 35 percent of the people live on less than \$2 a day.... Roughly 40 percent of the Middle East’s population is under 17 years old, and one fifth of all young men there are unemployed. The average per capita income of the region is about \$2,100 annually.

Warriner reported that, due to semi-starvation and disease, Egypt in 1944 had the world’s highest death rate and the second highest birth rate. Malthusian population pressure accounted for increasing poverty, but this was intensified by a profoundly unequal distribution of land ownership, the evident cause of starvation in Aswan. Unfortunately, she lamented, “With the present distribution of wealth and power, there is likely to be no measure of land reform.” And in today’s Egypt the World Bank records that 30 percent of the people subsist on less than \$2 a day.

Warriner wrote that Syria in 1948 had “the greater part of the land owned by city notables [and] the landlord stands by and takes half the grain... he has contributed nothing; all labor, equipment, seeds, livestock have been supplied by the tenant. The landlord is almost always an absentee ...who only visits the land to collect rent.” Of 109 members of the 1946 Parliament, 96 were landowners. In both Syria and Lebanon, the fragmentation of land holding (that arises from any form of land reform except land value taxation) led to about a 30 percent loss in efficiency.

As with development in other countries Warriner concluded that land tenure in Iraq was the greatest obstacle, the sheikhs had absolute ownership of tribal land, and therefore were able to extract 50-70 percent of the cultivator’s produce “in much the same way the English landlords of the eighteenth and nineteenth centuries enclosed land as their property... and ousted small-holders whose title was based only on custom.”

For Iran, American political scientist Susan George reported (1991:176) that multi-nationals had taken over huge tracts of land to develop. “The productivity of these businesses, which have displaced some 17,000 Iranians from their land, is far lower than predicted...but it is easier for the government to rent land to foreigners than to help out its own small farmers.”

Saudi Arabia's population in 1975 was 7.3 million, projected to rise to 30.8 million by 2015. Currently one quarter of its 24 million population are foreign workers. On arrival, a middleman takes their passports and hires them out as virtual prisoners in a form of contemporary slavery. The most recent reports from the region indicate that the 2009 downturn in the economy has led to the wholesale deportation of millions to the countries of birth, where they have no means of support or homes and jobs to return to. According to many recent reports this is happening in several of the Middle East Sheikdoms.

The Palestinians' land—in the part that was originally Palestine—had been reduced from 94 percent in 1917 to 22 percent by 1949. (Ponting, 2000:760) Since then further expropriations have driven out 600,000 refugees and, in the eyes of the Arab world, created Islamic terrorism. “The most controversial decision, and one which created immense problems and untold suffering for the rest of the twentieth century, was over Palestine. Zionism made the most extreme claim of any national movement through its demand for the ‘restoration’ of a Jewish state in Palestine, even though none had existed there for almost two thousand years.”

The foregoing review focuses largely on disparities in ownership of land and general poverty. It goes without saying that much of the unemployment of the region—in some instances well over half—as well as the skyrocketing birth rate presents a powder keg of resentments and potential violence that shows no signs of resolution.

South Asia. Though this region's average income is the lowest, India's impressive economic growth rate now shows the potential to lift the region out of poverty. The sustainability index is high, reflecting little endowment in oil or minerals. Its inequality index is average. The very low average income suggests a history of feudal social structures.

In Bangladesh the big landowner, who is also moneylender, exploits the poor bargaining position of the small farmers. To pay off debts they must sell their rice low then, after harvest, buy rice retail at much higher prices, or go further into debt. During the Bangladesh famine of 1974, though there was enough rice for everyone, much of it was being smuggled out into India and what was left was beyond the reach of the poor. Susan George reported (1991:129) that “Land prices in areas of Pakistan where

the Green Revolution has been introduced have increased 500 percent as landlords compete for land from which tenants have been removed. Nor are recent discoveries of vast natural gas reserves likely to benefit that country's poor and illiterate people as, in the past three decades, huge foreign aid handouts have disappeared into the pockets of local elites and foreign consultants and developers. Pakistan has been the focus of particular attention with respect to the inordinate land distribution challenge (World Bank, 2007b, 2009a), and is arguably linked to the current political and civil strife now mostly being explained by religious and tribal circumstances. About 500 landowning families own its economic wealth. Of India Viljoen (1974: 35-36) reported: "The main function of the Mughal administration was to appropriate the bulk of the surplus resources.... Thus the surplus agricultural product was creamed off and the cultivator left with just enough to subsist on, but without reserve against famine.... The revenue was spent on the central and provincial administrations with their large military and civil establishments. Prestige directed display in the form of personal pomp and magnificent buildings. When all these claims on the national surplus had been met, little remained for productive investment. India was the scene of much economic activity but little economic progress." More recently, Susan George (1991: 128-9), citing police reports, reported that, following the Green Revolution in 1969, in East Bengal alone there were 346 land-grabbing incidents, with many killed and wounded. In Mysore there were 80,000 evictions, in Bihar 40,000. In one incident, landlords attacked landless peasants killing 15 and wounding 16. The crime of these peasants was to try and occupy the land they cultivated. In Tamil Nadu, objectors to the effects of the Green Revolution, including 39 women and children, were shut up in a hut that was then set on fire. All were burned to death. For the Indian population problem, governments have consistently avoided basic solutions such as land reform in favor of unsuccessful sterilization and police 'motivation' programs. Birth rates have tended to decline in rich countries and in those poor countries where inequality is less severe, but not in countries where widespread landlessness causes extreme inequality. In India, most politicians who might consider land reform happen to come from the rural upper classes with very strong commitments to the status quo. As is now happening in China, the benefits of the economic boom in India are not shared. There are now 36 billionaires in India while 800 million people live on less than \$2 a day.

In Indonesia land reform initiatives have been ruthlessly suppressed. After legislation was reversed in 1965 many peasants lost their newly acquired land or were arrested or murdered. Some half million peasants, re-labeled communists for the purpose of the pogroms, lost their lives in one way or another. Redistributed land was then returned to the landlords or to the military. In none of the twentieth century famines has there been an absolute shortage of food. One needs to note that the problem has been unequal access due to poverty, a problem that neither abundant food nor food aid have solved. Deaths from starvation in Bengal in 1941 were several millions, in Bangladesh in 1974 one and a half million, although production of rice was the highest ever (Ponting, 1991:103-109).

Sub-Saharan Africa. The region's average income is second lowest and with a low growth rate. Its sustainability index is second worst, and its inequality index the worst. Though most World Bank aid goes to Africa, there has been no rise in living standards. Of the 41 countries ranking lowest UNDP Human Development ranking, all but six are in Africa. Zambian writer Dambisa Moyo (2009) notes with both pain and resentment that the development programs in Africa have been the least successful of any anywhere. As in the Middle East, the practices suggest short term rent seeking and long-term economic unsustainability and social unrest. How has this happened?

The first scramble for Africa was in the late 19th century when Britain, France, Belgium, and Germany competed to carve up the continent. Today, in a new scramble for Africa, large companies from the US, France, Britain and China are now competing to profit from the rulers of often chaotic and corrupt regimes. As a result, what were once called bonanzas in oil, diamonds, gold, natural gas and timber are now called "resource curses." In response to this, the British government has been pressing for an international plan of disclosure by companies of how much they pay African rulers for their natural resources. But transnational corporations and local elites will always collude to divide up the rent of resources and drive local populations into even greater poverty as long as the incentives to do so are present. The remedy is to capture the resource rents otherwise in reach.

Consider now some instances of this scramble for rent. The most recent 2009 UN Human Development Report (HDR, 2009: 231) concludes, "Part of the pathology is in the diversion of natural wealth. Financial flows that could have been used to support human development have frequently

been diverted into funding civil wars, with governments, rebels and assorted warlords seeking control [rent seeking] over oil, metals, minerals and timber. Angola is a stark example. The wealth from the second largest oil reserves in Africa and the fourth largest diamond reserves in the world was used to fuel a civil war that killed or maimed 1 million people between 1975 and 2002 and left another 4 million internally displaced. Today Angola ranks 162 out of 177 countries on the HDI [UNDP Human Development Index] with a life expectancy of about 40 years.” In Cote d’Ivoire widespread inequalities persist. The income of the richest 10% of the population is 90 times that of the poorest 10%. In a society largely dependent on agriculture, land distribution chokes: 2 million families work 5 million hectares of land, while fewer than 100 families own 25 million hectares.

In the Congo, as of mid-2000, at least 7 countries were battling to decide the fate of the Congo, along with its valuable oil, mineral and gem resources. The forces involved have destroyed some productive capacity, drawn resources away from the rest, plunged the country into poverty, and provided channels for the spread of AIDS. It is easily explained. Christopher Wills (1997:220-221), a California biologist was sent there to better understand the vulnerability of the Third World to diseases and plagues. He could not help but note “The merciless exploitation of Africa by first world governments and corporations that have preyed upon that resource-rich and helpless continent. From the beginning, the Europeans reinforced, extended and transformed the traditional system of slavery that they found, modifying it to their own ends. Colonial powers, particularly those occupying West Africa, used slavery within the continent itself as a tool of subjugation...Leopold [the second of Belgium] replaced slavery with something worse, a system of forced labor in which entire villages were destroyed and the surviving men and women were separated and sent to different parts of the country... it was cheap to move men just once over long distances from their villages to the mines and plantations.... It would have been far more expensive to move their families as well.... Women, many of them the abandoned wives of migrants, soon arrived at the camps. They managed to survive in a great variety of ways, but many had to become prostitutes. The result was the appearance of whole sub-sectors of society in which the interaction between men and women was entirely based on prostitution.... A large part of the blame for the AIDS epidemic must be laid at...the doors of Western multi-national corporations

that have been allowed to operate without regulation by both colonial and post-colonial governments.”

Today, in the Congo, the world's second largest rainforest is being exploited by foreign logging companies. Typically, a contractor will talk for a few hours with a village chief, leave him with 200 sacks of salt, and depart with rights over a forest of trees each of which might be worth \$8,000. In Nigeria, awash with oil, 70 percent of the population lives on less than one dollar a day. A nun reporting from Tanzania on “the amount of humanitarian aid that is wasted by well-meaning organizations in ill-advised projects that fail to raise basic living standards...millions of dollars that come into this country and all of it goes into palatial housing and Land Cruisers.” In Zimbabwe around 1966 about 225,000 whites ruled 2 million blacks, holding 200,000 hectares of the best land, making Zimbabwe one of the most unequal countries in the world, explaining the political upheavals since. Once the granary of Southern Africa, today 3 million people there depend on international food aid. The objectives of Mugabe's land reform are not social justice and economic efficiency, but rent seeking on behalf of a tiny minority. South Africa's land reforms, based not on confiscation but on government purchase of white farmers' lands, ran out of money after only 3 percent of earmarked land had been redistributed.

The triggers for revolution, civil war and genocide are usually explained as political, whereas the underlying causes are almost always land or natural resources. In Rwanda, one of the most over-populated countries in Africa, the slaughter of the elite Tutsi population in 1994 had its origins in unequal land ownership and subsequent land seizures. In Sudan, the North-South conflict has been over oil, which contributes to one third of the budget. In Darfur, a region of Sudan the size of France, sparsely inhabited by African farmers and Arab herders, the genocide there has been explained as political, since population pressure might seem an absurd explanation. Yet, with the effects of global warming on the Sahara, this is exactly what is happening with local populations pressing on resources of extreme and increasing scarcity.

REVOLUTIONS

One could argue that ideological revolutions are at bottom rooted in landed poverty and nearly always result in some new form of landed poverty. Certainly, the four cases examined below contained promises to release the poor from some form of feudal oppression. The American Revolution led to poverty within progress and to a critique of world feudalism by Henry

George that rivaled and outsold Das Kapital. The Russian and Chinese revolutions can be traced to extremes of poverty that led ultimately to the Russian counter-revolution and the third Chinese land reform. Abject poverty thrived in medieval Christian Europe and continues today in Islamic Pakistan.

Classic political revolutions, according to the Oxford Dictionary of Sociology (1998) are “relatively rare but historically important events in which an entire social and political order is overturned.... The prototypes of all modern revolutions were the American and French revolutions of 1776 and 1789. Both had a clear political agenda, and both resulted in a complete transformation of power relationships. In this century [20th] the Russian revolution of 1917 and the Chinese revolution of 1948 had similar dramatic results. Not all revolutions in recent history have been socialistic or egalitarian, or even modernizing; many have been anti-democratic or right wing. The 1990s have witnessed a ‘reverse revolution’ in many former communist states.” It is worthwhile to look not only at major political, but also economic revolutions, and their effects on poverty. Crane Brinton’s thesis in *Anatomy of a Revolution* (1938, 1965) that all political revolutions go through stages or rooted in ideology is not borne out. Islam is sweeping through the Middle East, beginning most notably in the revolutionary downfall of the Shah of Iran in 1979, and today fired by frustration.

The American Revolution has been described as the outcome of a petty local and fiscal quarrel, or a war of independence or, as Thomas Paine (1995:23) saw it, a universal promulgation of inalienable rights. European migrants would have seen it as the opportunity to escape from the inequalities and stagnation of feudalism to what became the beginnings of liberal democracy. “This new world hath been an asylum for the persecuted lovers of civil and religious liberty from every part of Europe.... Not one third of the inhabitants, even of this province, are of English descent.” What America gave these immigrants, which their nations of birth could not, is opportunities to own land. New research suggests that these possibilities were in some instances threatened by the continued allegiance to the British Crown, and abetted if it didn’t instigate the drive to war. (Friedenberg, 1992; Sakolski, 1957; and Scott, 1977)

The French Revolution “was a revolt of the French people against absolute monarchy and class privilege. Chief among its causes were the abuses and extravagances of the French monarchy, the unjust privileges enjoyed

by the nobility and higher clergy, the discontent of the growing middle class in France...and the influence of the American Revolution.” (Appadorai, 1975) The influence came partly from Lafayette, mostly from Paine. The high human cost and ultimate failure of the French Revolution were predicted by Edmund Burke in acrimonious exchanges with Paine who still continued to equate the revolution with his book *The Rights of Man*. Burke accepted a privileged landowning hierarchy, aristocratic and church; Paine did not. But neither asked how the hierarchy arose, though the French Physiocrats might have told them. The Physiocrats, such as Turgot, du Pont, Quesnay, and Mirabeau, regarded land as the repository of net value or economic surplus. They proposed to tax land values as the sole source of public revenue. (Jones, 2004)

Bentham, though sharing utilitarian views with Paine, opposed the French Declaration of the Rights of Man and the Citizen and claimed that the idea of natural and unalterable rights was “nonsense on stilts,” mainly because it was impossible to speak of rights without enforceable duties (ODP, 1996). Paine picked up this idea of enforceable duties, but far too late, in what is arguably his most important work, *Agrarian Justice*. His proposals there, for the state to charge ground rent and death duties, should have greatly pleased Bentham and Ricardo, not to mention Adam Smith, James Mill and John Stuart Mill. It would have achieved without force his objectives of distributive justice.

The Russian Revolution had its roots far back in the Communist Manifesto of Marx and Engels, item one of which called for the “abolition of property in land and application of all rents of land to public purposes.” Regrettably, this item was left behind in the rush to implement the other nine manifesto items, which included progressive taxes, free education, a state banking monopoly, and state ownership of transportation, communication, and industry. By 1897 Leo Tolstoy was pressing for Russian reform based on Henry George’s single tax (Wenzer, 1997). But by that time Tolstoy was famous for his novels, not his letters on land reform.

All revolutions arise from real or perceived inequities in access to land and natural resources. Apart from the American one, all revolutions have failed at great cost in human lives and in opportunity costs foregone. In fact, the only successful land reforms have been non-revolutionary, those in South Korea, Taiwan and, in China after the death of Mao, the spontaneous land redistribution to Household Responsibility Units. In all three cases relative egalitarianism has been combined with phenomenal economic growth.

The Chinese Revolution is examined in Appendix IX of this book. As with other revolutions the costs have been enormous. For example, ten million landlords were slaughtered in the first land reform, and The Great Leap Forward resulted in the greatest human-created famine in history, estimates of death of between 35 to 50 million.

Religious revolutions. Apart from their spiritual value, the world's religions have usually had something practical to say about poverty and inequality, for example in exhortations to "give to the poor." Judaism, Christianity, Islam and atheism are currently locked in ideological, sometimes physical conflict with no clear outcome visible. Since, in the past, some churches have taken rent from the poor and given it to the rich, focus is limited here only to an analysis of the causes of the poverty that religion purports to address. It should be mentioned, however, that religious remedies to unequal wealth arise more often from charity than from concerns for justice.

In summary, it appears that the industrial and American revolutions have ended with free market systems and liberal democratic institutions. These institutions have relieved poverty to the extent that governments have interceded for market failure, and have created material abundance on a scale that would have astonished our ancestors. The tragic outcomes of heroic, but aggressive and deeply flawed, experiments with command economies are also notable. Interest here centers on Ricardo's theory of rent, intensive rent describing Europe, South and East Asia, and extensive rent describing the development of America, and the underdevelopment of Latin America and Africa.

COUNTER-REVOLUTIONS

"In the 1980s the political ascendancy of conservative governments in the United States, Britain, and West Germany brought with it a neoclassical, free-market counter-revolution in economic theory and practice.... With their controlling votes on...the World Bank and the International Monetary Fund, and with the simultaneous erosion of influence of the ILO, the UNDP and UNCTAD, which more fully represent the views of Third World delegates, it was inevitable that the neoconservative, free market challenge to the interventionist arguments of dependency theorists would gather momentum." Todaro (2009:126 ff) labels this, in his eighth textbook chronicle of failed economic models, the Neoclassical Counter-Revolution. Its political counterparts were anti-communism, triggered by the Cold War,

and a much longer counter-revolutionary trend now carrying the name neo-imperialism. The effects of all three counter-revolutions have been penetrating and profound in Latin America as well as in Africa and South and East Asia.

After World War II East Asian politics operated under the cloud of Western fears of spreading Marxist revolutionary regimes, the so-called domino effect. Given the task of stemming this perceived tide, and with unprecedented coercive power to do so, General MacArthur, perceived feudalism as the problem and set up land reform programs in Japan, Taiwan and South Korea to recast it. The results not only achieved Western political objectives but led to spectacular Western economic efficiencies and socialist egalitarianism. The Economist (1991) years later wrote of this that "in all three of Asia's biggest successes—Japan, South Korea and Taiwan—the groundwork for both fast growth and the income equality that eased the social strains of development was laid by a radical land reform." The editors took no note of the fact that a similar reform also followed in China with the death of Mao.

It may turn out to be one of history's greatest ironies that US foreign policy completely reversed direction from MacArthur's initiatives thereafter, and successfully stifled other land reform programs in Latin America, Africa, and in South East Asia. It became important, for years to come, that the US attain the cooperation of Third World leaders on behalf of a growing international corporate presence, most of which was American. This has been born out in detail in the books of American John Perkins (2004, 2007, Hiatt, 2008) who was for years a willing agent of such policies. Noam Chomsky (2000: 168-69) reveals an interesting link between the Indonesian pogrom of peasants seeking land reform, and the Vietnam war: "Years later, McGeorge Bundy, who was national security advisor for Kennedy and Johnson, reflected that the United States should have pulled out of Vietnam in 1966, after the slaughter in Indonesia.... The [Indonesian] army either killed or inspired the killing of about half a million to a million people within a few months, with direct US support and encouragement.... Bundy's point was that with Vietnam already largely destroyed by 1966, and the surrounding territory now inoculated Indonesia-style, there was no longer any serious danger the virus would infect anyone, and the war was basically pointless for the United States." (See also Goldstein, 2009)

Chomsky (Scraton: 2002:71) notes that "In the Reagan years alone, US-sponsored state terrorists in Central America left hundreds of thousands of

tortured and mutilated corpses, millions of maimed and orphaned, and four countries in ruins in Central America. In the same years, Western-backed South African depredations killed 1.5 million people and caused \$60 billion of damage.” Arundhati Roy (Scraton, 2002:7), lists countries bombed by the US since 1945, including China, Korea, Guatemala, Indonesia, Cuba, Belgian Congo, Peru, Laos, Vietnam, Cambodia, Grenada, Libya, El Salvador, Nicaragua, Panama, Iraq, Sudan and Afghanistan.

Of US intervention in Indonesia, Susan George (1991:79-83) writes: “Here was the most populous nation in Southeast Asia (120 million people) drowning in oil, with deposits of tin, nickel, copper and bauxite on an El Dorado scale, vast tropical forests and natural rubber plantations—and all of it under the control of...the Indonesian Communist Party. This was seen as an affront to Western interests.” And so Indonesian “Army officers were simultaneously being trained at US military bases and universities thanks to the DoD [Department of Defense] participant program; by 1965 over 4,000 of them had been through the mill. They increased their political and economic influence to the point that journalists spoke of a ‘creeping coup d’etat.’ An American professor explained that this was ‘a new form of government – military/private enterprise.’” And, after the pogrom, “Graduate students, assigned to assessing the number of victims, came up with the figure of one million... Land reform, which Sukarno called ‘an indispensable part of the Indonesian revolution’ had been halted.”

Perhaps the most perceptive comment in Susan George’s book (1991:283) as well as an appropriate summary of the Counter-Revolution is the following: “...decades of cold-war rhetoric have caused the words ‘land reform’ to flash a red flag in many Western minds. The first prejudice we must get rid of is the one that equates agrarian reform with ‘communism’ or with ‘revolution’. If the political will to create an egalitarian society existed, it could be done under any number of social systems. The bitter truth is, however, that landowning classes consistently refuse even limited concessions and thus eventually tend to bring revolution on themselves.”

In foreign policies rich countries have been interventionist and ambivalent. French Journalist and editor of *Le Monde*, Ignacio Ramonet (2004), posits that “Apart from its unwavering support for Israel, the United States does not have any clear overall strategy for the Middle East... [The U.S.] is exceptionally indulgent with regard to the Israeli authorities, a country that continues to occupy part of Syria (Golan), the territories of Gaza and the

West Bank, and East Jerusalem, in flagrant contempt of international law.” That situation is seen in the Arab world as the driving force behind terrorism.

In summary, it is regrettable that the voices of dissent assembled, for example, in Phil Scraton’s *Beyond September 11* anthology, always seem to identify competitive capitalism and free trade with monopoly. They fail to impeach as well the feudal elites and dictatorships which, in collusion with military/industrial monopoly, allow atrocities to happen. Nevertheless their comments are a valid indictment of the slow drift of political America, away from the liberal democracy it pioneered, and towards neo-imperialism and a foreign policy that supports the very feudalism and imperialism it stood against in the Declaration of Independence. In the long view of history, the tragedy of America may well be its capture by corporate powers engaged in the exploitation of peoples and resources mostly beyond its borders and the failure of the public citizenry to bring it to heel.

CONFLICT AND POVERTY

The international wars of the past have largely been replaced today by civil and asymmetric wars, waged by people variously called terrorists or freedom fighters. Natural resources have helped fuel conflicts. In a 2005 UNDP Human Development Report, Box 5.2, lists energy, minerals and produce over which 16 civil wars have been fought. Future wars are now seen as likely to arise from water shortages and climate change. All these wars arise from or themselves cause poverty. And all these wars arise from actual or perceived inequalities in the distribution of the natural heritage in land and its resources.

Civilization wars. Responses to Huntington’s widely publicized *The Clash of Civilizations* (1996) have been mixed. Noted scholar Michael Klare (2001:14) opines that “Huntington’s thesis of a global clash of civilizations assumes that states will develop their security policies on the basis of loyalty to a particular religious or civilizational community.” But “Especially noteworthy is the fervent pursuit of resource plenty in total disregard of any civilizational loyalties.... Clearly, it is not possible to explain the dynamics of global security affairs without recognizing the pivotal importance of resource competition.... The almost complete disappearance of ideological conflicts in today’s world has also contributed to the centrality of resource issues, in that the pursuit and protection of critical materials is viewed as one of the state’s primary security functions. In addition, certain resources are worth an immense amount of money—the untapped oil of the Caspian

Sea basin, for example, was estimated by the department of state in 1997 to be worth some \$4 trillion—and so their possession is seen as something worth fighting over.”

Inter-state wars. Wars between states are now rare; the states of Europe used to be constantly at war, a series of dynastic squabbles over real estate. If the definition of real estate is widened to include scarce natural resources, then a re-emergence of inter-state wars seems increasingly likely. In concluding his study, *Resource Wars*, Klare (2001:213) writes, “Whereas international conflict was until recently governed by political and ideological considerations, the wars of the future will largely be fought over the possession and control of vital economic goods—especially resources needed for the functioning of modern industrial societies. Whatever their individual roots, each of the conflicts described in previous Chapters is a manifestation of this global contest.”

Civil wars. Klare (2001:24) goes on to suggest, “The risk of internal conflict over resources is further heightened by the growing divide between the rich and the poor in many developing countries—a phenomenon widely ascribed to globalization.” The Indonesian Aceh people waged a violent struggle over unequal shares of mineral exports (HDR2005:164) until the tsunami of December, 2004, focused their attention on graver issues. “Poverty levels more than doubled in Aceh while falling by half in Indonesia as a whole.” Ethnic land rights lurk beneath many conflict situations. After George Speight’s gunmen stormed Fiji’s parliament house in May 2000, it was ten weeks before political analysts woke up to what should have been obvious from the start. The coup was not primarily about race; it was about reasserting landed power bases, the traditional clans’ rights to privilege, power and wealth embedded in monopolistic patterns of exclusive land ownership. And in Bolivia political instability and violence are linked to deep grievances among indigenous people over unequal share in the benefits of mineral exports, as well as the more recent struggle to retain their access to water in the face of a corporate effort to privatize it. More well known, and too numerous to mention here, are Africa’s civil wars, all involving natural resources.

Asymmetric wars. Chomsky and Achcar (2007:1), use the accepted definition of terrorism in the U.S. Code, the official system of laws, as “the calculated use of violence or threat of violence to attain goals that are political, religious, or ideological in nature...through intimidation, coercion, or instilling fear.” They then observe that the roots of this type of violence

are often linked to land or resource scarcity: “As supplies contract and the price of many materials rises, the poor will find themselves in an increasingly desperate situation—and thus more inclined to heed the exhortations of demagogues, fundamentalists, and extremists who promise to relieve their suffering through revolt or ethnic partition.” (Klare, 2001:24)

Resource wars (energy). The US government’s Department of Energy sees the key areas of strategic vulnerability are due to the world’s dependency on oil: “The analysis would begin with a map showing all major deposits of oil and natural gas lying in contested or unstable areas. These zones of potential trouble include the Persian gulf, the Caspian Sea basin and the South China Sea, along with Algeria, Angola, Chad, Colombia, Indonesia, Nigeria, Sudan and Venezuela—areas and states that together house about four fifths of the world’s known petroleum reserves. The map would also trace the pipe lines and tanker routes used to carry oil and natural gas from their points of supply to markets in the West; many of these routes pass through areas that are themselves subject to periodic violence. The energy supplies of the Caspian region, for example, must cross the troubled Caucasus (encompassing Armenia, Azerbaijan, Georgia and parts of southern Russia) before reaching a secure outlet to the sea.” National security strategist Thomas Barnett (2004) has now spelled out in graphic detail how US hegemony is now maintained by resource access.

Resource wars (water). “A map of contested resource zones would show all major water systems shared by two or more countries in arid or semi-arid areas. These would include large river systems such as the Nile (shared by Egypt, Ethiopia and Sudan, among others), the Jordan (shared by Israel, Jordan, Lebanon and Syria), the Tigris and Euphrates (shared by Iran, Iraq, Syria and Turkey), the Indus (shared by Afghanistan, India and Pakistan), and the Amu Darya (shared by Tajikistan, Turkmenistan and Uzbekistan). Also included would be underground aquifers that similarly cross borders, such as the mountain aquifer lying between the West Bank and Israel.” It is not just the contested areas; many regions face downright shortages. The movement toward privatization in many world regions, as well as in some cities in the developed world, bode ill for those that view the use of water as a human right. In the wake of efforts by Bechtel, a US international corporation, to capture ownership of the water resources of Cochabamba, Bolivia, the people drew up a declaration asserting their “fundamental human right” to water. (See Appendix V)

Climate wars. The Darfur conflict is now being viewed as the first climate change war. Less than a generation ago African farmers and Arab herders coexisted peacefully in Darfur, a province the size of France. Farmers let herders graze their camels and goats on the land and the livestock fertilized the soil. Today, the relentless spread of the arid lands of the Sahara has forced both herders and farmers into less and less land. This explosive situation has now been ignited politically in a new kind of civil war in which 2 million Africans have been ethnically cleansed from their homes, and some 400,000, mostly African civilians, have been killed. Climate change may soon force as many as one billion people to leave their homes in the Sahara belt, South Asia and the Middle East.

To summarize. As Michael Klare (2001:25) notes, “Human history has been marked by a long succession of resource wars—stretching all the way back to the earliest agrarian civilizations.” Today, in a running commentary, one can summarize the keys to the world’s trouble spots as: Aceh oil, Angola diamonds and oil delivering 50 percent of GDP, Borneo forests, Bougainville and the world’s largest copper mine, Cambodia oil, Cameroon oil, Chad oil revenues a third of government revenue in one of the poorest countries in the world, Chechnya oil and 30,000 dead Chechens, Congo diamonds, Congo-Brazzaville oil and natural gas and a debt of 193 percent of GDP, Liberia iron ore, timber, diamonds and displacement of one third of the population, Nigeria oil and the theft of two billion dollars by a military dictatorship, Sierra Leone diamonds and a civil war leaving 89 percent of the population in extreme poverty, Sudan gold oil diamonds and 1.5 million deaths, Timor oil and gas.

Since many states continue to view the control of the natural resources, not only their own but of others, as a national security requirement worth fighting for, means for assuring the peaceful resolution of such conflicts is becoming increasingly urgent. Methods of extending collective initiatives, such as those addressing global warming, to share the world’s natural heritage in land and natural resources, need urgently to be devised and adopted.

SUMMARY

One can conclude this Chapter at no better place than to quote historian Clive Ponting (2000:5,6) that “...all human societies have been based on exploitation—dominant elites (and states) have appropriated the surpluses produced by the majority for their own ends.... Human acquisitiveness, the

pursuit of profit and gain through investment, trading and enterprise are common to all societies throughout history.” The following Chapters examine forms of exploitation by dominant elites, and means of giving society more control over social surplus.

CHAPTER 2: INEFFECTIVE RESPONSES TO POVERTY

INTRODUCTION

Chapter One reviewed some of the highlights in the history of poverty, discussed how it manifests itself in different regions of the world, described how political upheavals contribute to poverty, and provided a few brief statistics to portray poverty as it exists in the world today.

This Chapter outlines some problems that arise from poverty, including inequality, economic stagnation, environmental degradation, armed conflict and "failed states," along with the resulting human dislocation. It then examines some of the institutional responses to alleviate those problems. There are, of course, many ways to organize any discussion about poverty; Paul Collier (2007), former Director of Development Research at the World Bank and now at Oxford University, frames them as four traps: the conflict trap, the natural resources trap, the landlocked-with-bad-neighbors trap, and the bad governance trap. His framework seeks to be explanatory; this one examines the external policy responses that have been employed in the past five decades. Much of the same ground is covered, however, and differences exist less in analysis than in emphasis and diagnosis.

Main problems

Inequality. Research cited by economist Michael Todaro (2009:Ch.5) documents growing income inequality in low-income countries, especially where land is the principal form of wealth and the main source of economic and political power. But the failure to include most incomes and imputed land rents inevitably means that inequality is greatly understated.

Economic stagnation. Some of the problems facing the development of Third World nations are illustrated by the following data on income growth derived from recent World Bank Development Report tables. World Bank data are used throughout this book, using labels shown in parentheses in Table 1. The 'West' is used to mean the OECD economies; the ex-socialist 'Transition' economies closely correspond to the World Bank's 'Middle Income, Europe and Central Asia' and 'LDCs' are Less Developed Countries. The term 'Third World,' depending on context, is usually synonymous here with LDCs, but now typically excludes China, Taiwan,

and South Korea, which are also known as the “Tigers.” India is often selected as a large country that has experienced structural adjustment. China is also treated separately because of its size and because, like the two other Tigers, Taiwan and South Korea, it has had a positive experience with land reform.

Growth. Average income growths were found to be	1960 – 1980	1985 – 1995	2006 – 2007
High income economies (West)	+3.6	+1.9	+2.0
Middle income economies	+3.8	-0.7	+5.1
Middle income, Europe & C. Asia (Transition)	+4.2	-3.5	+8.6
Low & middle income economies (LDCs)		+0.4	+6.5
Low income, excluding India and China	+1.0	-1.4	n.a.
High income oil exporters	+6.3	-2.0	+4.0
India	+1.4	+3.2	+7.7
China	+3.4	+8.3	+11.2

Table 1. Declining rates of economic growth. Source: WDR2009, Key Indicators, Tbl.1.

Environmental degradation. High up in the list of contributing factors explaining environmental degradation are population growth, general economic growth, and the emergence of property rights (See, for example, Todaro, Tietenberg, 2009). Population growth, recognized as an environmental threat, is projected to peak at 9.2 billion about 2050 if present trends hold (US Census Bureau). Economic growth, besides being an environmental threat, is also strongly correlated with falling birth rates, and can therefore provide the technology for cleaner resource conversion and scarce resource substitution.

Consumption of natural resources not only requires an ever larger amount of energy, but also destroys ever larger areas of the earth’s surface. Minerals, precious and semiprecious stones, and petroleum were initially harvested in modest amounts without ecological devastation. Mining coal, tar sands, and oil today not only ruins large surfaces of the earth for any other purpose, but even make adjacent areas unlivable for plants and animals. Even farmlands are gradually degraded in their quality so much that fertilizers are necessary in ever increasing amounts to assure the same levels of harvest. Fishing grounds are depleted in all the oceans; freshwater species are often no longer edible (for example due to mercury poisoning), any many other animal species are hunted to the point of extinction. Lastly, many areas of the earth are being poisoned, the extent

and impact of which remain unknown. One thinks of the radioactive landscape around Chernobyl, and perhaps of Iraq, now contaminated by depleted uranium. Many other suspect instances come to mind.

Environmental problems of a very different order accompany economic development: Third World countries are challenged by large particle emissions that contribute to respiratory problems as well as CO₂ emissions significantly responsible for climate change. Technologically advanced nations are finding themselves increasingly polluted by toxic chemicals. Yet, with the world itself is being used ever more as a dump, and, lacking resources and knowledge about recycling or controlling waste disposal, poor societies are suffering afflictions arising from toxic combinations yet unknown. Oceans, of course, know no bounds with respect to control over disposal of wastes.

One might hope that economic growth will eventually deliver the levels of income at which sustainable development becomes affordable and deliverable. It appears, however, that increased monetary growth continues to be converted into material accumulation, with no sign of abating and for everything else that this trend portends. Gandhi is reported once to have advised that people should live simply so that others can simply live. Until this is realized, however, the planet sustains cumulative, and possibly irreversible, damage. Given high birth rates and assuming positive but low economic growth rates; given also the enormous ecological footprint of people living in the “developed” world, sustainable development is likely to be far away for both the OECD countries and the LDCs. In this context the school of ecological economics has emerged. One of its founders, former World Bank economist Herman Daly (1996), makes a distinction between growth and development. Growth implies a large throughput of energy and natural resources. By contrast development relies upon skill and knowledge, higher efficiencies, and reduced consumption. Growth is extensive whereas development is intensive. Growth implies quantity while development is about quality. If conventional strategies of economic growth have failed, then other ways of quickly raising economic growth need to be found. Daly and the ecological economists offer such a way. The concept of “ecological footprint” (Wackernagel & Rees) provides a heuristic device helpful in understanding not only how much economic activity strains the earth but also as a way to look at the comparative social and economic parity among peoples.

Armed conflict and political collapse. Armed conflict and subsequent political collapse is now almost exclusively a Third World problem. For

example, a World Bank survey (1991:128-142) found that these regions accounted for more than 99.4 percent of all deaths between 1949 and 1989. Conflict now is now the greatest challenge that humanitarian agencies have to deal contend with. Paul Collier (2007:27) estimates that a typical civil war costs four times a country's annual GDP.

Is it possible to identify the causes of conflict in such a way as to lead to effective containment strategies? The Red Cross (1996:138) from 1990 through 1995 defined and tabulated two main causes for different regions of the world. One, coded G for government, concerned the type of political system and any changes in central governments or their composition. The other, coded T for territory, concerned control of territory, due to interstate conflict or internal secession. For the Middle East, Asia, and Africa the frequency of conflicts coded as G or T were roughly the same. For Europe the causes were exclusively territorial; for the Americas exclusively governmental.

The latter is surprising. It could be argued, since problems of landlessness have been very much a Latin American problem, that nearly all armed conflict there (and perhaps elsewhere) is ultimately explained by ownership of land and natural resources, for which political systems are viewed as a surrogate. Furthermore, in view of the number of conflicts involving Islam, it might be argued that there should be a category R for religion. But Islam fuses religion and government into one unique polity. The Red Cross therefore probably coded these conflicts as G. Also perceived territorial wrongs, and disputes over oil, gas and coal, appear to underlie much of Islamic militancy, which then suggests a code of T. Militancy too may be an outcome of poverty, for whatever reason, including inadequate access to land and ideologically channeled resentment over poverty—for example in Iraq.

The casualties from armed conflicts are reported daily in the media. Surprisingly, there has been little analysis of the land value shifts both causing and caused by these conflicts. These land values have their genesis in positional advantages on the globe's surface, and resource advantages on either side of this surface. It may be that long term strategies for conflict resolution, following emerging trends in environmental strategies, need to make a distinction between contested private and social rights to natural opportunities. The collective political maturity that this implies is a very long way off, though a major political catastrophe could hasten its arrival. More pragmatic solutions are called

upon to sublimate the hostility of the disadvantaged and dispossessed. Encouraging efficient and equitable economic growth in regions of political instability is one, a main theme of this book.

Human dislocation and migration. According to Todaro (2009:Ch.7), “One of the most perplexing dilemmas of the development process is the pattern of massive and historically unprecedented movements of people from hinterlands to the burgeoning cities of Africa, Asia and Latin America.” Population displacement and migration are consequences of all the problems already summarized, as well as of natural disasters which are not. A United Nations Habitat Report (2007) claims that 100 million people now live in urban slums, and the rate of influx is increasing. Habitat’s projections suggest that Africa will cease to be a rural continent by the year 2030. In Latin America 75 percent of the people live in urban areas already, in Asia the figure is 36 percent. The construction of large dams alone uproots four million people each year.

Many other disenfranchised people are beyond the reach of statistics. In Calcutta the author was told by a street doctor that an estimated “two million sleep on the streets. Birth and death rates are unknown but certainly high.” To these homeless must be added dwellers in hutments built of recycled materials. “If these hutments grow at the same speed, very soon more than 60 to 65 percent of the population will be slums . . .” estimated the Mahratta Chamber of Commerce in 1990. China is seeing a mass migration to its cities and its work opportunities, as well as their lack elsewhere.

Whereas examples of all this displacement are reported daily, the transfers of real or imputed land rent from the have-nots to the haves does not enter the accounting systems of development economics in ways which might suggest solutions. Public collection of these otherwise privately appropriated transfers, in reducing the cost of urban land and supplementing revenues for welfare, would immediately soften the impacts of migration. More important, in reducing rural inequality, public collection of land rent would reduce incentives to migrate and encourage stable growth in regions of transition or political instability. At present, for whatever reason migrants are displaced, they forfeit the natural opportunities they leave behind. Finally, they then add, at their destinations, to the land rent collectable by those who were there first. In addition, their struggle to survive in overcrowded slums subtracts from everyone’s natural opportunities in environmental quality.

Summary. Poverty, inequality and economic stagnation are a prime concern of development economics. Political collapse of states is the concern of conflict resolution. Environmental degradation and sustainable development are the concerns of environmental economics. Today, they are largely treated separately. These problems are not independent; they affect one another.

Main responses

In the second half of the twentieth century, the West embarked on a series of collective, interventionist strategies targeting perceived Third World problems. The strategy targeting poverty became known as development economics. The strategy targeting armed conflict became known as peacekeeping or, more generally, conflict resolution. The strategy targeting the depletion and degradation of natural resources, not just in the Third World, became known as environmental economics. Typically they were, and still are, treated largely as separate and isolated issues, each with its own team of experts and administrators.

