

Creating Global Economic Justice

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IF HUMANITY achieves substantial consensus on the meaning of justice with respect to economic relationships among nations, how might we turn that developing consensus into practical politics? In Part 1 of this essay, Nicolaus Tideman argued that it is reasonable to develop an understanding of the meaning of justice on the basis of two axioms:

- Every person has a right to himself or herself.
- All persons have equal rights to natural opportunities.

These axioms imply that whenever a nation appropriates natural opportunities for itself to the possible detriment of other

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nations, it has an obligation to attend to the rights of those nations. If it appropriates more than its share of natural opportunities, it has an obligation to compensate those who thereby have less than their shares. A nation's share of natural opportunities is a collection of natural opportunities with a market value that is equal to the product of the nation's population and the value of resource use that could feasibly be

used by all persons in all generations.

The natural opportunities include the pre-development rental value of land, the depletion cost of fishing, mineral extractions, and water appropriations, the harm from cross-border pollution, the scarcity value of the electro-magnetic spectrum and geo-synchronous orbits.

In Part II, the author addresses two questions:

1. What would the acceptance of this framework for justice imply for the justice of social arrangements within a nation?
2. What devices might be used to extend the acceptance of such a system of justice once the preponderance of nations had accepted it?

SUPPOSE THAT a nation accepted the principles that every person has a right to himself or herself, and that all persons have equal rights to natural opportunities.¹ What would be implied for economic arrangements and the rights of citizens within that country?

As an acknowledgement of the right of every person to himself or herself, such a nation would allow any citizen who wished to emigrate to do so. Whenever someone exercised this right, the claim of his former fellow citizens on natural opportunities would be reduced, and the claim of his new fellow citizens would be increased. This fact would tend to make nations more welcoming toward immigrants.

The freedom of individuals to move, and the fact that those who moved would carry with them their claims to equal rights to natural opportunities, would tend to permit a political majority in a nation to justify its adoption of policies that were opposed by minorities, not by a claim that because they were a majority they were right – a nonsensical claim – but rather with the explanation that they were simply seeking to express, with their shares of everyone's common heritage, their conception of what a nation ought to be.

This would not be a completely satisfactory explanation, because if a majority changed a long-established tradition, they would require the minority who opposed the change to either accept a change that they did not desire, or bear the costs of breaking their ties to their traditional homes. But the only way to completely avoid the costs of such dislocations would be to prohibit all change, and that is not sensible. One can reasonably expect sensitive accommodation on the part of both majorities and minorities—majorities not to disregard the feelings of minorities just because they are a majority, and minorities not to expect perpetual extension of the *status quo ante*.

If a very sharp and deeply felt division of opinion about the proper role of the state developed, then it would be sensible to allow the minority to secede. There is nothing sacred or inevitable about any particular number of nations or their borders. If a majority allows a disgruntled minority, who are a majority in a particular region, to leave and take territory with them, then the remaining majority will avoid a potential problem of underpopulation and excessive claims to natural opportunity that would occur if the minority were to simply emigrate.

The dissatisfied minority can make a claim for an opportunity to secede on the following basis. The prior claim to territory is based on the rights of the minority as well as the majority to equal shares of natural opportunities. The minority have rights to themselves. They should not be obliged to live in a type of nation they do not want. They may find all other nations unacceptable, or other nations may find the dissatisfied minority unacceptable. Justice requires that there be some way in which

the dissatisfied minority can receive their rightful share of natural opportunities, free of obligations that entangle them with others, so it is proper for them to expect to be able to sever their share from the territorial rights that belong jointly to the majority and the minority.

The majority could justly require the minority to take their share of rights in whatever territory the majority wished to cede, provided that the ratio of the value of the territory so ceded to the value of the territory retained was roughly equal to the ratio of the minority to the majority, with any discrepancy settled by periodic cash payments. The majority might also reasonably require the minority to pay any costs of the separation.

Nations as competitive firms WHEN THE PEOPLE of a nation ensure that they do not claim more than their shares of natural opportunities, when they permit any citizen who desires to leave to do so, and they stand ready to allow any substantial majority within a reasonably compact sub-area to secede, then the people of that nation can justly say, "The laws we choose to live under represent our conception of what a nation ought to be. If you don't like it, create your own nation somewhere else. We claim for ourselves no more than our share of what nature provides." Thus a wide variety of arrangements within nations are consistent with justice.

