

Global Economic Justice

Nicolaus Tideman

HUMANITY is emerging from eons of development during which survival has been promoted both by the ability to grab resources from others and by the ability of groups to cooperate and share natural resources within communities that occupied territorial homelands.

In recent centuries we have been developing a consensus that taking from the weak is wrong, and that we ought to have a social order that prevents all such behaviour. But we have not yet worked out how to do it. Some people think of preventing grabbing in terms of preserving the *status quo*. There are two difficulties with this.

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■ The *status quo* incorporates extensive holdings that were acquired by indefensible means. A decision to preserve the *status quo* commits us to defending the indefensible.

■ There is no magic to any particular date, before which unjust appropriations are incorporated into the *status quo* and after which they are reversed. A practice of allowing an appropriation to be treated as just if it has survived long enough gives aggressors an incentive to see if they can grab and hold on long enough. The result is actions like

Indonesia's seizure of East Timor and Iraq's invasion of Kuwait. Only if we have a standard of justice that is independent of history can we expect to end such actions.

Henry George's theory of economic justice — that every person has a right to his or her productive powers, and that all persons have equal rights to all natural opportunities — provides a simple formula around which opinion about the shape of a peaceful world can coalesce. According to Prof. Tideman, no other theory has anything like the clarity, coherence and power of this theory.

WHAT IS THE USE of a theory of justice? A theory is an abstraction. By itself, it can't make anything happen. But when a theory of justice takes root in us, it modulates our emotional responses to distributive outcomes. If you should come to realise that the theory of justice to which you subscribe says that something you thought you wanted to do is unjust, you will find that course of action no longer so appealing. If you come to a new realisation that justice is on your side, you are likely to feel emboldened and ready to persist despite obstructions.

If you should come to the realisation that justice requires of you a course of action that you had not planned on, you will feel a pull in that direction, and if you do not follow through, you are likely to feel guilty. If your theory of justice informs you that another person is treated unjustly, even a stranger, you are likely to feel compassion for that person, and you may also feel a chivalrous impulse to take up that person's cause and seek redress of the injustice. It was because of feelings of injustice that slavery was abolished and women were granted the right to vote.

As the world shrinks, nations impinge upon one another in more and more ways, providing applications for a theory of justice among nations. The fishing that one nation does leaves fewer fish in the oceans for others. When a river flows from one nation into another, the removal of water by the upstream nation leaves less water for the downstream nation. Near the borders of nations, the use of a frequency by one nation for radio or TV broadcasting precludes its use by the other. Geo-synchronous parking spaces for communications satellites are scarce. Air-borne and water-borne pollutants cross international borders and cause harm. The burning of fossil fuel produces global warming at rates and with consequences that are not yet understood. Chlorofluorocarbons emitted in the Northern Hemisphere enlarge the Antarctic ozone hole and cause skin cancer in Australia.

In most of these areas, the awareness of our global interdependence has led to some agreements among nations. But agreement is not always reached. Negotiations are intricate and time-consuming. Sometimes key participants refuse to accept what is agreeable to others. A shared theory of justice among nations would point the way to agreement and shame those who refused to accept the result. I will argue that a theory of justice inspired by Henry George provides a simple and far-reaching framework for specifying the requirements of justice among nations and within nations.

HENRY GEORGE was one of the most famous reformers of the late 19th century. Ever since the 1879 publication of his book, *Progress and Poverty*, his ideas have inspired people working for economic and social reform all around the world. He is most

**Henry
George's
principles
of justice**

famous for proposing the abolition of all taxes except for a tax on the value of land. But I will argue that the single tax on land was not George's most important contribution, and that the power of his thinking can be best appreciated by focusing on the theory of social justice that he used to explain why a single tax on land is just.

In the first chapter of Book VI of *Progress and Poverty*, George analyses six different proposed remedies for persistent poverty and explains why they are inadequate. In the second chapter, which consists of just three pages, he asserts that the only effective remedy for the relief of poverty and the unacceptable distribution of wealth is to "make land common property."

George's choice of words here may have been unnecessarily inflammatory. When people see this phrase, they generally presume that George was proposing public ownership of land. In fact he rejected public ownership of land. What he actually meant was that we must recognise that land is everyone's common heritage, and we must develop institutions that reflect this. In any case, he recognised that his assertion would sound outrageous to many of his readers, and he promised to defend it:

The laws of the universe are harmonious. And if the remedy to which we have been led is the true one, it must be consistent with justice; it must be practical of application; it must accord with the tendencies of social development and must harmonise with other reforms.

All this I propose to show.¹

Accordingly, Book VII is concerned with the justice of making land common property, Book VIII deals with the method and practicality of making land common property – not by public ownership of land, but by abolishing other taxes and financing government by public collection of the rent of land, and Book IX explores economic consequences of this remedy.