These strategies have not been at all successful. Easterly (2006) chronicles the sorry history of many initiatives, each announced with fanfare and optimistic projections. The most recent of these, announced in 2001, is the United Nations Development Program's Millennium Development Goals (see Appendix VI) to be reached by the year 2015. Although economic development has raised average incomes in some countries, it has in most countries increased inequality and failed to reduce poverty. Conflict resolution strategies have been unable to contain the size and frequency of armed conflicts, even though they seem to arise out of poverty and disputes over land rights. Environmental economics has meanwhile been urging conservation programs upon Third World peoples where the affordability of these programs is decreasing rather than increasing, and where private and social property rights in natural resources remain, at best, confused.

The remainder of this Chapter considers the uses made of development economics, conflict resolution, and environmental economics in addressing the problems of poverty. It should be apparent that these three strategies are, to some extent, in conflict with each other, and each has serious internal contradictions.

What are the main collective responses? Typically they are government aid, non-government aid, foreign direct investment, welfare programs, land reform, debt management, structural adjustment, conservation, and conflict resolution. This panoply of programs, vacillating in funding, intensity, personnel, general support, and often changing goals, has meant that it is no wonder that visions of improving the lot of two-thirds of the world's people is now met with disillusionment and cynicism.

INTERNATIONAL GOVERNMENT AID

Dambisa Moyo (2009:7), an American-educated Zambian, writes passionately but critically about the evolution of Western aid to Africa, and treats aid as one of three types. The first is government or systematic aid, that is, payments made directly in government-to-government transfers by such institutions as the World Bank. This is the category that has come under heaviest challenge in recent decades, not only with respect to its effectiveness but even its philosophic soundness. It has generally been agreed that most of its programs have been ineffective and even counterproductive. A second is charity-based aid which is administered by private charities and institutions. They are often criticized for their high operating costs and cumbersome administration. Third is crisis aid as in the immediate aftermath of a catastrophe or calamity like an earthquake, a tsunami, or a massive flood. It typically has little longer term impact. Discussion here focuses on the first type, not only because it is by far the largest amount but also because it is the outgrowth of public policy.

Government aid. Governments individually, and collectively through international and regional organizations, have provided massive capital and other resource inflows into the Third World, particularly in the last half century. One can usually find four major criticisms of this aid:

1. 1) It has flowed into consumption rather than into productive investment for development (Boone, 1994, 1996; Moyo, 2009);
2. 2) Its failures are due almost entirely to institutional design rather than to a lack of physical or human capital (Olson, 1996; Helpman, 2004:139);
3. 3) Focus is more often on efficiency outcomes at the expense of equity outcomes (Oxfam and other critiques of IMF conditionality); and
4. 4) Direction and content of aid depend too often on political agendas (Todaro, Oxfam, Moyo, and many others).

For whatever reasons aid goes adrift, the general outcome is massive foreign debt. This debt, looming over the heads of most Third World leaders and apparently unrecoverable, now consists of about 30 percent of Third World GNP (Todaro, 2009:674).

Development aid. London School of Economics expert Peter Boone (1994) found that aid is only effective in the unusual cases where it constitutes more than 15 percent of recipient GDP. For all other cases he reports: "I find no significant correlation between aid and growth. I conclude that virtually all aid goes to consumption." Aid programs appear to have little effect on growth or in addressing inequality, and lead, almost inevitably, to debt. In a subsequent paper (1996:289), he concluded that "aid does not significantly increase investment, nor benefit the poor as measured by improvements in human development indicators, but it does increase the size of government." Mancur Olson (1996) suggested that differences in the growth rate of countries is not due to differences in physical, human and natural capital, as suggested by neoclassical and endogenous growth theories, but rather to differences in institutions, and that capital of all forms is massively squandered by Third World institutions. Moyo suggests that a large portion of aid ends up as management overhead, frequently directed to consulting organizations in the Washington, DC area.

More recently, a World Bank study (1998:14), supervised while Professor Joseph Stiglitz was Chief Economist, found that, among countries classified as having bad economic policies, one percent of GDP in aid actually slowed growth by 0.3 percentage points a year. Helpman (2004:111-142) notes that the importance of institutions as a factor in the success of development has been amply shown in many subsequent and recent studies. Easterly's book, *The White Man's Burden* (2006:23), makes a still stronger indictment: "The Enlightenment saw the Rest [i.e., the South] as a blank slate—without any meaningful history or institutions of its own—upon which the West [North] could inscribe its superior ideals." He noted (45-46), however, that Boone's work has been followed up by other work (citing Dollar and Burnside, 2004) showing "aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect in the presence of poor policies." Moreover, as Easterly points out (2006:46), African nations have received aid amounting to at least 15 percent of their GDP since the mid-nineties, yet their per capita growth rates have fallen. This immediately suggests that, contrary to the claims of Jeffrey Sachs, foreign aid is not the answer, even with his proposed "big push."

Humanitarian aid. Nor is humanitarian aid exempt from criticism for unintended consequences: “where massive needs exist, the donor-country media and public usually compel a humanitarian response . . . this response cannot be a substitute for—and may complicate—finding political solutions” (Red Cross, 1996:15).

It is helpful to address the origin and motivation of much of the aid that has gone to Third World in the past several half century. Much of it has been motivated by notions of charity, and at bottom it frequently stems from guilt. It is not just the guilt that many public officials in the North feel about their nations’ roles in past colonial domination, it also stems from a deeply ingrained idea that a person’s fortune, or even a nation’s, is not entirely of one’s own making. This runs contrary to the explanations for the growth of wealth offered by scholarly literature beginning with Weber extolling the Calvinist ethic (Helpman, 2004:111-), or even of Catholic social thought with its emphasis on the duty of charity (Pontifical Council). Moyo (2009: xviii, 32-47) argues that “Deep in every liberal sensibility is a profound sense that in a world of moral uncertainty one idea is sacred, one belief cannot be compromised: the rich should help the poor, and the form of this help should be aid.” This has come to take bizarre forms as donor nations have come to feel “aid fatigue.” So now, “In 2000, Africa became the focus of orchestrated world-wide pity . . . , [as an] army of moral campaigners—the pop stars, the movie stars, new philanthropists and even Pope John Paul II—carve out niches for themselves, as they took on the fight for more, not less, aid.” “One disastrous consequence of this has been that honest, critical and serious dialogue and debate on the merits and demerits of aid have atrophied. As one critic of the aid model remarked, ‘my voice can’t compete with an electric guitar.’” She concludes by saying, “The trouble with the aid-dependency model is, of course, that Africa is fundamentally kept in its perpetual childlike state.”

It is worth discussing whether attention focused on the poorest population of the world—the ones that Paul Collier (2007) calls The Bottom Billion—should be motivated out of charity or out of justice. Implicit in the idea of charity is the implication of pity, an attitude of higher station toward a lower. Its moral dimension is open to question when measured against other standards, such as justice. How to better ground concerns about poverty in notions of justice is treated later.

UN INTERVENTIONS

The UN Peace-building Commission's normal procedures for responding to treaty violations involve confidential consideration, public debate, and the designation of a rapporteur or working group, leaving the mechanics of intervention for the most part to non-UN organizations such as NGOs and NATO. Such intervention reviewed later is often subject to criticism, nearly always associated with unintended outcomes, and nearly always associated with land disputes.

Economic intervention. Sanctions, for example, have been found to be ineffective, with the possible exception of those that helped defeat apartheid. A UN analysis of the effects of sanctions imposed on Iraq after the invasion of Kuwait found that there were 720,000 deaths in Iraq beyond the normal rate (Wheeler, 2003:184). Aid from donor governments is often tied to inappropriate purchase of donor country products such as tractors. Aid from the World Bank and the International Monetary Fund (IMF) was often tied to conditions for structural adjustment, policies based on macro-economic policies rather than micro-economic policies such as land reform (Danaher, 1994).

Environmental intervention. International environmental law (IEL) is almost entirely derived from and informed by some 200 multilateral treaties. Domestic environmental law, by way of contrast, has developed independently of treaties, is specifically informed by environmental and natural resource economists and likely therefore more nuanced and advanced than IEL (Aust, 2005:327). International intervention arising out of environmental concerns is less likely than for cases of humanitarian and political crises. Links between the three, however, are obvious, and ought to lead to a stronger international attitudes toward such policies. One link is commonly known as the natural resources myth (or resource curse), another is the World Bank's measure of genuine savings. Closer scrutiny of both might lead eventually to some forms of international taxation.

The myth that natural resource endowments lead to economic growth has been given enormous attention in recent years. The Asian Tiger economies, poor in natural resources, have exhibited the highest rates of economic growth on record, while countries rich in natural resources have had a record of very low, and even negative, long-term growth rates in per capita GDP. Short-term outcomes in resource-rich countries have been manifest in aggressive rent seeking and political instability (Yates, 1996). Long-term results are likely to include domestic economic decline, rising

unemployment, political instability, and global environmental unsustainability.

Efforts to develop suitable indicators for Third World transformations have been numerous. The World Bank (2001:180-183) tried to plot genuine domestic saving (GDS) using factors of net domestic saving, less carbon dioxide damage, energy consumption, mineral and forest depletions. The world average GDS rate was about 13 percent. Regional and country data were more revealing. For East Asia and Pacific, dominated by the land reform countries, GDS was 25 percent. In areas of political turbulence, GDS for Sub Saharan Africa was 3.9, and for Middle East and North Africa minus 1.3 percent. For Saudi Arabia, Nigeria and Azerbaijan, the GDS was minus 13.3, minus 18, and minus 24 percent respectively.

Humanitarian intervention. The legal bases for humanitarian intervention remain open to challenge. Calls for intervention come nearly always from NGOs, yet emphases until recently are very much on individual rights as conceived in the West and promoted by those same NGOs. In the second edition of a widely used text on international human rights (Steiner, 1996:463), the editors could write that NGOs tended to focus on murdered or tortured or jailed victims while ignoring the “systemic and structural issues that underlie and in some sense explain violations: landholding patterns, rooted forms of control through intimidation of workers and rural labor....”

Yet in the Third Edition, the Chapter on “Non-State Actors” has been totally rewritten with new contributors. Harvard Law Professor Henry Steiner introduces the Chapter section by writing (2007:1421), “Human rights NGOs have experienced a quantum leap in their professionalism, from the days of the ‘amiable amateurs’ importuning delegates for a brief chat, to the high level of professionalism of many groups today. By comparison with the situation even as recently as 20 years ago, the output of the major international NGOs is more visible and better marketed, their strategies more clearly mapped out, their levels of technical expertise greater, and their funding more adequate to the task.” In another section of the Third Edition (2007:695), that dealing with “Design & Function of Institutions & Issues of Sovereignty,” Steiner says “entrenched structures of domination —landholding patterns, power over rural labor, virtual enslavement of children or women or given minorities— may [soon] become open to effective challenge.”

Legal intervention. Transnational aggression is one of the most severe of international crimes, yet legal and criminal proceedings have for the most part been largely unsuccessful. Conflict resolution with judicial instruments is seldom employed, since all parties must first agree to participate. Yet instances have arisen where parties have been willing to accede to third party intervention, especially in cases of territorial and border disputes. International Court Judge Mohammed Bedjaoui (2000) has argued that the court has had influence on resolution of such disputes especially when it occurred with the cooperation of other bodies. Employing precedents from the Nuremberg trials, the recent prosecution of Serbian leaders Slobodan Milosevic, Radko Mladic, and Radovan Karazic, former Liberian president Charles Taylor, and, most recently, the indictment of Sudanese head Omar al-Bashir, demonstrate that prospects are now improving. Yet international law seems to have little concern for new forms of crime that some call asymmetric warfare, some call terrorism, and still others call freedom fighting, but arise, whatever their later metamorphoses, from dynastic squabbles over real estate. Moreover, as shown by American treatment of the 9-11 terrorists, there is a reluctance to cede responsibility to international courts for prosecution. In contrast to Huntington's clash of civilizations thesis, Klare (2001) cites many examples of shifting alliances between capitalist, socialist and religious 'civilizations' that are driven far more by common interests in controlling land and natural resources.

In conclusion, most civil and global conflicts are caused by unequal initial allocations of land and natural resources and by subsequent reallocations achieved by rent seeking enforced by arms. Therefore perhaps many more civil conflicts could be avoided if their governments collected land and resource rents by taxation, thus removing opportunities for individuals to do so, and thereby also better equalizing social wealth. Moreover, most global conflicts could, at the very least, be better understood through analyses of rent seeking and within the frameworks of present and alternative interpretations of sovereignty. To wit, competition over European coal and African minerals arguably helped trigger WW I, while trade restrictions against resource poor Germany and Japan were a factor in causing WW II. Subsequent human rights atrocities were then matched by the failed experiments in the collectivization of land in the USSR, China, Cambodia and North Korea.

NON-GOVERNMENT ORGANIZATIONS

Non-government aid. A large number of voluntary, charitable non-governmental organizations (NGOs) have headquarters in Western

countries with most of their field offices and representatives in Third World countries, often working in conjunction with local NGOs. All these people deliver and maintain a large range of services, typically in agriculture, health and education. All this shows that humanitarian aid is not just the concern of governments. Volume Three of The Oxfam Handbook of Development and Relief, still available since its original publication in 1995, gives some idea of their size and scope. It is widely recognized that NGOs have greatly increased importance in a world of collapsing states, not only in lieu of failed public providers, but also in repairing and improving their institutional capability. Even with firsthand knowledge and experience coping with the structures that subvert and obstruct their efforts, they must nevertheless leave reform of such structures to others. Still, opportunities for NGOs to accept a wider role in their reform are legion, particularly in conjunction with international agencies, national government donors, and recipient regional, national and local organizations.

FOREIGN DIRECT INVESTMENT (FDI)

It is helpful to distinguish three types of capital flow. There are short-term speculative flows, for example, those associated with periodic economic disasters. Discussion here of possible reforms in this area like global frameworks of fiscal discipline and international insurance instruments for loan guarantees is too far afield. However, one can argue that, since many loan defaults are related to the aftermaths of land speculation, taxation reforms directed toward irresponsible banking systems could greatly diminish incentives for this practice.

A second type of capital flow, evident especially in the Asian Tigers, has effectively addressed their land problems. Here, long term productive investments are collectively negotiated between consumers and suppliers of capital. Dambisa Moyo (2009:77 ff) sees ample evidence of success in such practices using private sector institutions since all the incentives exist for their transparency.

A third type of capital flow also focuses on long-term productive investment. Often, however, it is negotiated between a foreign monopolistic agent, such as a transnational corporation and a local monopolistic agent over resource rights. Although this type of investment has received far more political attention under the headings of 'Dualism' and 'Enclave Economies' (see below), there has been little analysis of the flows of land and other resource rents. The economic and equity

implications of this type of collusion are far-reaching, and worthy of further exploration.

In cases where many competing investors have negotiated with many competing regional seekers of investment for industrial ventures, as in China, Foreign Direct Investment (FDI) has been relatively successful. But when a single powerful investor, typically from a transnational corporation (TNC), negotiates with a monolithic local interest group, often traditional landowning elites, the outcomes tend to benefit the two negotiating agents rather than the general economy or the majority of local poor. Reform of either monopoly would improve the chances of efficient and equitable investment, but the reform, especially of the local monopoly, would also solve problems far beyond those addressed by FDI. An understanding enclave theory as applied in economic analysis, rather than the more usual political analysis, can be especially helpful here.

Todaro (2009:822) defines enclave economies as pockets of economically developed regions, typically operated by foreign firms in mining and plantation activities, that coexist with adjacent, economically stagnant regions. Some, including Todaro, define this coexistence as a chronic, not transitional, articulation between indigenous and external modes of production. Others, citing the example of China and other Tigers, argue equally strongly for the benefits of competitive foreign investment. So what are enclaves? Are they necessary and helpful? Where do they come from? If they are a problem, what solutions are there to them? If enclaves are circumscribed territories protected by external sovereigns, this implies:

- A: Enclosure: especially of common land to make it private property;
- B: Expropriation: dispossession from estate, etc.

An enclave model. The term enclave can carry either a positive or negative connotation. In some instances, the word enclave refers to ethnic communities, as exist in many large western cities. Chinatown, "Little Italy," or Harlem are noted examples. In other instances, the term reflects cases of abuse of identifiable populations, such as exist in United States on Indian reservations, or in the South African "Homelands." Notable historical instances of expropriation, enclosure and enclave use also occurred in England, Scotland and Ireland, the reverberations from which may still be felt in Northern Ireland today. In later colonial examples, programs replacing traditional, self-sufficient tribal employment by wage employment were carried out by driving indigenous populations into progressively smaller and less fertile areas. More recently the term has been applied

more in economic circumstances, in what are sometimes referred to as “incubators,” “free trade zones,” or “enterprise zones.” The growth in global trade has led to the development of numerous instances of economically sheltered localities, either for extracting natural resources or for the exploitation of specialized but inexpensive labor in otherwise impoverished regions of the world, or else to shelter certain capital investments and markets. They are often islands of prosperity in oceans of want. It remains to be shown whether these designs are anything other than zero-sum investment shifts.

Case studies. In a contemporary equivalent case, a transnational corporation (TNC) negotiates land rights to an enclave sector with a local landed monopoly. This one-to-one collusion between two monopolies results in the enclosure of sufficient land for development purposes. Just sufficient labor is retained in the enclave sector. Surplus labor is excluded and migrates to what is left of the original rural sector, thereby raising land rents there, or to the urban informal or formal sectors, raising land rents there, too. Increases in land prices and land rents in the enclave sector depend on the ratio of labor-saving to land-saving investment there, the benefits usually being jointly shared by the two monopolies. The author has found relevant case studies for Cuba, Nicaragua, Chile, Indonesia, the Philippines, and many other Third World countries, but none in the land-reformed Tigers.

Solutions. Five domestic solutions to the enclave problem come to mind for improving equity:

1. Terminate negotiations. The TNC (transnational corporation) simply goes somewhere else.
2. Complete negotiations. Hope that the benefits of technology and scale economies eventually trickle across to the LDC and trickle down to the poor.
3. Arrange for many-to-many negotiations between competing consumers and competing suppliers of development services. This at least ensures competition, efficiency and equity, and spreads the risk.
4. Expropriate the foreign assets. Usually, this becomes simply an asset transfer from one form of monopoly to another.
5. Select small, domestically appropriate projects in joint ventures with NGOs, and fund these from recaptured rents in the form of land value taxation (LVT). This option is discussed in Chapter 7.

These options raise three important issues: the tax arrangements with the TNC monopoly, the taxation of the domestic private monopoly, and the funding of domestic public projects.

- a) Domestic taxation of foreign corporations is a well-known problem. Even more so than for domestic taxation, capital can fly and profits can be made invisible. Land, however, is a legitimate target of taxation, remains immobile, highly visible, and within the country.
- b) When a TNC has negotiated with a private, local landed monopoly, the incidence of an LVT falls solely on the landowner, even though the burden appears to be on the TNC.
- c) Revenue from LVT is usually thought of in connection with a local government. But raising the percentage levels significantly could provide revenue for central as well as local government budgets. Beside investing in domestic and foreign private projects, governments often underwrite ventures where there is no direct financial payback, as, for example, in infrastructure programs. In some countries, where government projects extend far beyond regions of direct benefit, investment can be very large. Revenues from LVT are far preferable to revenues from less efficient local taxes or from the foreign loans that burden LDCs with enormous debts. More discussion of taxing land values, i.e., the recapture of socially created rents, follows later.

DOMESTIC WELFARE PROGRAMS

Welfare. Many economic aid programs, as well as some forms of foreign direct investment, have unintended consequences, especially for social equity. Can social welfare objectives be met through local taxation? Most taxation regimes in the Third World are likely to be even less efficient and equitable than those in the West due to the high levels of institutional and private corruption. Yet the largest sources of revenue, indirect taxes, are especially distortionary and regressive, and typically account for 85 percent of total tax collection. Income and profit taxes are usually honeycombed with exemptions, and invite wholesale rent seeking when they are not evaded altogether. Furthermore, property taxes, although incorporating land taxes as a minor proportion, typically contribute less than two percent of revenue. A comparative analysis of taxation strategies as presented below shows that what is needed are tax strategies that can support substantial local welfare programs.

Many Third World domestic welfare programs have unintended consequences (World Bank, 1997: Table 3.1, summarized here). But welfare programs such as those incorporating farm subsidies like those in

the Common Agricultural Policy of the European Union, for example, have also resulted in unintended consequences, especially for the Third World, as shown in Table 2.

WELFARE INSTRUMENT	RELEVANCE TO THE THIRD WORLD
DOMESTIC PROGRAMS	
Cash assistance	Unsuited to poor countries
Food subsidies	Distortionary and regressive
Housing subsidies	Often regressive
Energy subsidies	Help urban poor but are distortionary and environmentally damaging
Public works	Appropriate for transient poverty
Credit-based programs	Require collateral, therefore regressive
FOREIGN IMPACTS	
European Common Agricultural Policy	Exports bankrupt Third World farmers Restricts imports from the Third World
USA farm protection	Export subsidies bankrupt Third World farmers

Table 2. Domestic responses to welfare problems.

LAND REFORM

Land reform programs for agrarian societies as often interpreted in the economic development literature really means land redistribution. It has met with mixed results. Other approaches have met with graver consequences, costly in both economic and human terms. For example, private consolidation of land into large holdings may or may not be efficient, but has led to greater social inequality. Public consolidation and/or collectivization has achieved equity in the past, but with considerable losses in efficiency. Tenancy reform can generally be circumvented, as have ceilings and floors on rent, farm sizes, and wages. One can trace the history of such practices (Hudson, 1993; Torrey, 2005) to the Biblical tradition of the Jubilee, which could be an apocryphal record of successful reparation.

Two world surveys done in the 1960s and '70s reviewed hundreds of national reform programs evaluated the effectiveness of modes of land reform. Doreen Warriner's last work, published in 1969, expanded upon

her work on regions of the Middle East in the post war period to survey economies worldwide. Russell King's 1977 survey a decade later covers more countries than that of Warriner, but is similarly limited only to land redistribution. He confirmed a common finding that the rate of land rent is usually about 50 percent of the gross yield. Yet he concluded his general survey suggesting "An approach to agrarian land reform currently receiving increased attention is land taxation. There is a body of theory with considerable following amongst economists which holds that land reform could be brought about automatically by indirect methods such as tax reform, thereby avoiding the high costs of conventional land redistribution programs." (1977:18).

Warriner's land reform survey. Warriner (1969) looked at the successes of land distribution, identifying two main phases. In phase one, the most difficult step is expropriation in which maximum holdings are set according to typical land use. Within these maxima, owners are permitted to retain areas approximately equal in land value. Where there are no reliable land registers evasion of the limit is often easy. The next step, the exemption of certain titles, varies greatly according to national values of religion, education, charity and efficiency of use. Step three, paying compensation, also varies with governments. As part of phase two, the redistribution of expropriated land, terms of ownership are set up according to priorities such as former tenants, sharecroppers or laborers, individual or family tenure, and, finally the sizes of holdings to be allocated. Unlike the situation in developed countries, tenancy systems vary greatly, as among and between Asian tenancy systems, Latin American latifundian systems, and African plantation systems. Warriner attempted to track land reforms through this institutional jungle in the Middle East and in Latin America. Given the problems she identified, Todaro was not surprised to record their general failure several decades after the reforms were attempted. Korea and Taiwan stand out as notable twentieth century successes in efforts to institute widespread land ownership.

Dekker. In his recent book on the subject, Dutch consultant Henry Dekker (2003:2-70) writes "the link between poverty and food insecurity is universally acknowledged." The "standard model," he says, traces food insecurity to poverty, and poverty calls for economic development that requires the application of a set of economic rules. The rules assuring efficient and productive use of land require that land be freely traded and exchanged as a commodity. It therefore follows, as "economists assume,

that over time, efficient land markets will optimize land distribution and access.”

Dekker explains that economists assume “the function of property is biased toward economic organizations with commodified property in order to be easily exchangeable and contributing to efficient and optimal allocation. The assumption is that legal reform toward marketable individual ownership rights would significantly contribute to economic development by creating greater legal security, freeing the individual property holder from communal constraints. These constraints prevent him or her from becoming the ‘homo economicus’ capable and willing to pursue maximizing of his property as economic theory has laid out for him or her. In doing so, land will also provide a basis for collateral to obtain productive credit.” There is no indication in his work that he views land use from any other standpoint than as a factor of efficient production. Equity considerations and land’s relationship in the larger scheme of things is not addressed.

He cites “a sample of about 30 countries [where] small farms generally have a higher value of output per unit of land and capital than do large farms...; large farms use the land less intensively than the small farm sector and that farm output and employment per area of available land are higher in countries with smaller average farm size and more equal distribution of land. [These studies] confirm the negative relationship between farm size and output per unit of land area available. The negative relationship holds, even when removing the influence of land quality.” The prevailing view, therefore, has been to regard any forms of common property as “not much more than institutional debris.”

There is increasing acknowledgement, however, that there are as many variants of private land tenure regimes as there are of communal ownership regimes, to the point where “it should be remembered that there are generally substantive public law constraints on private property in most Western societies. This sometimes goes so far that observers wonder whether there is still ‘private individual property.’” He further acknowledges that, “In the recent past, ecological and environmental concerns became more prominent. Several research projects conclude that areas still untouched by typically economically driven exploitation forces have remained relatively very stable in respect to ecological and environmental continuity even when native people used the resources for their

subsistence. This initiated new respect and appreciation for native customary regimes.”

Echoing the work of Hernando DeSoto, however, Dekker notes, “The biggest challenge facing advocates of communal land rights is their lesser suitability for such land to be used as collateral in a market economy. While individually owned, clearly titled, and easily identified parcels of land are widely accepted as basis for collateral, communal land does hardly attract moneylenders. This makes communal land perceived to be less suitable for economic development.”

In his review of the research literature, Dekker sees “four main reasons for an increased interest in access to land by land reform and changing existing patterns of land tenure and thus in creating more ‘invisible lines.’ These reasons are: alleviation of rural poverty, concern for the environment, reduction of inequalities in distribution of agricultural assets, and improvement of food security. The link is obvious between alleviation of rural poverty and access to land to make one’s own living.” Therefore, to arbitrarily divide all land reform programs between land tenure private property regimes and communal ownership regimes is to paint with such a broad brush as to shed little light on the possibility of arrangements. The “bundle of rights,” constituting the attributes of various arrangements to land available in public law now makes clear that the traditional either-or approach to rights to land precludes numerous options. Dekker himself observes, “Recently more and more attention has been paid to communal property regimes and their significance for some of the problems that only in a poor way can be addressed by private property regimes.”

In still another recent review of land reform programs, the editors (Rosset, 2006) begin their forward by observing that “only two decades ago, land redistribution appeared to be dead, along with the state-led model of industrialization that had motivated most agrarian reform efforts.” Due to the pressure of structural adjustment programs (SAPs) of the 1980s, “land distribution lost its primary economic rationale since enhancing rural incomes to support an expanding internal market for the industrialization effort was no longer a priority.” Yet in the 1990s, pressures for land redistribution arose once more from “rural social movements contesting their exclusion under neoliberalism,” and (surprise!) the World Bank. “The World Bank,” the forward continues, “now associates the continued concentration of land in less developed countries with intractable rural poverty and, in a departure from its previous analyses, also with the

disappointingly low economic growth rates in many regions. The solution is to put land into the hands of those who can work it most productively, ostensibly small farmers.” Nonetheless it concludes that “this should be done via the market...which can distribute land more effectively than the state and with less conflict.”

Borras. Saturnino Borras (2007:7ff), also writing recently, observes that “for various reasons, including the debt crises of the 1980s, land reform was dropped from many policy agendas from the late 1970s onward.” Since the 1990s, however, the issue has reappeared with tentative exploration. Borras argues that the “mainstream development framework [is to] develop formal private (and usually individualized) landed property rights. For public lands, this entails the development of more efficient cadastral records and surveying programs, with the end view of establishing clearer property rights, either through individualized titles or via “community” land rights with individualized land use rights within them.... For private lands, the principle bias is to take away all legal prohibitions on freer land sales and rental transactions in the market, with emphasis on developing land rentals.”

In accord with the pro-market approaches currently in vogue, Borras now sees “two dominant currents in land reform scholarship.” One is known as the “limits-centered” approach wherein the capacity of governments precludes the prospect of successful regulatory and redistributive measures. The power arrangements of society are such that genuine reform is foreclosed by related economic designs such as international trade and the weakened positions of peasant communities. A second set of initiatives is known as the “opportunities-centered” approach, wherein the curtailment of options available to states and to wealthy classes sometimes give rise to programs that alter socio-economic arrangements among the population sectors. If, for example, elites have opened greater opportunities in manufacturing or services, heretofore disenfranchised elements of the society are strengthened. It remains apparent, however, that many of the land reform campaigns instituted in Third-World nations are more illusory than real, and that “redistributive reform is achieved only when there is actual net transfer of (power for) effective control over the land resource. This can happen when peasants are able to secure, exercise, and maintain effective control over the nature, pace, extent, and direction of surplus production and extraction from the land and disposition of such surplus, regardless of whether it is in private or public lands, or whether it involves a formal change in the right to alienate (full ownership)

or not (e.g., leasehold or stewardship).” Examples of success for either approach are difficult to find, leading to the conclusion that title transfers of any sort typically meet with political and administrative indifference or concerted resistance.

Land value taxation, an alternative approach arguably superior to land redistribution, has been implemented mostly in urbanized Westernized countries, but only partially and at very low tax rates. It will be considered in more detail in Chapter 7. One should note in passing, however, that the tradition of recapturing land rent by ruling powers in the pre-modern era is widely documented. Past civilizations from the dawn of history give ample evidence of usufruct ownership and the payment of rent in the form of *corvée* labor, in tribute, in coin and in commodities (Hudson, 1993).

Agricultural reforms, such as the “Green Revolution,” are often included under the heading of land reform. In this book the Green Revolution is treated separately as one of the outcomes of development investment “mostly served the needs and vested interests of the wealthy landowners” (Todaro, 2009:465).

Summary. The economic implications of five strategies are considered here. There are many case studies are found in Bird (1974), Warriner (1969), King, Todaro, Borras, and Rosset.

- a) Private consolidation of land holdings. This can lead to economies of scale in competitive situations or, more usually, to diseconomies of scale where the landowners are in monopolistic or noncompetitive situations as, for example, in much of Central and South America. It appears that only when private consolidation is finally seen as a problem rather than a solution are other land reform methods sometimes tried.
- b) Redistribution of land. Here land holdings, and therefore their rental value, are redistributed. But even if this redistribution is initially equitable, it becomes inequitable in time as comparative advantages diverge. Unless population densities are low, any initial successes are often followed by fragmentation and diseconomies of scale, and even to a return to the private consolidation and class privilege which redistribution was initially intended to remove, as has happened in Latin America and is now happening in China.
- c) Public consolidation. In nationalization and collectivization, land is arbitrarily socialized. This reduces income inequalities but only within any one collective, since different land collectives have different comparative advantages. In all cases any gains from economies of scale

are offset by the loss of personal production incentives and inefficient allocation of resources.

- d) Tenancy reform. This is easily circumvented and, in any case, excludes the most important target group for land reform: the landless laborer. Land rent remains privately monopolized.
- e) Other legislative or administrative devices. There are sets of reform legislation such as ceilings on rent and farm sizes, ceilings and floors on agricultural prices, and floors on wages, etc., proposed by reformers but usually drafted by the establishment in ways which make them easy to evade or block. Wherever they have been implemented, the poor have suffered unintended consequences, which would be predictable using standard supply and demand analysis. For example, rent control can be shown, using supply and demand diagrams, to reduce supply, thereby evicting some and reducing standards for others.

With the rare exception of land redistribution, conventional land reform has been a failure. Even land redistribution has applicability only to rural land, and does not encourage scale economies. Nevertheless, because it is at least comprehensible in conventional discourse it has been the most common and positive reform in recent history.

This section closes with Table 3, showing how one successful land reform —in East Asia following World War II—can be evaluated. The so-called Tigers (China, Korea, Taiwan) built successful economies on land reforms that included redistribution. The process was largely free of conflict, particularly in comparison with the general Third World problem. Thus, this region represents a successful, if partial, solution to the land problem.

CHARACTERISTIC	THIRD WORLD	TIGERS	
1	Per capita income growth	Both low zero	8 % p.a.
2	Level of capital investment	Low	High
3	Domestic savings	Low	High
4	Foreign investment	Debt bonded	Paid back
5	Productivity of capital	Compromised	High
6	Population growth rate	High	Near ZPG
7	Levels of inequality	High	Low
8	Human capital (skills) investment	Low	High
9	Conflict and civil collapse	Endemic	Rare
10	Land reform	None	Agrarian oriented

11	Rural poverty	Endemic	Rare
12	Urban poverty	Endemic	Increasing
13	Land speculation	Endemic	Urban
14	Sustainable environment	Impossible	Possible

Table 3. Comparisons of the Tigers with the Third World.

DEBT MANAGEMENT

Reactive debt management strategies include default or repudiation on the part of the debtor, and loan rescheduling or forgiveness on the part of the creditor. Proactive debt management strategies include the use of land value taxation revenue to move, inter alia, towards solvency.

Debt has not only had a devastating effect on Third World countries, but has had an impact on donor countries as well (See, for example George, 1990, 1992). The extensive analysis of Third World debt and first world strategies for its management has generated a large literature which is relevant here only in one regard, that of its implicit assumption of two-factor, labor-capital, representations of borrower economies. This assumption, challenged elsewhere in this book, has apparently obscured the fact that many Third World countries, though appearing to lack domestic resources for economic development, can consume as much as 50 percent of GNP in unearned and untaxed land rent (Clark, 1957:637, Todaro, 2009). The public collection of this land rent through the instrument of a land value tax could have provided development funds far more than that provided by international aid, as well as assured recognition of land as a vital third factor in economics. This would have made loans, and therefore debt and the ensuing debt crisis, completely unnecessary.

Reports of the 1990s Asian economic collapses and civil disturbances have pointed to land speculation, channeled through each nations' banking system, as causative in every case. For example, Indonesia's burst property bubble left its banks with \$7 billion in defaulted property loans. These, together with the countries' foreign debt, were almost twice the average for the region. Fungibility, the substitutability of aid for different purposes, is a rubbery concept to be sure. But, whatever the sources of speculative investment, effective LVT would have removed incentives to speculate in land. The economic crisis now plaguing the US and beyond is demonstrably explainable by the speculative surge in property values,

essentially from the changes in land prices (Anderson, 2008; Foldvary, 2008; Gaffney, 2009; Harrison, 2005, 2006b, 2008).

Third World debt is normally taken to mean external or foreign debt. The origins of debt lie in the desire for economic growth. But government revenue from porous and inefficient tax systems is so far below that needed that foreign aid is deemed essential for what Rostow called economic takeoff.

The quicksand. Unfortunately, if Boone is to be believed, most of this aid went, in good times, into unproductive projects to boost national prestige, real estate speculation, general misappropriation, and capital flight to Swiss bank accounts. For example, half of the 1972 Nicaragua Earthquake Reconstruction Loan was absorbed privately by the first family, and most of the remainder likely went into what is now called 'crony capitalism.' Todaro (Table 13.3) presents a hypothetical balance of payments table for a typical developing nation. By far the largest entry under Current Accounts is 'Debt Service Payments.' The largest item under Capital Accounts is 'Resident Capital Outflow.' A nation's capital flight can often be dissected into private overseas investment in securities and real estate, usually in anticipation of local currency devaluation. Regrettably, the Table does not dissect local investment, though elsewhere Todaro cites examples of urban and rural real estate speculation – privatization, so to speak, of public capital inflows.

The boomerang. However, debt has two faces. Donor countries bear penalties as well, including undesirable increases in global warming, drug imports, bank bailouts, illegal immigrants, armed conflicts, and a reduction of export earnings (George, 1992). In an evermore interconnected world, the pathologies, inefficiencies, externalities, and general losses originating in the Third World are quickly exported worldwide.

Solutions. So, wherein might solutions to Third World debt exist? Here are four:

1. Reschedule loans (including forgiveness). This absolves the guilty and does little to reform corrupt borrowers or irresponsible lenders, but it also reduces punishment of the innocent.
2. Default on loans. This also reduces punishment of the innocent, but a country then loses its credit rating. It may make donor banks more responsible, or else shift the burden onto taxpayers.

3. Legal repudiation of such obligations under the doctrine of “odious debt,” a legal precedent recognized since 1927 (Tideman, 1993). This might be appropriate in cases when a transitory dictator absconds with money borrowed in the name of the people, leaving its repayment for future generations of that nation. This might preserve a borrower’s credit rating but it would likely entail involvement of an international tribunal to hear and decide cases on behalf of the debtor population. Similarly, the International Criminal Court might be empowered to try any ‘transitory dictator’ for what are international crimes.
4. Self-help. Reduce the need for loans altogether, and provide adequate revenue for debt service, inter alia, by enactment of land value taxation, LVT.

STRUCTURAL ADJUSTMENT

The Marshall plan, which pumped capital into post-war European development, left the task of structural reform in the hands of local institutions, and these were well understood. When similar capital injections into Third World development led to debt rather than growth, the efforts were made at structural reform, by default, by the World Bank and the IMF. To be sure, the strategies of structural adjustment, like capital injection, rest on impeccable neoclassical economic logic. However, the outcomes of structural adjustment programs (SAPs), in efficiency terms, have been mixed at best, and, in equity terms, generally disastrous. Local institutions were not, and still are not, well understood.

Not surprisingly, structural adjustment programs have been heavily criticized, by local institutions for reasons connected with the preservation of rent-seeking opportunities, and by NGOs and social commentators for equity reasons (Danaher, 1994). Though these equity criticisms are convincing, the solutions offered are unlikely to be effective since they still rest upon the prevailing two-factor capital-labor economic paradigm, whether it be neoclassical or socialist. Accordingly, this book advocates a complementary reform, which would both offset these equity effects of structural adjustment programs as well as provide an alternative structural adjustment program that would restore the place of land as the third (and major) factor in Third World economic development.

The programs enumerated below are attempts to reform what Olson (1982) has described as the dense network of opaque and intangible components of collusion and corruption that cause economic sclerosis. This task is immense, as the World Bank and the IMF well know. Structural

adjustment programs reflect the prevailing doctrine, as the need for a solution is widely accepted. They have been heavily criticized, however, primarily due to their record of adverse equity outcomes. A land value tax not only removes objections to SAPs but represents a major, and alternate, structural adjustment program in its own right.

CONSERVATION

Typical political responses to environmental problems have included international exhortation directed at poor nations, as well as attempts at administrative regulation from the national level. Economic responses, often referred to as green taxes, move towards social ownership of the rent of natural opportunities. To be sure, green taxes encourage the economic rationing and technological substitution necessary to conservation, but they restrict the economic growth necessary to achieve incomes at which conservation might become affordable. Their affordability, given contemporary economic growth rates, is at best elusive. What are needed are reforms to stimulate development.

Tietenberg (2009:84) argues “environmental problems arise because of a divergence between individual and collective objectives.” These problems can be solved, he says, “...by realigning individual incentives to make them compatible with collective objectives. As self-evident as this approach may be, it is controversial.” Similar statements could be made about land. Though land, as a taxable source of revenue, is generally thought of as locations, it is arguably just as much part of other physical entities that can be taxed heavily without distorting production incentives and at the same time contributing to distributive justice. These other natural resource rents are just as much land rents. Examples include moorings, surface and ground water, communications and broadcasting frequencies, energy (wind, solar, tidal, hydro, hydrocarbons, nuclear, etc.), minerals, forests, fisheries and other species, etc. (See Gaffney, 1998 and a full 600 pages on resource taxation in Tietenberg, 2009.) Similarities and differences between environmental resource taxes and land taxes will be clarified later in the section on green taxes. Most significantly of all, their total yield is likely to be as much, if not more, than revenue streams currently instituted, and by comparison are likely to carry fewer negative effects such as uncertainty and deadweight loss.

CONFLICT RESOLUTION

There have been three main international responses to territorial conflict. First, one sees appeal to rules based on the United Nations Universal

Declaration of Human Rights. In conflict situations, nearly all of its 30 rights depend most essentially upon Article 17, which implicitly assumes private property rights to the rent of the natural opportunities being contested. Second, there have been mobilizations intruding into dynastic struggles over monopolies of territories and natural resources, largely unsuccessful. Third, trade sanctions have served as a backup for the failure of both, but which more often delay rather than advance the evolution of the politically stable state. These responses may well be short-term necessities. However, more fundamental responses recognizing the nexus between poverty, human rights and land rights are desirable. If conflict is a response to poverty, then strong, equitable and assured economic development will best alleviate it.

