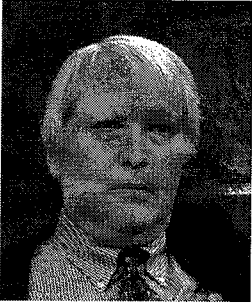


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Poverty in an affluent society is unconscionable. It occurs because a portion of the value created by working people is siphoned off by an elite class that owns most of the land and can live without working. In 2006, the economic rent of land was about \$2.5 trillion, or 20% of GDP. If that annual amount (nearly \$30,000 per family of four) were collected from landowners and shared equally, poverty could be eliminated. In addition, the power of the elite to control the political system would be vastly reduced. The main reason

this transformation does not occur is that this unfair treatment of workers is invisible, so it is accepted as inevitable. But it could change if enough people have the imagination to recognize the situation we are in.

Invisible Injustice

Almost 250 years after the industrial revolution, 85 percent of the American population still feels constantly pressed every day about how to pay medical bills, rent, gasoline and car payments. Affluence should have eliminated those sorts of anxieties.

What went wrong? The answer is simple. So much of the wealth in the US goes into the pockets of people who had nothing to do with creating it. Most people who work get back much less than they contribute, but they do not realize it. The average wage in this country is \$15 an hour and for 80 percent of the population that is considered a good wage. How can you live in New York City on that? But this situation is just accepted by most people.

Solution: Neither Capitalism nor Socialism

That does not mean we should opt for socialism. Socialism has no more chance of working than capitalism as a complete system. Each system has certain virtues; each has certain vices. The main vice of present-day capitalism is that 20 percent of the nation's \$13 trillion income, or about \$2.5 trillion, goes into the pockets of people who did not earn it. So most people cannot do much more than juggle one bill against another. Socialism has its own irreconcilable disaster. Socialist societies produce little wealth, so even with equitable distribution, there would not be enough to go around. Ideally, the virtues of both systems might be brought together some day.

That ideal could be achieved if the annual unearned income of \$2.5 tril-

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lion were distributed evenly to the entire population. If that were done, each person's spendable and savable income would increase each year. Over the course of a generation or so there would be an enormous efflorescence of production, without destroying the environment. Each family could maintain itself and actually have money in the bank, thereby avoiding the terrible family dilemmas that occur when choices have to be made among necessities.

Unearned Gains from Landownership

What is the source of that \$2.5 trillion? It represents ground rent, that portion of annual product that is generated by active workers, but which is collected by passive landowners.

Currently, much land is held for speculative gain, which is why around 10 percent of the population owns around 90 percent of the land. The 10 percenters, as we might call the small class of owners, never have to work. All they have to do is own land and their needs will be quite well taken care of. They not only can live in idleness; they can also become so wealthy that they can buy legislators to defend their interests for them.

Urban locations are now the primary sources of land value. How much do you think the land under Rockefeller Center is worth? Or the land under the Chrysler building, which helps support a college downtown? Or the land under the major office districts? Land everywhere is the major contributor along with human labor to everything that we hold dear. None of it is possible without land.

Owning land does not contribute to production. It is simply an inherited claim against wealth produced by others on the land one happens to own. Landowners, without doing anything productive, gain the excess production of the community as a whole. To capture this for public use is simply the community taking back for itself that which it created. It would be theft if someone made something and another person snatches it. But if one takes back socially-created value from non-producers, that is not theft.

My landlord in Manhattan could collect from me, if he chose to, six times the rent that I was paying him 20 years ago. That would seem to him like a windfall. Most landlords in New York City think they have earned that increase. They tell themselves they had the foresight and intelligence to know where to buy, and that they should be rewarded for all the gains in value that come from owning a building here. But the value actually came from public activity, not from their efforts.

Solution: Not Land Redistribution, but Sharing of Land Value

Does this mean land should be owned communally or distributed to everyone in equal shares? No. Neither of those is a reasonable solution. Take a country like Zimbabwe, where hard-line Marxists would like to take over the land. They believe that all the natural resources should be shared and governed by a national elite. President Mugabe pretends that he is in favor of land distribution. He is breaking up the large farms and distributing the land among the people he calls the veterans of the civil war, which ended in 1980. But even if the land were equitably distributed to people who need it, what happens in the next generation, when the population has grown? There will be a need for equitable redistribution again. Moreover, better farmers will earn more money and buy the land of other farmers, and the situation will return in which a handful of people own most of the land and others own nothing.

Much better than physical redistribution of land would be a system in which the rental value of the land were to be paid back to the community. That value is established in the marketplace. If I own a piece of land worth \$5,000 a year, that is the annual value of the monopoly privilege of owning that land—the economic rent. If that money, that rental value, were to be paid to the community as a whole, then that would be a way of giving the landless equal access to it—financially, but not physically.

This method would split up the monopoly privileges that land owners hold without taking the land away from them. In this way, land can be redistributed without violent revolution. Producers would still own the land. It is not taken away. But the owners would no longer be permitted to take that part of the national wealth which others have created, which comes to them from collecting rent. Instead the community will be able to collect rent from landowners. The universal sharing of economic rent will raise everyone's income and provide each person some security.

Economic Growth Benefits Landowners

About two years ago *The New York Times* had an article about the development of farming in Colombia. The gist of the article is that farming is so wonderful now compared to fifty years ago. Modern techniques and the willingness of urban banks to invest have caused a big increase in productivity. The pictures that accompany the story are revealing. The first picture, from the late 1940s or early 1950s, is of the grandfather of the present owner and the people who worked with him—twenty peasant farm-

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ers sitting in a row, smiling. The farmer looked nice, but all of his workers appeared in rags, with missing teeth, and they were not particularly clean. The story tells how difficult life was then. The next photographs show the marvelous changes in Colombian agriculture in the present. The grandson is now a handsome young man in a necktie and jacket, living in one of the larger cities in Colombia, no longer on the farm. He flies to the farm, partly because there are left- and right-wing groups who might shoot at him on the road. In one picture, he is lined up, also with his twenty workers, and next to him there are two fairly well-dressed younger men, described as graduates of agricultural colleges. They now run the day-to-day operations. Then there are eighteen or so workers. Their clothes are ragged; they are missing teeth, and they are not particularly clean. The situation has improved for the owner and a few young agronomists, but the abysmal condition of workers has not changed in fifty years.

That is the story of who benefits from the advance of a modern economy, whether in rural Colombia or in the urban centers of the United States.