Economic theory can say something about the types of nations that can be expected to emerge in such a world. As mentioned previously, one would expect fewer barriers to immigration, since immigrants would arrive with claims to their shares of natural opportunities. Also, nations could expect to have greater difficulty retaining citizens when they had either low wages, low returns to saving, or laws that people found oppressive.

Nations would acquire more of the characteristics of competitive firms. To attract or retain citizens, they would need to offer citizens wages and rates of return on their capital that were close to what they could get elsewhere. Taxes on wages and on the return to capital would tend to be precluded by the need to attract people and capital. What would be left as sources of public revenue would be charges for exclusive access to natural opportunities – land, natural resources, water rights, fishing rights, the frequency spectrum, etc., plus charges for activities that imposed costs on others (emitting pollutants, using crowded highways). We would see a world that approximated the one that Henry George advocated, not as something that was imposed on everyone, but rather as a competitive equilibrium among nations.

How to pay for public services WOULD THERE be enough revenue for the public sector? To address this question, one should consider different types of public activities separately.

The type of public activity that can most readily be financed by charges for exclusive access to natural opportunities is local public services. When these are desired by voters and provided efficiently, they tend to raise the rental value of land by enough to pay for themselves, since a local public service provides a benefit in a limited region, and people will bid up the rental value of that land by the value of access to the service.² Thus local services can be financed without even beginning to draw on the value of opportunities provided by nature.

Another broad area of public spending is national defence. While defence increases the value of land in a dangerous world, one might reasonably hope that the need for defence spending would be greatly reduced in a world that had adopted a general norm of acknowledging the equal rights of all persons to natural opportunities.

To the extent that defence costs are raised when a nation becomes a more attractive target – because of increases in its stock of capital or in the productivity of its citizens – it would be efficient and not unreasonable to have an annual charge on capital and on talent (an asset protection fee) to defray these costs. Such a fee could be collected by a self-assessed tax. For capital, the tax could be enforced by an obligation to sell the capital at the self-assessed price. For talent, the tax could be enforced by a rule that if a person was injured in an accident and wished to sue for loss of earning power, the self-assessed value of the person's talent would be the upper limit on the damages that could be claimed. It is likely that a tax rate of two or three tenths of one percent per year would suffice to fund the current level of U.S. defence spending. But I would hope and expect that defence spending would fall substantially. Between the reduced need for defence spending and an efficient asset protection fee for the extra defence costs generated by increases in capital and talent, it should be possible to finance defence without exhausting the rental value of exclusive access to natural opportunities.

THE NEXT MAJOR area of government spending to consider is social welfare programs – welfare, social security, unemployment compensation, health insurance, etc. These would tend to raise the rental value of land to some extent, but they would generally not raise land rents by enough to pay for themselves, because their perceived value to individuals tends to be highly disparate, so that those who value access to such programs generally do not need to offer the full value of such programs in rent premiums in order to get access to them. Thus one cannot count on financing such programs by increases in rent. The disparate value of public education to families makes this public service subject to the same analysis.

**Social
welfare and
the need for
insurance**

Social welfare programs often have an insurance component, requiring

payments by potential beneficiaries. If a program is so close to a true insurance program that virtually everyone receives an expected benefit that is as great as his or her assigned contribution, then it can be financed by the assigned contributions, and few will find the program objectionable. But social welfare programs rarely approximate true insurance programs.

The difficulty with financing social welfare programs with rent arises because those who design such programs usually seek to require some people to pay more than the expected value of their benefits. In a world that recognises the equal rights of all persons to natural opportunities and the right of any person to emigrate, social welfare programs of this sort will be possible only to the extent that they reflect shared community values. If such a program draws on shared feelings of community responsibility, then people will be happy to contribute part of their shares of the value of natural opportunities, or even part of their earnings to such programs. If an attempt is made to implement social insurance that exceeds what people are prepared to pay for out of a sense of community, people will tend to emigrate or secede.

Thus in a world that operates on principles of global economic justice, people will not be required to pay for social insurance that they object to. If people have potential needs that exceed what their fellow citizens are willing to provide, they will have to buy their own insurance before the need arises or rely on friends and family. If those who are never able to provide for themselves are to be provided for in a just world of limited generosity, parents will need to buy insurance against having children with special needs before they conceive those children. But I believe that feelings of community are sufficiently extensive that those who need help would receive it. Unlike the present situation, in a just world every person would have a share of the value of exclusive access to natural opportunities, which would provide a guaranteed income that would provide for many contingencies.