MIGRATION

Another response to the problems created by poverty is to let people "vote with their feet" and migrate from bad situations to ones that are better. If rural people were choosing to migrate to cities for a better life, this response would be appropriate. Yet seldom do such promises obtain, as the following examinations of migration theory show.

A major cause of rural-to-urban migration is the continuous worldwide improvement in agricultural productivity. From the standpoint of the rural sector, the resulting migration may be economically efficient. But it may be socially and politically inefficient, especially for a nation as a whole, so that effective reforms to reverse the causes of inefficiency are warranted. Concern here is with social and political inefficiencies in the second case and with equity in both cases. Two migration models offer insight to this paradox: a 'pull' stimulus and a 'push' stimulus. A third, coercive model, associated with armed conflict, is discussed in Chapter 4 in conjunction with reallocating land rights. As a result of any of these three factors, displaced persons are typically absorbed into the slums of an informal economy, surely a pathological urban sink. When the resulting sinks of poverty and unemployment are tabulated (Todaro, 2009: Ch. 7; Red Cross 1996:131-135), it becomes clear that the negative externalities imposed on both urban and rural populations are large.

Todaro's expectations incentive 'pull' model. Todaro (2009:345-352) has developed a well-known rural-to-urban migration model in which the migrant compares his estimate of his net present value (NPV) of future higher (but uncertain) urban income streams, less the (possibly) non-recurring cost of migration, with the NPV of lower (but known) future rural

income streams. This is a mathematical version of “the streets of Calcutta are paved with gold” and illustrates the pull incentive to migrate.

A rural debt-coercive ‘push’ model. A more realistic and useful coercive push model suggests migration works in the following way. Consider a farmer in a country which, like nearly all countries, can produce more than enough food for all of its inhabitants. As a result of any or all the Third World problems identified here, the farmer runs out of food. Without substantial collateral he must borrow, at interest rates perhaps from 50 to 200 percent (Todaro, 2009: 347). This high rate can reflect many factors, monopoly power, risk, or the fact of his borrowing, say, 1000 rupees-worth of grain at high, pre-harvest prices, only to return a much larger quantity at low, post-harvest prices. He uses this loan to feed his family and, if he is a tenant or sharecropper, to pay a rent equivalent to 50 to 80 percent of his crop to a hereditary landowner (Todaro, 2009: 349). Eventually he defaults. If he is a small holder he loses his land. Next time, he and his family become debt bonded. Finally, he migrates, with or without his family. One can then follow this migrant through still another model tracing problems associated with monopolized land rent.

Rural-to-urban migrants. In a three-sector, rural, urban-formal, and urban-informal economy, rural migrants may pass through, but are more likely remain embedded within, the informal sector of the city. Here they depend on income from ambulatory services, begging or crime. And here, rent-free vacant and public spaces turn out to be managed by illegal “slumlord” rent collectors, until the squatter shacks are bulldozed and the occupants pushed on. Alternative accommodations, if not dried up by rent control, are available only at rents that rise with population. Public savings in the formal economy are diverted from productive investment to meet the rising costs of welfare, congestion, crime, pollution and infrastructure decay. At the same time, private savings are also diverted from productive investment into unproductive, untaxed, speculative investment in the rising land values created by migration and population growth.

Summary of the main responses

These responses to Third World problems have been frequently and heavily criticized, but seldom very constructively. As a lead-in to subsequent analysis of these responses, and to anticipate its recommendations, some less obvious implications are summarized here.

1. Aid programs tend to offer a variety of benefits to landowners and to increase rents payable by the landless.

2. Development programs tend to raise land values and associated rents, displace populations, and degrade environments. All this reverses the outcomes expected from humanitarian programs that separately attempt to address matters of health, food, and infrastructure.
3. Environmental programs aim to achieve natural justice for subsequent generations. But this has the effect of reducing both incomes and equity for present generations.
4. Structural adjustment programs aim to achieve economic reform, but have the effect of temporarily reducing incomes, permanently increasing inequality, and alienating Western assistance.
5. Conflict resolution programs tend to maintain or rearrange endowments in land and natural resources without addressing the sources of conflict inherent in their economic and social arrangements.
6. Migration in rural areas occurs less as a response to opportunity and more often in consequence of being forced off the land.
7. All these responses simply add to rather than subtract from the number of migrants already displaced by the economic, environmental and political forces that these programs address. Furthermore, for whatever reason migrants are displaced, they forfeit the natural opportunities in the land they leave behind. Then, wherever they end up, they add to the land rent collectable by those who have primacy of claim. Meanwhile, the struggle of these migrants to survive in overcrowded camps and slums subtracts from everyone's natural opportunities.

The aggregate result of these adverse side effects is widespread and rising resentment, easily focused on whatever interventions are initiated. This resentment may lead to the rejection of upstream initiatives like structural adjustment programs, and curtailment of downstream initiatives like welfare. Downstream initiatives are then further curtailed by donor disillusionment and recipient shortfalls in government budgets. Rising resentment ultimately leads, for a variety of covert reasons, to a breakdown in peacekeeping. The withdrawal and abandonment of outside intervention, heightened by perceptions of inequality, acts as a brake on any international efforts to contain the degradation and depletion of the natural environment. The process becomes a continuing spiral downward.

INTERVENTION – WHY HAS IT FAILED?

The main international response to problems of growth and poverty has been the delivery of aid packages and associated loans. Other international responses stem from environment problems, territorial conflict, and humanitarian emergencies. The main domestic responses to

problems of growth and poverty have been attempts to tax assets of low visibility or high mobility, and to implement programs of land reform and foreign direct investment (FDI), which, except for the Tiger economies, have been largely unsuccessful. In almost all cases property rights in land and natural resources are involved. Yet neither international nor domestic responses reflect any fundamental analysis of private and social property rights juxtaposed to the scarce natural resources being appropriated, degraded, disputed, or unsuitably used.

Western interventions in the Third World taking the form of government aid, non-government aid, foreign direct investment, welfare programs, land reform, debt management, structural adjustment, conservation, and conflict resolution have failed, and totally, in the views of most experts. Two factors are particularly important in explaining those failures: institutional failure and rent seeking. The former, institutional failure, has had a fair share of attention. The latter, rent-seeking, has been almost totally ignored, the reasons due largely to the failure of neoclassical economic theory and models to recognize the concept of rent or its importance in Third World economies.

INSTITUTIONAL FAILURE

Institutional failure. Olson (1996) implies that institutions of the Third World nations themselves are primarily responsible for massively squandering resources of all kinds. The World Bank, in analyzing what it calls the pathology of state collapse, concludes that states have been run into the ground by corrupt, negligent or incompetent leaders and officials, or have been fragmented in civil war, in all cases due to institutional failure (World Bank, 1997:158-169). It is fashionable today to refer to them as “failed states,” a word that didn’t exist a generation ago. How can institutional failure be prevented, or damaged institutions repaired? Since Development Economics has not been able to predict or effectively deal with economic collapse, and since the theories and strategies of Conflict Resolution have similarly been unable to predict or effectively deal with political collapse, the question is extraordinarily important. So, how can the erratic behavior of Olson’s institutions be explained, perhaps in a way that might lead to alternative reform strategies?

Political theories apply normative analysis to institutional structures, while economic theories apply quantitative analysis to the delivery of private and public goods and services within these structures. For simplicity, these institutional structures are referred to here as the state. The World Bank, at

the nexus of politics and economics, has tabulated some of the functions of the state (1997:27), adapted as follows:

Functions of the state.

1. Overcoming imperfect information, e.g., by financial regulation.
2. Addressing externalities, i.e., losses of utility inflicted on one party by the actions of another, e.g., by environmental protection.
3. Protecting the poor, e.g., by income redistribution, asset redistribution, and disaster relief.
4. Regulating monopoly, e.g., by antitrust policy.

Institutional reform. The same 1997 World Bank Report reflects a small but significant shift in emphasis away from intervention and towards self-help, by depending on reforms of the judiciary, the administration, and the financial sector, greater local 'ownership' of structural adjustment programs, and by wider power and wealth distribution. Further reforms proposed here complement these World Bank recommendations. For example:

1. Financial regulation may be impossible where speculative incentives are not addressed first. Tax structures that encourage real estate speculation likely increase the amplitude, and possibly the frequency and duration, of business cycles.
2. Environmental protection may be unaffordable without radical tax reform.
3. Effective and long term protection of the poor may require a review of the program applications of neoclassical economics. As Todaro (2009:127) notes, the dominant neoclassical school "free market analysis argues that markets alone are efficient—product markets provide the best signals for investments in new activities; labor markets respond to these new industries in appropriate ways; producers know best what to produce and how to produce it efficiently, and product and factor prices reflect accurate scarcity values of goods and resources now and in the future. Competition is effective, if not perfect; technology is freely available and nearly costless to absorb; information is also perfect and nearly costless to obtain. Under these circumstances, any government intervention in the economy is by definition distortionary and counterproductive. Free-market development economists have tended to assume that developing-world markets are efficient and that whatever imperfections exist are of little consequence."
4. Monopoly regulation may not be as effective as economic instruments, especially in acquiring the economic rents that account for the

monopolies in the first place. If institutions are viewed as repositories of historically accumulated economic rent, then their behavior is likely to be amenable to analysis by rent-seeking theory, and correctible by the taxation of rent.

CHAPTER 3. POVERTY'S LINK TO VIOLENCE

INTRODUCTION

For a short time after the end of the Cold War, it appeared that the world might be able to focus on dealing with the problem of poverty without the polarizing effects of tying development programs to ideological conflict. That respite was short lived. After the events of September 11, 2001, the “war on terror” replaced the previous anti-communist crusade, particularly in the U.S. The ensuing violence is experienced and hence labeled under a variety of names: insurgency, guerilla warfare, freedom fighting, insurrection, rebellion, sedition, uprising, subversion, and, of course, revolution. The term political violence seems to be the apt and all-inclusive word to cover this discussion. Regardless which word is employed, political leaders seem inclined to resort to such threats, real or conjured, as a means of mobilizing their populations to purposes of their choosing.

At present, violence is answered almost entirely by military and political strategies. Such manners of response tend to be reactive, which may explain why they are generally unsuccessful. They do not address the roots of insurrection; like many efforts of to study matters, people look at things as symptoms rather than systems. At the national level, for example, Whittaker (2001: 261) cites 15 programs, 14 of which are reactive, such as increased government and paramilitary powers and reduced civil rights. Internationally reactive peacekeeping initiatives have failed to adapt to the asymmetric nature of violence. The major powers, led largely by the U.S., seek to maintain their hegemony and political dominance as well as the economic arrangements that have evolved very much under its sway. The short-term risks and long-term effectiveness of pro-active search-and-destroy alliances are preemptive strikes to maintain existing arrangements. Their general success long term remains an open question. Several writers, Chalmers Johnson being among the most noted, hold the view that the United States is now so overextended that it will soon be unable to maintain its preeminent position.

Just as history unfolded during the era of anti-communism, the US aid to Third-World regimes is based on whether it supports US objectives in its efforts to maintain stability. The result of that geopolitical practice is that recipient but corrupt governments can afford to ignore poverty and even

create economic stagnation for their people without incurring the world's censure, especially when and where those challenging existing arrangements can be labeled "terrorists." In addition, antiterrorist campaigns can mobilize support among well-cared-for elites, immobilize moderating efforts for action to reduce poverty, and further destabilize governments. Countermeasures thereby become a pretext to undermine reform movements that could in other circumstances lessen poverty.

For these reasons, addressing the problem of poverty requires an understanding of its relationship to violence and how it could be combated effectively without commensurate violence and repression. To understand the roots of insurgency and violence, this Chapter reviews three oft-repeated hypotheses. The first addresses the growing contention between Islam and the West. The second claims that US "imperialism" is at the heart of today's global problems. Could they both be incorrect, or at least inadequate? Is there more substance to a third hypothesis, that civil disturbances are a consequence of economic decline and high youth unemployment?

Hypothesis #1: Islam as the source of terrorism

To the person-in-the-street, the roots of much current terrorism lie in Islam. Development of this hypothesis can be found in the writing of Walter Laqueur, (1999) Rohan Gunaratna, (2002) and many other commentators. (Gaffney, 2005; Spencer, 2007; Lewis, 2004) It has now been repeated in so many reports and media statements that it is taken as a given by a large number of citizens of Western countries. Yet, it is a highly speculative and misleading inference, and based upon very little evidence.

One needs first to make a distinction between Islam as a way of life, the general uses of political terrorism in wars of liberation, and the use of religious terrorism by Islamic fundamentalists or Islamists. Islam as a way of life is subscribed to by nearly one quarter of the world's population and, although it is not territorial, it aspires to become universal. However, nearly all Muslims live in states that are not strictly fundamentalist, and nearly all are exposed to Western culture through globalization. Yet many Americans have been asking, "Why do Muslims appear to hate us?" The results of half a dozen surveys of Arabs and Muslims show, broadly, that America is not hated for itself but rather widely mistrusted because of its policies in the region; that there is no clash of civilizations between Islam and the West since both share similar values and concerns; that Muslims would like to have better relations with America; and that even the most

conservative Muslim societies are changing fast. There seems to be nothing here that links Islam per se with terrorism.

All wars of liberation use terrorism but few directly concern Islam. Virtually all of those wars in Europe, in North, Central and South America, in Sub-Saharan Africa, and in South Asia are not Islamic. (See case studies in Whittaker, 2001) Many in the Middle East and North Africa were originally anti-colonial, not Islamic. Those now perceived as Islamic involve land in Palestine, and energy stores and minerals in almost all other cases.

Whether Islamic or otherwise, all wars of liberation concern contemporary or historic disputes over land and natural resources and all use terrorism in attempting to resolve these disputes. Random violence and all the terrorist means that are employed today to foster insecurity, and thereby divert resources to ensure greater general public safety, are the weapons of otherwise powerless peoples, those driven to measures of last resort in pursuing justice.

Fundamentalism has been described as “religion under threat” and the tiny percentage of Islam called fundamentalist or Islamist does answer to this description. Islam means submission, and its authority is unquestioned, arising from the absolute certainty of divine authority. Historian Walter Laqueur notes (1999) that paradoxically, “Endorsement for nearly anything can be found in the holy writs of the major religions, and the Koran is no exception.” The objectives of fundamentalist Islam are threefold: to purify deviations from the truth from within Islam, to prevent the spread of decadent secular modernism from without, and to achieve power and prestige. (Marty and Appleby, 1992) Its method is Jihad in which violence is legitimized and the value of human life subjugated to its objectives. Martyrs, who go straight to heaven, are not poor, not uneducated, and are not self-seeking. Nor are they, at least with respect to themselves, susceptible to the economic control by deprivation. The unfolding sequence of Islamism is: terrorism, economic disruption, political instability, increased credibility and legitimacy of Islamism. It is the explanatory sequence of the wider Moslem environment that has apparent difficulty in restraining a fundamentalism that contains deprivation: youth unemployment and poverty.

HYPOTHESIS #2: U.S. IMPERIALISM

A second hypothesis argues that the roots of terrorism lie in US imperialism. This is a widely expressed view, and there is no shortage of writers to reference. It is important to note that far from all subscribers to this thesis are in the Marxist tradition of scholarship. Noam Chomsky’s

name is commonly mentioned, but one could also cite American political scientists, Chalmers Johnson and Walden Bello. The thrust of Noam Chomsky's argument, and others, is that the US itself qualifies as the major rogue state. (Chomsky 2000, 2001, and Scraton, 2002.)

Disillusioned former US State Department official William Blum (2006) has also authored a book with the same title, *Rogue State*. Johnson would not demur, and focuses on the evolution of American practices, as compared with its stated principles, in an impassioned trilogy (2000, 2004, 2006), these written for a broader public than his numerous earlier academic books.

First, Chomsky is ambivalent towards the UN. For example, he cites Daniel Moynihan, the former US Ambassador to the U.N. as having admitted, "The Department of State desired that the United Nations prove utterly ineffective in whatever measures it undertook [in East Timor in 1975]. This task was given to me, and I carried it forward with no inconsiderable success." (Chomsky, 2000:3)

Second, Chomsky points out that the US supports terrorism in friendly states. For example Penny Green, and Herman and Julia Schwendinger (Scraton,2002:74,171) list those countries whose military have been trained in terrorism by the US. These include Israel, Honduras, Nicaragua, Brazil, Uruguay, Cuba, Indonesia, East Timor, Zaire, Angola, South Africa, Argentina, Chile, El Salvador, Guatemala, Angola, and Mozambique. Most often mentioned is the role of the US military's School of the Americas in Ft. Benning, Georgia (Nelson-Pallmeyer, 1997).

Third, the US has been known to apply what some define as terrorism to unfriendly states. For example, Arundhati Roy (Scraton: 2002:7) lists those countries bombed by the US since 1945 as China, Korea, Guatemala, Indonesia, Cuba, Belgian Congo, Peru, Laos, Vietnam, Cambodia, Grenada, Libya, El Salvador, Nicaragua, Panama, Iraq, Bosnia, Sudan, Yugoslavia and Afghanistan. This is to say nothing of the claims of former US government contract agent, John Perkins (2004, 2007), who claims that his work entailed every dimension of intimidation to support the "American corporatocracy" abroad.

Blum (2006:16) argues "American foreign policy has typically been fueled not by a devotion to any kind of morality, nor even simple decency, but rather by the necessity to serve other masters, which can be broken down to three imperatives:

5. 1) “the care and feeding of American corporations: making the world open and hospitable for neo-liberal globalization; enhancing the financial statements of defense contractors who have contributed generously to members of Congress and residents of the White House;
6. 2) “preventing the rise of any society that might serve as a successful example of an alternative to the capitalist model; and
7. 3) “expanding the empire: establishing political, economic and military hegemony over as much of the globe as possible to facilitate the first two imperatives, and to prevent the ascendancy of any regional power that might challenge American supremacy.”

Johnson has the same lament, but sees the imminent decline of American power due to its preoccupation with the defense of corporate interests and its consequent over-extension. He suggests that American citizens as a whole are largely ignorant of how much of their resources are being devoted to the defense of interests that are in many instances contrary to the general welfare of the republic. He prophesies the United States’ over-extension portends its gradual decline both in domestic and international standing, and with it will fall much of the order of global relations. Writing from the perspective of decades in Asia, Walden Bello makes similar assertions: the title of his most recent book (2005) the core of his thesis: *Dilemmas of Domination: The Unmaking of the American Empire*.

This hypothesis, convincing as it is, must be rejected as seriously incomplete. All of these writers concentrate their attack upon imperialism on what they call capitalism, by equating capitalism with monopoly. They do not refer to feudalism (although Bello and Johnson have written elsewhere on this). Imperialism has been defined as the articulation or linking of two different monopolistic modes of production, capitalist and feudal. The first is not analyzed into its competitive and monopolistic components, the second is confused with fascism, and monopoly is not analyzed at all.

One might begin with a duopolistic definition of imperialism as international collusion, wherein the economic returns (i.e., rents) from material resource output of the feudal partner and the growing size of foreign direct investment (FDI) in technology is shared between local and foreign elites. Table 1 hypothetically illustrates the typical return allocation to the three factors of production.

Row 1	National income	Total to wages	Total to rent	Total to capital	Imperialism as the collusion of two different modes of production
Row 2	12,000	6,000	3,000	3,000	Independent capitalist state
Row 3	600	360	240		Independent feudal state
Row 4	15,000	7,000	4,000	4,000	Capitalist state benefiting from imperialism
Row 5	700	360	340		Feudal elite benefiting from imperialism

Table 1. Imperialism as collusion between two different modes of production

The Oxford Dictionary of Economics offers two definitions for the term, capital: “1. Man-made material resource used or available for use in production, for example machinery. This is also referred to as physical capital. 2. Material or financial wealth, accumulated by an individual or a company, that can be used to generate income.” The Oxford Concise Dictionary of Politics—one of three collecting various political references—starts by defining “capitalism” as, “a term denoting a distinct form of social organization, based on generalized commodity production, in which there is private ownership and/or control of the means of production.” The Oxford Dictionary of Sociology defines a “market,” as “an area over which any well-defined commodity is exchanged between buyers and sellers. Such commodities are considered to be of two kinds—goods and services. The total amount of a commodity produced and available for purchase is referred to as the supply of the commodity, while the total amount being sought for purchase is termed the demand. Because human wants are, in themselves, potentially infinite, it should be noted that in the study of markets demand must be effective, that is to say backed by money or purchasing power.”

It would seem then, from the standpoint of several social sciences that capital, capitalism and markets have coexisted as a natural order for millennia before Adam Smith and David Ricardo wrote the theories of economic development and comparative advantage. But for every invisible hand of competition there is an invisible foot of monopoly that has the capacity to trip up progress. Monopolies are the antithesis of markets: they stifle free and open exchange.

This is clearly set out in monopoly theory which distinguishes between 1) a surplus called economic rent that the monopolist extracts from the consumer, 2) a cost of competing with others for this rent, called rent

seeking, and 3) the cost that monopoly inflicts on society called deadweight loss. Though monopoly is defined as a situation in which there is one supplier, these private appropriations and social costs apply wherever ownership is concentrated amongst a minority. Feudalism is taken here to be any traditional society characterized by a pattern of concentrated land ownership.

In Table 1 above, Row 2 depicts a capitalist state that may be monopolistic, Row 3 a feudal state by definition monopolistic, Row 4 the capitalist state now benefiting in wages, rent and return on investment from an imperialist collusion, and Row 5 the now dependent feudal state benefiting from increased rent in the form of natural resource royalties and real estate investment.

The causal sequence from imperialism to terrorism and other forms of political violence start when the new distributions of total income shown in Rows 4 and 5 are disturbed, in the dependent agent by civil unrest, or in the imperialist agent by threats to imports, for example of energy and minerals, or opportunities for arms export. If Bello, Chomsky, Johnson, and other critics of US imperialism would add this sort of economic analysis, their analysis of the causes of violence would be much more coherent and compelling.

HYPOTHESIS #3: Poverty from parasitism

A third hypothesis places the roots of violence in conditions of economic decline. As one Muslim academic suggested: “Militant religious fundamentalisms have always followed—rather than preceded—the decline of socio-economic conditions.” This is the thesis of Bernard Lewis, who argues in several of his books that it is the failure of Islam to come to terms with modernity that explains its problems. (Lewis 2002)

Development of this hypothesis can be found elsewhere as well, in Huntington (1996), for example. University of Chicago theologian Martin Marty (1992) suggests that “poverty and depravation...fuel reactive movements,” and Michael Klare suggests (2001:24), “As supplies contract...the poor will find themselves in an increasingly desperate situation—and thus more inclined to heed the exhortations of...fundamentalists.”

The sorts of decline that can contribute to large numbers of youth willing to engage in acts of violence can take many forms. An obvious one is the reduction in job opportunities. Economies that exclude 30 to 50% of their youth from productive employment are likely to generate frustration that opens young minds to extreme ideologies. A decline in per capita income

can also destroy the legitimacy of government and promote reactive violence. The sort of decline that is most likely to generate deep hostility is relative decline—a situation in which an elite grows quickly richer while the majority of the population stagnates. This relationship is developing even in seemingly successful economies. It has been particularly prevalent in the Middle East which is at the moment feeling enormous pressures from a frustrated population of young, unemployed but educated, men.

Historian William McNeill (1977) explains poverty in terms of the relationship between a small, wealthy elite and a large population of poor peasants. He describes how landowners could take part of the harvest as rent from peasants, leaving just sufficient for survival. He called this a state of macro-parasitism. Thomas Malthus called this condition subsistence, and associated it with institutions such as feudalism and caste. Paul Samuelson (1964: 541,727,728) has built a simple but powerful model of the origins of macro-parasitism similar to that shown in Table 2 below. Row 4 illustrates subsistence, or macro-parasitism, where 40% of product, a common figure, is taken in rent. Why Samuelson’s model follows wages down below subsistence, to zero in row 5? Because the level of subsistence can be changed. As noted in Chapter 1, the introduction of the white potato in Ireland enabled people to live on cheaper calories, hence further lowering subsistence wages and raising rents. Using this logic, how can poverty be reduced? Samuelson provides two methods. He shows how investment in technology can lift wages (and rents). He also demonstrates that “land rent is in the nature of a surplus that can be taxed heavily without distorting production incentives” and, in theory, increasing total wages by that amount.

Row 1	Total pop	Output	Wage income	Total to wages	Total to rent	A MODEL OF MACRO-PARASITISM
Row 2	10	80	8	80	0	Abundant land
Row 3	30	200	5	150	50	Competition bids up rent
Row 4	60	300	3	180	120	Subsistence level economy
Row 5	80	350	0	0	350	Theoretical limits

Table 2. A Malthusian production function and a Ricardian distribution function

Many of the world’s people live in macro-parasitic societies, not far above subsistence, and are therefore vulnerable to political fallout from any socio-economic decline. It is not hard to test the thesis that socio-

economic decline often precedes militant fundamentalism or, more generally, insurrection and terrorism. In Table 3 data from World Bank's World Development Reports over four decades show trends in per capita income growth, and these are compared with qualitative assessments by region, as follows:

- • The East Asia and Pacific region, characterized by exceptional income growth rates and almost complete absence of terrorism, seems to confirm the hypothesis. Exceptions like Indonesia and the Philippines have feudal characteristics closer to those of Latin America. The Latin America and Caribbean region has been characterized by Marxist reaction against both feudalism and imperialism. The data seem to confirm the hypothesis.
- • For the Middle East and North Africa, the 1990-1999 figure seems inconsistent. A more appropriate picture may be that of "High Income Oil Exporters" showing income growth of 6.3% for 1960-1980 and of minus 2.0% for 1985-1995. The region is also characterized by inequality, high population growth, high youth unemployment, social unrest, and an increase in involvement in resource conflict.
- • Data for the South Asia region seem to support the hypothesis if early religious wars are included.
- • Data for Sub-Saharan Africa seem to support the hypothesis. The region has long been characterized by resource conflict, inequality, high population growth, high youth unemployment, and social unrest, followed by Islamic penetration from the North.

Row	GDP per capita growth by World Bank region	1965-71	1973-80	1980-90	1990-99	2000-7	Avg. 40 yrs.	Forms of militancy
Row 2	World Bank Development Report	1991	1991	2000-01	2000-01	2009		
Row 3	East Asia & Pacific	5.3	4.9	6.4	6.1	9.6	8.0	Negligible in Tiger economies
Row 4	Latin America & Caribbean	3.8	2.5	-0.3	1.7	4.5	2.4	Declining liberation terrorism
Row 5	Middle East & North Africa	5.8	1.9	-1.1	0.8	4.0	2.3	Rising Islamist terrorism
Row 6	South Asia	1.2	1.7	3.5	3.8	7.0	3.4	Declining ethnic terrorism
Row	Sub-Saharan	2.1	0.4	-1.2	-0.2	3.7	1	Rising warlord

Table 3. Growth of income and militancy

Samuelson's model explains the origins of macro-parasitism, culminating in a steady state system such as feudalism, caste or latifundio. Yet it is robust enough to be extended by monopoly theory to accommodate change.

There are several ways in which the parasitic acquisition of a resource can have negative consequences for the people who live in the country where the resource exists. First, the direct effect of a natural resources bonanza is to increase rent and therefore inequality. Thus, "...in Saudi Arabia, Kuwait and Pakistan...immensely wealthy families oppress millions of impoverished people." (Schwendinger, in Scraton, 2002:169) Second, the discovery of oil or minerals almost certainly increases the personal fortunes of a few, but it may cause national incomes to decline as the increased value of the national currency reduces earnings from other exports by making them less competitive on world markets. Third, in a coercive venture, military or terrorist, the costs of rent seeking together with the deadweight losses, in both lives and infrastructure, are likely to be large, since the decision-makers are not necessarily the ones carrying these costs. This can be seen in the continuing military conflicts over oil in the Middle East, over "blood diamonds" in Africa, and over tropical forests in Latin America and Southeast Asia.

The causal sequence of macro-parasitism is: population growth → rent increase → wages decline → subsistence → stagnation. With land availability held constant by artificial scarcity, rents rise. Other things being equal, wages fall with rising population and as a result of military or terrorist activity. Other things being equal, wages will rise as a result of capital investment or land reform. Finally, the comparative evidence of different regions around the globe strongly indicates that macro-parasitism is the single most important factor in predicting the onset and frequency of violence. Reducing terrorism does not require an anti-Islamic crusade or even the dismantling of American empire. What is mostly needed is a restructuring of those institutions that currently allow one group of people to benefit unjustly by capturing economic rents for themselves by monopoly control of land and other natural resource titles.

minimizing POLITICAL INSURRECTION with land reform

Apart from Spain and Ireland there are few examples of indigenous insurgencies in the OECD countries. Testing hypothesis three, the

association of violent insurrections with failing standards of living, is explained by the fact that there are already high average incomes in these regions. Yet what are called the Tiger economies of East Asia exhibit remarkably few indigenous insurrections, and average incomes are still well below those of Latin America, the Middle East and North Africa, regions normally associated with political violence. What characteristics of this region might support or reject the three hypotheses, and do these suggest a solution to political violence?

Table 2 encapsulates some geopolitical ideas of Thomas Malthus, David Ricardo, and Paul Samuelson that define poverty. Table 3 seeks to establish a relationship between trends in income levels and trends in geopolitical conflict including terrorism. Table 4 can now assemble some geopolitical reforms that might lift standards of living and reduce the underlying causes of political violence. Figures for the 2007 regional GDP come from the 2009 World Development Report, Table 3.

East Asia and Pacific. Using three of the Tiger economies—China, South Korea and Taiwan—as a benchmark it is helpful to make comparisons with other regions. The Tiger region is unique in several respects. There is a very low incidence of military or terrorist activity, or of the kind of imperialist intrusions to which Chomsky and others point. Foreign direct investments in China and other Asian Tigers tend to be competitive inasmuch as they do not interface with the land monopolies that dominate most Third World countries. Therefore there is little basis for monopolistic collusion characteristic of imperialism. Land redistribution has pushed economic growth in this region to much higher levels than that of any other region. The Economist (1991) concludes, “in all three of Asia’s biggest successes—Japan, South Korea and Taiwan—the groundwork for both fast growth and the income equality that eased the social strains of development was laid by a radical land reform.” Long-term per capita growth of eight percent of GDP can therefore be taken as a benchmark, realistic since it was achieved almost immediately following agrarian land redistribution by these three very poor countries poorly endowed with natural resources. There is no reason why the same strategy can’t apply to Indonesia, the Philippines, and North Korea as well as to countries in this region and elsewhere.

Latin America and Caribbean. Here the roots of insurrection are economic (Marxist), not religious (Islamic). The difference between the benchmark Tigers and the long-term average growth rate (about 2.4%, see Table 3) is 5.6%, an opportunity lost by an economy based on feudalism and guided by imperialism. Multiplying this by the regional GDP of \$3.4 trillion

suggests a deadweight loss of almost \$200 billion per annum. Since the region is now characterized by heavy IMF debt, a suitable land policy could transform economic efficiency and social equity if this were made a condition of debt forgiveness.

Middle East and North Africa. Here the roots of violence are both economic and fundamentalist. The long term average growth rate as shown in Table 3 is less than 2.3%, suggesting a lost opportunity of as much as 5.7%. With a regional 2007 GDP of \$829 billion, its estimated deadweight loss is in the neighborhood of \$47 billion per annum.

South Asia. The roots of violence in this region lie in the economics of poverty and in disputes over political territory, both disguised as wars of religion. The recent record growth in India contrasts strongly with other nations in the region, so that its average growth rate over four decades of 3.4 percent may underestimate its current potential. Still, it offers a huge lost opportunity of 4.6 percent and a deadweight loss of \$66 billion per annum based on a 2007 regional GDP of \$1.4 trillion. Pakistan, which Transparency International's Global Corruption Report ranks 138 out of 180 countries in corruption (GCR:2008:211), perfectly illustrates the nexus of landed feudalism and militant Islam (Guardian Weekly: 2008), where "... the rulers are living a life of luxury while thousands of innocent children have empty stomachs and can't even get basic necessities. This is the reason for the rise of the Islamists in Pakistan and why so many people support them: they are the only force capable of taking on the country's landowners and their military cousins." It would indeed be ironic if the initiative for Third World land reform, and any associated reduction in poverty and violence, came from militant Islam rather than from the creaking UN program apparatus for development and human rights.

Sub-Saharan Africa. Conflicts over natural resources waged by warlords with imperialist guidance are at the core of the interminable violence of this region. The average growth annual rate for decades, as shown in Table 3, is negligible, despite a regional 2007 GDP of \$842 billion. This suggests an associated deadweight loss of nearly \$100 billion per annum, almost eliminating whatever growth prospect might have occurred in this region.

Summary. It could be argued from this mental exercise that the Tiger reforms offer a standard for improved development and living standards that, following hypothesis #3, would tend to discourage political violence. Regional yearly shortfalls from this ideal are calculated in Table 4, and associated levels of risk and benefit from reform are suggested.

Row 1	Region	GDP \$	Growth	DWL p.a.	DWL	Violence	Long term
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		Trillion	per capita 4 decades	%	p.a. \$ billion	risk level	effect of reform on violence
Row 2	L.A	3.444	2.4	5.6	200	Moderate	Moderate
Row 3	M.-East N.A.	0.828	2.3	5.7	47	V. high	Substantial
Row 4	S. Asia	1.438	3.4	4.6	66	High	Moderate
Row 5	Sub-S Africa	0.842	1.0	8.0	100	High	Substantial
Row 6	Tigers	7.1	8.0	N/A	N/A	Low	N/A

Table 4. Potential gains from reform and long term impacts on terrorism

Reforms following the same pattern as those of the Tiger economies could transform regions such as Latin America, Sub-Saharan Africa and South Asia, and remove much of the economic basis for violence. How true this would also be for regions that are wracked by religious fundamentalism is an open question. One should consider first the one region that is challenging Francis Fukuyama's thesis that Western liberal democracy is the end-point of history. A set of responses to this challenge are offered in this next section.

Are we at the end of history?

Francis Fukuyama (1992) prophesied a post-historical world in which the systems of monarchy, fascism and communism were followed by securely stable regimes, systems beyond which evolution was necessary. Western liberal democracies certainly have much to be proud of. They have found a way to render Malthus' thesis invalid, rebuild Europe ravaged by a continental war, and assure standards of living that are far beyond our ancestors' capacity to imagine. Representative democracies combine the traditions of Europe's Enlightenment with the political justice and resilience of Abraham Lincoln and Thomas Paine. They have demonstrated the capacity to absorb refugees from upheaval and devastation as well as to outlast and surmount fascism and communism. Socially they offer a level of freedom, tolerance and diversity unknown in other societies.

What then prompts the frequent resentment against Western liberal democracies, a resentment so strong that it becomes the object not only of deep animus but even of terrorist plots? What leads eminent scholarly minds like Samuel Huntington and Francis Fukuyama to think that Western culture is on a collision course with Islamism? What prompts either party in this growing confrontation to believe that Armageddon is close at hand? If Islamic terrorism does precipitate a major international crisis, starting

perhaps with the disruption of energy supplies and leading on to Klare's resource wars, can the Western economies recover their level of well-being by substituting technology and adapting socially? Will they have the means to afford to? Perhaps, but only by wresting natural resources from worldwide inventories. Beginning with ever more remote and inaccessible sources of energy, the once developed world may at some point be forced down to and below Malthus's subsistence level. If Gunaratna's (2002: 94) assessment of trends is correct, then Islamism, able to take a much longer historical view and already decoupled from the control of any sovereign state, may see no need to stop there. "Seeking revenge by destroying the West's existing order was already a priority; after 9/11 it became an imperative, no matter how long it would take."

Gunaratna notes, however, "Al Qaeda's move towards being apocalyptic rather than utopian after 9/11 is due principally to the atomization of an already fragmented and loosely organized multinational enterprise." In this lies both the strength of autonomous continuity and the weakness of internal conflict that has, in the past, assured only a short shelf life to fundamentalisms. Had reforms such as were advocated by J.S. Mill and Henry George been adopted a century ago there might not have been a fascism, a communism, a modern imperialism and now militant Islamism. What can be done now, before time runs out, about the two collusive partners of Western imperialism, about Islam, and about their roots in disputes over land and natural resources? Here are some suggestions.

The reform of imperialism. Contemporary accounts of world affairs, Chomsky's among others, raise the question of how the high ideals of Western liberal democracy could have been so badly betrayed. Most commentators, as accurate as they are in diagnosing the problem, have not appreciated the full consequences of our increasingly monopolistic world economy. Economists see markets as the engine of growth, and they see market failures like monopolies as an urgent responsibility of governments to fix. Yet their typical solutions, following time-honored practices of the past, are to rely upon resolute antitrust legislation, which today faces corporations as powerful as government itself. Is there a way to circumvent this impasse by reversing the policies that today stifle the capacity of Third World countries to develop? Policies that enable the rich nations to continue support for agents of monopolistic control over the poor ones, and that make the South permanently dependent on the North, are in the fullest sense imperialist in nature.

Reform of first world and Third World agriculture could serve as a start in reducing the power of these monopolies. The costs of both modern imperialism and its feudal partnerships are unknown but probably very large. An important mutation of feudalism is that of Western agricultural protection, and for this we do have some measure of costs. This impost on taxpayers and consumers provides 32 to 37% of European farm incomes and from 11 to 24% in the US (OECD, 2007). More importantly, government support prices encourage overproduction, leading both states and corporations in Europe and the US to flood the world market with their excess agricultural output. Farmers in Third World countries are then forced to compete on world markets and offer their yields at prices below the cost of production due to the artificial surpluses. Ending production subsidies would be a start in helping farmers around the world receive a fair return for their labor.

Tariff barriers present an even more insidious obstacle to development. The most important are the tariffs imposed by rich countries on manufactured goods from poor countries, which are four times higher than tariffs on goods from other rich countries (Hertel, et al, 2000). As a result of those tariffs, developing countries lose \$700 billion in annual trade revenue, an amount approximately four times the average annual flow of private foreign capital into the Third World (UNCTAD, 1999). That is about 12 percent of the GDP of the LDCs but only 4% of the GDP of the rich nations. Removal of tariff barriers would substantially raise incomes in developing countries and increase employment opportunities dramatically in nations with chronic underemployment.

The \$700 billion loss on manufactured products does not even include the \$121 billion annual global loss created by tariffs and export subsidies on agricultural products, \$80 billion of which is borne in the North and \$41 billion in the South (Anderson, et al., 2006:24, Table 3). Both producers and consumers share in that loss, consumers by paying higher prices for food, producers by being denied access to markets. The damage in all countries from agricultural trade barriers and export subsidies is almost twenty times greater than the damage caused by direct subsidies to farmers (Anderson, et al., 2006:25, Table 4). Agricultural trade liberalization and reduced export subsidies in all countries would raise farm incomes in the Third World almost twice as much as would the removal of agricultural subsidies (Anderson, et al., 2006:25, Table 4). All this underestimates the true costs of trade restrictions because it takes no account of non-tariff trade barriers more difficult to measure.

Islamic reform. A significant indicator of the potential for Islamic reform appeared recently in a regional study by Arab scholars (UNDP, 2002). The study contrasted the historical achievements of the Arab world with its contemporary problems. These include stagnant growth, a reliance on depletable and ultimately substitutable natural resources, illiteracy, particularly in women, an education system mismatched with science and technology and to the labor market, fast-rising population, and high youth unemployment. For "... a great army of young Arabs, jobless, unskilled and embittered, cut off from changing their own societies by democratic means, Islam at least offers them a little self-respect." The report concludes, "With so many paths closed to them, some are now turning their dangerous anger on the western world." Hence, the path to reform of Islam lies in the transformation of economies to create opportunities for youth.

Land reform. Though Douglas MacArthur and Deng Xiaoping managed it half a century ago, Third World land redistribution today is thought to entail an unacceptable challenge to the sanctity of property rights. It is also typically limited to agrarian land and provides no environmental incentives. Clearly, effective land reform must work in conjunction with the market by modifying incentives rather than through purely regulatory instruments. Later Chapters will show how land value taxation can effectively engender a transposition in land accessibility without being subject to the limitations of conventionally understood land redistribution programs. Moreover, reforms of this nature are not limited by geography or politics to industries of agriculture or natural resource extraction alone (Andelson:1997, Smiley: 2001). Indeed they are likely to have even greater impact in urban contexts.

Resource wars. The costs of rent seeking where armed force is involved are only too well known in the large number of ongoing, apparently insoluble conflicts over oil, gas, coal, minerals and water. "Almost every African nation that is blessed with copious minerals is also cursed with some form of civil unrest." (Economist, 2002b) As Klare maintains, "Human history has been marked by a long succession of resource wars—stretching all the way back to the earliest agrarian civilizations." He argues that all wars of the future will be resource wars. Global regulation of natural resource usage today is perceived to entail an unacceptable limitation upon sovereign rights. However, domestic taxation of natural resources can provide governments with revenue, reduce pressures on the environment, encourage the development of technological improvements in and substitution for scarce energy and mineral resources, and finally

encourage the proper consumer behavior modification where the foregoing program changes are not possible.

Conclusion

“As the world has moved away from slavery, colonialism, Fascism, Nazism, sexism and racism, so humankind can move away from violence as a mode of expressing political protest, provided institutions can be created wherein people with genuine grievances and legitimate aspirations can express them and find redress without resorting to violence.” So concluded Rohan Gunaratna (2002:241), whom CBS News calls the “foremost English-speaking expert on the terrorist network,” and whom the London Sunday Times calls “one of the few qualified to talk with authority about Al Qaeda.”

The world appears to have blundered, with no geopolitical foresight and very inadequate hindsight. We have lived through the institutional disasters of slavery, colonialism, Fascism, Nazism, and racism. The world is now blundering unprepared into confrontation with Islamism. All of those failed institutions share the characteristic of dispute over territorial and natural resources, resources that J.S. Mill long ago suggested should be globally shared. The aggrieved peoples of the world, witness to the inequities and abuses that are inherent in current arrangements, are tempted to join with the militants because they see no other path or solution.

At present, terrorism, the most recent form of violence to emerge as a political tactic, is obstructing meaningful efforts to change the institutions that cause poverty. Ironically, if the world would focus on eliminating poverty, it could go a long way toward the making it free of terrorism and other violent conflicts as well.

CHAPTER 4.

SOUTHERN RESPONSES - THE RIGHT TO DEVELOPMENT

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INTRODUCTION

After World War II, in an effort rebuild the economies of ravaged nations, a program strategy known as Development was set up to aid the more “developed countries,” or the North, which shortly thereafter was applied to the “Less Developed Countries” (LDCs), i.e., the South. In hindsight, it was naive to think that the success of the Marshall plan for European reconstruction could be copied and would generate similar economic growth worldwide. Development was perceived as a process, its performance measured by capital investment as the input, and gross domestic product (GDP) was the measure of its outcome. Little effort was made to understand poverty, the assumption being that the benefits of development would somehow trickle down to the poor.

In the course of the next decades, as each subsequent development model failed, another replaced it. Todaro (2009:109-151) sees four major groups of models. Some are drawn from capitalist ideologies, some from Marxist ideologies, but wherever aid came from, it was largely diverted to purposes other than economic growth and poverty relief, and national debts then accumulated instead. Moreover, the institutions of the South were, and still appear to be, somewhat impervious to North’s ideologies.

When the magnitude of the debts ultimately came to be recognized as a problem in their own right, different political responses emerged. The North called the South’s institutions corrupt, given their failure to conform to the models of sound administration that had evolved in Western nations in the course of two centuries. In efforts to bring their purported recalcitrant practices to heel, debt rescheduling was made conditional on reforms known as “political realignment” for some and “structural adjustment” for others. Non-governmental organizations (NGOs) frequently argued that structural adjustments often reversed the outcomes of their poverty reduction programs, and they pushed for debt relief and forgiveness

instead. The South responded, with some justification, with a catalogue of complaints:

8. • Debt was not caused by its own people.
9. • Alignment was bribery.
10. • Structural adjustment violated sovereignty.
11. • Development designs were largely tied to culture-bound administrative models.
12. • Aid too often was tied to Northern interests in industry and agriculture.
13. • The South's institutional failures were largely legacies of colonialism and neocolonialism.

Human rights AND SOLIDARITY

During the latter half of the 20th century a second campaign initiative known as Human Rights evolved, almost entirely independently of development programs. Human rights were perceived, rather, less as a process than as a structure (Donnelly, 2007:1449), and there was therefore no measure of inputs or outcomes, nor any explicit mechanism for addressing poverty. Resort to "rights talk" has nonetheless become the vehicle by which to assert and promote political agendas of a widely varied sort, extending well beyond those familiar to conventional Constitutional discourse and now including environmental rights, health and welfare rights, and even social rights (Glendon, 1991).

Structure. The high point of idealism and optimism following the Second World War is the UN Charter of 1945, drafted mainly by politicians, and yet remaining purposely and necessarily ambiguous to this day. One current observer (Malanczuk, 1997), for example, has gone so far as to say "...the whole history of the United Nations has been a series of disputes about the correct interpretation of the Charter." The Universal Declaration of Human Rights drafted in 1948, has become the cornerstone of the rights regime. It was mainly the work of Western lawyers, and quickly led to disputes between East and West over the meaning of its thirty provisions. The North and South both differed in their understanding of political rights, the South largely interpreting them as economic rights and, more recently with Islam, as religious rights and/or land rights. As a result, these two main covenants took a full 28 years to attain any effective bite, amended, as they have since been, by a massive expansion of treaties, pacts, protocols, conventions, charters and concordats. And waiting in the wings now is a "third generation" of human rights: the right to peace, the 'common heritage of mankind' principle, the right to self-determination,

rights of minority peoples, the right to development, and the right to a clean environment, all prompting the need for General Assembly guidelines (Malanczuk, 1997:210). Not surprisingly, some now see the human rights approach as irrelevant or simply unaffordable. One needs to ask whether by enumerating a stipulated list of rights, nations are brought further along the path of development than they might be through some other measures or benchmarks.

Actors. During the past six decades the preeminent position of politicians and international lawyers has been questioned by professional social scientists as well as by thousands of amateur non-governmental organizations. For example, philosophers have continued a centuries-old debate on the very possibility and existence of human rights law. Anthropologists, sociologists and historians have often questioned their cultural relevance. Environmentalists have focused on issues of intergenerational justice. Post-modernists, by way of legal text deconstruction, have further challenged the meaning of human rights. Psychologists have pointed to the futility of behavior modification, and the several thousand NGOs of the world, while providing effective early warning systems, are largely accountable only to their state of origin. These disputes have generated an enormous literature that explore the issues but largely reflect a stalemate.

Effectiveness. The high level of abstraction in which rights and treaties are expressed, as well as the anticipated constraints imposed by sovereignty, excludes the prescription of duties or obligations. Yet, as Bentham first observed (ODP, 1996) and is now accepted by general consensus, "It is impossible to speak of rights without enforceable duties." Thus the stages through which human rights instruments pass have become a chess game, with states protecting those narrow interests that fly in the face of those instruments. Beyond ratification there are problems of impartial reporting and evaluation. Although NGOs are tireless watchdogs, they are not legally responsible either to the UN or to victims of abuse, and their agendas may well conflict with those of other NGOs. Finally, they tend to concentrate on civil and political rights that obscure the stark realities of economic and social conditions.

Universality vs. Cultural relativity. The cornerstone of rights talk, the Universal Declaration of Human Rights (UDHR), was adopted by the United Nations General Assembly in 1948. For the next forty years implementation of the UDHR was delayed by ideological conflict between

East and West, between North and South and, in a recondite impasse between sociologists and anthropologists known as “cultural relativity.” Defenders of capitalist ideology favored the International Covenant on Civil and Political Rights (ICCPR), while those on the side of socialist and nonaligned ideologies favored the International Covenant on Economic, Social and Cultural Rights (ICESCR).

Some, perhaps most, rights vary culturally, politically, and economically, in the sense that expenditure of scarce resources in implementing and enforcing one right imposes an opportunity cost on all other rights. Political and cultural disputes over the interpretation of UDHR place many of its articles in the category of variable rights. (See Appendix VII) Articles 7-21 seem particularly subject to cultural interpretation, and those in Articles 22-26 seem to be more economically variable. Articles 28-30 seem to assume acceptance and implementation of the other 27 articles, which, in fact, has never been the case. Articles 1 and 2 are not distinct rights at all, and perhaps better belong in the Preamble.

Henry Steiner’s law school textbook on human rights, now in its third edition (2007:518), concludes “the partisans of universality claim that international human rights...are and must be the same everywhere.... The advocates of cultural relativism claim that rights and rules about morality (most, some, a few) are encoded in and thus depend on cultural context... these instruments [the two covenants] and their pretension to universality may suggest nothing so strongly as the arrogance or ‘cultural imperialism’ of the West.”

Both rights regimes (ICCPR and ICESCR) have been strongly criticized. The South’s criticisms were best articulated in a set of proposals for aid, trade, industrialization, compensation for natural resources unfairly expropriated in past times, and sovereignty over remaining resources. Added to this was an obligation to provide appropriate technical assistance, all collectively under the rubric of the New International Economic Order (NIEO). When these proposals were ignored, they were rearranged and finally reissued as a third generation of human rights, but slanted strongly towards development. These Rights of Solidarity, in which the Right to Development is the core, also included rights to peace, to a wholesome environment, and to all the elements of the common heritage of humanity.

Of particular concern to the North was the obligation to assist on Southern rather than on Northern terms, with implications of global rights to a common heritage and embryonic forms of global taxation inferred. The South was resolute in the belief that the right to development is the central, fundamental, precondition of liberty, progress, justice and creativity, the core right from which all other human rights stem. There is a need to reexamine the right to development in its original context, with particular reference to the right to what was arguably the common natural heritage to which all should have access. A leading proponent of a right to development is Algerian legal scholar Mohammed Bedjaoui, who served on the International Court of Justice from 1982 to 2001 and as its President from 1994 to 1997. (See Appendix IV and later discussion of his thinking.)

Economic relativity. Many of the enumerated and stipulated rights are relatively unaffordable, and by poor countries absolutely unaffordable, without instituting socio-economic changes such as land reform (Low and Smiley, 2005). One writer (Malanczuk, 210) observes “developing countries tend to focus upon their own problems of poverty and economic development, and argue that it is more important for a human being to have enough to eat than to enjoy the freedom of speech.” Another (Lyons and Mayall, 2003:12) asserts “the right to express one’s views and the rights of association may have little meaning to many people who suffer severe poverty....” One could well understand that, to apologists for poor nations, not all rights were equal, and that those concerned with the simple rights to food, health, and safety would be less concerned with matters of free expression, religion, and movement.

Conflicting rights. Some rights might be in direct conflict with others. How, for example, should freedom from discrimination on the grounds of religion be reconciled with a woman’s right to health, property, and safety? Which take precedence?

Rights of the child. Several studies (Asian Development Bank, 2001) have chronicled the plight of children in Bangladesh factories who by the application of human rights policies grounded in an alien culture, were then forced into far more dangerous careers in prostitution and crime. Perhaps exploitation of children would be better addressed by raising living standards in poor countries rather than by enforcing otherwise laudable rights that have unintended consequences.

Gender. Women's rights are especially subject to subordination by culture, religion, legal traditions, and the consequences of poverty. In many countries culture and religion support male domination. Where land ownership is a male lineage, for example, a woman may have no security of abode or opportunities to borrow. This has hampered the adoption of micro-credit agreements. Poverty may send a wife, or worse an unmarried girl, overseas to find work where confiscation of her passport enslaves her to her employer. Finally, a preference for male babies has led to widespread infanticide, but if a girl survives, then "the father of daughters waters another man's tree."

The right of self-determination has often been linked to the transfer of land rights, from one monopolistic institution to another, so that it is at best a variable right, and at worst an excuse for rent-seeking aspirations. Moreover, "The principle of national self-determination is as vicious as it is vague.... What, in any case, is the 'self' of a nation and who can express its will?" (ODP:1996 on self-determination). Self-determination implies the idea of sovereignty, a European idea dating from the Treaty of Westphalia of 1648 and subsequently applied to the arbitrary boundaries of European territorial conquests. The right to self-determination is critically dependent upon the location of rights to land and natural resources, along with what we will henceforth in this discussion call the right to our natural heritage, within and beyond the sovereign state.

The rights of indigenous peoples present extraordinary difficulties of identification, as well as to any special rights to which they may be entitled. After twenty years of discussion the UN is left "without any clear idea of who they are or just what special rights they should enjoy." As a result, the "...first challenge of the twenty-first century will be simply to enforce 'ordinary' prohibitions against murder, discrimination, and intimidation...." Since these prohibitions already exist elsewhere as do similar collective freedoms such as those of religion, assembly and association, how far should they be further extended? Unsurprisingly, "The issue of collective versus individual rights has bedeviled nearly every international discussion of the rights of minorities...." (Hannum, 93,79).

The Right to Place in Land. There are reported to be about 300 million indigenous people in 5,000 ethnic groups worldwide. In India they are called Scheduled Castes and Tribes, and constitute about a quarter of the nation's population. This label overlaps with Adivasi and Tribals, some 80 million of whom live without electricity or running water, "in tents made

waterproof by mud and straw. India's independence from Britain in 1947 was disastrous for these people: they were expelled from their lands.... Their impoverishment was justified by discrimination of the most brutal sort.... Why help a people who, if you but touch them, will infect you with the impurities of previous unhappy lives?" (Lacerda, 2009:13). Without clearly recognized property rights in land, indigenous people are vulnerable to its expropriation with or without government connivance. In the Indian State of Andhra Pradesh, for example, village lands have been "bought" for 5 percent of their value. In the remaining indigenous territories of Central America during the last part of the 20th century were "vast amounts of petroleum, gold, nickel, timber and other raw materials of economic importance to wealthy, landed families; and of considerable strategic importance to the industrial states of North America and Europe."

UN provisions on land rights give indigenous peoples the right "to own, develop, control and use the lands and territories...which they have traditionally owned...and prohibit any development." (Hannum, 89). Yet indigenous people have traditionally felt that the land owned them rather than the other way round. Furthermore, overlapping use of the same land by different tribes, for stationary water or for seasonal migrations, has long been established by usage agreements, not ownership laws. The idea of land ownership has arisen historically only in relatively recent times, when population growth made land scarce and contested. This brings us to Hannum's dilemma that "developing countries faced with widespread poverty and an expanding population are likely to covet land that may be only sparsely populated by indigenous peoples, as well as the potential natural resources contained within such regions." (Hannum, 92) Other dilemmas have arisen where land rights legislation bestows wealth differentially instead of evenly. For example, urban aborigines in Australia, not covered by land rights legislation yet paying rents for lands their ancestors occupied, may be worse off than those with special land rights relating to fisheries or uranium.

The worldwide failures to solve indigenous land rights problems by legislation suggests that solutions have confused two components to the problem that need to be dealt with quite separately. The justice in the delivery of economic land rights to indigenous peoples is no different from that for everyone, and, as will be clear later, can be achieved by taxation of the market value of all land. Where society recognizes an intrinsic need, or one associated with gradual social transition, to protect indigenous ways of life, there are ample ways of doing this under the heading of market failure.

Cultural heritages can be protected, for example, by government or even UN grants, such subsidies being in effect negative taxes. Furthermore, where there is a need to protect indigenous uses of land for cultural or religious purposes, then this can be implemented by raising the land and resource tax rates payable by non-indigenous users, such as miners, to reduce or even stop avaricious impacts upon indigenous lands.

In conclusion, a lengthy section of Steiner's textbook (2007:517-665) suggests that these tenets are not observed because they fail to represent a universal symbol powerful enough to elicit understanding and agreement in their present form. Apropos this point, Bentham (above) saw rights as useless without corresponding enforceable duties, "nonsense on stilts," he called it (Waldron, 2009). One way, perhaps, to transcend the parochial dimensions of protecting the rights and security of vulnerable populations might be to secure access to certain fundamental material rights from which other rights might flow. The possibilities implicit in this line of thinking are explored later in this book.

DEVELOPMENT AND SOLIDARITY

As alluded to earlier, the declaration of the Right to Development was intended to reaffirm the right of peoples to self-determination and to full sovereignty over their natural wealth and resources.

The Right to Development originated in Third World demands for a New International Economic Order (NIEO), and was then supported in the African Charter and by the Peoples' Republic of China. The Declaration of the Right to Development was there adopted in 1986, many OECD countries abstaining. President of the International Court of Justice, Mohammed Bedjaoui (1991:1182; Steiner, 2007:1447), claimed, "The right to development is a fundamental right and a precondition of liberty, progress, justice and creativity, the core right from which all others stem.... The international dimension of this right is the right to an equitable share in the economic well-being of the world and, if learned opinion is divided on its legality, then this right constitutes a challenge thrown down to international law by four-fifths of the world's population."

All human beings have a responsibility for development, and states have the power and duty to create conditions supporting the realization of that right. Beyond this, there is, however, an enormous divergence of opinion on the matter. International law professor Georges Abi-Saab (Steiner, 2007:1445-46) has argued that the right to development is a necessary

precondition for satisfying the social and economic rights of individuals. Yet International law professor Jack Donnelly (Steiner, 2007:1444, 1449-50), dissenting from both Bedjaoui and Abi-Saab, replies that a separate right to development is not only without foundation but is dangerous as well. First, the right of peoples freely to pursue their development is already firmly established as a Right to Self-determination. Second, if the right to development and the New International Economic Order (NIEO) are regarded as preconditions of other human rights then these, together with cultural relativity, provide an excuse not to act on those others at all.

New York University law professor Philip Alston (Steiner, 2007:1440) asks if the right to development of some then entails an obligation of others to assist. The ICESCR contains three provisions suggesting this obligation. Each has been subject to “dramatically diverging interpretations” and most authors conclude that it would be difficult, if not impossible, to make the commitment to international cooperation legally binding.

Structure. Based on the success of the Marshall Plan (see Chapter 1) which reenergized Europe after World War II, the development model for the Third World was characterized by a heavy emphasis on technical advice and capital investment, both delivered by a range of UN, governmental and private agencies, mostly coming from America and Europe, with some additional from the USSR. The assumptions carried over from the Marshall Plan experience was that this same program would be an appropriate vehicle for Third World development.

Actors. A variety of UN organizations such as the World Bank and the IMF, as well as governments and non-governmental organizations, continue to be locked in disputes over the delivery of development. Several thousand NGOs, with widely different agendas, have sometimes added to the confusion. These disputes have generated an enormous, and apparently inconclusive literature.

Enigmas. Todaro’s textbook (2009) lists the sequence of failed economic development models, starting with Rostow’s Stages of Growth (1960) continuing through to the 1980s’ neoclassical development. Olson (1996:3-242) then turned the neoclassical development model on its head, concluding that differences in the growth of countries have almost nothing to do with differences in natural, physical and human capital, given their place in neoclassical and endogenous growth theories, but are almost entirely due to differences in institutions, those that add value to society

and those that do not. Todaro had already demonstrated how institutions that establish and maintain inefficient and unequal rights to land and natural resources can maintain poverty and block progress. By the century's turn, the importance and renewed attention to "institutional factors" saw a resurgence especially with attention given to laws, property rights, and formal structures (Helpman).

Development enigmas. Almost unnoticed by the development model apologists, a group of countries, poor in natural resources and containing more than one-fifth of the world's population has, by means of rural land redistribution and taxation, abolished poverty and achieved relatively egalitarian and peaceful societies, with an unprecedented per capita income growth rate of eight percent per annum. Countries where poverty, stagnation and human rights abuses are high often seem to have feudal patterns of land ownership. As earlier noted, in Pakistan, for example, wealth is owned by about 500 landowning families and two percent of the households own 30 percent of all the land in the country. Not surprisingly, its economic growth rate in recent years has been 0.3 percent annually. (World Bank, 2007) Summarizing the main enigmas arising from development initiatives, the places where attention should be focused become clearer.

Trade. Numerous studies and conferences have been in agreement that trade more than aid is the most effective means of fostering the development of Third World nations. The UN Development Program's 2005 Human Development Report focused on the matter of trade as the most effective means of enhancing the development prospects of the poorest nations. Its conclusions were typical of most such reports, regardless of their origins.

The United Nations Development Report (2005:16) has offered a consensus summary: "Under the right conditions, trade can be a powerful catalyst for human development. The Doha 'Development Round' of World Trade Organization (WTO) talks launched in 2001, provided rich country governments with an opportunity to create those conditions. Four years on, nothing of substance has been achieved. Rich country trade policies continue to deny poor countries and poor people a fair share of global prosperity—and they fly in the face of the Millennium Declaration. More than aid, trade has the potential to increase the share of the world's poorest countries and people in global prosperity. Limiting that potential through unfair trade policies is inconsistent with a commitment to the

MDGs (Millennium Development Goals). More than that, it is unjust and hypocritical.”

The Green Revolution. Although the introduction of new seed varieties and other changes referred to as the Green Revolution increased food production by 30-55 percent, the main beneficiaries have still been large landowners. The experience was comparable to that described by Samuelson about the effect of introducing the potato in Ireland: it simply allowed sustenance with less means. For the poor of the Third World this has been disastrous. “The green revolution unleashes a process whereby the larger farmers and richer peasants become better off, and the worse-off farmers, being deprived of the benefits, become even less qualified to receive them.... In many cases large landowners have evicted tenants, increased rents and replaced wage laborers with machines in order to more fully reap the payoffs of the agrarian technology. Rather than reduce the necessity for land reform, the effects of the green revolution generally work in the opposite direction.” (King, 1977: 25). The past thirty years hasn’t changed this view.

International debt. The so-called Asian meltdown in the 1990s was in large part caused by excessive lending for real estate speculation. The temporary bubble in the economies of Thailand, Indonesia, Philippines, and elsewhere left huge debts to be covered by the nations at large. In accord with the prevailing school of neoclassical fundamentalism, pressures arose from the World Bank and the IMF for wholesale privatization of public assets as means of covering national exposure. Yet much of the inflation these economies experienced was simply higher land prices.

All these enigmas, among many others, strongly suggest the need for reforms that socialize the rents of land and natural resources. Debt continues to be an enormous problem even though in a few selective instances it tends to be forgiven. Of course this then invites new loan schedules with their own quid pro quos, most recently under the appellation, “structural adjustments,” which has meant conforming to the prescriptions of the neoclassical “market fundamentalists” that have largely reigned supreme since the 1980s. “By the end of the 1980s,” observes Moyo (2009:22), “emerging-market countries’ debt was at least US\$1 trillion, and the cost of servicing these obligations colossal.”

Caste. Caste systems stretch from Bali across South Asia and down into Africa. In India land ownership is culturally confined to the top two castes. Estimates of the size of India's bottom caste, sometimes known as the Dalits, or Backward Classes, varies from 27 to 52 percent of the population. Pressures for caste reform occasionally break violently though snail's pace legislation, along with token advances such as the election of Dalit KR Narayanan as the nation's president, from 1997-2002. Similar shifts, such as the uprising of the Hutu under-caste against Rwanda's Tutsi overlords, have occurred, with surprisingly curative results, perhaps because the earlier killings were so traumatic. These instances are noteworthy because they are so much the exception to general experience.

Multinational collusion. An international example of Ricardo's trade and rent theories was described by Marx as the articulation of different monopolistic modes of production. Today, a multinational corporation may contrive an extracting or trading agreement with a Third World landed elite in which the rental value of land or natural resources is shared in a duopoly. When a third party, such as a local warlord or band of freedom fighters objects to these arrangements, the rights of self-determination become further confused, and costs, in terms of human rights abuses and development foregone, rise accordingly.

AID AND SOLIDARITY

Aid. Since World War II the United States alone has contributed more than three trillion in current dollars in bilateral and multilateral assistance to other countries. Other nations and international aid agencies such as the World Bank and the International Monetary Fund have provided hundreds of billions of dollars more. The heyday of optimism and commitment has passed, however, and the amount of nations' and international agencies' budgets have not kept up with the trajectories or the goals of earlier forecasts. The United Nations Millennium Development Goals first set forth in 2001, have not kept up with targets, the main reason being the rise in prices. Indeed "market fundamentalism" may also have lost its gloss.

A Recent UNDP Occasional Paper (Griffin and Khan, 2008) claims "far too much aid serves no developmental purpose but is used instead to promote the exports of the donor country, to encourage the use of [imported] capital-intensive methods of production or to strengthen the police and armed forces of the recipient country." The authors suggest that the mobilization and allocation of aid be shifted progressively to a

supranational authority. Countries with a per capita income of less than US \$700 should receive aid to supplement any shortfall, while countries with a per capita income greater than \$700 should donate aid in proportion to their income above that margin. Yet, the supranational bodies that now serve in that role—the World Bank and the IMF primarily—are criticized the most in the manner by which they serve the interest of the donor countries. There is therefore little assurance that recipient countries would have any greater control over the disposition of development assistance than is now the case.

Aid as Charity. Aid is often seen as a safety net when domestic welfare schemes, or UN human rights interventions, fail. Many NGOs are charitable in function. However, it seems to be the case that many forms of welfare and charity tend to increase the effective demand for land, and hence land rent, by increasing the disposable incomes of recipients. The transfers from international charitable givers and national government taxpayers reduce their unallocated income. Recipients gain from these transfers in increased ability to pay rent, but only temporarily to the extent that the gain improves community wealth. This occurs because the shifts of rent ultimately increase the wealth of landowners, and is permanent. The effects are positive for landowners, and negative for everyone else, and strongest where overseas aid is inadequately audited and is siphoned off into real estate, or where domestic governments deliberately encourage investment in housing, just as, for example, tax breaks and subsidies are inducements given for first-time home buyers.

PEACE AND SOLIDARITY

In 1968 the International Conference on Human Rights in Teheran issued a Proclamation reading “Peace is the universal aspiration of mankind and...peace and justice are indispensable to the full realization of human rights and fundamental freedoms.” This was followed by a 1984 UN Declaration on the Right of Peoples to Peace observing, “The people of this planet have a sacred right to peace.” In principle the United Nations Security Council is empowered here by the UN Charter; part of Chapter VI on the Pacific Settlement of Disputes, and of Chapter VII regarding threats and acts of aggression. In practice responses to aggression have become fairly conventional, narrowly based and short-focused: peacekeeping missions and trade sanctions. The first response, typically by the policing of boundaries, may often simply reinforce the original causes of conflict—the demarcation of comparative advantage in land and natural resources. The second response, trade sanctions, may often hurt those already most

vulnerable and least endowed with human rights or property. It is more likely to delay rather than advance the evolution of political stability. (Economist, 1995a, b)

Can the assertion of a right to peace do more to resolve contemporary forms of conflict? In today's wars, civilian casualties outnumber military casualties by five to one. Only one of the four Geneva Conventions of 1949 is relevant to this situation. Today's wars are increasingly fought within states, not between states; respect for sovereignty most often limits the case for outside intervention to protect minorities. This is well illustrated concerning the inhabitants of the Darfur region of Sudan as this is written. It forestalled intervention in the Rwandan genocide mentioned above, despite the desperate pleas from the UN peacekeeping force for increased assistance. This will be dealt with in greater detail below in connection with evaluating the pros and cons of sovereignty.

Most wars now take place in the Third World, a region of demographic dislocation and natural resource exploitation during the colonial period and of arbitrary and disputed geographical demarcation ever since. Between 1949 and 1989 more than 99.4 percent of conflict deaths occurred in the Third World (World Bank, 1991:128-142)

Finally, today's wars are increasingly frequent conflicts between sub-national and supra-national interest groups over land and natural resources, conflicts for which the traditional idea of national sovereignty appears increasingly irrelevant. The distinctions between private and social property rights have little relevance or bearing on the central issues.

The African Charter on Human and Peoples' Rights, adopted in 1981, states in passing "All peoples shall have the right to a generally satisfactory environment favorable to their development" (Steiner, 2007:1081). But are the instruments adequate such that the right to a favorable environment can be invoked? Tietenberg thinks not, preferring instruments based on the taxation of natural resource consumption and environmental damage. In this respect (2009:811), his most recent text editions are more optimistic than those of earlier editions. Its costs and burdens can be divided and shared, differentiated according to a tax's base, and phased in as circumstances demand.

The privatization of natural resources, most centrally land, lies at the root cause of not only the poverty Third World peoples experience but also

accounts for many of the problems of natural resource depletion and environmental degradation. Somehow, in the course of human history, the institution of property came to assume such extension and power that it now distorts economies and denies to millions the basic rights to share any right to nature and nature's commons. Two recent writers, an economist and a theologian-philosopher (Duchrow and Hinkelammert, 2004:171), in considering the contemporary nature of economic life, observe, "Capitalist development has turned into a new feudalism of the rule of the few over the many. In countries of the South classical feudalism has simply turned into capitalist feudalism." They are referring here to the idea of "capitalization of land ownership for the purpose of wealth accumulation." Perhaps noting this trend, John Stuart Mill wrote in his 1873 autobiography shortly before he died, "The social problem of the future we consider to be, how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe."

Nearly a century later the UN General Assembly has declared that the seabed is beyond the limits of national jurisdiction and by right part of the common heritage of mankind. Restoration of the commons has taken on ever greater importance in recent years, especially as the world's leaders and scientists have come to recognize that its very firmament is threatened. Since 1970 this common heritage has been extended to include the oceans, space, and the Antarctic. The Cochabamba Declaration (Appendix V) affirmed that water, whatever its location and source, was part of the commons. To these, Judge Mohammed Bedjaoui (1991:1192-93) has added international grain stocks, the land, the environment, and all natural resources. The most recent step has been the release of a series of new UNDP publications addressing ways of identifying and providing global public goods in a sweeping review. (Kaul, 1999 and 2003).

At this point, since all these items of our heritage constitute the natural environment and natural resources, and since common ownership is but one way of implementing the right to heritage, the term common heritage is better replaced by the term natural heritage, and is used in further discussion. In efforts to further defining the full dimensions of humanity's commons, most students who have explored the matter (Barnes, 2003; Buck, 1998; Burger, et al. 1996; Hanna 1996; Ostrom, 1990) identify everything of value that is not made by human hands or minds. Among its most important elements are not just land, water, air, minerals and fossil fuels, but the electromagnetic spectrum, fauna and flora (as well as its

DNA), airport landing time slots, and earth's balances and formations. This idea complements definitions posited by John Locke (1690:Ch.5, Sec.27) of what a man does have rights of ownership to: that with which alone he has "mixed his labor."

In summary, the rights of solidarity have been highly controversial, as efforts are made, inter alia, to couple development rights with human rights, process with structure. Of particular interest here has been the apparent focus on those rights least amenable to implementation by legislation, and most in need of reform. Looking at solidarity from the standpoint of two other rights, those of property and sovereignty, it becomes clearer.

Property Rights AND SOLIDARITY

The right of access and use of property is fundamental to both development and human rights. This right is further enshrined in law in ways that make it difficult to understand except in absolute terms. The US Constitution's Fifth Amendment, for example, reads in part "No person shall be...deprived of...property without due process of law; nor shall private property be taken for public use, without just compensation." Yet how property rights are defined can powerfully constrain the public's capacity to protect and preserve the general welfare of society. Moreover, asserting a natural right to property is hollow without an assured means of obtaining it. For this reason, lawyers usually refer to property ownership as a "bundle of rights," each of which can be parsed and refined with respect to its concrete application. Individually or collectively, these might involve the right of possession, use, alienation (the power to give away), consumption, modification, destruction, management, exchange, and so on. As case law has evolved, it is quite clear that private ownership of property is never absolute and is always contingent.

Furthermore, as was intimated earlier, land sites and other natural resources were never thought of as constituting private property until relatively recent times, and then only in Western societies. That the notions of freehold, or fee-simple, ownership should be extended to that which humans had no hand in creating is a far different conception of possession than what obtained before the modern era. At most, the more usual and common understanding of the rights of ownership of nature was embodied in the term usufruct. Native Americans never thought of their land as property. Nor have any other societies. Nature was usually viewed as belonging to god-kings, or to the earth itself. In a notable letter to James

Madison, Thomas Jefferson wrote what he regarded to be “self evident, that the earth belongs in usufruct to the living.” Thomas Paine (1796) took the same view, as did William Blackstone (1753), whose text reads, “The earth, therefore, and all things therein, are the general property of all mankind, from the immediate gift of the Creator.” The idea that property in nature could have the same property status as, say, household goods, clothing, armaments, or jewelry is, historically, etymologically, and anthropologically speaking, both an anomaly and a common misreading of law.

Still, this leaves open to question the place of economic rent in the interpretation of property law. Studies cross culturally make clear that what can be construed as rents have had a place in all social systems, often taking the form of tribute goods, corvée labor, or a proportion of harvests as the case may be. Although the tradition of western legal scholarship does not for the most part reveal any appreciation of the concept of ground rent as such, it runs implicitly like a skein through the evolution of case law. That it has not been addressed specifically makes it no less a reality. One is compelled to ask, to whom does rent “belong,” who is entitled to the economic rents stemming from the enterprise of the community whose creation in fact accounts for its market value. The significance of titles hangs very much in the balance when the matter of the rights to rent are addressed. The whole realm of legal debate over what the law knows as “takings” depends on whether the existence of economic rent is formally recognized or not. (see Tideman, 1988)

Property. The right to own property forms Article 17 of the UDHR, and security of property rights is accepted as fundamental to development. It has been argued, however, that grants of title to real property has reached a point where it constitutes a tyranny. Ulrich Duchrow and Franz Hinkelammert (2004), mentioned earlier, argue in what they call a “property market economy” that capture of freehold property titles not only constitutes a gross distortion but is the most inequitable dimension of nations’ affairs. An acute dilemma further arises when elites with concentrated property rights in land have power not only to halt development but to effectively deny human rights to others as well. From the perspective of economic rent theory, it can be amply demonstrated that rent flows through natural resources can also be frozen in ways make it inert in capitalized form, and therefore stagnant and unproductive. The result is its attraction to capture for securing legal title to then be exploited for speculative gain.

Tenure. Other causes of economic stagnation are uncertainty of tenure and the imposition of obstacles to legal property transactions. The uncertainty of titles leads to a reluctance to invest in site locations and to the impermanency of community focus. DeSoto (2001:8-24) found that in the Philippines, for example, procedures to formalize informal urban property “could necessitate 168 steps, involving 53 public and private agencies and taking 13 to 25 years.” Similar situations were found in Peru, Haiti and Egypt where extralegal shacks are usually constructed on agrarian areas that have been illegally subdivided into smaller plots by private developers. He estimated that real estate in the aggregate accounts for 50 percent of national wealth in rich countries, and 75 percent in poor countries, but he did not consider any types of reform based on taxation. Rather, he calls for better titling so that ownership can provide the collateral against which to borrow. Since entrepreneurial ventures and investments require equity capital, assured titles are his answer to successful economic development. His solution is regarded as highly attractive, and has led to concerted efforts for improved titling. Yet government warrants to titles or the practice (or even the threat) of land tax liability, could resolve overnight many, if not all, the vagaries about who owns what land. A land tax would just as easily stimulate interest in use of sites by increasing their owners’ carrying costs. It would also obviate the need for taxes of an inferior quality that impose a leaden weight on economy.

It is not difficult to find compelling examples of how better account of property rights in our natural heritage have constrained or advanced programs of development and human rights. Rectifying such obstacles through legal and administrative reforms is far more complex than simple institution of land taxation. Moreover, the return in benefits for the former are slower and less equitable, and these benefits, like many other forms of welfare, ultimately become absorbed by landowners.

One might look first at the nations known as the Asian Tigers, characterized by successful land reform programs, whose level of rural inequality is far lower, yet whose rate of economic growth has been far higher, than that of any other group. In the first of these countries, Japan, land reforms in the 19th century and again in 1946 were so successful in generating economic development that it long ago joined the North, that is to say the OECD. Singapore, South Korea and Taiwan have also reached present OECD average income per capita. Unfortunately the data on land

distribution has meaning essentially for agrarian land, and the relative efficiency and equity gains from rural land reform loses importance when countries industrialize and their populations become more urbanized. In Japan, for example, the market price of land in Tokyo dwarfs the prices in other cities of the world; at the peak of the 1991 Japanese land bubble, the site of the imperial palace was estimated to have a value higher than all of California.

There is another group of LDCs, sometimes called Newly Industrializing Countries (NICs), where development has been accelerated by effective capital investment, often guided by structural adjustment conditions. However, in the case of India, the foremost and largest instance of these, neither its recent and dramatic development nor its current human rights initiatives appear to have had much impact on poverty and inequality since they have not addressed the land problem embedded in the caste system.

Consider that, for the South as a whole, development assistance is estimated to total \$2.74 trillion only since 1970, \$3.66 trillion adjusted to 2007 prices ([Global Issues.org/article/593/](http://GlobalIssues.org/article/593/)). If we exclude the Tigers and the NICs from the LDCs, the situation looks even worse. Using World Bank World Development Reports, for 1960-1980 per capita GDP grew at about plus 1% per annum and, for 1985-1995, at minus 1.4%. The most recent World Development Report (2009:Table 1) puts the rate from 2000 to 2007 at 6.5%, but mostly accounted for by India and China. As this is written, the world economy has suffered a grave collapse, indicating that much of this growth was illusory. The relatively low level of capital investment in this group suggests that the effect of each extra dollar of capital inflow should arguably generate economic growth rates ten or twenty times higher than the growth rates of the North. That the growth rates for this group at times sunk below zero suggests that autocratic and monopolistic institutions, not necessarily all in the Third World, absorbed and squandered financial, human and natural capital on a huge scale.

For human rights, the impact of monopolistic property rights is summarized by Todaro (2009:444, ff) as “severe fragmentation of landholdings...[as a result of which] production falls below subsistence.... Peasants are forced to borrow even more from the moneylender [often a landlord] at interest rates ranging from 50% to 200%. Most cannot repay these loans. They are then compelled to sell their land [at bargain prices] and become tenants with large debts.... If they are sharecroppers, they typically have to give the landlord 50% to 80% of their crop.” Tietenberg (2009:Ch.1) reaches

much the same conclusion: “In agricultural economies access to land is a key ingredient in any attempt to eradicate poverty, but land ownership is frequently highly concentrated among a few extremely wealthy owners.”

sovereignty AND Solidarity

Sovereignty. “The idea of ‘sovereignty’ of states, although particularly cherished by the new statehoods which have emerged from the process of decolonization since the 1960s, is becoming increasingly antiquated in view of the globalization of the economy and increasing interdependence of states.” Yet “it is doubtful whether any single word [sovereignty] has ever caused so much intellectual confusion and international lawlessness” (Malanczuk, 1997:7, 17). This was the conclusion of Michael Akehurst (1940-1989), among the leading international lawyers and law professors of his generation. The insights of his text continue in a subsequent edition by one of his students. The term sovereignty derives from kingship, royal domain resulting from rent-seeking adventures by a succession of kings. Today, heads of state rely on the idea to protect their interests regardless of purpose, and on its sanctity in international law for all states. In international law a state comprises a permanent population, a defined territory, and a government. But, by the accidents of history and subsequent demographic changes, many territorial borders do not map well onto the cultural and economic composition of domestic or even adjacent populations. This gives rise to ongoing as well as intermittent discrimination, to say nothing of movements for secession and self-determination, and civil and international conflict. Unsurprisingly, it has proved notoriously difficult to pin down the meaning of sovereignty.

The sovereign right to self-government of a population over a defined territory is regarded as fundamental to international law and order. At the same time, the exercise of sovereignty can powerfully constrain the implementation of development and human rights. Jackson (1999:5), for example, asks: “What is the good of a world in which hundreds of millions, if not a billion, people are living on the edge of starvation, and are enduring other forms of suffering that, it is argued, can be laid at the feet of the sovereign states system?” In an era of globalization and border-transcending forces, where people are subject to as many international pressures as any within their nation’s borders, one could argue that national sovereignty is a relic of a past age. Despite the powerful forces that stir common people’s loyalties, there are perhaps as many abuses in the system as redeeming features. What might be achieved through more

cooperative international arrangements are as often hampered by having to overcome self-aggrandizing elites.

The South points the finger at the legacies of colonial sovereignty, while the North points the finger at subsequent misuse of inherited sovereignty. Since no acceptable balance sheet of the assets and liabilities of colonialism and post-colonialism is ever likely to be drawn up, one can only approach the failures attributed to sovereignty from clues to be found elsewhere. The best measure is the acquisition and uses of sovereign monopolies as they relate to land and natural resources.