What if some nations fail to fulfil obligations? THE THEORY that has been developed incorporates all of the ways that nations impinge upon one another by their appropriations of natural opportunities – through their claims to land, natural resources, the frequency spectrum, and geosynchronous orbits, through their appropriations of fish in the ocean, through their use of natural resources that are embedded in goods, through their emissions of pollutants that cross international borders, including the ones that produce global warming and ozone depletion, through their decisions to have population growth rates that differ from the world average, and in any other way that nations appropriate scarce natural opportunities. The theory describes what nations must do to fulfil their obligations to other

nations. But how will unwilling nations be compelled to fulfil their obligations if they do not wish to do so?

The theory is not designed to coerce recalcitrant nations. The theory is designed to describe what must be done by those who wish to fulfil their obligations. But universal acceptance is not needed for the theory to work. In the first place, under the theory that has been presented only some nations have obligations. The others have claims. Until a careful analysis is done, it is not possible to specify which nations have the obligations and which have the claims. But only the nations with obligations need to be persuaded to fulfil their obligations under the theory, and these are likely to be predominantly rich nations. Because the magnitudes of transfers to recipient nations depend on what those nations do, they receive incentives to economise on their appropriations of natural opportunities, even if they do not agree with the theory.

But suppose that only some of the nations with net obligations are willing to honour those obligations. How should these nations respond to the lack of cooperation by others? First, they should compute their obligations as if the resources and populations of the non-cooperating nations did not exist. All persons have equal rights to all natural opportunities. If some natural opportunities have been improperly grabbed by people who refuse to acknowledge their obligation to share, then those who do recognise their obligation should understand that they must all claim less.

Second, the cooperating nations should do what can reasonably be done to deny acceptability of excessive claims to natural opportunities. If a nation appropriates the oil, diamonds or other resources under the ground that it occupies without regard to the rights of people in other nations, then the people in the other nations should decline to purchase those resources, or products made with them. To do so would be to purchase stolen property. If they have a dire need for the resources, they should recognise the claims of all persons to the resources by including the value of the resources in their own calculations of what they appropriate from everyone's common heritage. In this way, economic pressure would be put on all resource users to acknowledge the equal rights of all persons to natural opportunities.

WHAT IF A NATION refuses to share the value of natural opportunities among its citizens? A reasonable test of whether a nation can properly be treated as the agent of its citizens and the appropriate recipient of its citizens' shares of the value of natural opportunities is whether the nation allows its citizens to leave. If a nation does not allow its citizens to leave, then it is not proper to treat the nation as the agent of its citizens. The citizens are effectively imprisoned. We

A test of a nation's legitimacy

have no way of honouring our obligations to them. We might put their shares in trust, but if they are not allowed to leave, then we should not trust their government to use their shares of the value of natural opportunities as they would wish. On the other hand, if the citizens could leave and decline to do so, and if there are some other nations that would accept them, then we are justified in regarding their continued citizenship as evidence of their implied consent to the decisions of their government about how their shares of natural opportunities will be used. This rule may induce governments that would otherwise keep their citizens captive within their borders to instead allow them liberty.

Thus the proper application of a principle of equal rights of all persons to natural opportunities will generate incentives for increased compliance and increased liberty for all. It is not necessary to have a world government that has the power to coerce all nations to abide by a single authority's determination of what they owe. Every nation can make its own determination of what, if anything, they owe to others. Within broad limits people can accept differing interpretations of obligations. If some nation exceeds the limits of tolerance, other nations can reasonably respond by declining to regard that nation or its citizens as the true owners of the things they seek to trade. What is created is a diverse, tolerant, and responsible international community.

It is not necessary to achieve universal acceptance of this theory for it to be effective. What is necessary is acceptance by the major economic powers, plus a willingness to condition economic relations on an assurance that traded goods are not unjustly appropriated from nature, and are not made with the labour of persons who are deprived of their liberty to migrate if they choose.

- References**
- 1 For a survey of historical writings in this framework, see Peter Vallentyne and Hillel Steiner (eds.), *The Origins of Left Libertarianism*, Basingstoke, Hampshire: Palgrave, 2000. For a survey of modern writings, see *Left-Libertarianism and Its Critics: The Contemporary Debate* (same editors, publisher and date).
 - 2 See Arnott, Richard J. and Joseph E. Stiglitz, "Aggregate Land Rents, Expenditure on Public Goods, and Optimal City Size," *Quarterly Journal of Economics* 93 (1979), pp. 471-500.