Territoriality. Jackson (1999:10) has also argued that sovereignty is a territorial jurisdiction, not an economic notion. Whatever it is or is not, sovereignty confers economic power on some and removes it from others. It provides rulers in contemporary LDCs, just as was true in Europe's dynastic history, with protection against external threats to their wealth as well as license for ruling dynasties to wield unrestricted powers against their peoples. The sovereign frontier then offers a place wherein a ruler can extract surpluses from trade, and then profitably sell all available natural resource rights with impunity, for example to a transnational corporation.

There is a very apt name for nation states and such rulers that function essentially to do the bidding of outside powers for either other states or corporate entities. They are known today as "caciques," a name traceable originally to pre-Columbian chieftains who traded their sovereign rule for shares to be had in the plunder and profit of Latin America. Today rulers in many Third World nations collaborate with nations of the North, notably US, interests in a similar way, an arrangement backstopped by military means as needs dictate. The almost two hundred recognized world states include many whose status consists largely of their ability to shelter Western corporate entities for their willingness to provide a reliable UN General Assembly vote and tax privileges, or other favors as occasions dictate.

Among other benefits, caciques gain protection of the US military, protection against domestic challengers, and relief from expense of external self-defense. A classic instance of this arrangement for decades has been governance in the Philippines (Anderson, 1988). In 1972, a notable example was Vietnamese President Nguyen Van Thieu (Goldstein); a more recent cacique was Saddam Hussein—until he

overstepped his bounds by invading Kuwait. Then there's Nursultan Nazarbayev, the corrupt and brutal president of oil-rich Kazakhstan, now lauded as a reliable US ally in the highly volatile Middle East. Nations in the past called "banana republics," also fit the definition. These political arrangements are not unlike those widely practiced by Britain in the years of their empire, what came there to be known as "direct and indirect rule." Where circumstances best served, the Empire administered its colonies openly through its own trained officials. Where doing so proved to be difficult, a system of indirect rule was implemented (Emerson, 1937).

It makes sense, therefore, to argue that sovereignty is in fact an economic notion susceptible of economic analysis.

Sovereignty can derive from prior occupation and the attending monopoly control and exploitation of resources. Its arbitrary nature and sometime barbarity can be best understood by analogy. Consider a parable the author recalls from a one-time teacher, John Kilcullen (1993, 1996, 1998, 2008), which in turn owes its origin to a paraphrase from Henry George's *Progress and Poverty*. "Imagine a small island to which castaways swim, as ships are successively wrecked on a nearby reef; eventually the earlier occupants will be able to present new castaways with the choice: be our slave, or keep swimming." It is repeated here after its use in Chapter 1 because it so aptly describes the predicament billions of the world's people face today. Today, prior occupants, mindful of human rights, would simply charge new castaways with land rent, which, depending on population density, might be as high as 50% of their product. With no other refuge, people are compelled to accede to what terms are offered by dominant national elites.

Sovereignty can derive from conquest. Conquest provides victors with the opportunity to capture property rights in land and natural resources and to then erect a "No trespassing" sign at the defined perimeter of that property. (Clapham, 103) As a result there may then ensue massive transfers of potential wealth, still another instance of "economic rent."

Though conquest per se is now far less common than civil war, the legacies of previous conquests explain many current conflicts. Colonization by intruders has defined and now explains most of the world's political boundaries, often in stark conflict with the natural boundaries of anthropology and geography. Conquest provides the opportunity to classify and consign indigenous and other prior occupants, as well as migrant

populations, to areas of low subsistence value or high plantation value, as in the histories of India, Africa and America. These consigned areas are variously known as “reservations,” “homelands,” sanctuaries, or sometimes just territories. In any subsequent initiatives for greater self-determination or secession the inhabitants living therein may start from very different allocations of wealth and resources. The disadvantages they suffer on that account may make their success possible only under great odds.

Sovereignty can derive from self-determination. This applies not only to countries under foreign domination but also to different groups within countries. Article 1 of both the UDHR and the ICCPR Human Rights Covenants noted earlier state that all peoples have the right of self-determination, to determine their political status, pursue their economic, social and cultural development, and freely dispose of their natural wealth and resources. Unfortunately, it is not uncommon in LDCs for 90% of the natural wealth and resources to be owned by 10% of the population, leading to questions as to the meaning of “self” in self-determination. (Mayall, 1999:54)

Similar dynastic and feudal concentrations of land ownership all traceable in European history persist elsewhere today. These meanings and outcomes of self-determination, particularly in systems of caste, feudalism, latifundia or apartheid, and everywhere are applied to the plight of displaced migrants and refugees. Whether landless sharecroppers or marginalized urban squatters, each group holds a different perception of “self.”

Sovereignty can derive from secession. Even though Robertson for one regards this as the most fundamental of all attacks upon the sovereignty of the state, it nevertheless appears to be inadequately addressed by international law. The US Declaration of Independence enshrines the phrase, “that whenever any Form of Government becomes destructive of these ends [i.e., the protection of unalienable rights], it is the Right of the People to alter or to abolish it, and to institute new Government....” Although all peoples have the right of self-determination, minorities are not peoples. “The simple procedural way forward,” Robertson argues (1999:116,140,145), “is to give minorities the standing to bring cases before the ICJ [International Court of Justice: but] exclusion from the Court of all potential litigants except states has prevented it from picking up the pioneering pieces of PCIJ [Permanent Court of International Justice]

jurisprudence on the minorities treaties.” This means that ethnic groups such as the Tibetans, the Chechens and the Ingushians, currently oppressed in ruthless fashion by larger powers, lack any avenues of appeal.

Of course the Court would then need to appreciate the shifts in the relative property values in land and natural resources, both historical and contemporary, that are contested. For example, secession might be an indigenous response to earlier allocations of land and natural resources imposed by intruder groups, involving claims of compensation for different resources for different groups for different times. Alternatively, secession may arise when a regional group perceives a comparative advantage in that region’s position or natural resources. A legal ruling that is just, not only in cases involving secession, but in all the cases of property and sovereignty considered here, implies the integration of a cost function of great complexity. Efforts to sort out and give weight to past histories is clearly a bottomless pit. It seems better to abandon the impossible task of computing such compensations, and instead implement reforms designed to discourage the misuses of property rights and sovereignty henceforth.

Conflict, too, can derive from sovereignty itself. But the locus of conflict has shifted completely since the drafting of the UDHR and all the subsequent attempts to implement it through treaties with sovereign states. There are now virtually no wars between states, and no wars within states that have become liberal democracies, or among those that have experienced successful land reform. Almost all contemporary civil conflicts appear to arise from monopolistic endowments or transfers in land or natural resources.

Property Rights and Rents. Most frequently, positional advantage over real property rights is the direct reason for conflict, though it may also be the indirect reason. These may take the form of natural resources such as minerals or oil, either in the ground or in transit. For example, where such a monopoly causes poverty, as it nearly always does, ideologically channeled resentment arising from this poverty can be focused on almost any external actor, as it has been several times in Iraq. Sometimes conflict over these endowments arises from the myths of those who “remember” the loss of earlier endowments, perhaps hundreds of years earlier as in Ireland, Israel/Palestine, or Serbia. Ideological objectives and territorial expropriation may often be a rationalization and may often work hand-in-hand. If we analyze all these forms of conflict in the terminology of rent-

seeking theory, the direct offense and defense costs and the indirect deadweight losses inflicted may be far larger than the rents available to be captured. We should not be surprised: the rent seeker hardly ever bears the full cost of his action. Components of rent seeking can be found at almost every contemporary political flashpoint.

As discussed in this book's introduction, rent seeking is the activity expended in the acquisition and retention of monopolistic control of a resource. It explains the reality of zero growth in most of the Third World and, paradoxically, for the negative growth of those countries blessed with an abundance of natural resources. In contrast, the most economically successful countries, such as Japan, Hong Kong, Taiwan, South Korea and China, are comparatively poorly endowed with natural resources. This counterintuitive phenomenon has been widely discussed, and has inspired a name of late for well-endowed lands in the development literature, the "resource curse." Nations rich in natural resources have experienced the paradox of not being able to harness this wealth for the widespread benefit of all, due to the siphoning off of the associated rents. Rent seeking may explain the motivation of nearly all armed conflict in conquest, secession, and resistance to secession. Examples include the economic rents of coal in Kosovo, diamonds in Africa, and oil and natural gas almost everywhere.

Economic stagnation and poverty can also derive from the restraint of trade, and the restraint of trade can derive from sovereignty. Sovereignty can be invoked to appropriate and massively squander the benefits of trade in several ways. As Chapter 3 argued, tariff barriers on manufactured goods cost poor countries more than \$700 billion each year, and agricultural tariffs and export subsidies add at least another \$40 billion to that price tag. Protecting jobs in the North causes mass poverty in the South.

Sovereignty enables rulers to cream off the differential surplus between artificially low prices—for example, that paid to African peasant producers—and international market prices. (Clapham, 1999:105) LDC elites benefit from rents extracted by tariffs and other import barriers from otherwise beneficial trade. These restrictions reduce living standards by taxing the consumption of the poor while at the same time diverting pain that the rich would bear if revenue came from taxes on wealth, land or income.

Sovereignty is the bestower of ownership, that is to say, the agent providing legitimacy of title, without which other related rights to location

are moot. By this means, ownership is determined not by use value but rather by exchange value, which in consequence distorts relationships, economic as well as others, beyond communities' capacity to maintain. The sovereign was responsible for the distinction between the squatter and the stakeholder, regardless of the antecedent circumstances and use of the land. Moreover, the sole criterion determining the right to ownership in almost all cases is the means to purchase. On past occasions one might have needed to be a citizen, have a spotless record of behavior, or perhaps have been a war veteran. Through these financial and legal means alone indigenous peoples lost what had been theirs from time immemorial. The sovereign was the arbiter through which the greatest "land grabs" in history were consummated (Chandler, 1945, Miller, 2006; Robertson, 2005, Weaver, 2003). Through the machinery of the Western legal tradition lines of reasoning were brought to bear that were overwhelming and impenetrable to any parties not schooled in these abstruse Western ideologically based assumptions about freehold or fee-simple titles.

Finally, the sovereign frontier provides the opportunity for the appropriation of resource rents. Such a frontier can form the basis of a duopolistic deal for resource extraction, yielding bonanzas for the rulers and supernormal profits for transnational corporations.

To illustrate the powers of both sovereignty and monopoly in what has been called the articulation of feudal and capitalist modes of production, consider a TNC (transnational corporation), or even the World Bank, negotiating land rights with a local landowner to an enclave sector. This one-to-one collusion between what are, essentially, two monopolies then results in an enclosure of sufficient land for development purposes. Just sufficient labor is retained in the enclave sector. Surplus labor is excluded and migrates to what is left of the original land areas, or to urban informal or formal sectors, raising land rents and poverty levels in both cases. Increases in land price and land rents in the enclave sector will depend on the ratio of labor-saving to land-saving investment there, with the benefits usually shared by both monopolies. And, when the rump of the state eventually collapses into what Clapham (1999:115) describes as a modern terra nullius (no-man's land), local warlords seize and trade natural resources such as diamonds for weapons, in further instances of lucrative foreign investment. As Duchrow argues in *Property for People, Not for Profit* (2004:146), "The economic growth of these enclaves is fueled by an invested capital corresponding to these [i.e. globalization's] rates of

growth. But this intensive growth is mainly a growth in productivity. Extensive growth, a growth going beyond these enclaves, appears only in limited cases.”

heritage rights AND SOLIDARITY

It appears that popular rights to our natural heritage form a major determinant of the right to development and its success. On the one hand, economic stagnation seems correlated with high concentrations of ownership of land and other natural resources, while, on the other, vigorous development seems correlated with widely distributed land ownership.

The exploitation of natural resource discoveries diverts productive activity into unproductive rent-seeking and rent-retention activities. Countries rich in oil and diamonds, for example, frequently exhibit negative rates of economic growth. Inequality and human rights abuses are greatest where the ownership of land and natural resources are concentrated. Nearly all armed conflicts arise from these concentrations and associated attempts to shift them by coercive rent seeking. In contrast, sustainability depends on the elimination of negative externalities by aligning private rights and social heritage rights. The efficient and equitable allocation of heritage rights is arguably the precondition for the implementation of the right to development, and is, as Judge Bedjaoui (1991:1182) states, the “core right from which all other human rights stem.”

Guaranteeing heritage rights to all for land and other natural resources opens the way for everyone in a society to be able to avail themselves individually to these rights. The ownership of rights in nature is easily possible under conditions of usufruct title, with such arrangements grounded in exchange payments of rent for the privilege of their use. Because the rents from such common resources are priced on the open community markets, they are transparent and fair. Moreover, because they are socially created, their recapture by the community can be readily understood as well as efficiently arranged. Lastly, there is every reason to believe that the rents from the common heritage of land and natural resources is fully adequate to provide the necessary support for public goods and services which are typically demanded (Gaffney, 1998, 2008; Dwyer, 2003).

How then should heritage rights be allocated and managed so as to implement the right to development? Two strategies, support for both

development and human rights, depend on intervention and legislation of heritage rights within existing allocations. Heritage rights realignment is therefore fundamental. Experience shows that common ownership strategies have failed and coercive land redistribution have only partially succeeded. Strategies that depend on economic incentives, i.e., taxing land values and taxing the use of natural resources and the environment of their rents show ample evidence of success. Yet each later strategy carries with it domestic and global implications. Each strategy needs to be evaluated using criteria borrowed from the principles of public finance.

Criteria for a good taxation regime are listed using as many as eight principles or in as few as three. One sees them enumerated in many ways (Batt, 2005). At the very least, they entail efficiency, equity and simplicity. An efficient tax bears lightly upon the production of goods and services. Efficiency may be more generally considered as the value of outcomes in relation to the cost of inputs. Equity is more contentious. An equitable tax delivers equal treatment. In domestic law equity frequently implies equality of access to resources about which society's public choice mechanisms return different interpretations at different times and in different countries. In international law equity seems increasingly to attract contradiction (Chemillier-Gendreau, 1991:271- 281) since international regimes addressing human rights are still attempting, after 50 years, to formulate equity norms acceptable to the point of willing implementation. In the context here equity is taken to be equality of access to our natural heritage, a precondition to the right to development. A simple tax is one where the costs of collection and compliance are low in comparison to the value collected, and one that is difficult to evade. A simple regime, program or reform, then, is one that is easy to implement and difficult to evade.

In contrast, domestic regulatory and welfare strategies have been inefficient and often inequitable. Regulations that place ceilings on rent, farm size, and prices, and floors on wages, are usually drafted in ways that make them easy to evade or block. Tenancy reform legislation misses the most important target, the landless. Similarly, global interventionist strategies—including human rights protocols and treaties, the IMF Poverty Reduction and Growth Facility, the World Bank Comprehensive Development Facility, and the UN Global Compact—have shown no tangible ability to address the central problems: inequity in the distribution of heritage rights, resulting economic and administrative inefficiencies, and

deadweight losses. Most of all, the administration of all such alternative programs typically turns out to be enormously costly.

Reports about development strategies that have close human rights implications are discouraging. Ample evaluation shows there has been little gain for the trillions of dollars spent. Olson (1996) argued that the economic development stratagems have had little relation to physical, human or natural capital, but are almost entirely due to differences in institutions. Then too, aid capital has been massively squandered in many LDCs. Ayittey (1998:246) compared conventional responses to these appropriations and losses as tantamount to “reorganizing a bankrupt company and placing it, together with massive infusion of new capital, in the hands of the same incompetent managers who ruined it in the first case.”

At the national or sub-national level common past ownership strategies available have included common-property, open-access (*res nullius*), and state ownership. The first two have been shown on occasion to work at very low population densities. However, the term common property, implying open access to any piece of land by anyone in a village, is misleading. Ayittey (1998:97) suggests that a “more accurate description is family or lineage ownership.” State ownership of land and natural resources is normally limited to state enterprises and to parks and reserves, and its wider and more comprehensive application typically requires coercive expropriation. It didn’t work in Russia or China, either for development or for the millions of personal lives that were immeasurably disrupted. A global commons, like any domestic commons, therefore seems possible or appropriate only where population densities are low and natural resource values are modest or undisputed. Common ownership, even though equitable, can be highly inefficient, subject to abuse, and is politically difficult to implement. Lacking sufficient consensus in most instances, it relies upon coercion, and is not typically a viable solution.

Domestic land redistribution, though also extremely difficult to implement, has been found more often to be relatively efficient and equitable. One successful economic development text concludes, “The system by which land is held and farmed is a serious impediment to increased productivity in many developing countries.... Elsewhere there have been major land reforms in Japan, Taiwan, Egypt, Israel, South Korea and China” (Thirlwall, 2003:200; see also Todaro, 2009:441). Although the most successful major example of land reform, possibly the most successful, is China’s, its

experience in transforming the lives of a billion people shows there are surely better alternatives that do not rely on violent and coercive expropriation. It is worth repeating the survey finding of Russell King three decades ago (1977:18-19) that, “a body of theory with considerable following [exists] amongst economists [showing] that land reform could be brought about automatically by indirect measures such as tax reform thereby avoiding the high costs of conventional land redistribution programs.”

Unlike land redistribution, land taxation need not be confined to rural land, nor does it lead to the fragmentation that discourages economies of scale. In monopolistic or speculative situations, land taxation may be the only form of taxation that encourages production since it draws unused and underused land into more productive use. Apart from solving a number of human rights problems due to its compatibility with principles of distributive justice, land taxation also provides revenue that can be invested in further development. The potential size of this revenue necessarily varies from place to place, though it is thought to be around 50 percent of the agrarian product in the South.

One should note, as the Economist (1997, 2000a) has argued on several occasions, that the increasing mobility of labor and capital in a globalizing economy means that it is becoming ever more difficult to impose effective tax regimes. In 1997, after pondering the various alternatives, its editors concluded that the most “needed change is to shift the tax base from income toward consumption and property, which is both immobile and hard to hide.” It then conceded “even consumption is beginning more mobile.” In 2000, it concluded “...the harder it gets to tax mobile people and businesses, the bigger the burden which will have to be borne by the immobile. Land taxes, which used to be one of the most important revenue earners, may regain their former preeminence.” What was not mentioned is that land can be taxed heavily without distorting production incentives, a factor that Paul Samuelson regards as critically important. As a taxable source of revenue, it is generally thought of for domestic sites. But land, in its generic sense meaning any and all natural resources, can include global sites as well, for example ocean and satellite traffic, transmission frequencies, and renewable energy sources such as wind, solar, tidal, and hydro. As an added observation, if farm subsidies are understood as a negative form of land tax, which they are, then the repeal of Northern agricultural support would represent a massive global contribution to the South by simple means.

Resources that are nonrenewable such as oil, gas and minerals, or not so easily renewable like forests and fisheries, also present a taxable source of revenue, and an opportunity to redress contemporary and intergenerational injustices. But natural resource taxation is different from land taxation in two ways. First, it may be used to discourage production and consumption, due to concern for sustainable development or environmental quality. Second, it is not applied to resources 'in the ground' but only at a point of extraction, or at a point of consumption such as the gasoline pump. Tietenberg identifies a number of taxes that can be used to control the depletion of scarce natural resources, as those, for example, on gasoline, and extraction and severance taxes on minerals. A number of others can be used to control environmental degradation such as any put on carbon, gasoline, ozone depletion, pollution control, and toxic substances.

Land taxation is not often treated in the development literature and apparently not at all in the human rights literature, which suggests the need for some explanation. In the North, land is comparatively widely owned and frequently traded and thus frequently assumed to be a form of capital, and pure land rent data are normally excluded from the national income accounts. Neoclassical economics, upon which most development economics is based, always assumes and continues from initial allocations of resources, the status quo. Neither assumption has proved appropriate to the implementation of human rights or development initiatives in the LDCs. Although the absorbent powers of LDC landed institutions is now recognized, and the land problem is referred to everywhere in the development literature, land reform is usually equated with land redistribution and the regrettable problem of usurping property rights. It does not seem to be generally recognized that land taxation need not disturb property use rights at all. Just the opposite: taxation of land sites encourages the use of sites more fully and efficiently.

What proportion of the South's GDP is unproductively absorbed in land rent? For sharecroppers Todaro (457-460) suggests 50 to 80 percent. Data assembled by Clark (1957), Tai (1974), and King (1977) provide numerous examples of land rent data, clustering around 50 percent of rural product. Further references to source material on land taxation can be found in Andelson (1997, 2000) and Smiley (1995, 96,01,02). A rough calculation might help to place land taxation in context with other regimes to be considered. A weighted average of agricultural output as a percentage of

the South's GDP (Todaro, 2009:434) comes out at 21 percent. Taking typical land rent proportions of agricultural product, 50 percent, for the 21 percent of South's GDP of about \$5.4 trillion yields a projected tax revenue of \$567 billion per annum. Assuming a lower land rent of 20 percent for the remaining 79 percent of GDP yields an additional tax take of \$853 billion, totaling \$1,420 billion. If, to allow for sparse data and many untested assumptions we halve this figure, it still dwarfs aid spending.

Implementing HERITAGE RIGHTS

Many observers believe that there is, or should be, a moral or ethical responsibility for wealthier countries, or the North, to provide financial and other types of assistance to poorer countries. This stems from the view that the North is arguably responsible for much of the historic impoverishment of the South, and continues to be so today due to its responsibility for climate change and dependence on the South's natural resources. The removal of Northern agricultural subsidies, effectively a land tax on the North in favor of the South as explained above, would help discharge this obligation. Other obligations have been quantified here and, although they do not directly involve the natural heritage, they might contribute to accounting items in the supranational clearinghouse. Judge Bedjaoui (1991:1182, italics in original) says "in reality the international dimension of the right to development is nothing other than the right to an equitable share in the economic and social well-being of the world. It reflects an essential demand of our time since four-fifths of the world's population no longer accept that the remaining fifth should continue to build its wealth on their poverty." Judge Bedjaoui has further proposed (1996:1197) a one percent tax on military budgets, using a base of some \$800 billion yielding \$8 billion. Foreign aid is already well established, and in 2007 totaled \$103.7 billion for the 22 OECD nations that provided about 90% of aid (Results, 2009). Furthermore, it is widely acknowledged that trade is far more important than aid for long-term development, as shown by the success of East Asia. Opportunities here, carefully conceived and administered, have far greater potential.

Various organizations and experts have proposed a unitary tax on TNCs (transnational corporations) that would compensate for the resource values extracted from each country. One would also expect efforts by the South to reform its tax systems. Recall the strong criticisms made of the South's ability to divert unproductively almost all inflows of aid, and the apparent role of land rights in these losses. The effects of taxes in both the North and South on the use of land, natural resources and the

environment are impossible to calculate. However, any sustainability target could be met if the tax levels were set high enough—the penalty would be short term. Heavy resource usage taxes would spur technological innovation and resource substitution, not only speeding the attainment of sustainability targets but also regaining and then exceeding development targets. A further long-term outcome for the South of both land and resource taxation would be a standard of living which, in the North, has been associated with a dramatic decline in armed conflict and the steady advancement of human rights.

Such tax regimes by their nature do not disturb rights of property ownership, rights of sovereignty, or any existing operations of the regimes of development and human rights. They simply help remove obstacles to development and human rights and to the final implementation of the right to development. They satisfy the tax criteria of efficiency, equity and simplicity. This cannot be said of current strategies or those that disturb rights of property or sovereignty. Without tax reforms like these, there will continue to be a near zero return on investment in development. There will also be little reduction in poverty and other social pathologies, implying a near zero return on investment in human rights.

Conclusion

This Chapter's review shows that there is ample evidence here to support Mary Robinson's criticisms of current development programs and human rights regimes. Major problems of economic stagnation, poverty, inequality, natural resource depletion, environmental degradation, and armed conflict remain virtually unchanged, and all these continue to displace hundreds of millions of the world's poor. Both regimes have failed to address the inequality in heritage rights that causes grinding poverty and permits its continuance. Human rights campaigns have failed to reduce conflict over scarce natural resources, and development programs have failed to stimulate the growth that could allow human rights to be affordable and make the right to development anything but a controversial and unreachable ideal.

Appropriate and tested tax legislation already exists. The problem, as always, is the political resistance of vested interests. Measured with this must be weighed the huge and ongoing bureaucratic costs, both of current development and human rights regimes, as well as to the ongoing human costs in poverty, displacement, armed conflict, depletion of the world's natural capital, and the continuing degradation of our natural environment.

CHAPTER 5.

POVERTY AND THE SOCIAL SCIENCES

INTRODUCTION

Poverty was described in Chapter One as the result of population pressure upon scarce natural resources, the uses of technology to relieve that scarcity, and the effects of social institutions on the final shape and size of poverty.

Most of what we know of population and natural resources comes from the physical and life sciences. For example, demography quantifies human populations in terms of fertility, mortality, life expectancy, wealth, health and education, and the effects of migration, plague, famine and conflict upon human populations. Anthropology identifies aspects of human behavior such as identity, culture and social differentiation, and the operation of kin-ordered (clan) and tributary (rent paying) societies. Geography characterizes surface and climatic features of the earth as well as natural and political divisions. In conjunction with land economics, it explains the location, size, and density of human settlements in terms of positional value and social factors. The earth sciences identify our energy and mineral resources and the biological sciences describe our ecosystems.

Most of what we know of technology comes from the physical and engineering sciences. And most of what we know of social structures comes from the social sciences, even though as disciplines they continue in their evolution to morph, merge, and divide.

All these disciplines are separately well understood, and their analytical frameworks as well as their empirical findings are readily available. This is not a problem. A problem lies elsewhere, in our understanding of the structural relationships between population, natural resources, technology and institutions, the building blocks of all social systems. It is worth noting at the start that social sciences study relationships that are socially contrived, that is, rule-governed rather than rooted in nature, as in the case of physical and biological sciences. These differences are fundamental but are frequently ignored in reliance upon their findings.

So, how well do we understand these structural relationships? The social sciences, as they are now taught and practiced, attempt to describe what these relationships actually are. Concerns for what these relationships ought to be are typically relegated to realms of discourse outside of social sciences, depending on the particular school of thought to which a student subscribes. Social sciences should be regarded as paradigmatic, and not always or necessarily grounded in the nature of things. Rather, they are in most instances studies of rule-governed behavior, and are as bound to historical heritage as they are contingent upon environmental factors. Insofar as societies are rule governed, they are also moral orders. If this approach is acceptable one needs to admit that social orders are by definition normative, as amenable to change through open discourse and dialectic challenge as they are to the circumstances of experiential reality.

Justice. Central to an understanding of any society is its notions of justice, or, put more plainly, how it understands what is fair. One way of appreciating justice as a general concept is to distinguish it as procedural, distributive, retributive or commutative. The most commonly understood of the four distinctions proposed here is the first, procedural justice, a standard of fairness according to the processes or rules by which decisions are made. Paramount in any evaluation of this standard is the transparency with which judgments are rendered. The US Constitution uses the term “due process” to frame how rulings should be evaluated.

Commutative justice concerns the fairness of exchanges, particularly those in market economies, and it too calls for transparency. Adam Smith was particularly concerned that there be no harm result from exchanges, and this implied that some kind of equivalence was always in order. As philosopher and theologian Karen Lebacqz (1986:62) views it, “Adam Smith thought that exchanges were ‘unjust’ when they involved the extraordinary profits that are gained by distance, secrecy, or other distortions of mutual knowledgeability.” It was put differently but very succinctly by Woodrow Wilson in his notable phrase, “open covenants openly arrived at,” It is an ideal which is centrally important in other realms of justice also. Economist Joseph Stiglitz was awarded the Nobel prize for his work on the fairness of market exchanges that take place in circumstances with “asymmetric information.”

Retributive justice is the realm of appropriate and proportionate punishment for criminal acts. In its most simplistic and rudimentary form, it is retaliatory: “an eye for an eye,” as the Bible puts it. Philosopher

Immanuel Kant regarded it as a strictly legal principle. He said judicial punishment can never be used merely as a means to promote some other good either for the criminal himself or for civil society, but instead it must in all cases relate only to the ground that he has committed a crime. Kant's circumscribed view of punishment takes no account of the needs of the victim or the community for revenge or healing, nor does it allow for the idea that prisons should be venues of penitence or for isolation of dangerous men.

That leaves only the last classification of justice under this fourfold scheme: distributive justice. This idea embodies the notion of entitlement with respect to the allocation of goods in a society. It is this area of discourse that has seen the greatest activity in recent years, as it is the very core of politics. Yale Law professor Harold Lasswell (1936) said the study of "politics is about power: who gets what, where, how," but relegated all such study to description only. The widely quoted modern starting point of distributive justice is John Stuart Mill's utilitarian proposition, the greatest good for the greatest number. The "good" here is measured by "utility" or "happiness," which to many students hardly increases understanding. It was only recently with the work of Harvard professor John Rawls that the discussion was notably advanced. In his *Theory of Justice*, desert falls to all parties in a community only under a "veil of ignorance." Put differently, "Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all" (1971:302).

To be sure, there are other classifications and additions of justice—Roman Catholic social philosophy includes a category of "social justice," which calls for the "right and obligation of all people to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way" (Catholic Bishops, 1986). Central to any thesis on poverty are the first, second, and the fourth: procedural, commutative and distributive justice. These concerns are scattered throughout the social sciences in the name of equity, and usually separately formalized: first in theories of justice in jurisprudence, as it is imperfectly approximated in domestic and international law, and second, as noted, in social and political philosophy which is often split off from what purports to be the social science itself.

Mention was made in Chapter 2 that a significant part of aid to Third World nations appears to be motivated by charity and pity, a sentiment which

recipients often deeply resent. On the one hand they believe that this aid is just compensation for past exploitation and abuse, as well as regarding it as necessary to the successful development of their societies. On the other hand, they see its motivation growing from attitudes of condescension rather than from mutual respect. The rationale for aid then is open to question: is it charity or justice? And if it is based in justice, is it a reaction to and recognition of past wrongs or does it grow out of a view that all human beings are rightfully entitled to the fruits and bounty that the earth has to offer? The Roman Catholic Church's social teachings have long put particular emphasis on charity, and explanation for aid is frequently made by invoking this rationale. More recent teachings have grounded aid policies in principles of justice (Pontifical Council). Since the Church is a Western religious and ethical body, with considerable influence on the policies of Western institutions, the resulting attitudes toward such aid are mixed. One needs to ask whether Mother Teresa's work was motivated by charity or convictions of justice. Later Chapters address how this difficulty can be at least clarified if not resolved. A theme throughout this book is that the complexity of these relationships exceeds the span of competence of any single academic discipline. A second theme challenges the presumption that the social sciences can be studied in a value-free manner, as the physical and biological sciences are practiced.

A GEOPOLITICAL CRITIQUE OF THE SOCIAL SCIENCES

Social science is an immense, Western-dominated industry. Each year this industry generates over 100,000 articles in about 2,000 journals. To these one may add, each year, some tens of thousands of articles in the world's principal newspapers and millions of reports attempting to guide the operations of the huge networks within the UN, regional and national governments, and some 5000 non-governmental organizations. If all these authors are informing the designers and managers of our international programs, and if these programs are failing, then who informs these authors? The question is extraordinarily important.

A question arises whether social sciences are really sciences in the same sense that is true of the natural sciences. This has been a matter of debate since their inception and is beside the point for this book. What is important, however, is an appreciation of the fact that social sciences first can never in any sense be value free, and second that they cannot be practiced without an understanding of the mindset of the subjects under study. Early German sociologist Max Weber captured the essence of this by his use of the word *Verstehen*, and there are many schools of

methodology and epistemology. One might be identified, for example, as an institutionalist, a structuralist, a behaviorist (or behavioralist) or a phenomenologist.

How the various peoples of the earth organize their world, and more specifically their societies, is to some extent rooted in the concrete exigencies of their lives, as Marx well recognized. There is cogent evidence to show that people's belief systems, and indeed their languages as they have evolved over centuries and millennia, are just as much responsible for social organization. In this sense, institutions matter, but they are derivative as opposed to being fundamental. Still, looking at the social structures and institutions of societies is of central importance to the enterprise of all the social sciences. Furthermore, it is only possible to understand what is significant for explaining the various dimensions and varieties of social behavior by looking at societies and their institutions from a detached as well as a comparative perspective. Identifying what is common, and what is unique, among societies has not been done successfully either by most individual studies or by schools of thought.

So it is, for example, that basic concepts such as law, markets, family, property, and community are applied in many fields of discourse, even incorporated into textbooks, on the assumption that their meanings are universal. Nothing could be further from the truth. It is important to understand the meanings of concepts to the peoples involved, not as they are assumed to mean by outside observers, no matter how well trained or how many credentials. Chicago sociologist W.I. Thomas (1928:572) is remembered today for one proposition, "If men define situations as real, they are real in their consequences," now called the Thomas theorem. This then is the central paradox of social sciences: it attempts to achieve universality at the same time as it remains sensitive to the contextual meanings used by societies under study.

Linguistic problems. Social sciences are often guilty of using profoundly different, often emotionally partisan, interpretations of common words. For example, economics may equate capitalism with productive investment and profit with return on that investment, while other social sciences may equate capitalism with what economists call monopoly, profit with what economists call economic rent, and profiteering with what economists call rent seeking. Use of language is often contingent upon what particular school of thought which a social scientist subscribes to. Uses of terms can evolve over time, and frequently needs to incorporate words from other

languages so that authors can make clear the intended meanings of an argument. Because language, and indeed words themselves, are necessarily contextual, their special meanings can be difficult to grasp, and are then easily framed in the mind of the reader.

A concrete example of diverse meanings, one of importance in the context of this book, was provided by King (1977:4-5), "In law it [land] is property, in political science it is a source of power and strategy. In economics it is a factor of production and a form of capital. In social psychology it is a personalized guarantor of security; in anthropology an item of culture, and in sociology a part of the social system. In agriculture it means basically the soil. To geographers land can mean most of these things, but most of all perhaps surface land use. The historical approach is of value in considering the effects of past land reforms and the long-term links between agrarian institutional changes and development, but most historians have relatively little knowledge of agriculture. The anthropologist's bias in favor of static descriptive studies is of little use in considerations of policy and development, while agronomists tend to concentrate solely on production aspects. The majority of general economists have traditionally had little to say on land reform, and agricultural economists, strangely, even less.... Economists have neglected the subject because it concerns the institutional framework, which economic analysis tends to accept as given.... To date the subject [of land reform] has remained an academic no-man's-land."

Structural problems. There are five structural problems in the social sciences.

1. Building blocks. Unlike the conciseness of the physical sciences, fundamental concepts in history, politics, economics and sociology are extensively defined by reference to a history of competing interpretations of a particular concept. There are no fundamental concepts that are universally accepted.
2. Subcontracting. Unlike the physical sciences, academic programs frequently subcontract basic analytic tools such as experimental design and statistical analysis to other disciplines, and students therefore seldom apply them in their second and third years with sufficient instructional guidance. Thus "...too much contemporary history... consists merely of mindless accumulation of data on a particular subject of popular concern merely because these data exist." (ODS, 1998:613)
3. Zones of competence. Even though most social science research today calls for a strong interdisciplinary orientation, each social science

department is formally committed to a very narrow zone of competence. This leads to an insularity precluding adaptation, integration, and evolution of language. For example, the boundaries of anthropology, economics, history, law, political science and sociology are blurred by an imprecise and aggressively contested term, globalization. Thus, by straying outside their zones of competence, a number of papers on the management of globalization appear to come from some twilight world of utopian aspiration. Professor E. O. Wilson is strident in his criticism of neoclassical economics for being “hermetically sealed” from the real world and related disciplines, an accusation that has been repeatedly and heartily endorsed by the ecological economists (Wilson, 1998: 197; Daly, 2007: 251).

4. Vertical integration within a discipline. A graduate or postgraduate student entering a program from outside the discipline is apt to find that, except for economics, second and third year social science units rely remarkably little on the use of fundamental concepts and tools that, at least in the physical sciences, would have been mastered earlier. Yet, those terms have a reliable meaning only so long as one stays within the paradigm of that particular school of thought. For example, ecological economics uses terms in a different way than does neoclassical economics. To those steeped in the usage of economic terms rooted in classical economics to the time of Henry George, words such as capital, rent, land, interest, and profit have distinct meanings from those employed by contemporary (neoclassical) economics.
5. Horizontal integration between disciplines. Without a common language or any conceptual integration, crossing the fault lines between the disputed territories of the social sciences is courageous, impudent or misguided, depending on viewpoint. Efforts at integration have been made between economics and law. But this has come at the expense of being ideologically bound: the leading forum for articles in this field, the *Journal of Law and Economics*, is closely linked to the Chicago School, long known as the bastion of “market fundamentalism.” Problems illustrating the economics of crime and punishment, families, property rights, and public goods, for example, lead inevitably to models of equilibrium, utility, indifference, and revealed preference, requiring lawyers to have considerable familiarity with economics. It is therefore not surprising that double degrees in economics and law are now common. Whether other realms of academic discourse will ever transcend both the dangers of ideology and their insular focuses is very much an open question. Law and economics at least have well-

established genealogies and share a common concern for linguistic precision, factors that might make other double degrees in the social sciences unworkable. Sociology, in contrast, "...has an ambivalent genealogy and a controversial recent history...The difficulty of defining the subject is indicated by the easiest possible form of this entry: namely, a cross-reference to every other entry in the dictionary [of sociology]." (ODS, 1998:628-29)

This Chapter began with the proposition that all the sciences competently address well-defined but separate components of the human situation, such as population, natural resources, and capital. These serve as the building blocks that some sciences then assemble into structures. But whereas the technical and economic sciences have constructed generally applicable models of production, transport, and administration, other social sciences have been less successful in constructing generally applicable models of the human situation. Consider some of the more problematic challenges.

Anthropology is the study of human cultures, a discipline notable for putting forth the concept of cultural relativity. Yet contradictions in this concept have bedeviled dialogues about, say, "human rights" for forty years, and spawned a literature on the "clash of civilizations." Yet beneath the world's extraordinary cultural diversity lies some astonishingly uniform patterns of macro-parasitism. Professor Henry Bernstein (1992:41,53) of the University of London's School of Oriental and African Studies defines macro-parasitism as "a system characterized by exploitation by a landholding class of those who work the land through the extraction of rent. It is 'parasitic' because the income extracted is not reinvested to maintain or enhance the productivity of farming," and it is a system that encourages collusion with other monopolistic systems such as colonialism, neocolonialism and some transnational corporations. Although the term is employed by Bernstein and few others, no dispassionate cultural relativity here. It is social historians and economists, not anthropologists, who have identified what is really the most important of all anthropological phenomena—macro-parasitism, in each of the world's regions:

* The High Income region, with less than two percent of its populations actually working on the land, now exhibits new mutations of macro-parasitism such as agricultural support schemes. "In Britain [farm] subsidies amount to 40 percent of the output of the industry and the

consumer has to pay an extra two billion pounds a year because prices are kept above world levels.” (Ponting, 1991:248)

* The Latin America and Caribbean region is summarized by Bernstein (1992:36): “The hacienda in colonial (and subsequently independent) Spanish America typically involved a form of tenancy much closer to serfdom,” and its present position is summarized by Ponting (1991:251,399). “In Latin America two-thirds of the land is now owned by just one-and-a-half percent of the total number of landowners, a third of the population own just one percent of the land and many are landless labourers.”

* The South Asia region is also defined by Bernstein (1992:53) as Parasitic Landlordism, exemplified here by the Indian caste system. Rent seeking reactions to famine are described by George (1991:45): “Rich Bangladeshi farmers stood in line all night at fiscal registration bureaux in order to buy, literally at ‘famine prices,’ land that famished small peasants were selling as a last resort. Each famine takes more land from the poor and thus sets the stage for the next one.”

* In Sub-Saharan Africa, “three-quarters of the agricultural population own just four percent of the land.”(Ponting, 1991:251) Bernstein (1992:208-210) identifies new mutations of macro-parasitism in bureaucratic rent, a form of collusion between state and landlord. The growth in income per capita was zero from 1965 to 1980 and has been negative ever since, even though the region is the richest in the world for minerals, a sad illustration of the natural resources myth.

* The Middle East and North Africa region, though highly endowed with oil wealth, has a consistently negative growth rate in per capita GNP, a further illustration of the natural resources myth. Despite the region's low population density the historical dominance of elite intermarrying families of landowners, merchants and religious leaders have created what anthropologist Eric Wolf (1982:79-88) calls a domestic tributary society, and this, long before the oil bonanza added an international tributary dimension.

* In the East Asia and Pacific region, the so-called Tiger economies constitute more than 80 percent of its population, and, “thanks to historical accident or upheaval [Japan, Korea, China and Taiwan] there has been

decisive transformation in the entitlements to land, this has had salutary effects on both agricultural growth and equity” Bernstein, 1992:258).

Demography is the study of human populations that has delivered models of fertility and global population aging. Yet, it chooses to leave aside correlations of population pressures with poverty, political instability and environmental unsustainability—at best to other social sciences, at worst with the bandwagons of society's doomsday demagogues. Similarly, demography has established that rising per capita incomes leads to falling birth rates, but ignores the transition from macro-parasitism to economic growth. Paul Samuelson’s model, described earlier, explains the West's transition to phenomenal economic growth but not the stagnation of the Third World.

Economics, as the study of how scarce resources are efficiently allocated, appears to be poorly understood by other social sciences and the general public and, partly for this reason, it is heavily criticized for its indifference to equity, the utility of job security and the psychic value of egalitarianism, for its opaqueness of language, and for its perceived ambiguity over terms like capital. Since this field of study is so central to matters of justice enumerated earlier, each particular dimension is worthy of more extended discussion.

Equity. Economics is widely criticized for apparently ignoring equitable allocations. The noted agricultural economist Kenneth Parsons (1984:24) observed that, “For approximately 100 years Western neoclassical economic thought has developed within the premise that economists could take the social framework, the institutional order, for granted, as something which it was the professional responsibility of someone else to understand.” Alternately, matters of poverty and distributive justice have been thought of as “political problems” beyond the field of economics as a discipline, which is scientific only to the degree it is value neutral.

Opaqueness. Economics is perhaps most strongly criticized for the opaqueness of its mode of discourse, the use of graphs and mathematics. Such research work very often commits what Alfred North Whitehead called the logical fallacy of misplaced concreteness. Also called the fallacy of reification, it gives existence to what only has essence. Its counting of money is the prime example of this, when in fact currency values are nothing more than a provisional proxy for more fundamental values. It sometimes leads to such absurd statements as that of US FED Chairman

Alan Greenspan's testimony of June 7, 2006, that although oil increased tenfold in price between 1972-1981, its decline of GDP proportion by a third made its importance to the US economy increasingly inconsequential. Given these discouraging characteristics and confusions, the widespread political protestations of immature youth as well as the pursuit of property windfalls by the more mature are understandable. To the average student or citizen, there are far more rewarding activities elsewhere than technical exploration of Adam Smith's theories of markets and economic growth, the neoclassical theories of market failure, David Ricardo's theories of the benefits of trade, and the views of Adam Smith, David Ricardo, or Henry George on the ethics of appropriating land rent. The lack of regard is a consequence of how the subject is taught, not due to any inherent difficulty or centrality of its concerns.

Capital. Classical economists distinguished between capital and land, the former connoting mainly tools and other means of production, the latter encompassing all natural resources. Neoclassical economists then demonstrated the plausible substitution between all factors of production, thus accepting land as a form of capital. Even oil is thought to be capable of substitution. More recently, mainly through greater appreciation of environmental economics, conservation movements, and land rights movements, land and natural resources are being recognized as having fixed or depletable supply. The growing school of ecological economics makes a distinction between soft substitutability and hard substitutability, contrasting resources for which replacements can be found and those for which their loss portends radical economic change. (Constanza, et al., 1977, Daly, 1996) This school too makes a stark contrast with other factors of production such as labor and capital. Resources, typically referred to in shorthand form as land, have social and intergenerational value beyond their immediate exchange value, almost in the nature of public goods, what we have referred to as our natural heritage.

Taxation theory. While the concepts of distributional justice, equity, compliance costs, and tax avoidance are familiar to taxpayers, those of incidence and efficiency are not. Yet little attention is given to assessing the soundness of a tax using all the venerable principles of economic theory that can be brought to bear. As a result, the conventional wisdom is that all taxes have downsides as well as merits, and that trade-offs therefore need to be applied. Moreover, taxation is not only a revenue generator but the most powerful instrument of behavior modification. Land value taxation scores highly on all measures, particularly on efficiency

since it is the only tax capable of encouraging productive activities. Yet Paul Samuelson (1964:542), even after recognizing its advantages and textbook virtues, avoids endorsement by calling it a political and not an economic choice. It is hardly surprising, therefore, that other social scientists, as well as the general public, faced with an inscrutable rationality, should respond with their own misgivings about prevailing practices of taxation, as well as trade, capitalism and globalization.

History has for the most part focused on events in chronological time, which can then be employed to build models, often large and heroic, of sequential and evolutionary stages of social organization, such as kin-ordered, tributary, and capitalist. But latent contradictions lie embedded in the ambiguity of these terms and in the arbitrary points of transition. Capitalism, to take one example of ambiguity, may describe the productive investment in technology that has defeated macro-parasitism and dramatically improved standards of living. It may also be used to describe a polity that supports industrial and armaments monopolies at home, and undemocratic and repressive regimes abroad. Furthermore, the extraction of territorial tribute and the capital investment in tools cannot be demarcated by historical eras when they really stretch seamlessly from prehistoric times to the present day.

Jurisprudence. International Court Justice Mohammed Bedjaoui (1991:281) observed that “the reason for the superabundance of references to equity and to equitable principles in international law over the past thirty years...is that we are in a period of history when the entire system is foundering upon new contradictions.” Confining our attention to natural resources, the problem of global equity was first stated by Mill (1981:232): “The social problem of the future we consider to be, how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe.” In the course of his long life, Mill moved some way towards an equitable resolution of this problem by advocating what is now known as land value taxation, but only in a domestic context, that of the Irish land problem. Had he lived to appreciate the incipient economic globalization that the world has since experienced, a century after his death, he likely would have extended his application.

Explorations of equity in an international context, through global rights to natural resources and through their taxation, are now starting to appear along the edges of international law. In the final Chapter of Steiner’s third-edition law text (2007:Ch.16) covering “Human Rights, Development and

Climate Change,” the several contributors explore various forms of international taxation as appropriate solutions to world poverty. One inclusion alludes to the Koranic ten percent annual wealth tax, and considers a proposal for the differential transfer of all aid from income rich to income poor countries in proportion to the difference of per capita GDP above and below 700 dollars per annum. However, except for a similar international transfer of natural resources rents from resource rich to resource poor countries, not yet proposed, none of these measures fully satisfy important criteria of efficiency and equity.

Judge Bedjaoui suggests that rights to global commons be explored in relation to the seabed, Antarctica, World Heritage Sites, and making world grain stocks a common heritage. As advanced in his thinking as he is, however, he fails to appreciate that all land and natural resources should be owned in common and possessed severally in usufruct, and that all this value has a market price yielding rents. These socially created rents are the one component of land that all the people of the earth can share, as well as provide the support for public goods and services which now are maintained through taxes on labor and its products. This notion is not beyond reach; noted Indian scientist and writer Vandana Shiva (1997, 2000, 2001) proposes that all the biota—the DNA strains of all foods, especially grains—be owned in common and that the rents from such be allocated on an equitable basis.

Law is the body of enacted, customary or proposed rules in which documentary research, as well as the experiences of case precedents, deliver new structures that are then added to an immense, essentially undisturbed, collection of earlier structures. This layering process inevitably leads to contradictions and successive attempts to resolve them by further layering. Nowhere is this more apparent than on questions of sovereignty and human rights. The sovereign state in international law comprises a population, a territory, and a recognized government. But the legitimacy of the state over its population is now open to challenge in the name of ethnicity, aboriginality and cultural relativity. Now British professor of politics Peter Jones (1994:165) argues we must “challenge the commonly accepted notion that societies have exclusive ‘property rights’ in the [natural] resources that fall within their territories.” Facing up to these problems is “one of the most difficult topics in international law...a confusing mixture of politics, international law and municipal law.” (Malanczuk, 1997:57) Treatises on human rights (Steiner, 2008; Lyons and Mayall, 2003) show that few issues have generated more legislation, yet

sadly have had less effectiveness, than matters of indigenous land rights, or that any international issues have confounded human rights proposals more than those of cultural relativity and the right to development. It is the function of jurisprudence to help legislators avoid such contradictions by pointing the law in the direction of its origins in theories of equity.

Political science is the study of power constructs, every bit as large and heroic as are those of historians but, unlike those of development economics, context-dependent and therefore contestable. For understanding international politics, Henry Kissinger's bipolar model was relevant in its time to ideological conflict between the first and second worlds, and Fukuyama's *The End of History* marked for a short moment the first world's ideological triumph. The most recent grand theories have come from Thomas Barnett (2004), whose first book, *The Pentagon's New Map*, is as sweeping as MacKinder and Mahan's theses a century ago were on the importance of sea-lanes. Yet none of these are relevant now to the four-fifths of humanity occupying the Third World for which a more appropriate model was, is, and promises to remain the macro-parasitic manifestations of feudalism in colonialism, neocolonialism and transnational and corporate intrusions. Many political scientists have explored the kind of exploitive and dependency relationships that are described by the term, macro-parasitism, but one needs to go back to the work of Max Weber, writing a century ago, to fathom the basic distinctions that he made, especially that for patrimonial organization (Weber, 1968).

Huntington's *The Clash of Civilizations* model assumes conflict along what he describes as civilizational fault lines, whereas in fact every known political flashpoint has its origins, ultimately, in disputes over natural resources. This can be modeled as the clash of two different, internal and external, modes of political control. On the one hand, macro-parasitism leads to internal social discontent. Then "as supplies contract and the price of many materials rises, the poor will find themselves in an increasingly desperate situation—and thus more inclined to heed the exhortations of demagogues, fundamentalists, and extremists who promise to relieve their suffering through revolt or ethnic partition [or terrorism]." (Klare, 2001:24, 213-215) On the other hand, and clashing with this internal mode of political control, are the external modes of control, of regional stability where energy imports are perceived to be threatened, and of regional instability where potential arms exports are perceived to be threatened. This political irony is clearest in the history of the US, whose democracy welcomed poor migrants from feudal Europe, then from feudal Latin

America, and whose ideals of freedom then overcame fascism, but whose external mode of political control today paradoxically gives support to undemocratic and monopolistic foreign regimes little different from feudalism and fascism.

It is not surprising then that Klare's model predicts that the wars of the future will be fought over the possession and control of increasingly scarce land and natural resources. Unlike earlier models, Klare's model is ideologically transparent and is historically seamless. "Human history," he says, "has been marked by a long succession of resource wars—stretching all the way back to the earliest agrarian civilizations." The main locus of power and the catalyst of conflict continues to lie in the highly differentiated property rights in natural resources, both within and between states.

Psychology. Social psychology, for our purposes, overlaps sociology. Behavioral psychology is of direct interest here, bringing new insights to economics by its development of concepts of rational or irrational behavior, optimizing or satisficing, utility and disutility, risk taking and risk aversion, and inherited or acquired aversions to perceived unfairness (e.g., excessive income inequality and employment insecurity). In this growing body of literature about political and economic motivation, what is remarkable is the power of irrational inducements and manipulative advertising in mobilizing and diverting them for shallow purposes. Concerns for justice pale in view of the willingness of people to accommodate to immediate impulse.

Sociology, the systematic study of social issues, presents ambivalence, noted earlier in the problem of defining sociology. The tools of postmodernism might be useful in analyzing ambiguous definitions, but its own language leads it into a morass of contradictions, even when addressing a topic as relevant to us as globalization. Its language is replete with passages like that in the following journal observation: "Some postmodern theories, while emphasizing the crisis of the meta-narratives, have never been sufficiently self-reflexive in recognizing their own paradigmatic and chronic foregrounding of the temporal." Whatever you say.

NEEDED: INTEGRATION OF SOCIAL SCIENCES

From the evidence analyzed in this book it appears that Mary Robinson's criticisms, with which the book opens, are valid, not only for development

and human rights but also for the programs targeting sustainability and peacekeeping. The implicit assumption that program implementation rather than design explains the difficulties of development campaigns is open to challenge. On the contrary, program outcomes, at best unintended consequences, at worst complete failures, are predetermined by institutional constraints connected with property rights in natural resources. There is little evidence, given the contradictions exposed here, that these constraints are understood by program designers or by those social sciences that inform them.

How can these contradictions be resolved in ways that allow the power of social science building blocks to be recombined for a better understanding of the roots of poverty and can then make for more robust program structures? A better integration of the social sciences is one place to start, along with the use of language and models that can bridge now insular disciplines. The last requirement means delivering these to program designers.

As suggested earlier, the issues surrounding poverty require a greater integration of the social sciences. One place to start is with a point of general agreement: the research process itself, as comprising problem definition, literature review, hypotheses, method, collection and analysis of data, and reporting of findings. In other words, social sciences, and their applied policy science sisters, need to be guided more closely by traditional principles of sound research. Can epistemology and methodology itself transcend disciplinary discourse? This remains an open question, but unless such obstacles are surmounted, it is doubtful that work of these guilds will ever be more than the handmaidens of more public agendas rather than of principles to appeal.

If the central problem is defined as poverty, and if initiatives now addressing poverty have failed, then the institutions that block these initiatives and support its continuation are the ones that need to be examined. Powers and institutions that now control access to land and natural resources are the primary candidates for study. Responsibility for failure to undertake such scrutiny lies, ultimately, with the social science approaches that inform these initiatives. It is at this point where opinions differ widely. On the one hand students of society and public policy view open competition of epistemologies, research methods, paradigms, and models as the healthiest avenue to discovery. Yet many scholars, representing the range of social scientists blanch at the thought of efforts

to unify discourse. There are others, this writer among them, who believe that only through greater integration of disciplines and language can progress in any practical sense be achieved. Common social science language, explicit models of institutions, and educational instruments for conveyance to field designers and practitioners are the path to successful program initiatives addressing poverty.

A COMMON LANGUAGE

Science requires precise, unambiguous definitions and the use of plain language in place of linguistic excesses, for example those of postmodernism. The section on development models aims to define land, labor, capital and institutions: the factors that determine poverty and progress. In some instances a case can be made for mathematical expression. However, by adulthood many people have usually lost any mathematical abilities beyond those of simple arithmetic and are generally unhappy with any graph depicting more than one variable. Yet many adults and most students are now able to use computer spreadsheets to make estimates and predictions, for example in household budgeting. Many socio-economic concepts can be learned in the same way by providing the learner with a model spreadsheet and the means of changing the parameters and observing the results. For example by changing fertility rates one can observe the effects on wages (the Malthus model) and on land rent (the Ricardo model), or by introducing technological change one can observe the effects on both wages and rent (the Samuelson model). As confidence and curiosity increase a learner can explore the effects of making changes to the formulas themselves, often in natural language or through menus. Even more helpful are graphics that enable statistical data to be presented in easy visual formats.

In addition to employing plain language in efforts to explore social organizations, it may also be possible as well to jettison many of the misleading social science frameworks that have enveloped, and perhaps even encrusted, social research. One needs to recall that social sciences did not evolve organically as did their counterparts in the physical and biological realms. Rather, they were instituted by fiat, or perhaps the result of an agreement to create them, so that the epistemology and methodology they adopted reflected the ideology of their times. It is not just concepts like evolution that dominated the thinking of early social scientists, like those of Herbert Spencer. They were also dependent upon assumptions, implicit in the concepts of role and division of labor. These

ideas had evolved in a tradition of discourse, inseparable in time from the origins of recorded Western thought. As these concepts were incorporated into social inquiry they also became indistinguishable from the conventional ideologies that accompanied them. When these frameworks were then applied to non-western societies, there could not help but be distortions in observation and documentation. How possible is it, for example, to use the term law, or property, in the contexts of other civilizations without regarding them in many instances as anything more precise than function equivalents? The choice is either that or to apply their fully-developed Western meanings.

It is easy, therefore, to understand how ideas such as land, and rent too, have failed to be applied contextually as political and economic systems are analyzed and compared. Can they ever have greater meaning than as functional equivalents? How might concepts of obligation be explicated except through concepts of rent, especially in cultures where hierarchical relationships are a dominant factor? And if rent is a term to be employed comparatively or universally, what forms might it take? If obligations to patrons and to the community are paid in rent, might that as well be in labor, in tribute gifts, or in celebratory offerings? Is it then still to be labeled rent? Lastly, as times have changed and Western practices and beliefs have penetrated cultures worldwide, the shift from payment in kind to payment in coin seems to have accompanied shifts in notions of land ownership. One could argue that rent is a pervasive form of exchange in all societies, and that contemporary social science practices of ignoring it constitutes a critical and pivotal failure.

The section on models of development does not define poverty explicitly because, like many human rights, it is culturally and economically contextual. The section on rights and duties moves instead toward efforts to define human rights and duties with universal applicability. In each case, however, efforts are made to extend to every corner notions of social obligation that are arguably reflected in the concept of rent. Rent, one might propose, is the currency of obligation that has been lost from the contemporary world views only in the past century.

MODELS OF DEVELOPMENT

The utility of models for explanation and prediction in development policy programs has permeated this book. Chapter one identified population growth and income growth as determinants of poverty. Subsequent Chapters distinguished between man-made capital and that bequeathed to

humanity as our natural heritage. The framework offered for the reader's consideration is that which John Locke first enunciated: that alone which we create with our own hands or minds is our property. That which constitutes the natural environment around us, the earth itself, should be shared among all peoples and all generations. In economic terms, the concept of this natural heritage is easily understood as a production function (of goods and services) and a distribution function (of who gets what). Chapter 7 builds simple economic growth models and uses them to predict outcomes of alternative reforms. Implicit throughout all this discussion has been emphasis on the pivotal role of institutions. They determine the efficiency with which savings are converted into goods and services, as well as the equity of their distribution, between the classes of society, between nations, and between generations.

Models of static social differentiation, what McNeill and some anthropologists have called macro-parasitism, can be substantially improved by employing the concepts of land rent, monopoly and rent seeking. The institutional constraints of monopoly are already well understood given their ample discussion in economic literature. Unfortunately, calculating the inefficiencies of rent seeking and deadweight loss, as well as the injustice of the private appropriation of economic rent, have received far less attention; as earlier noted, the idea of economic rent has, for all practical purposes, dropped out of neoclassical economic literature. Yet it is highly useful for the understanding of, and can be directly applied to, development models. Models of externalities and corrective taxation are also widely understood, and have been applied by environmental economists in especially compelling ways.

Chapter 7 further elucidates a 3-factor (land, labor and capital) model of a 3-sector economy (rural, urban-informal, and urban-formal). It expands on work previously published (Smiley, 1996). Using a fourth factor of production, institutions, this model shows how incomes are driven down to subsistence and into a period of feudal stagnation. Applying development strategies consistent with the three factor model—aid, foreign direct investment, land redistribution, and land taxation—it offers an alternative course of development strategy.

This model of progress constitutes savings invested (in physical, human and social capital) multiplied by efficiency, where the latter depends on institutions, mainly on landed institutions. The model of poverty is the

effect of these landed institutions, not only on absolute progress, but also on the relative distribution of the fruits of progress.

MODELS OF UNIVERSAL RIGHTS AND DUTIES

The cultural and economic limits to the universal applicability of human rights agendas have already been questioned in earlier Chapters. Can there be a subset of rights compelling enough in its appeal to reach universal acceptance? Articles 3, 4, 5 and 6 of the UDHR seem to satisfy these criteria even though they do not guarantee the right of universal access to the natural heritage of the planet we inhabit. In various guises, rights to our natural heritage have had a long history. Yet they could hardly be questioned until they were threatened. What had been taken for granted throughout human history was for the first time becoming a scarce resource—with an economic price! Perhaps anticipating the looming contention over the rights to property in land, Mill argued for common ownership of land rent rather than of land itself. Meanwhile, subsequent collectivist interpretations of common ownership of land were tried, and proved massively unsuccessful. The idea of common ownership of rent has resurfaced strongly in environmental rights and in the profound and insightful thinking of Judge Mohammed Bedjaoui (1991). “The common heritage of mankind,” he says, “should be shared among all States.” Bedjaoui goes on to define the common heritage of mankind to include not only the resources of the sea-bed and of space, “but also the land, the air, the climate, inert or living matter and the animal and vegetable genetic heritage, the wealth and variety of which it is vital to preserve for future generations.”

This brings the argument to Jeremy Bentham’s insight that it is impossible to speak of rights without enforceable duties. Henry Steiner’s legal anthology (2007:Ch.6) devotes a whole chapter arguing the case for a Universal Declaration of Human Duties, although this raises problems of implementation when matched against each of the 30 Articles of the UDHR in the real world. This matching would be far easier with a small subset. Consider a Universal Declaration of Natural Human Rights (UDNHR) and, responding to Bentham and Steiner, et al. some concrete proposals for a Universal Declaration of Natural Human Duties (UDNHD).

A Universal Declaration of Natural Human Rights (UDNHR) might, for example, contain the following two articles. The first is an adaptation, the second taken unchanged, from Tideman (2000).

1. “Each person has an absolute right to himself or herself.” This proposition encapsulates the four articles: 3, 4, 5 and 6 of the UDHR, which the following chapter suggests are the only articles that are neither culturally nor economically contingent, and hence universalizable.
2. “The equal right of every human being to the use of all that nature offers is natural, inalienable and limited only by the equal rights of others.” Here, Tideman’s axiom condenses Mill’s right to common ownership with Bedjaoui’s concept of a common natural heritage for all mankind, positing it as an absolute right warranting separate status.

To be consistent, this now requires a corresponding Universal Declaration of Natural Human Duties (UDNHD). Corresponding to UDNHR Article 1, the UN machinery already exists for political and humanitarian intervention. The authority for both forms of intervention is neatly suggested by Robertson (1999:146): “A government which abjectly fails in its duty to feed and clothe its citizens should be liable to international intervention, all the more so because in practice its failures will often be caused by...spending the national wealth on armaments.”

Corresponding to UDNHR Article 2, if a tax shift levied on the uses and misuses of the natural heritage (Tideman and Plassman, 1998) were made a condition of all forms of aid and development loans (see Chapter 2), many if not most of the human rights and development problems identified here would fade. Such a tax shift has the potential to replace taxes that discourage production, investment, and consumption with taxes on land and other natural resource, thereby fostering their optimal use and positively encouraging production. The rents that would be recaptured by the community as taxes have the potential of not only being economically efficient but socially just. They would bring into complete harmony the circular flow of rents that are socially created to then be socially recaptured. Still, land value taxation by itself fails to address intergenerational justice, and can discourage contemporary justice, socially desirable production and spillovers as well.

Admittedly, at a practical level of worldwide acceptance, the libertarian polity implied by land value taxation alone, the single tax, may never be acceptable to the plurality of world polities. In the developed democracies, their range stretches from American libertarianism to Nordic welfare states and in authoritarian polities well beyond. Moreover, even if the natural resource rents can be identified and calculated in ways that allow them to

be recaptured as taxes—an identity known and accepted in economics as the Henry George Theorem—that would still leave the question of how they should be collected in federated state systems, and which revenue stream of rents should be allotted to which governments. This means that what is plausible in economic theory may still be technically and administratively beyond the reach of governments to carry out.

Yet many of these problems can be overcome, and equality of rights to natural heritage be achieved, by a combination of Tideman's tax shift, combined with some of the taxes and subsidies used to deliver merit goods, plus some of the taxes, permits and regulations used to deliver environmental goods. The libertarian state would likely be politically amenable to the first, other states would accept all three. The design is made doubly attractive by the fact that taxing rents is really the recapture of windfall gains, whereas the taxes which they would supplant are based on the actual, and sometimes arduous, labor of citizens as well as on the products of their efforts.

The relative importance of different merit goods like public education and seat belts, and of environmental goods like clean air and water, will most certainly vary with time as well as between governments and countries. It is also certainly beyond the scope of this book, with one important exception: affordability. It was earlier conceded that merit and environmental goods, though justified in the long term, impose heavy short-term costs, especially on poor countries. One should also note that a large opportunity to meet these costs, as well as to achieve other objectives, was passed over in favor of revenue streams of an inferior design. That opportunity is the collection of land and natural resource rents for public revenue.

CHAPTER 6: POVERTY REDUCTION THROUGH ECONOMIC GROWTH: WHY IT HAS FAILED AND WHAT IS NEEDED

The previous chapter argued for better models to overcome the impasses of existing socio-economic approaches. Reducing poverty in developing countries requires policies that achieve two levels of change: 1) increasing the average rate of economic growth to deal with national poverty and 2) improving the distribution of wealth to deal with household poverty.

This Chapter considers the first dimension of change, strategies to raise the general level of national income in developing countries. Most such policies are based on competing models of economic growth, and those theories need to be evaluated according to the success of the hypotheses they generate. Without models that correctly predict success and failure of specific policy proposals, governments will continue to apply ad hoc solutions to economic stagnation, and those solutions are bound to fail.

As a reminder to the reader, the following abbreviations are occasionally used here: CBA (Cost Benefit Analysis), GNP (Gross National Product), IMF (International Monetary Fund), LDC (Less Developed Country), LVT (Land Value Taxation), NGO (Non-Governmental Organization), NPV (Net Present Value), OECD (Organization for Economic Cooperation and Development), SAP (Structural Adjustment Program), TFP (Total Factor Productivity), and UN (United Nations).

Economic growth is taken here to mean the medium-term average annual change in per capita GNP (Gross National Product), which is the standard measure of national income. Investment in growth is taken to be that part of national income, including foreign borrowings, which is not consumed, the whole being called savings.

Economic theories of growth have had little success in predicting economic outcomes, particularly those related to the productivity of capital. Harvard professor Gregory Mankiw (1995), a major figure in contemporary economic thought, presented a paper at the Brookings Institution asserting that the real return to capital is not one-third of GNP as was commonly held, but rather closer to

two-thirds of GNP. (This conclusion depended on definitions of human capital and presumably related only to Western economies). It was regarded, both then and now, as a landmark analysis, but immediately the guest panelists continued then to disagree with it. So, it argued, the neoclassical growth model can be criticized for its failure to predict economic performance, particularly in the Third World.

The neoclassical model

The usual way in which economists approach the problem of economic growth is through the neoclassical model. Since neoclassical economics is built essentially on two factors of production, labor and capital, the model relied on their permutations. Economic growth occurs largely due to technical change and increases in the quantity of capital.

Neoclassical Explanation #1: Total Capital. Following World War II, the start of the Third World development period, the traditional economist's explanation of economic growth was the quantity of capital available. The prescription for growth was capital injection. Poverty was the domain of politics, not economics. It was treated as a trivial externality and the effects of growth were expected, eventually, to "trickle down" to the poor. (That is, the aim of policy was to increase the "size of the pie," not to worry about how it was divided.) Thus, one of the first growth models applied to the Third World emphasized the accumulation of capital and the efficiency of its use. (Capital efficiency may be defined as the rise in output associated with the addition of a unit of capital.) Since it was assumed that investment in industrial capital would attract surplus labor from rural areas to new urban productive opportunities, growth of the labor supply was included in the formula:

$$\text{ECONOMIC GROWTH} = (\text{SAVINGS}) \times (\text{CAPITAL EFFICIENCY}) \times (\text{LABOR})$$

This widely circulated Harrod-Domar model was to be the engine, and the Marshall Plan for European recovery its vindication. Thus a Western, neoclassical scheme, conceived entirely within an industrial, capital-intensive region with a well-developed public sector and market institutions, was transplanted into agrarian, labor-intensive regions of the world characterized largely by a poorly-developed public sector and rudimentary market institutions.

The Harrod-Domar model did not work. Simply pouring capital into developing economies did not automatically increase rates of growth. It was later recognized that the formula would more accurately indicate performance if it

growth of the labor supply was entirely excluded, so that something like the following modified growth function has been used since.

$$(\text{PER CAPITA ECONOMIC GROWTH}) = (\text{SAVINGS}) \times (\text{CAPITAL EFFICIENCY})$$

Neoclassical Explanation #2: Capital Efficiency. According to this second variation on neoclassical theory, economic growth occurs as a result of capital efficiency—the amount of increased output that occurs by adding new capital. Neoclassical theory suggests that the marginal product of capital, the efficiency of each extra dollar of investment, is high in low capital countries. Textbook tabulations in the early development decades did confirm that poor countries had lower incremental capital-output ratios (higher marginal capital efficiencies) than rich countries. It was even suggested that these ratios were roughly constant for any one country. Under these assumptions, underdeveloped economies should have grown rapidly.

Yet low quantities of capital in developing nations did not result in high capital efficiency, contrary to what neoclassical theory predicted. Recent calculations of capital efficiency (dividing per capita GNP growth by savings), now show huge deterioration since the 1950s. The efficiency of capital investment in many Third World countries is now negative. Within the framework of neoclassical theory this is rather absurd, as was first suggested by Boone (1994) and vociferously articulated by Olson (1996). Clearly, capital efficiency cannot be explained in terms of the marginal product of additions to physical capital, or even of human capital, and marginal product is irrelevant to natural capital (land), the supply of which is fixed.

Total Factor Productivity (TFP) can be used as a surrogate for capital efficiency. TFP makes no assumptions about the kind of capital in which savings are invested. TFP simply reflects the sum of the leakages, caused by rent seeking, from all inputs such as capital, labor, land and natural resources from the production process itself, to the total distribution of national income and between various factors. To continue to multiply TFP by savings is justified since, in the short term, factors other than savings (additions to capital) are fixed. What is not possible at this point, and for which research is urgently needed, is to ascertain the probable effects upon both savings and TFP of the different kinds of reform—structural adjustment, agrarian land redistribution, and the taxation of land values.

Failure. Differences in the economic growth of countries are not well explained by any form of neoclassical economic theory. The failure of capital transplants led to a search for explanations. Over-population? No. Some of the richest countries have dense populations. High population growth? Possibly, but this correlates directly with household poverty, the solution to which is also elusive. Poor endowments in natural resources? No. Some of the least well endowed countries are the richest, and nearly all oil-rich countries actually have negative economic growth. Low investment in human capital? Yes and no. Although increases in human capital are essential for economic growth, existing human capital can easily be squandered. For example, in 1997 the author bought a carpet in Turkey. The shopkeeper had a master's degree in economics. His assistant, with an engineering degree, was planning to emigrate. It is hard to see how increasing human capital in Turkey then could have led to higher rates of growth.

Beyond the neoclassical model. Decades of experience with failed development policies in poor nations reveal the limitations of the neoclassical model. Neoclassical growth theory has been extended to recognize human capital and ideas of endogenous growth. But it needs to incorporate land, natural resources and, most importantly, rent-seeking theory to adequately model the behavior of non-reproducible factors. Attention to institutions is also needed, now dragging their economies so far from Olson's production possibility frontiers. Finally, neoclassical theory has taken for granted the existence of peace and political stability. That may be the most crucial resource left out of the neoclassical growth equation. Since it is endogenous (i.e., since stability is based on economic factors), it cannot be ignored.

One needs then to turn to problems raised by other factors to explain the failure to achieve targeted economic growth rates as well as the failure of attempts to address them.

ESTABLISHING PEACE AND POLITICAL STABILITY

Threats to peace and political stability, which are prerequisites of economic growth, take a variety of forms, ranging from unjust laws and other internal conflicts to outright invasions from hostile nations. Generally speaking, there have been three international responses to such conflicts: appeals to the UN charter of human rights, deployment of peacekeeping agents where territorial rights are violated, and the application of trade sanctions.

Human rights. Guaranteeing enforcement of human rights fails because of the internal contradictions set up by Article 17 of the Universal Declaration of

Human Rights, the right to own property. This provision invites gargantuan issues and interpretations when applied on a global basis. It could plausibly be construed to overrule every one of the other 29 Articles, and at the least seriously compromise Articles 1 to 5, 12, 13, and 22 through 26. It is particularly problematic if no distinction is made between private property in human products, social property in the rent of land in monopolistic conditions, and the rental value of natural resources under all conditions.

The nexus between property rights and the violation of other human rights is well illustrated in a single sentence earlier paraphrased in Chapter 4 from Henry George's *Progress and Poverty*: "Imagine a small island to which castaways swim as ships are successively wrecked on a nearby reef; eventually the earlier occupants will be able to present new castaways with the choice: be our slave, or keep swimming." The parable illustrates the essence of what is now popularly called "exclusion."

Territorial rights. The protection of territorial rights also fails since political boundaries are themselves the source of most conflict. Territorial restrictions on seasonal migratory patterns, for example in Africa, arise from the arbitrary imposition of European land demarcations going back a century and more. Territorial restrictions on trade damage resource-poor economies, explaining many of the conflicts of the twentieth century: "Where goods cannot pass, armies will."

Sanctions. Economic sanctions against nations that violate human rights tend to be ineffective because sanctions invariably damage those least well endowed with human rights or property and because they are more likely to delay than advance the evolution of politically stable states. When applied in Iraq, for example, they hurt the most vulnerable element of the population, and were questionably useful in any case. Their applicability to Cuba satisfies American domestic politics more than any national foreign policy goal. Their use against South Africa during Apartheid's last days had more propaganda value than economic force.

Economic equity. Political stability, without which long term economic growth is impossible, appears to depend, then, on measures that might offset extreme inequality within and between states. This is seen as depending both on a far more fundamental understanding of the relationships between conflict and economic equity, and on far higher rates of economic growth, than those achieved so far by conventional interventionist strategies. The tentative conclusion offered by Helpman (2004:93), in reviewing the significance of

inequality in explaining economic growth, is “inequality slows growth. The research in this area has, however, not been able to identify the mechanism through which this happens.”

RENT SEEKING

A second factor in determining economic growth rates that is ignored in neoclassical theory is the problem of rent seeking—activity aimed at acquisition and retention of monopoly. Societies dominated by rent-seeking behavior frequently suffer negative rates of economic growth. Academic appreciation of the phenomena of rent seeking is comparatively recent: only in the 1970s was it first identified by name, but its utility as a concept has quickly grown in scope and power. It had the initial misfortune of being linked closely to an alternate theory of public budgeting and finance—what has become known as “public choice theory,” but its applications have since transcended whatever constraints those associations first imposed. (Tullock, 2005; Ekelund & Tollison, 1981; Tollison & Congleton, 1995, Kahn & Sundaram, 2000) Research on rent seeking is hampered insofar as those who most appreciate its utility take a very antagonistic view of government. In due course those committed to the improvement of government performance may explore its dynamics and how to stem its negative effects as well.

Rent seeking. Various known as DUPSA (Directly Unproductive Profit-Seeking Activities), or activities generating social waste rather than social surplus, rent seeking refers to all activity aimed at capturing the unearned surplus which economists call economic rent. In any economy there are thousands of examples of monopolies to import, produce, or export goods or services. In a famous example, the granting of a monopoly on import licenses in India transferred into private hands an unearned profit equivalent of 14 percent of the entire revenue of the Indian government. The diversion of this unearned surplus can occur through persuasion, bribery, corruption, armed coercion, or quite simply through what economists call “initial endowments,” i.e., prior ownership. Conventional reform, targeting the unearned surpluses flowing through Olson’s dense networks of collusion and corruption, is a slow and painful business, as the World Bank and IMF have learned. But land can be described by three simple attributes: site, title, and rental value. In situations where initial endowments in land are due to or encourage monopolistic structures, land rent becomes what economists call economic rent, and is both a legitimate and attractive target of taxation. Rent seeking theory then provides a measurement of the equity benefits in transfer payments and efficiency

benefits that can be achieved by the removal of deadweight loss stemming therefrom.

Rent seekers are those who aim to appropriate the unearned surpluses or rents that accrue to such titleholders in the absence of their tax collection. This class transfer from society to the rentier reduces social equity, and is also associated with four inefficiencies: costs arising from initial rent seeking, costs of ongoing rent protection, the deadweight loss of production and consumption, and the associated disincentive to innovate. These inefficiencies cause or are caused by opportunities for rent seeking and, in the Third World particularly, usually inflict very large costs.

Scope of rent seeking theory. Although rent seeking theory evolved in the context of bribery associated with government intervention, research work has continued to extend its scope. This book takes the rent of land in imperfect markets, and of natural resources in all markets, to be examples of economic rent, and therefore susceptible of rent-seeking analysis. Rent seeking of opportunity in land and natural resources is found often in economic problems, usually in political problems, always in environmental problems, and usually in the Third World. Furthermore, the constraints placed upon these natural opportunities by rent seeking have profound and widespread international and intergenerational implications everywhere in any economy.

Monopoly theory. Monopoly theory explains with precision the intuitive idea that limiting the supply of a commodity or service permits the price to be raised above the price set in a competitive market. Rent-seeking theory is based on monopoly theory because monopolists are able to collect supernormal profits or rents by restricting the supply of an essential product or service without good substitutes.

Rent seeking costs. Rent seeking consists of devoting resources to gaining or preserving a privilege that yields an economic surplus or rent. A rent seeker will expend money almost up to the size of the economic rent. He will do this in period one to obtain the economic rent. And he will expend similar amounts in each subsequent period to protect this economic rent. These costs are pure waste from a social perspective since they have no production value. They merely transfer value from one group of people to another, from those who are productive to those who are not. To those so situated and privileged to capture them rent-seeking gains constitute pure windfall.

Deadweight loss. Deadweight loss generally refers to the social waste caused by monopolistic or regulatory interference with market prices, causing overproduction of some commodities and underproduction of others. Thus, the housing stock in market economies is inadequate because concentrated ownership of urban land leads to speculative hoarding and leaves valuable sites idle. Underproduction of housing makes it unaffordable to large segments of the population. Similarly, price supports for food in Europe and the U.S. lead to wasteful overproduction and excessive use of fertilizers and pesticides. A second element of deadweight loss is the waste incurred by rent seekers to expand or protect their monopoly power. Third, monopoly creates deadweight losses by discouraging the sorts of cost-saving innovations that normally occur in a competitive environment. These losses are hard to estimate because they represent products and processes that never come into being. The work of Olson, Boone, and others seems to suggest, for Third World economies, where land tenure systems are often monopolistic, that the deadweight losses must be enormous.

Modes of rent seeking. The costs to society of rent seeking, that is to say the lost opportunities for productive activity, vary, it seems, with what might be called the mode of rent seeking, six of which are developed and analyzed here.

1. Coercive, as in conflict, associated with offensive and defensive costs
These costs and associated deadweight losses may be very much larger than the rents to be captured, since the rent seeker does not usually bear the full cost of the action. Costs may further exceed rents, depending on the relative contributions of irrational ideology and rational economic incentives to the strategies of the combatants. Positional advantage over natural resources such as minerals or oil, in the ground or in transit, is an incentive reported in almost every contemporary case of armed conflict. But coercive rent seeking is also historically important in explaining established property rights (what economists call "initial endowments"), and hence the roots of territorial conflict in the perceptions of those who 'remember' earlier endowments.
2. Competitive, as in the political lobbying of government, in any economy
In competitive situations, the costs of rent seeking and subsequent rent protection tend to equality with rent itself. Monopoly theory suggests that the deadweight loss is half the value of the rent. Competitive rent seeking if unexposed to shock or reform, may shift endowments to the point where the mode becomes passive.

3. Passive, as in traditional societies where rent, as a result of earlier coercive or competitive adjustments to endowments, now flows from society to rentier according to established custom, for example in traditional feudal and caste systems. As the accumulation of accepted customs reduces competitive bidding, it reduces competitive rent seeking, but not necessarily rent protection costs or the possible emergence of coercive rent seeking. Here, the deadweight loss associated with failure to innovate may be very large, and land rent itself, as an example of economic rent, may consume 50 percent of GNP. This mode may not be confined only to the Third World. Olson (1982) describes a phase in postwar Western history resembling a transition, by way of the growth of dense networks of collusion, to a passive, sluggish economic state. Indeed Murrell and Olson (1991) analyzed and extensively quantified the same economic decline in the command economies of Eastern Europe, concluding "this collusion generates an institutional sclerosis that is even more pronounced than that observed in market economies."
4. Structural, as in the restructuring of property rights systems associated with revolution or its reversal. For example, in the transition economies of Eastern Europe, new or greatly enlarged rents have arisen and quickly captured during a period of structural hiatus. Deadweight Losses are, apparently, extremely high.
5. Resource bonanza, as in the discovery of natural resources. Arising from strategic needs perceived by consumer states, rent-seeking costs and the deadweight losses from monopolistic restrictions of supply may be very high. Several studies have shown that similar losses are self-inflicted on producer states although this is not intuitively obvious.
6. Resource depletion, as in shocks arising from the depletion or degradation of natural resources. Tietenberg (2009:84) uses examples of rent seeking to "illustrate the general economic premise that environmental problems arise because of a divergence between individual and collective objectives. This is a powerful explanatory device because not only does it suggest why these problems arise, but it also suggests how they might be resolved - by realigning individual incentives to make them compatible with collective objectives."

As natural resources become scarcer and more degraded, all the costs associated with resource rent seeking rise. However, if technology creates substitutes and improves resource conversion efficiencies, and if rationing by effective taxation instruments becomes increasingly accepted, the cost associated with resource rent seeking declines.

The following table summarizes these rent seeking modes, takes competitiveness as a norm and offers estimates of their relative values. There is insufficient evidence to apply these modes to the calculation of savings and TFPs for the projections of alternative strategies, and Murrell and Olson have attempted to do this for the USSR. The case study illustration that follows the table gives some indication of the power of rent seeking to reverse the benefits of natural resource bonanzas.

RENT SEEKING MODE	COERCIVE	PASSIVE	STRUCTURAL	BONANZA	DEPLETION
Dead-weight loss					
Restricted supply	V.high	Low	High	V.high	V.high
Failure to innovate	V.high	V.high	High	High	V.low
Rent-seeking cost	V.high	Low	High	V.high	Rising
Rent protection cost	V.high	Normal	High	V.High	Rising

Table 1. Rent Seeking Modes.

Case study. Rent-seeking theory can offer acute explanations of some counterintuitive experience. For example, resource-rich countries might be expected to grow faster than those denied the benefits of natural resource bonanzas. Paradoxically, these bonanzas have been found to be negatively correlated with economic growth, presumably because the costs of rent seeking are greater than the benefits achieved in growth. This is testable by examining, for example, the performances of oil-rich countries. The average growth in GNP per capita in Saudi Arabia 1975-2001 was minus 2.1 percent per annum, that of the United Arab Emirates was minus 3.7 percent. (Globalis, 2009) Indonesia appears to be the only oil-rich country posting positive growth in the span of some 25 years, averaging 4.3 percent per annum.

Summary. Rent-seeking theory provides explanations of important nonproductive economic behavior needing a place in environmental and developmental economics. It is not at all unique to Third World nation economies; ample instances can be identified among the world's most "advanced" governments. The larger the scope of government, one could argue, the larger the opportunities for and the existence of rent-seeking behavior. This does not argue for necessarily limiting the scope and size of government; what is called for is the more careful design of administrative services and fiscal programs. Use of the term, however, is still mixed, as it is sometimes viewed as a pathology inherent in the role of government rather than as a challenge to be overcome in the design of structures and practices.

Yet discussion is growing in major textbooks of economic development and environmental economics. (Meier & Rauch, 2000:434-441; Tietenberg, 2009:82-83, 160)

PROBLEMS WITH PROPERTY RIGHTS

A third impediment to sustained economic growth, ignored by neoclassical theory, is the failure to distinguish between different types of property. While security of title may be required to induce investment on sites, absolute ownership of natural resources can have a chilling effect on their development, by encouraging hoarding rather than productive use. Peruvian economist Hernando DeSoto (2001) argues that title assurance was not just a necessary but a sufficient condition to Third World economic development. He fails to see that the security of titles can often constitute an abuse of privilege as much as an opportunity (Batt 2009a).

Desoto has nonetheless been extremely influential in his thesis, largely because the prevailing school of neoclassical economics does not recognize land and natural resources as a separate factor of production. This leads to confusion in all that follows, for example the failure to recognize the significance of economic rent and its affect on social behavior. The consequences of private ownership of land and of capital are different. Classically and historically land and all natural resources were treated everywhere as commons; it has only been in the past three centuries that land, as well as other elements of nature, have become regarded as commodities to be bought and sold as well as owned as private property. Earlier, property consisted of items that one created, like utensils, armament clothing, and so on. Indeed John Locke (1690:Sec.27) wrote that one could only “own” something insofar as one “mixed one’s labor” with it. Sir William Blackstone, writing in Book II of his Commentaries on the Laws of England in 1853, began by stating, “The earth . . . and all things therein, are the general property of all mankind from the immediate gift of the creator. . . . There is no foundation in nature or in natural law why a set of words upon parchment should convey the dominion of land.” To claim title to land and natural resources, and of course to the rent that flows through them, bestows windfall rights to those that have captured title, which if traced historically is always and necessarily grounded in force or fraud.

The confusion that accompanies the term “property” is the improper conflation of land and capital into the term “capital,” as if both factors of production had the same attributes. The mere fact that both can be in some sense owned b

individuals is irrelevant. At one time, humans were also treated as property and counted as “capital” by slave-owners, but that did not erase the distinctive characteristics of labor. In the same fashion, treating land as a class of capital does not eliminate its distinctive contribution to production.

Land and other natural resources have attributes different from those of capital and labor. They are relatively fixed in supply, mostly non-reproducible and resemble rival and excludable public goods. They may be associated with international and intergenerational negative externalities. Neoclassical economics treats land as a class of capital, unlike the three-factor models of land, labor, capital of classical economics. Subsuming land under capital as two-factor neoclassical models leaves out crucial information. Most importantly of all, it invites the practice of rent seeking and the creation of an economic class of rentiers dependent on windfall gains and who live without making any contribution to the community.

Conclusion. The failure of neoclassical models to predict the growth expected from capital investment in the Third World is due to its exclusion of crucial elements of reality. Two-factor models do not include land and natural resources in ways useful to the analysis of Third World problems, nor do they explain the effects of institutional rent seeking in holding economies back from their production possibility frontiers. To correct the confusion over the different types of property, as well as problems caused by institutions that permit conflict and rent-seeking behavior, a new model is required.

A GEOCLASSICAL MODEL

It is clearly advantageous to build a new model based on four, or even five, factors by retaining select elements of the existing neoclassical framework. The new model can begin with neoclassical theory at its base, but it needs also to reincorporate elements that have been jettisoned from classical models. A five-factor “geoclassical” model depends on inclusion of the land on the earth (geo) in ways that were previously ignored. Definitions are retained as consistently as possible with those of neoclassical economics. Then after constructing four stereotypical economies, tests can be used to predict how long each would take to reach targets associated with solvency, stability, and ecologically sustainable development.

Confusions of terminology: Since economic rent is a crucial element in the geoclassical model, a clear understanding of what is and is not included under this term is important. The term rent is often used, confusingly, to describe a payment combining land rent and interest on capital, as in, for

instance, the lease payments for an office or a home. For that matter, one can also talk about renting a car, or any other item. In contrast, true economic rent is limited to the return on some form of land. It is in the nature of an unearned surplus, previously called supernormal profit, as in monopoly theory.

The term profit also causes confusion, since it is used in accounting and politics, but not in neoclassical economics. There, competitive markets assume “profit” is already accounted for as a cost of production. The terms capital and capitalism are also confusing, both in finance and in politics. In words of opprobrium, economists sometimes equate capitalism with monopoly and profit with economic rent. Finally, although land and land rent feature in microeconomics, and indirectly in environmental economics, they are very largely absent in politics, macroeconomics and development economics. Since land has become traded as a commodity in the West it is frequently made part of capital.

CONSTRUCTING THE MODEL

As suggested earlier, we need to accommodate and reincorporate land, natural resources, and rent-seeking activities by amending the neoclassical model. Land and natural capital both yield rent, so they sometimes count as one factor, but if they are split they count for two.

The two-factor, labor-capital model. The Harrod-Domar model, stated most simply, relies on the neoclassical two-factor, labor-capital model, and equate GNP growth with savings (GNP less consumption) and total factor productivity (TFP). Using 1995 and 1980 as test years, one can separately calculate TFP from World Bank data for average growth, 1960-1980 and 1985-1995, and savings for 1980 and 1995 (average saving data were not available). Neoclassical theory predicts, as did development reports at the time, that capital investment (from savings) in capital-poor countries would generate much faster growth than equivalent investments in capital-rich countries, since the marginal product of capital would be much greater. The TFP calculations in the table below indicate that the reverse of this expectation prove true.

PRODUCTION FUNCTION Per capita GNP growth = Saving x TFP	1995	1980	Change in		
	Growth	Saving	TFP	TFP	TFP
Low (excluding China & India)		-1.4% = 10%	X -.140	+ .143	-.283

Middle income		-0.7% = 25%	X -.028	+ .152	-.182
India		3.2% = 22%	X +.145	+ .143	+ .002
China		8.3% = 42%	X +.198	+ .113	+ .085

Table 2. Two-factor models.

Inadequacy of the two-factor model. The foregoing analysis suggests that:

1. Rent seeking is a transfer reducing equity.
2. Markets cannot enforce productive investment of this rent.
3. Deadweight loss reduces production efficiency.
4. So far, this is straightforward monopoly theory. But its application through rent seeking to institutions, land, and natural resources, itemized below, is apparently new.
5. The behavior of Total Factor Productivity is very heavily influenced in the Third World by institutions, particularly landed institutions.
6. These institutions are, essentially, repositories of economic rent.
7. Land rent receives a significant proportion of Third World GNP.
8. Natural resources rent can receive a huge proportion of Third World GNP.
9. Initial endowments of land are heavily skewed away from the poor.

The five-factor model. It is far more helpful and convenient to have land and natural resources explicitly modeled for economic rent, and institutions explicitly modeled for rent seeking. Accordingly, a five-factor socio-economic model is offered here that incorporates labor, capital, land, natural resources and institutions, leaving undisturbed the implicit micro-economic foundations of production and distribution.

5-FACTOR MODEL	INPUTS	RETURNS/OUTPUTS
Labor	All human productive input	Wages
Capital	Products used in production	Interest
Land	The surface of the globe	Land rent
Natural resources	Either side of globe's surface	Resource rent
Institutions	Rent seeking	Economic rent

Table 3. Five factor model.

TESTING THE MODEL

What effect might alternative development strategies have upon economic growth generally, and on the particular Third World problems of debt, the environment, and political conflict? What are the time and the costs involved in reaching targets of debt repayment, and of levels of income at which sustainable development and stable governments might be affordable? And what are the likely economic growth rates for the three associated reform

strategies? The four development projections for this region using 1990s data appear to be as follows:

- 1) A benchmark projection of the LDC region, which, because it includes India and China for the time period used, shows a positive growth rate of 0.4 percent. Otherwise this would be close to zero.
- 2) A large country that has experienced some structural adjustment, India at 3.2 percent per capita growth rate in the 1990s.
- 3) A large country that has experienced land redistribution, China at 8.3 percent per capita growth rate in the 1990s.
- 4) A hypothetical country, which adopts land value taxation program (LVT) as a method of discouraging both rent seeking and holding of natural resources out of production. This would increase productivity by diverting resources from wasteful spending to productive saving and investment. This policy change would likely deliver around 15 percent growth per capita, based on the following assumptions:

a) Savings. In 1995 China saved 42 percent of GNP, without the revenue benefit of LVT. For the LVT strategy the saving of 50 percent used here comprises two components: a conservative figure of 30 percent from LVT, 20 percent from private savings, plus revenue from all other taxes.

b) TFP. China, with inefficient state-owned industries (SOEs) and a land reform program limited to the agrarian sector, nevertheless grew at 14.2 percent per capita in 1992. Using a savings percentage of 40, typical of that time, China's TFP must have been more than 0.35. A conservative figure of 0.30 is used for the LVT strategy.

The direct LVT effects, in removing deadweight loss and diverting rent seeking and protection costs in one major monopolistic institution, land, would have a positive side-effect in the disintegration of other monopolies. In providing a source of revenue for poverty alleviation, LVT would also indirectly assist conventional structural adjustment programs in removing the adjustment pains that have made these programs so unpopular.

In the hypothetical model, all start with a per capita GNP growth rate of 0.4 in the year 2000. Strategies 2, 3 and 4 deliver their new growth rates after an implementation period. This period depends on the time to gain political acceptance, and the time taken to install the reform package. Each test or strategy projects GNP per capita growth until the target income level (explained below for each test) is reached. Structural adjustment in India is likely to be the easiest politically but the most difficult administratively. LVT

might be administratively easier than redistribution in China, but politically more difficult.

The Debt Repayment Test. LDC external debt as a percentage of GNP was 39.6 in 1995 (World Bank, 1997, Table 17), equivalent to \$432 per capita. The four strategies all rely on economic growth to discharge this debt by keeping consumption (income less saving) fixed. No interest is charged and no new loans are undertaken during the time elapsed.

The Political Maturity Test. The West seems to have achieved political stability at about half its present income levels. So the simulations run from year 2000 until an income of \$13,500 is attained. After a lead time, in which reforms are implemented, alternative growth strategies continue. Annual conflict costs are progressively reduced, reaching zero when economic growth reaches the “political stability” income level.

The Ecological Sustainability Test. In each simulation unsustainable development continues to this point in the future, “Green Year”, at which time the LDC region is assumed to be able to afford sustainable development.

Three variables are involved:

- a) Population of LDCs grows, from 5.279 billion in 2000 AD, at a declining rate to 9.759 billion by 2080 AD, stabilizing at that point (Earthscan, 1996 and World Bank, 1995).
- b) Sustainability. The West probably has the technical and market institutions capable of achieving sustainable development at present income levels. Though Western technology may eventually contribute to the solution of LDC environmental problems, there has been little evidence of effective technology transfer from the West in 50 years and even less of the transplanting of market mechanisms necessary to the application of that technology. So the simulations run from year 2000 until an income of \$27,000, that expected in the West by 2000 AD, is attained. After a lead time in which reforms are implemented, alternative growth strategies continue.
- c) Burden. For purely comparative purposes it would be useful to assign some value to the environmental burden that the Third World inflicts on the planet. An arbitrary figure of one percent of per capita GNP is chosen to represent this cost. Adapting World Bank graphs and data (1992:40) it seems that some of these costs may have started to fall in the West at about half its present income levels. The per capita burden is therefore

reduced after an income of \$13,500 is reached, falling from one percent to zero when the target is reached. The burden is accumulated during the time elapsed in reaching sustainability.

Test results.

TEST RESULTS	LDC	India	China	LVT
Year at which reforms start	never	2010	2010	2010
Year at which debt repaid	2103	2022	2015	2013
Year of political maturity	2631	2088	2041	2027
Year of ecological sustainability	2805	2110	2049	2032

Table 4. Test results.

The somewhat astonishing results, though generated by crude models using scarce data, and limited by many assumptions, appear to endorse a strategy of growth, both for its own socio-economic sake and for its contributions to solvency, conflict resolution, and sustainable development. The recommended strategy appears to have attributes of efficiency, equity and simplicity superior to those of many other strategies. Finally, in view of the failure of most attempts at global forecasting, it is important to stress that the simulations do not offer any particular prediction. The main conclusion that one might draw from this simulation exercise is that land value taxation (LVT) deserves a closer look as a policy that can achieve a multiplicity of strategic goals. If the assumptions are correct, the superiority of LVT holds for the tax that were set over a range of assumptions.

QUESTIONING THE MODEL.

Models are too simple. True. However, neoclassical economic models have consistently predicted strong positive economic growth for those very economies whose growth rates not only declined, but became negative. They have computed growth from the marginal product of physical and even human capital, while ignoring land, natural capital, and the massive effects of rent seeking. The simplicity of the models presented here may be appropriate to what, at this stage, is essentially exploratory analysis. One might hope they may encourage professional economists in the UN, World Bank, IMF, and OECD to refine and develop further models as well as provide, for non-economists and field workers, insight into why so many projects have been unsuccessful.

The normal growth assumptions are too pessimistic. No, they are not too pessimistic. As benchmarks, the example has used the region defined as LDCs, where growth rates are entirely due to the inclusion of two very large, robust economies, India and China. Without these, the Third World

has had a negative growth rate, and simulation targets would never have been met. It has not used contemporary growth data, even though these would have been more compelling. It has instead used average growth data over substantial periods, for 1980-1993 and 1985-1995, the latter figures being lower than the former. For 40 years development forecasts have painted excessively optimistic scenarios while long-term trends have really deteriorated.

In another sense, the assumptions are too pessimistic. They assume no reform takes place. But it now seems likely that the Third World economies deteriorate to a point at which political barriers to SAPs and LVT fall. (These factors are posited as complementary and for which the alternative, the Tigers' land redistribution strategy, is expensive and unnecessary.) The income target for affordable sustainable development, though apparently reasonable for today's state of environmental technology, is unreasonably high for the long run. Resource substitutions and taxation instruments can be expected to bring down the price of conservation slowly but steadily.

The reform growth assumptions are too optimistic. Olson suggested that, were it not for institutional drag, the marginal product of capital (roughly equivalent to the TFPs used in this paper) for India would be 58 times greater than that of the United States (Olson, 1996:14). The TFP figure used here for the LVT economy is about three times greater than that of the United States. The high savings figure should be compared with China, which regularly saves 40 percent of its GNP with a relatively small land tax revenue.

If foreign loans get consumed not invested, would not land revenues also? A projected land tax revenue of 30 percent of GNP would be much larger than foreign inflows and therefore harder to hide. Land reform consists of much more local than foreign loans, and local "ownership" of reform programs offer an important success criterion (World Bank, 1997:141).

LVT entails wholesale economic restructuring and is utopian. Hardly. All that is involved is implementing elements of what in many cases others have already done: 1) demarcation of land titles, 2) assessment of the rental price of land sites, and 3) deciding what level of government should be responsible for its collection. Recognition has already been given to the significance of DeSoto's arguments for land titling; this thesis has been widely accepted. The valuation of sites is not as daunting a task as many skeptics make it out to be. Especially now with computer programs,

assessments are doable even more accurately than where there are longstanding histories of sales. Thirdly, just as in most nations that already employ land value taxation, it is best employed at the local levels of government, where community acceptance can be based upon understanding of the comparative value of sites. As a final point, LVT is easily phased in by shifting the tax solely to land if there is a conventional property tax, and instituting gradually increasing rates if so needed. An Appendix III illustrates how valuation of locations is possible even without records of sales data, as was accomplished by one LVT proponent in a Canadian community several years ago. It is the very opposite of the grand schemes that Easterly (2006) properly indicts: it arises from the grass roots and is adopted incrementally.

But conventional taxation is also local. Why LVT? In truth, some conventional taxation is assumed to be necessary to the 15 percent growth rates projected. But Third World economies already rely heavily on what, in their context, are the least equitable of taxes—consumption taxes, on the least efficient—corporate and individual income taxes, and very heavily on customs duties. Tariffs present a special difficulty, since the IMF advocates their removal in the interests of free trade and at the same time calls for fiscal prudence.

EVALUATING THE MODEL.

Although a Cost-Benefit Analysis of either the sustainability or the conflict resolution model would be very difficult and require far more information than that available, a few comments are appropriate. Both models suggest gigantic potential benefits from land value taxation as a macro-economic tool. These would, of course, be very considerably reduced by discounting future benefits to Net Present Values (NPV). Admittedly, there are differences of opinion on the discounting, of both those environmental assets which may be non-reproducible, and of the value of human life. Also, some very large costs, loss of capital and loss of production from hostilities, have not been included. The estimation of the project costs are also difficult. One mode of response is to approach this matter indirectly. On peacekeeping alone the UN spends over \$5 billion a year (Global Policy Forum, 2009), and global military expenditure now stand at \$1.2 trillion annually (Stockholm Yearbook, 2009). A 'peace dividend' of just a fraction of one percent would easily cover the full cost of a conflict resolution project. In practice, both projects could continue, after evaluation, from design, education and training, through to the implementation of carefully selected cases. If political issues were to emerge, at least vested interests would brake them. Then any one of a number of quite possible major

economic, environmental or political disasters could greatly hasten project acceptance.

Finally, it should be stressed that the model results follow from the assumptions made. Although this particular model does not rely on general equilibrium theory, the reader is referred to a GCE (computerized general equilibrium) model that does, demonstrating very substantial LVT benefits for selected OECD economies (Tideman and Plassmann, 1998).

The Land Value Taxation model emerges as the demonstrably preferred reform strategy. Chapter 7 examines it more closely.

Chapter 7:

Effective Poverty Reduction: Land Value Taxation

Previous chapters have addressed the failure of most efforts to reduce poverty. An explanation of that failure may lie in natural resource monopolies, mainly land sites, that absorb wealth and investment flows, block growth, and maintain gross inequality. The only Third World countries that have achieved vigorous, egalitarian growth have been those that have successfully reformed these monopolies. Although land reform has created new opportunities in a few countries, more often than not it has failed because it merely redistributed land without recognizing other elements required for a successful development program.

Effective poverty reduction must do more than make land available to landless farmers, as land reform programs have mostly done. It must also change the balance of power between creditors and debtors, reduce government corruption, and, above all, transform the incentive structures that currently promote rent seeking—the privatization of the socially created economic surplus. As long as Third World entrepreneurs find it more profitable to invest in securing favorable treatment for monopolistic enterprises than in productive projects that yield a positive social return, poor countries will remain mired in poverty.

A number of development planners now recognize that reducing poverty requires a comprehensive approach to the problem, but their usual response is to imagine that a number of additional programs need to be established, each one with its particular aim. However, each such separate program is vulnerable to administrative mismanagement and displacement of goals, that is, its own opportunities for rent seeking. The more “moving parts” there are in the system, the more likely it is that some will be prone to malfunction. Effective poverty reduction should best be based on the simplest arrangements possible.

This chapter examines the potential for a reformist program based on a policy discussed briefly in earlier chapters: land value taxation (LVT). Instituting this policy offers solutions to problems far beyond those of simple growth and equity; it can insure greater political stability, lessen

population pressures, foster sounder environmental practices, stem the inordinate spatial development of land, and facilitate resolution of conflicts. Green taxes, as such, are also easily construed as a type of land value taxation. Although there are some technical differences between taxing land (sites, locations) and taxing agents of environmental damage, all such taxes can ultimately be subsumed under the general category of environmental taxes. Most of the discussion that follows is about taxation of sites, but a few references to pollution and depletion taxes are included as well.

It is argued in response to criticisms that LVT is not a suitable means to development in the Third World even if valid for the West. Quite the contrary: offsetting the negative affects of existing economic patterns and practices widely evolved during the past two centuries is arguably the only means of reversing the stifling pathologies that have also taken hold. Some of these practices have developed during socio-economic upheavals stemming from the colonial era. More, however, have grown out of the social inequities in Third World societies and from the more recent structural adjustment programs that the International Monetary Fund (IMF) and the World Bank (Hudson, 2003). These systems of thought and practice can be shown to be exploitive and pathological at their core. The reforms proposed here can lead, faster than any others, to standards of living associated with political, population, and environmental stability.

Land Value Taxation. The taxation of land values is implemented by identifying each separate parcel of real property, calculating the annual value (rent) of the land component (excluding structures), and collecting this rent for public purposes, at an appropriate rate (Tideman, 1994).

The objective of LVT is to increase production efficiency and distributive justice by publicly collecting land rent. LVT is implemented as follows:

14. a) Using computerized assessment techniques, producing land value maps, identifying each site and its owner, and estimating the rental value of each site. Then reassessing all the parcels in a tax region on a regular and consistent basis.
15. b) Recognizing that the market value of any given land parcel equals the present value of the stream of rental income that would be generated if the site is used for its most optimal or "highest and best" purpose, that is, as productively as possible. For example, if an income stream is permanent, given a real interest rate of 4 percent on a land value of \$1.5 million, the rental income would be

\$60,000 per annum (Appraisal Institute, 1996:297-313; Eckert, 1990). Any parcel that is vacant or otherwise held out of optimal productive use is considered “underutilized.”

16. c) Taxing this rental income immediately or gradually, fully or partially, as appropriate. Frequent periodic payments by titleholders are more often bearable than payment of the full rental for a long duration in a lump-sum amount. Total recapture of all rental value in “capitalized” form might, depending on critical assumptions, reduce the lump-sum market price of a land parcel to zero. Arguments are sometimes made in favor of raising the tax rate to something less than 100 percent of rental value, to retain some measure of market price to guide government assessors.

Value Capture. One attractive and tested variant of land value taxation is known as value capture. It is a mode of financing infrastructure grown mainly from the thinking of transportation planners in the United States, but now discussed widely in the literature, even if not so often implemented. Value capture is the recovery of the economic rent that flows through beneficiary locations when proximate public infrastructure investments would otherwise result in their increased market price. Since the value of the land parcels goes up in direct proportion to the increased traffic service or other benefit created by the investment (whether they be highways, parks, schools or any other service attraction), the opportunity arises to recover that rent flow value through taxing them to pay debt service. It is a very efficient and equitable method of financing public infrastructure of all sorts.

Consider, for example the construction of a new highway project that intersects with a road that previously had little traffic. The intersection, especially if it is a cloverleaf gate to a superhighway, will quickly experience a rise in the value of the land sites within immediate distance of that investment. The rise in market price of these land parcels is due directly to the construction of that travel service. Unless the value accruing to those sites is recaptured, titleholders to the sites suddenly reap a windfall gain that they likely did nothing to earn. Since it is the public investment that gives rise to the increase in the worth of those locations, there is a proper moral claim by the public to recover it. In this way, the project is adequately financed and an incentive is created for the owners to improve those sites to the full extent that their increased carrying costs warrant.

One can argue that the failure of the community to recapture the added increment that results from infrastructure investments constitutes inefficient administration and perhaps negligence. For private titleholders of land to benefit from the increase in site values consequent upon public investment might be construed as “odious gain,” just as there exists the legal notion of “odious debt.” Even anticipatory windfall gains derived from public infrastructure investments ought perhaps to be suspect, if not corrupt, although they are not thought of as being so at the present time. They are, after all, rightfully the public’s. Consider the very widely cited anecdote recorded (Riordan, 1963:3) from a noted American political boss on politics speaking in New York argot a century ago:

There's an honest graft, and I'm an example of how it works. I might sum up the whole thing by sayin': "I seen my opportunities and I took 'em."

Just let me explain by examples. My party's in power in the city, and its goin' to undertake a lot of public improvements. Well, I'm tipped off, say, that they're going to lay out a new park in a certain place.

I see my opportunity and I take it. I go to that place and I buy up all the land I can in the neighborhood. Then the board of this or that makes its plan public, and there is a rush to get my land, which nobody cared particularly for before.

Ain't it perfectly honest to charge a good price and make a profit on my investment and foresight? Of course, it is. Well, that's honest graft.

An increasing number of studies and simulations (Batt, 2001; Harrison, 2006; Riley, 2002) show how much revenue is to be gained by the simple practice of recapturing the site value generated by public investment. The spatial gradient of this rent flow is easily calculated and serves as a proxy for the benefit received, and a tax recovering this value is easily imposed. The concept is most often proposed in conjunction with transportation investments, either for roads, transit, or rail. But there is no reason to think that it cannot be employed to service bonded indebtedness for any infrastructure investment that has an easily localized benefit.

POVERTY REDUCTION

To most people, the idea that a tax could reduce poverty seems absurd. A tax takes money away; it does not put money in the pockets of the poor. So how could this tax benefit the poor? The answer is simple: the land value tax raises the carrying cost of hoarding land and other natural opportunities and propels it forward into more immediate use, thereby

creating greater demand for labor, higher wages, and lower rates of unemployment.

Most poverty in the world is caused by denying underemployed people full access to those natural opportunities. In almost every country, productive land is kept out of use by individuals or companies with large holdings. Meanwhile, there are tens of millions of rural families that could earn an income by growing food for themselves and for city-dwellers if given the chance to own a small plot of land and pay the tax on it. The same principle applies to small urban businesses. By raising the tax rate on land, owners of underutilized land have an incentive to bring it into production (by hiring workers) or to sell sections of it to others who will use the land productively. In this way, land value taxation allows the market to ameliorate the problem of poverty. Because land by this means is made more available, the strategic or limiting factor of production is less often or no longer the land component than the labor and capital factors. Creating greater demand for labor raises its price and yet still fosters more widespread employment.

In addition, by taxing away the unearned gains sought by those who would privatize rent (rent-seekers), land value taxation has the added benefit of reducing the corruption and inefficiency of government. In removing deadweight loss and diverting rent-seeking and protection costs in one major monopolistic institution, land, LVT has a beneficial side effect in fostering the disintegration of other monopolies. The net result is more rapid economic development. LVT thereby produces greater economic opportunities (employment) through both micro-level changes (reduced land hoarding) and macro-level changes (reduced rent-seeking and monopolies).

Finally, in providing a source of revenue for poverty alleviation, LVT indirectly assists conventional structural adjustment programs by removing the pains of adaptation that have made these programs so unpopular.

RELATIONSHIP TO TAX REFORM PRINCIPLES

As noted earlier, tax strategies and other fiscal instruments are usually evaluated with respect to their efficiency, fairness, and simplicity, in accord with Adam Smith's canons. The basic tenets of sound tax theory are universally agreed upon, even though they are often described in as few as three overarching concepts or as many as eight (Stiglitz, 1988; Gilchrist, 1988; Batt, 2005).

Efficiency. A tax is efficient if it does not place a burden on the production of goods and services, does not distort business decisions, and encourages optimum use of the factor being taxed. Taxes on the market value of land, either in its vernacular sense or in a more expansive sense (applying to all natural resources) is really a tax on economic rent, a yield that otherwise flows through their locations and capitalized in a market price. Because such land resources—air, water, locations, orbits, and the spectrum, being the main ones—have an inelastic supply, the tax is drawn solely from the locus of that supply as opposed to being shifted forward or backward to others. LVT is the only tax, therefore, that encourages production, by forcing unused or underused land surface into production. Because taxes on land value, and by extension other natural resources that fall under the definition of land in classical parlance, are not shifted backward or forward to other parties to market transactions, they are easily administered and certain. Because there is a fixed supply, whatever market prices land parcels command by their titleholders makes their total payment constant, regardless whatever form or combination they take, i.e., whether in taxes, in lump sum capitalized form, tribute, commodities, or labor services.

Land value taxation is comparatively efficient in that it is the only form of tax that encourages production. Other taxes discourage production, investment, consumption, and exchange, indirectly inflicting large human rights costs, especially in poor countries. A tax on land rent is equitable in that it does not disturb property rights, unlike land redistribution. And a tax on land rent is far simpler than typical legislation for the taxation of work and investment. For example, the page count for the typical income tax code stands at thousands, and climbing. This says nothing of the additional compliance costs and the amount of evasion. Finally, economic models of LVT suggest that the total flow of economic rent is sufficient that if only recaptured in tax revenue it could entirely supplant income taxes, business taxes, and consumption taxes. (Gaffney, 2008; Dwyer, 2003) It would also raise incomes by raising productivity and economic vitality. The combination of these effects would more than compensate landowners for loss of any rental income arising from such a tax shift.

Equity. Conventional taxes violate rights to some sort of private property. For example, the income tax violates the right of each person to the value of what he or she creates through labor. Arguably, one owns one's own body, and owning its products is a simple and logical extension as John

Locke maintained. In contrast, that which one has not created but only uses, is owned by right in usufruct, i.e., at the pleasure of the community. LVT and green taxes leave property rights to community ownership, and with others' use and enjoyment secure and undisturbed, essential for the efficient production of goods and services. The community collects value coming from such use in the form of economic rents that have been created naturally and socially, not individually. "Paying for what you take and not for what you make" encourages efficient consumption of space and resources in an automatic and non-coercive manner. This is also a higher form of justice than that in which one usurps the benefit dividends of what one has not created. As Mill (1998:Bk.5, Ch2. Sec.5) put it, "Landlords 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."

The fairness of a tax is typically measured according to both horizontal and vertical equity. Horizontal equity means that those in similar circumstances will bear similar burdens. Vertical equity prescribes that those with greater resources will pay more. Although studies demonstrating this are sparse given the difficulties of collecting data, land taxes are likely the most "progressive" of any levy, as tenants bear no passed-through burden at all. Not only does no household or office tenant bear any tax burden, locational sites distant from the urban core, mostly homeowners and farmers, typically find their burden reduced compared to a conventional property tax. Vacant or underused lots in high value areas pick up the difference, employing a design that employs an alternate criterion of equity: taxing according to use rather than ability to pay. Put differently, in US urban areas the one-third of households that typically own no land are relieved of all taxes, and residential and nonresidential property owners split the rest. Farmers, whose land is typically of inconsequential market value relative to sites in urban areas, are likely to pay little if anything because of their remoteness and because they are often protected in law by other save-harmless provisions in any case.

Other resource rents than from site locations, i.e., from natural resources of the earth such as the electromagnetic spectrum, satellite orbits, airport time slots, oil and mineral rights, and fishing grounds are typically owned by commercial and industrial institutions. If the rents from such resources are not recaptured, they become speculative investment ventures to their titleholders. As freehold property they are then no longer part of the

common heritage to which all humanity has historically laid claim. On the other hand, taxing the rents from such resources discourages their exploitation beyond what the community is willing to accept while, at the same time, returning to the community a dividend for its willing loan to private parties for their use. These uses are then optimally allocated to those that regard them most highly and to those who agree to use them for their highest purpose. Congestion charges for the use of road space and airport time slots at crowded air travel hubs are examples of such use to most efficient public advantage. The tax burdens they bear are shifted and, being levied on corporate property, they are likely to be more progressive than are taxes on the rental value of real property parcels.

Public recognition is generally lacking today as to the fact that the air, the water, electromagnetic spectrum, satellite orbits, airport time slots, and all the rest have market value only because of the socially created demand for their use. Yet, they are sometimes now given away to private individuals and corporate entities without awareness that they are a common good (Bollier, 2003; Ridgeway, 2004). Plans to privatize water supplies have sparked substantial controversy, especially in poor localities where the populations would gravely suffer, the most notable case was Cochabamba, Bolivia. Yet this is far from the only instance where this occurred (Barlow, 2002). In another instance of privatization, London's Mayor Kenneth Livingstone proposed to reclaim the public's ownership of airspace and relieve congestion by auctioning off the landing slots at Heathrow and Gatwick airports (OFT, 2006). This met with enormous resistance from airlines that had come to regard those timeslots as their property. Similar resistance met the US Secretary of Transportation Mary Peters' proposal in 2008 to auction the timeslots at the four airports serving metropolitan New York City. To the airlines, this was their private property asset. (New York Times, 2008a, 2008b)

The electromagnetic spectrum acquired a commercial value with the advent of radio transmission in the 1920s, and the US government agency antedating the Federal Communications Commission gave away this valuable asset to commercial interests that have regarded it as their private property ever since. The practice continues essentially unchallenged at the present time, even though the frequencies initially granted for analog broadcasts are now being reclaimed by the government to be parceled out once again for more efficient digital communications. With the growth of the internet, mobile phones, and ever greater wireless communications of all sorts, the spectrum portends to more valuable than

ever, the effect of which is to make licenses to various radio frequencies the greatest corporate capital assets these industries own. Even though license frequencies are by law to be renewed every five years following a performance review, these properties are granted again largely as a matter of course. As these elements of nature have grown in commercial value, little attention has been given to the fact that they constitute an enormous gift by the public to private interests strategically privileged.

The most current issue concerning giveaways of the commons natural heritage involves emerging policies to limit CO₂ emissions from power plants by employing what in short-hand are called “Cap and Trade” programs. The approach has its origins in recognition that pricing mechanisms to control air pollution can be more market efficient than the prevailing command-and-control regulations. The original vision of those who conceived pricing approaches as an answer to a growing pollution problem was to auction off the air-sink (to the extent of its absorptive capacity) to the highest bidding power-producers, either to bring revenue to the public treasury or else to be distributed from a “sky-trust” to every citizen as a dividend (Barnes, 2001). As this is written, legislation wending its way through the American Congress would implement such a plan in the near future. The design has changed in the unfolding months of bill-drafting, however: rather than auctioning off the pollution permits to bidding utilities to then be traded between them for optimum efficiencies of pollution rationing, it appears now that the permits will be given away by the government as private property for the utilities to profit among themselves. The public will directly assume the cost of limiting harmful emissions, but the utilities will own as assets the divisions of the air sink which have heretofore been from the beginning of time the common heritage of humanity.

Mill, again (1981:232), in anticipating the central problem of environmental economics in his Autobiography, stated: “The social problem of the future we consider to be, how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe, and an equal participation of all in the benefits of combined labor.” He could not have foreseen that common ownership of the raw material and common resources of the globe would provide sufficient amount of rent in taxation instruments with which modern environmental economics is now experimenting. As later proved true, research work demonstrating the plausibility of this thesis had to wait on better data analysis and theory development. Today it is known as the “Henry George Theorem.” The

revenue instruments, levied upon the natural resources of the earth's surface, can ensure contemporary distributive justice just as well as that between generations.

Equivalent theories of distributive justice, relating to private and social rights to any common resources of the earth, rest on Mill's notion that land values are created by society and should be returned to society as revenue. To Henry George we owe the idea that poverty derives from land monopoly, and that land rent is a surplus can be taxed heavily without in any way distorting production incentives (Samuelson, 1964:541).

Yet newer theories of distributive justice, such as those of John Rawls and Robert Nozick show no awareness of the special implications of landed property for distributive justice. The idea of property rights in land and the taxation of economic rent is centered mostly in discussions of the environment. Nowhere else are the challenges raised about the rights of one group to reduce the natural opportunities of another group, be it within nations, between nations or between generations. The body of literature where one might most expect to find extensive discussion of distributive justice along with the socially-created nature of rents is in the resurgent and growing exchanges about "the commons." Yet economics literature has largely ignored it (with the notable exception of the ecological economists) and, although recognition of the commons flourishes most among biologists and anthropologists (McCay & Acheson, 1987), there is no related discussions of justice. Tideman (2000, 2001, 2009) is largely alone in showing how the premise of equal rights to natural opportunities provides a basis for a new, international and intergenerational theory of distributive justice in land and natural resources. It is no accident that he is a strong proponent of the philosophy of Henry George.

Simplicity. A tax should be easy to comply with, easy to administer and collect, and hard to evade. These requirements are met by few taxes in the West, and fewer still in the Third World. LVT and other instruments for the recapture of rents meets all these requirements. Today collection and evasion problems are generally large in all economies, especially in informal economies. LVT alleviates these challenges and difficulties in any economy.

PRACTICAL ISSUES

Fiscal scope. There are good reasons, as suggested above, to believe that the rent from land and other natural resources could totally supplant

current conventional revenue streams that have such deleterious effects on economic productivity. Ronald Banks (1989:40; 1998) has calculated a normal land rent of from 22 to over 30 percent of Britain's GNP in 1990s. An estimate in Denmark based on official assessments of land and buildings indicates that present land rent is 10 percent of national income (Banks:1998:125). Yet Banks notes that in Denmark, taxes are 50 percent higher than in Great Britain, so the rent/national income ratio in Denmark would be more than 15 percent if Denmark taxed at the same rate as Britain. A study by Terry Dwyer (2003) suggests that rent from land sites in Australia in 1999 was approximately 23 percent of national income. Based on those three estimates alone, it is reasonable to conclude that rent easily accounts for 15 to 25 percent of national income, at the least, among nations with highly developed economies. The existence of conventional taxes on labour and goods tends to suppress the total productivity of social units, thereby reducing the flow of economic rent reflecting market activities. It is therefore an open question how much rent flow would increase in the absence of such taxes.

The proportion of rent to national income is even less well known for Third World countries. Although rental payments to landlords are not exactly the same as economic rent, for most countries, those are the only figures available. Todaro (2009:457) suggests peasants must pay landlords a third to two-thirds of what they produce. Clark's data (1957) for rent payments to landlords in agrarian societies cluster around 50 percent. For LDCs as a whole, a conservative figure of 30 percent is often used in the model calculations. Historical evidence suggests that economic arrangements in pre-modern societies called for at least a third of production was paid to landlords. An ageless nursery rhyme learned by every child offers evidence of this: "Baa, baa, black sheep, have you any wool? Yes sir, yes sir, three bags full. One for my master, one for my dame, And one for the little boy who lives down the lane."

Implementation (political). Professor Richard Bird (1974:288, 292) suggested two approaches. "Major changes in tax systems usually take place after acute crises such as wars, depressions, or revolutions. All-or-nothing alternatives make strategic sense only when one either expects or hopes for a radical change in the values of government." This describes a large number of contemporary situations and opportunities that now face the World Bank and the IMF, a far larger number than Bird wrote about in 1974. Bird's also recommends more effort in data gathering and research. "There are good theoretical reasons to support a continued piecemeal

approach to tax reform . . . What we have, then, is an example par excellence of an important policy and research area in which there has been almost no research of any sort, so that policy is based on textbook generalizations.” Most advocates of taxing economic rents, through LVT or by any other device, are outside government circles, and therefore have little or no access or other resources for researching these approaches. Those scholars who are pursuing these lines of inquiry do so largely on their own or with very modest financial support. Only one American research institution is totally committed to the empirical investigation of LVT’s economic and technical feasibility: the Center for the Study of Economics based in Philadelphia.

Implementation (procedural). Based on experience in Denmark and Britain, Banks (1998:127) suggested that developing a national land cadaster and a comprehensive valuation would take about two years, including appeals. By comparison, a World Bank report (WDR,1997:101) describes even greater difficulties a Peruvian NGO experienced in registering property titles. It was revealing that professional stakeholder monopolies, such as lawyers’ associations, were among the greatest obstacles to reform.

Exemptions and deferments. Because the less than complete taxation of economic rent from land sites wreaks profound distortions on the overall configurations of land use, one could argue that, from a theoretical point of view, all sites should pay rent regardless of their ownership or use. That is to say, even roads, public structures, religious and civic organizations, private schools and colleges, and cemeteries should be included. The expenditure budgets could then in turn optimally reflect the choices that such institutions might elect to make. Although this will never come to pass, it should mentioned as a heuristic way of showing that, at least from an economic standpoint, much of the land surface of the earth is inefficiently allocated. On the other hand, since spatial needs change and infrastructure investments are essentially intractable, it is questionable whether taxation could maintain the allocation efficiencies and accommodations which economic theory would dictate. This is mentioned only to show that the use of credits, exemptions and deferrals of property taxes is very much a result of political rather than economic decisions. Moreover, the decisions on land use allocations for the most part antedate and even still preclude any appreciation of economics factors.

When measures of ability to pay rather than enjoyment of use are the standards by which to evaluate tax fairness, this leads both to innumerable distortions as well as to many administrative difficulties. Some local governments in the West allow exemptions and deferred payment to overcome cases of hardships households may face in paying land value or property taxes. The most important of these is a deferral for elderly homeowners that allows them to remain in their homes without paying the full property tax, while the local government gradually gains ownership of the house by means of a lien on the property. The instances of this application are by no means insignificant; two recent reviews identified some 24 states in the US now employing deferral of property taxes in greater or lesser degrees as provisional tax relief mechanisms (Baer, 2003; Richards, 2006). The consequence of such policies is further distortion in the design and administration of tax codes, as well as land use allocations, that are already riven with compromise and complexity. Moreover, households have come to believe that any tax deferrals or reverse mortgages which intrude on the equity which has built up over time is an improper taking of their justly acquired property.

CONNECTION WITH GREEN TAXES

Growing global concern for the environment has prompted a greater sense of collective responsibility. This has led to various schools of environmental economics, embracing regulatory instruments (favored by lawyers) and taxation instruments (favored by economists), both intended to curb our use and misuse of natural resources. Relying upon constitutional powers, governments have at hand only two instruments by which to address practice of social and economic behavior. These are usually referred to as police powers and tax powers. More often, at least in the literature of policy administration, these are referred to as “command-and-control approaches” and “fiscal approaches.” The former have witnessed widespread application, and the limitations and pitfalls are easily apparent. This bias is likely explained by the fact that practitioners trained in the neoclassical school of economics take no account of land, and the further reality that lawyers far outnumber economists in the halls of government and policy design.

It is only more recently that governments have been looking to various fiscal devices as means of altering behavioral choices. The number of “green taxes” proposed to address pollution or depletion of natural resources is now growing rapidly. There is no agreed term covering both land and natural resources, the default descriptor being land. Land usually

refers to land surface, sometimes including natural resources lying above and below this surface. Sometimes the term natural capital is used to distinguish natural resources from physical capital and human capital, and natural capital usually refers to resources of market value not created by human hands or minds. Natural opportunities imply the opportunity costs of use and misuse of land and natural resources of every sort. This offers the chance to examine rents from natural resources commanding market prices such as the electromagnetic spectrum, the time slots at congested airports, the air sinks available for CO₂ emissions, water in streams, lakes and river sinks that absorbs heat from power plants, and many additional elements of nature too numerous to mention here. These instances all show the similarities and overlaps between taxes on economic rents and green taxes.

Green taxes and Land Value Taxation. Environmental economics, which includes green taxes and environmental regulations, has grown up largely unaware of land value taxation (LVT). Yet LVT and green taxes have important differences. If LVT is levied on the earth's surface, green taxes are levied on natural resources above and below ground. Environmental economics now has a well-developed research base for treating extremely diverse media. In contrast, LVT's research base, though addressing an extremely simple medium, is almost entirely undeveloped beyond the analysis of the split-rate tax (taxing land separate from improvements) in Western local government. The use of LVT encourages more efficient and intensive use of natural resources; that of green taxes discourages levels of production perceived as creating negative externalities such as pollution and resource depletion. LVT targets simply defined sites; green taxes target numerous and complex externalities.

LVT and green taxes both tax social goods in relatively fixed supply, and both have important international and intergenerational implications, directly for the environment, indirectly in the case of LVT. There is a strong case, on both efficiency and equity grounds, for a theoretical as well as practical synthesis between LVT and green taxes and, through this, the replacement of neoclassical economics so that it can say something useful about conflict resolution, international justice, and intergenerational justice. This can be accomplished by restoring the place of land as an independent, major factor of production—not as a sub-factor integrated with capital.

Pollution taxes can be construed as land taxes insofar as they pay rent for the use of the resource that they compromise, be it land, air, water, or any other part of nature. Arguably, the peace and quiet of the community is abused by the broadcast of raucous music and should pay rent for the privilege of doing so. So should the racket of a construction jackhammer insofar as its intrusion constitutes a use of open space. (On the other hand, the members of a community are free-riders when they listen to sounds that please their ears!) In the particular case of green taxes, where optimum use of the factor may reflect environmental considerations, the tax is ideally applied at the point of extraction (e.g., severance taxes) or sometimes at the point of consumption (e.g., gasoline taxes). Clearly pollution charges need to be judged in more nuanced and selective ways.

HISTORY OF LAND VALUE TAXATION

In the West, a low tax-rate version of land value taxation has been well tested in local governments for over a century in countries like Denmark, Canada, New Zealand, Australia, and in some American cities. In South Africa, Johannesburg once taxed land values, and Capetown seriously considered introduction of LVT. Many other countries have effectively employed regimes of taxing land value without conscious policies of institution (Andelson, 1997). Several Nobel prize-winners in economics (Solow, et al, 1991), wrote to the new leaders of Russia after the fall of the Soviet Union, warning it “not [to] follow the West in allowing the rent of land to fall into private hands.” Other advice came from American neoclassical economists led by Jeffrey Sachs, then at Harvard, and proved to be totally unsuccessful. The widespread corruption, rent-seeking, and negative economic growth that characterized Russian restructuring in the 1990s make clear that this was a momentous opportunity lost. Had the reforms there commenced at a much simpler and more fundamental level, perhaps the outcome would have been rather different. However, it has on occasion reported that Estonia, Slovenia, Latvia, and the Czech Republic have installed or are considering LVT (Geonomy Society). In 1868 Japan used LVT as a fulcrum for modernization (World Bank, 1997:150). “To establish the basis for a sound fiscal system, the government undertook a land survey, established titles, and implemented a land tax payable in cash.” The tax levied was the equivalent of 50 percent of produce. After World War II, Japan, Taiwan, South Korea, and China all successfully implemented land redistribution programs with either strong internal or external direction.

Robert Andelson's edited and updated survey of land value taxation was cautious about the prospects of its acceptance, but convincing in noting the expensive opportunity costs of alternative revenue systems: "The implementation of land-value taxation has really been extremely modest, and its impact, where genuine, all too often blunted by countervailing policies, usually at other levels of government....The moral case for land-value taxation is clear enough. It represents an indemnity to the rest of society for the privilege of monopolizing something the owner did nothing to create, and the market worth of which is a social, not an individual, product. Such a levy is, as [Henry] George put it 'the taking by the community, for the use of the community, of that value which is the creation of the community.' Assuming a representative form of government in which official records are readily available for public scrutiny, and provision is made for appeal at open hearings, a public revenue system based heavily on land-value taxation is as nearly corruption-proof as any public revenue system can be. This is not only because of the oft-mentioned fact that land cannot be moved or hidden, making illegal avoidance of a tax on it well-nigh impossible, but also because if such a tax accounts for a large enough proportion of people's public revenue obligation, their attention will be so focused on it that each property owner will habitually examine the rolls to compare his or her assessments with those of others. Under such circumstances, favoritism is practically impossible to conceal and therefore unlikely to be attempted."

Professor Andelson did not live quite long enough to witness the ubiquity and growth of databases, along with the growing power of computers, that would soon make land value taxation's effects easily simulated and empirically demonstrable. He would be gratified to know of all the current local and national governments now exploring and debating its implementation. The Center for the Study of Economics based in Philadelphia, keeps continuing track of such interest, examples, as well as offering consultation and studies.

A model tax on land rent can also be found in studies of some Australian local government revenue systems. In New South Wales for example, an efficient, equitable and simple tax on unimproved land values has funded most of local government's expenditures for a century. The Torrens system of land titling has been called Australia's most successful export. Land is assessed on the unimproved value of each site. The tax is collected at a set rate, hence the name "Local government rates." This simple model is sufficiently well defined to form an easily monitored conditionality on any

form of aid or development loan (Prosper Australia, and Tax Reform Australia).

Famous Advocates

There is in fact a long line of philosophers, and other notables who have advocated the taxation of land rents: Adam Smith, James Mill, John Stuart Mill, Thomas Paine, Karl Marx, Henry George, Sun Yat Sen, Leo Tolstoy, Bernard Shaw, Bertrand Russell, John Dewey, Theodore Roosevelt, and Winston Churchill. Among modern economists, Paul Douglas, Paul Samuelson, William Vickrey, and Joseph Stiglitz have been the most visible, and a number of others endorsed LVT in the 1991 letter to Gorbachev mentioned above. More recently still, the UN Food and Agriculture Organization, and even the World Bank have weighed in. The most committed international organization has been United Nations Habitat which has a two year old program titled, the Global Land Tools Network (www.gltn.net), a large piece of which is a module on land value taxation. Its contract with the Earthrights Institute (www.earthrights.net) reports at last count that about 200 students from 39 countries were enrolled in a correspondence program about LVT.

Paul Samuelson, although clearly sympathetic to the land tax idea as noted in Chapters 3 and 5, nevertheless regards implementation as a political rather than an economic matter. A clue to this lies in his value neutral commitment to General Equilibrium theory, which flows unquestioningly from what it calls initial allocation, or initial endowment. This premise has not been without harsh criticism, however. Kenneth Parsons (1984:24), a one-time professor of agricultural and development economics at University of Wisconsin and later an international consultant, noted “for approximately 100 years Western neoclassical economic thought has developed within the premise that economists could take the social framework, the institutional order, for granted, as something which it was the professional responsibility of someone else to understand.”

LAND RENT THEORY

The principles of land value taxation stem from a larger theoretical framework, and trace their roots to antecedents of the reigning neoclassical economics school. The origins of land rent theory, as with many other economic theories, can be traced at least to the work of Adam Smith, Thomas Malthus, David Ricardo and John Stuart Mill. Smith (1776:Sec.18), for example, devoted a sizable chapter of his landmark Wealth of Nations to a discussion of land rent, over one hundred pages.

Later in the book he asserted "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." His appreciation of the place of ground rent on economic systems can be traced to his exposure to the French Physiocrats, Quesnay and Turgot (Ross, 1995:214 ff).

Ricardo's extensive land rent model. When land is not scarce it has no price, and no rent. It is what economists refer to as a "free good." As population increases and people compete for scarce land it acquires a value according to its relative quality and the number of people wanting it. To John Locke a market value attached to land when there ceased to be "enough, and as good" for all people to be able to share equally. This definition of property in land may never have obtained in fact. To David Ricardo, this quality related mainly to the fertility of agrarian land, the value of land associated with natural resources, or the positional value of any sort of land. He demonstrated how the quality of different land determined its price, its rent.

In Ricardo's model, the first farmer might occupy a unit of land that annually yields, say, \$1000 for a given amount of labor. Initially, that return is entirely in the form of wages, without any rent. Supposed then a second farmer arrives to occupy less productive, or a less well positioned, land parcel annually yielding, say, \$800 with the same amount of labor. Since the amount of labor remains constant, the difference stems from the land. Wages on both farms are now \$800 per unit of land, and the economic rent or surplus on the first farm becomes \$200 per unit. Since labor is less productive on marginal land, the wage rate (the value of labor at the margin) is not a fixed amount; it declines, accommodating to the level of productivity of the least productive site in use.

As less and less productive land is brought into use, the return to labor falls to subsistence (perhaps \$150 per unit in this example). The farmer on the most productive land receives \$850 as rent and \$150 as wages. The next farmer receives \$650 in rent and \$150 in wages. The third farmer receives \$150 in wages and less rent, and so on. (The value of land is thus determined by the amount of annual rent it generates. The simplest form of the formula for determining the value of any given parcel is $\text{Value} = \text{annual rent} / (\text{interest rate} + \text{tax rate} - \text{growth rate of land prices})$.) The same principle of differential returns applies even when technological change raises the productivity of all land. Ricardo's model and the 'leftover principle' of land rent is widely explained, especially now in textbooks of

urban economics and even planning (Heilbrun, 1981; McDonald, 1997; and www.henrygeorge.org). Ricardo's focus was on agricultural land, and the quality accounting for the rent yield meant for the most part its fertility; in today's context location has become the primary attribute. This is due, perhaps, to the fact that a far larger role in the economy is now played by commerce and transportation.

George's single tax theory. Henry George made three major additions to Ricardo's theory. First, he deduced that poverty results not from overpopulation but rather from practices that bring marginal productivity sites into use and thereby hold wages down. That is, because the land is less productive, laborers either have to work harder or be paid less to produce the same amount as on the premium land. The main practice that lowers wages is the underuse of high-value land, which occurs primarily when land is deliberately held out of the market for speculative gain. Second, George recognized that the most productive land in a modern society is urban land, which has value because of its location in relation to commerce. Urban land rents are hundreds or thousands of times higher than rural land rents. Third, George posited that taxing land rents could fund a large portion of government operations, and by doing so also bring such sites into competitive use. Since taxing away the rent from high value land would yield far more revenue than that on the low value land, the burden of higher carrying costs would force the owner to bring it into optimal production (or else to sell it) to get a return on his carrying costs.

Improving on Ricardo, George proposed that the rent surplus should not be privatized by titleholders but become government revenue instead through taxes on the land value. In its pure form (wherein government is funded exclusively through land rents), this theory implies both an optimum and efficient size of government. The taxable rate on land rent implemented in many countries today is very low and revenue is supplemented by other, less efficient taxes. Georgists argue that if the only tax were on land value, and taxes on labor and capital were eliminated, revenue streams would be fully adequate to support public services as well as increase the performance efficiencies of social economies. Again, this is known as the Henry George Theorem.

Samuelson's intensive land rent model. Whereas Ricardo and George developed models that dealt with rent created at the "extensive margin" (by bringing marginal land into production), Paul Samuelson (1964:727)

showed how the same principle applies more intensively at the margin by adding labor to a fixed amount of land.

This principle is best explained by a hypothetical example. An absentee landlord owns a fixed area of land worked by 100 people. Since other land is available for free there is no rent. Each owner-worker in the population produces \$10 a day each, the wages they pay themselves. When the next person arrives the land is more crowded, average labor output goes down, and therefore the new competitive wage level is now, say, only \$9. Total output is now \$1009, but the total wage is now 101 @ \$9 = \$909. Rent captures the remainder, \$100. As population increases land rent rises and wages continue to fall, in theory to zero, in practice to subsistence. Samuelson's model shows how the quantity of population on the same land determines land's rent. In a variation of this model, population is fixed, but is forced into a progressively smaller area. Rent rises and wages fall, to subsistence, or else to a level at which the population is persuaded to work for wages, for example in an enclave sector.

Samuelson's theory might at first seem to contradict George's theory. Whereas George posits that low wages are due to artificial restrictions on the use of high-value locations, Samuelson's theory attributes low wages to population pressures on a fixed amount of land. Both theories are relevant and the theories are not in conflict. If land supply is restricted, population pressure could arguably contribute to poverty. Historically, there are no cases of societies in which population pressure alone has caused poverty. On the other hand, there are countless cases where restricted access to valuable sites has driven the majority of the population to eke out a living on marginal land. The solution is in making more land available by inducing titleholders that now hold their parcels off the market to use them to the full extent that their capacity warrants or else to sell them to those who will. A higher tax on land increases the carrying costs and does just this.

All three models – by Ricardo, George, and Samuelson – are fundamental to an understanding of land enclosures, clearances, and the birth of capitalism in Europe, and to the creation of colonial and neo-colonial empires everywhere else.

General equilibrium. Samuelson extends his model to show the effects of substituting capital for scarce land, and of technological change in improving capital efficiency. Labor-saving technology raises rents faster

than wages, by relatively increasing the demand for land and decreasing demand for labor. Land saving technology, e.g. the Green Revolution, temporarily raises wages faster than rents, but the increased wages will be mostly received by skilled workers, leaving low-skilled workers further behind. These are examples of changes in one factor market making changes in another, the subject of general equilibrium theory.

INTERVENTION? OR SELF-HELP?

One of the great virtues of land value taxation is that it could allow nations to throw off the yoke of poverty through internal reforms rather than being dependent on aid from outsiders. It is, in other words, a form of national self-help.

Earlier chapters considered the main Third World problems of economic stagnation, poverty, migration, and political and environmental violence. They then evaluated the failures and unintended consequences of Western intervention. Consider now a strategy of poverty alleviation through outside intervention compared with a self-help strategy based on land value taxation. This is done in Table 1.

ATTRIBUTE	INTERVENTION	SELF-HELP via LVT	
	Income growth	Negligible effect	High income growth
	Capital growth	External dependence	Internal sources
	Debt	Bondage	Unnecessary
	Productivity	Negative	High growth
	Rent seeking cost	Increased	Decreased
	Deadweight Loss	Increased	Decreased
	Population growth	Negligible effect	ZPG via income growth
	Inequality	Increased	Decreased
	Education	Unaffordable	Affordable
	Conflict resolution.	Negligible effect	Via income growth
	Sustainability	Negligible effect	Via income growth

Table 1. Intervention or self-help?

Given the analysis so far, there appears to be a strong case for land value taxation. Yet, for development economics and welfare economics, LVT is an almost entirely new politico-economic product, carrying with it two

obligations. One is to construct and test models of this product, done in provisional form in Chapter Six. The other, assuming the tests are supportive of LVT, is to consider the objections, considered now.

RESPONDING TO CRITICS OF LVT

Given the history of over a century's discussion of Henry George's "single tax," i.e., the idea that a tax on land values could replace all other taxes, an ample number of criticisms have been offered (Andelson, 2004). Land value taxation is a less ambitious policy proposal than the single-tax, which was first proposed to recapture rents from all sources, but they are often confused with each other.

Inadequate Yield. "Its yield is insufficient for today's government budgets." This, in the West, is unascertainable since its governments do not measure land's share of GNP. Nor does government today measure the resulting reduced productivity associated with taxing labor and capital, deadweight loss. Tideman and Plassmann (1998) have attempted to estimate the deadweight loss of taxes in the U.S. University of California Professor Mason Gaffney (2008) also maintains that the manifold sources of taxable rent hidden and shifted through various dimensions of the economy indicates that the potential revenue available to support government services is easily "enough and to spare." This view is also endorsed in the research of Australian economist Terry Dwyer (2003): "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."

Replacing the debilitating taxes on labor and capital with a neutral land value tax would, if anything, increase the potential rent available to be captured. However, regardless whether LVT would be adequate to finance all necessary public services, it does not preclude other taxes; it simply claims to be better. It has the advantage of not only replacing existing revenue streams with their burdensome deadweight losses, but also stimulating economic vitality by bringing into use land that is otherwise held out of production by speculators looking for financial gains. Population growth and migration to cities has meant that substantial rent is urban. Still, with regard to the Third World, the development literature consistently

suggests 'unearned' agrarian land rent is equivalent to about 50 percent of product (Clark, 1957).

Confiscatory. "As the tax on land rent is raised, the market price of land falls, this is confiscatory and requires compensation." This can be answered in more than one way. First, the inducements to bring land into production and for higher and better use has the effect of counteracting whatever downward pressures there are on land prices. The effect of such market activity is to increase the performance yield of both the land and whatever capital investments have been made on these sites. Moreover, removing the dormancy and latency associated with indifferent resource use provides opportunities for greater labor and capital investment.

A second argument supportive of taxing land rent stems from the fact that the value of land is socially created, not due to the efforts and ingenuity of any one titleholder. Arguably, that which the community has created it has the right, even the obligation, to recapture. Mill (1998:Bk.5.Ch.2.Sec.5) observed that, "Landlords 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." A land value tax has the virtue of taxing windfall gains for which people are not responsible rather than their labor or the fruits of their labor for which they are. Nobel laureate and professor Milton Friedman once wrote a book titled *There is No Free Lunch*. But in fact the windfalls that accrue to rentier land holders are exactly that, and are gained at the expense of those that create real wealth.

In another sense, one could argue, all taxation is confiscatory, regardless of the nature, origin, or legitimacy of ownership: taxes on labor confiscate our time; taxes on capital confiscate our savings. Thus, there is nothing distinctive about a tax that confiscates land rent except that it is questionably "ours" to begin with. Henry George argued that seizing private titles to land, and by extension any elements of nature, was essentially theft, and was the moral equivalent to owning slaves. "Thou Shalt Not Steal!" he told the New York City Anti-Poverty Society in 1887. Moreover, returning socially created values to society is more efficient and equitable than taxing private effort and initiative. Confiscation of land rent is compensated by the reduction of less efficient taxes, which increase economic growth and personal incomes. In addition, contrary to a frequent misunderstanding, under a system of land value taxation; property rights to

ownership, enjoyment and use of land remain undisturbed. All that is taken is the economic rent, one of many elements of what lawyers refer to in property law as an aggregate “bundle of rights.”

Above all, the failure to tax land values continues to legitimize the historic means by which land rent has been privately confiscated for at least three centuries. There was a time when the collection of land rent was the primary vehicle of public finance of services, a matter to be treated shortly. Today, most Third World problems can be traced to monopolies in land and natural resources which, by a series of private confiscations throughout history, have put in place the hereditary and class structures keeping these economies far from their production possibility frontiers. LVT offers a means of correcting such inefficiencies and injustice without legally challenging their structures, simply by reforming them.

Reduction in Tax Base. “A 100 percent land rent tax would reduce land value to zero. Therefore government valuers would no longer be guided by market prices.” This is debatable. If post-LVT land values reflect the NPV (net present value) of future tax liability then the taxes on land values are simply collected in a different way, rather as rent flow than in lump sum. Far from then having to pay taxes to support public services and also having to mortgage one’s holdings to banks and to then pay them interest and principle as well, titleholders would pay only once, the land rent to the community in lieu of other taxes, leaving them with far more discretionary income and capital. Then too, land markets are, in any case, far from perfect. Conventional tax systems and their cumbersome legislative crutches do not rely so much on market signals, even in near-perfect markets. Finally, it is not necessary for a land value taxation system to capture 100 percent of land rents. Capturing 95 percent for public use is perhaps sufficient. Some proponents of LVT argue that the remaining prices of real estate would then allow markets to function that much more smoothly.

Difficulty in Assessment. “It is hard to separate a property’s capital value from its land value.” For urban and industrial land the comments made above generally apply here also. Moreover, estimation of city land values is carried out routinely in many Western local governments, and now aided increasingly by computer technologies commonly known as GIS (geographic information systems) (Batt, 2009b). In the Third World, rural land remains a major source of wealth and its value is easily separated from that of capital. For example, average value of fixed farm assets

(implements, equipment, grain storage, etc.) in rural India typically is a small percentage of the value of land. Appendix III includes an illustration of how an assessment was informally done for urban locations simply by collective community action. It later proved to be quite sound.

Need for Compensation. Theoretical criticisms of LVT sometimes imply that, where land is freely traded in a perfect land market, the introduction of a 100 percent tax on land rent would require compensation equivalent to the capitalized value of the rent being taxed. Courts have had to address claims for compensation of what is called a “taking.” However, as just noted, land markets are far from perfect, especially in Third World countries where initial endowments of land have often been preserved within traditional landed elites. Furthermore, governments often introduce new taxes without concern for compensation. The argument for LVT entails the proposition that, where compensation appears just, this can be achieved by corresponding reduction in other, less efficient taxes. Using a conservative land rent figure of 30 percent of the GNP for LDCs, as often used in the growth projections, no direct compensation adjustment is incorporated. However, simulation tests suggest very large indirect compensations in the form of drastically increased economic performance rates.

The matter of compensation needs to be addressed from another perspective as well. If what titleholders claim as theirs was originally obtained, either directly or indirectly, by force or fraud, their moral right to recompense is very shaky. If in addition the very notion of owning resources that by right belong to everyone, that too raises questions about the morality of compensation. Lastly, Henry George compared the ownership of land to the ownership of slaves. Even though President Lincoln considered compensating slave holders for their manumission, he wisely decided against it, reasoning that owning another human being was immoral in the first place. George argued, similarly, with regard to the resources that are properly the birthright of all mankind.

Implementation of LVT is politically difficult. This is no more true than of other reforms; in fact the administration of LVT is, if anything, simpler. This is one of its greatest virtues. Early LVT experience kick-started the Japanese economy in the Meiji restoration. Today, a heavy land tax, not necessarily as heavy as the earlier-cited 50 percent Meiji land tax, but one not limited to agricultural land, could be made a condition of all future international loans and the rescheduling of existing ones. Field workers in

non-government organizations (NGOs) are already keenly aware of the land problem but, like the IMF, may be equating land reform with land redistribution. Redistribution limits, and perhaps precludes, economies of scale and is obviously limited to agricultural land.

Is Western-style development desirable or even necessary? Development economics is driven by its own assumptions and ethos, which should, arguably, be challenged on occasion. This challenge now comes from all segments of the political spectrum and from most of the world's religions, most recently and most notably that of Islam. The question has also been asked by many field workers in the development industry who have had the opportunity to experience at first hand, and appreciate, non-Western ways of life. The question has also led to the articulation of concepts, such as 'Asian Values.' The record of history shows that it is the modern Western treatment of land parcels to be bought and sold as commodities that is the aberration. In just about all civilizations documented in recorded time, East as well as West, the payment for the use of land and other natural resources to the community, or to figures acting in its stead, has been the norm. This is well documented in the series of studies of the ancient Near East organized by economist Michael Hudson (International Scholars Conferences). It has also become increasingly apparent in archaeological studies of the American continents, both North and South, as well as in the long history of Asian civilizations (Anderson and Moratto, 1996; Braudel, 1977; Wittfogel, 1957). Historical comparisons with contemporary economies of Third World nations are very helpful.

It is therefore appropriate to end this critique of LVT by placing LVT into the above contexts. In summary one should note:

1. LVT contributes an efficient revenue base to support any type of economic, political, ideological or religious superstructure.
2. LVT, by contributing to a fair and equitable polity, does not assume any necessity of economic growth, though it claims to be the most efficient and equitable way of achieving growth where desired. LVT advances no opinion on income distribution other than that arising from social rights to the rent of land and natural resources.
3. LVT has been used throughout this book to address the objectives other and beyond those implicit in Western-style economic development, such as political stability and environmental responsibility. In this exploration only the economic contribution of LVT was compared with those of alternative strategies. But, in taxing those who seek to monopolize the

rent of land and natural resources, LVT creates of its own accord some powerful disincentives to political and environmental violence.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

In the second half of the twentieth century, the West embarked on a series of distinct, interventionist strategies targeting perceived global problems. There were mainly four. The strategy targeting Third World poverty came to be known as development. The strategy targeting armed conflict became known as peacekeeping or, more generally, conflict resolution. The strategy emerging in response to the massive human wrongs of two world wars became known as Human Rights. And the strategy targeting the depletion and degradation of our natural heritage became known as environmentalism. These four strategies have met with considerable success. They were developed largely in isolation, and the relationships of each with a fifth program which might be called institution-building were not much understood either initially or now.

Development. Under various economic initiatives a series of neoclassical and socialist development experiments have attempted to raise per capita incomes and/or reduce poverty. They have almost always failed. In most instances, per capita income has remained stagnant or even fallen. Earlier chapters noted the persistence of both poverty and conflict wherever ownership of land and resources are concentrated. This was contrasted with successes in developing countries that had redistributed land more widely. Those successes resulted in the creation of relatively egalitarian and peaceful societies, the removal of poverty, and incredibly fast economic growth. But with land redistribution, population growth, and rapid urbanization, often came loss of economies of scale as well as limitations on the amount of available rural land.

Conflict resolution. A string of treaties, agreements, and peacemaking and peacekeeping strategies have been unable to contain the scope and frequency of armed conflicts, which seem to arise out of poverty and disputes over land rights. Resource scarcities, whether they be over territory, energy, minerals, water, or other matters, have become an ever larger trigger for armed conflict. The conflicts also often include access to resources, such as trade routes or rent-paying transit rights, and may in the future include other channels of coercive power. One can surmise that

most, possibly all, causes and results of conflict relate to patterns of ownership and control over land and natural resources.

Human Rights. Here, one need only note the massive explosion of treaties, pacts, protocols, conventions, charters and concordats, all stemming from a basically flawed document, the Universal Declaration of Human Rights. In this, the UDHR, those rights in Articles 7-21 seem culturally variable, and those in Articles 22-26 seem economically variable. Articles 28-30 seem to assume acceptance and implementation of the other 27 articles, which has never been the case. Articles 1 and 2 are not distinct rights and perhaps belong in the Preamble.

The environment. While scientists and economists have been urging conservation programs upon a Third World, the affordability of these programs is growing ever beyond reach, and private and social property rights to natural resources remain more confused. For each factor (energy, minerals, water, air, agriculture, forests, fisheries, flora and fauna) environmental economists have established a combinations of market, regulations and taxation regimes appropriate to the challenge of addressing the degradation and depletion of our natural heritage. The media and the education industries now actively support these initiatives. Given this momentum the planet might achieve sustainability in the next decade. But problems now emerging are making clear the speed with which this degradation is occurring. Given the causal relationships between these trends and armed conflict, the task of achieving long term environmental stabilization appears daunting.

Institution constraints. In efforts to improve economic well being, institutions continue to drag most economies farther away from the frontiers of production possibility. This book has explored throughout the ways in which institutions block strategies, thereby assuring the continuing abuses of human rights, the environment, and the resulting poverty, inequality, and conflict. It has noted particularly those institutions exerting control over property rights which arguably are part of our common natural heritage.

Constraints on reform strategies. Chapter Three showed how initiatives threatening access to natural resources or national sovereignty have led, ultimately, to immense destruction and bloodshed. Regimes of property rights are misinterpreted and misused in ways that preclude their optimal

use for the benefit of all. These experiences call for a set of reformist steps that reinterpret private property rights and national sovereignty.

Chapter Summaries

Chapter One examined the history, geography and the statistical shape of poverty. Chapter Two evaluated the Northern, Eurocentric, interventionist programs of the UN and NGOs and why they have failed. Chapter Three put forward reasons why conflicts, counter-revolutions, and other negative responses, primarily in the South, have been poorly anticipated. Chapter Four explored the Southern right to development claims, and the inadequacies of Northern development and human rights regimes in responding to these. Chapter Five examined the failure of the social sciences to develop models capable of responding effectively to poverty. The problem in poverty-reduction strategies lies in flawed theory leading to flawed design, leading then to the implementation the patterns of failure so roundly criticized by Mary Robinson. Chapter Six examined competing economic models of poverty and showed how the assumptions inherent in neoclassical models have lead to their failure. Chapter Seven discussed the ways in which land value taxation can reduce poverty. The institution of LVT has had demonstrable and proven effects at both the macro and the micro levels in raising both government and household incomes.

The Uses of Models

The Introduction to this book suggested that a number of quite simple models drawn from the social sciences hold promise of not only explaining how poverty happens as well as why many efforts to remove it have failed. The development of some of these models is described in subsequent chapters. From anthropology come selected models of adaptation and migration. From demographics come Thomas Malthus' population model and Todaro's urban migration model. From economics come the Harrod-Domar growth model (here modified to include institutions), David Ricardo's laws of rent and exchange, and concepts of deadweight loss and rent-seeking taken from monopoly theory. States vulnerable to aggressive rent-seeking, domestic or foreign, are those most frequently where property rights are monopolised. It can be observed in many agrarian and oil rich economies, where property rights are volatile. It is apparent in the transition economies of Eastern Europe or the fragile polities of Africa, or in those economies where rapid industrialisation has led to rapid urban migration. Where in such instances there has been a rapid growth in urban land values one can witness spreading slums and shantytowns lived in by those who cannot afford the rent for basic accommodation. The discourse

of legal theory offers helpful insight into sovereignty and property rights. From sociology come models of exclusion and social stratification, and from politics, finally, there are models of international collusion between different modes of production.

A model of progress and poverty. For purposes at hand progress is equated with economic growth. In its simplest form the Harrod-Domar model shows growth in GDP per capita being equal to savings multiplied by total factor productivity, or production efficiency. Therefore, knowing growth and savings rates (as put forth in the World Bank tables) one can calculate production efficiency for regions and countries. For most African countries, rich in natural resources, long term growth rates today hover at zero. By way of contrast, in the land reformed countries in South-East and East Asia, poor in natural resources, long term growth is steady at an astonishing 8 percent per capita per annum. There the differences in savings rates (on average about 20 percent of GDP), or for labor or capital availability, are slight. Balancing Asia's capital and labor advantages against Africa's comparative advantage in natural resources, the difference in implied production efficiencies is quite dramatic. This supports Olson's contention that the difference between rich and poor countries is almost entirely due to differences in institutions, not endowments in labor, capital or land. The model of progress proposed here, then, is:

savings rate times efficiency where efficiency hinges critically upon institutions.

And the model of poverty is:

effect of these institutions on the relative distribution of the fruits of progress.

Now a model of institutions is called for.

A model of institutions. This book has tried to explain poverty in terms of institutions that concentrate the ownership of land. The example of the "Tiger economies" of Asia illustrate a strategy that reverses this concentration. There are, to be sure, some disadvantages in this strategy as well as in the more conventional institutions of taxation. They contravene basic tenets of distributive justice in their practices of taxing labor and investment. Their low visibility and high mobility discourage production, whereas institutions taxing land, an immobile and highly visible asset, encourage production. Alluding once more to taxation principles and theories of land rent invites evaluation of the role of a tax shift in

institutional reform. A simple model can test this reform against alternatives.

A model of reform options. Chapter Six set some hypothetical performance targets, and calculated the time taken by different economies to reach these targets. The tax shift economy was superior to the land redistribution economy, and which was far superior to any Third World experiences used as a benchmark. The latter took several centuries to reach some targets. These simple models put the tax shift strategy into wider contexts than economic growth and poverty reduction models like those for conflict resolution and sustainable development. Tax shift models similar to the Tideman-Plassmann OECD projections, can work for other global regions, and can explore tax shift implications for human rights and conflict resolution.

RECOMMENDATIONS

Towards an integrated set of reformist strategies. This book has traced the challenge of poverty by its links with economic development, environment protection, human rights and conflict resolution strategies, to the institutions that block reforms and maintain poverty. As a step towards integrating these strategies, it offers four recommendations to encourage the modelling of landed institutions.

Step one. The management of the environment. The theoretical basis for realigning individual incentives to make them compatible with collective objectives is now well-established. Resource taxation, for example, and the public understanding of all this through the media and education, is part of common public debate. Since this is not the case for the other regimes—of development, human rights and conflict resolution, these approaches are separately addressed in steps 2, 3 and 4. Model builders in these other regimes should, similarly, incorporate the effects of rent seeking and corrective taxation into their strategies. In the short term, given dilatory international actions in the face of growing urgency, two immediate measures are warranted. First, comparatively rich nations which have contributed most to the existing stock of pollutants should take the lead in imposing environmental taxation. Second, that part of any surplus revenues arising from step 2 ought to be directed toward making affordable the costs of environmental responsibility.

Two actions also are needed in the intermediate term. First, that industrializing nations contributing most to the flow of pollutants should

also follow policies of environmental taxation. Second, nations accounting most for the depletion of energy and mineral resources should develop appropriate resource tax programs. These should fund programs of behavior modification and resource substitution, provide hedges against future income losses, and lay the basis for a future international taxation system. Only through these reforms, will we have created a sustainable planet. Climate change reports, for instance, all tell us that time is short.

Step 2. Development. Unlike policies forming part of any new environmental regime, economic development theory remains in a state of disarray. This situation is not helped by national policies favoring agricultural and industrial protection at home and neo-imperial and transnational intrusions abroad. Public understanding will remain confused as long as they remain unchallenged. Though the theoretical basis for a development strategies based on shifting taxes onto land and other natural resources is well established, there a paucity of public education on this tax shift. Powerful but short-sighted counter-interests appear to have confused public opinion on these matters.

For readers not versed in the arcana of economics, and for some who are economists, development programs outside neoclassical labor-capital models of economic growth will be new. The concepts of land value taxation are relatively simple. But the pervasive Western two-factor economic paradigm using only the production factors of labor and capital make it difficult for lay people, professional administrators, and even academics to grasp. The implications of this policy reform, however, are profound, especially for countries where land monopolies are already recognised as a major part of the problem.

The steps toward better understanding and further implementation are clear. First, tax shift simulations, such as those of Tideman and Plassmann and those being performed by the Philadelphia-based Center for the Study of Economics, should be further developed for discussion with universities, and with relevant government and inter-government agencies. Second, existing local government units, capable of plans for mapping, valuation and taxation of unimproved land values need to be expanded and developed into internationally applicable revenue systems. Relevant Third World data on land reform is collected by the UN Food and Agricultural Organization and by HABITAT's Global Land Tool Network. Third, rich countries should set the lead in pilot tax shift reforms. This is occurring with increasing frequency especially in Pennsylvania and other

northeastern states of the US. Fourth, donor aid in the future should encourage self-help by making allocations proportional to a recipient's revenue from land rent taxes.

Step 3. Human Rights. The enormous task involved in any fundamental reform of the vast edifice of the international Human Rights regime cannot be overstated, particularly as, unlike the other three regimes, its structure is one of layered accumulation rather than selective replacement. It would be helpful therefore in constructing national bills of rights to distinguish between absolute human rights and those that are economically or culturally variable. The global preferential patterns revealed by this would test the universality of the UDHR and provide a basis for a new human rights covenant that might be really useful. Some simplified absolute rights come readily to mind. J.S. Mill suggested but two, an assured maximum of personal liberty combined with common ownership of all the natural resources of the earth. American economist Nicolaus Tideman (2009) also suggests two: the first derived from UDHR Article Three, the right to life itself, and the second being "The equal right of every human being to the use of all that nature offers is natural, inalienable and limited only by the equal rights of others." For both Mill and Tideman, the first right, and indeed all variable rights, depend on the second right, for which enabling instruments have already been set out as recommendations in steps 1 and 2.

Step 4. Conflict resolution strategies have shifted focus from imperial wars, to national wars, to the asymmetric wars of liberation and terrorism, in each case a little too late, and in all cases compromised by the failure to recognize that all major conflicts cause, or are caused by, perceived inequalities in allocations of our natural heritage in land and natural resources. New wars now emerging seem to be most clearly and acutely over allocations of this natural heritage, and over food, water and air. They present new opportunities to revisit steps 1 and 2 and to adapt aforementioned recommendations to conflict arenas. For example, resolving conflicts between social rights and private rights to scarce local resources is little different in principle than doing so for conflicts between global rights and sovereign rights to scarce global resources.

The key, in both of these cases, and in all four regimes, and for all these ramifications of the problem this book attempts to solve, that of poverty, is to socialize the rents from natural resources and the unadulterated bounty

of nature. This approach is far different than privatizing, and then attempting to equalize, the ownership of our natural heritage.

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APPENDICES LISTING

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- Appendix IV: The Right to Development, by Mohammed Bedjaoui,
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- Appendix V: Cochabamba (Bolivia) Declaration
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- Appendix VI: United Nations Millenium Development Goals
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Appendix VIII: Land Tenure in Pacific Island Countries

Appendix IX: A Ricardian Analysis of the China Land Reforms

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