The first chapter of Book VII thus plays the crucial role of overcoming the reader's inclination toward knee-jerk rejection of George's startling idea. And George is prepared with a theory of justice in powerful language:

What constitutes the rightful basis of property? What is it that enables a man justly to say of a thing, "It is mine!" From what springs the sentiment which acknowledges his exclusive right against all the world? Is it not, primarily, the right of a man to himself, to the use of his own powers, to the enjoyment of the fruits of his own exertions? Is it not this individual right, which springs from and is testified to by the natural facts of individual organisation – the fact that each particular pair of hands obey a particular brain and are related to a particular stomach; the fact that each man is a definite, coherent, independent whole – which alone justifies individual ownership? As a man belongs to himself, so his labour when put in concrete form belongs to him.²

George then argues that if ownership is derived from labour, then no one can own land, since no one produced it:

This right of ownership that springs from labour excludes the possibility of any other right of ownership. If a man be rightfully entitled to the produce of his own labour, then no one can be rightfully entitled to the ownership of anything which is not the produce of his labour, or the labour of someone else from whom the right has passed to him. If production give to the producer the right to exclusive possession and enjoyment, there can rightfully be no exclusive possession and enjoyment of anything not the production of labour, and the recognition of private property in land is a wrong ...

If we are all here by the equal permission of the creator, we are all here with an equal title to the enjoyment of his bounty – with an equal right to the use of all that nature so impartially offers. This is a right which is natural and inalienable; it is a right which vests in every human being as he enters the world, and which during his continuance in the world can be limited only by the equal rights of others. There is in nature no such thing as a fee simple in land. There is on earth no power which can rightfully make a grant of exclusive ownership in land. If all existing men were to unite to grant away their equal rights, they could not grant away the right of those who follow them.³

To summarise George's rights-based theory of justice: Each person has an exclusive right to his or her productive powers. We understand this intuitively, and on this basis accept the idea that people own what they produce. But if this is what ownership means, then no one can claim to own land, since no one produced it. People *do* have rights to the productive opportunities that nature offers, which are here for our use, but the rights of each person are limited by the equal rights of all other persons.

A careful analyst might object that there are some logical gaps in George's theory of justice. Logically, a right of ownership of things based on the right of each person to his or her productive powers does not preclude a right of ownership of natural opportunities on some other basis. We could mean by ownership only those rights that are derived from the right of each person to his or her productive powers, but we could also mean something broader and more complex.

The easiest way to repair this gap in George's theory is to specify that rather than having just one axiom, that each person has a right to his or her productive powers, he actually has two, the second one being that all persons have equal rights to natural opportunities.

A second logical gap occurs when George asserts that because people have rights to their productive powers, they own what they produce. This would follow only if they also had rights to the natural opportunities that they appropriate in the process of production. It is possible that the natural resources component of what a person produces is more than his share,

considering the equal rights of everyone to all that nature offers. This caveat can be conceded without jeopardising the two axioms, that each person has an exclusive right to his or her productive powers, and all persons have equal rights to the productive opportunities that nature offers.

This pair of axioms is the logical starting point of George's ideas. His proposal for the abolition of all taxes except a tax on land is a consequence that follows from them. Coercive taxes on the act of producing or on income from productive effort are unjust because people have rights to their productive powers. On the other hand, taxes on the rental value that land would have if it were not improved are not unjust, since this value is not produced by human effort. Support of government spending from this source is a convenient way of giving expression to the equal rights of all to natural opportunities.

**Applying
the theory
of justice
to land
rights
among
nations**

IN CONNECTING his proposals for reform to his theory of justice, George made the implicit assumption that all of the people to whom the theory applies are citizens of the same nation. But it is interesting to ask, as George did not, what his theory of justice implies for relations among sovereign nations.

To rearrange and condense George's axiom about natural opportunities:

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.

How would acceptance of this axiom affect relations among nations?

To see the matter clearly, suppose first that the world consists of just two agricultural island nations, with equal populations but different amounts of land of a uniform quality, and no rent differentials arising from differences in location. Suppose further that each island is initially governed by an oligarchy that collects all of the rent of land and provides no public services, but leaves the population otherwise free to produce what they choose. If the people of this world come to an understanding that 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, they will see that justice requires them to share the rent of land equally rather than have it collected by the oligarchies.

Would they then divide the rent of each island nation among the people of that nation? No, they would not. From the clear meaning of the words, the people of the nation with more land would understand that they, as a nation, were appropriating more than their share of a common heritage to which the people of the other nation had as much right as they did, and that they were therefore required to compensate the people of the other nation.

Consider some forms that such compensation might take. One possibility is that everyone with exclusive use of land would divide the rental value of his land equally among all persons. This would be equitable, but it would have a very high transactions cost. The conceptually simplest way to compensate for unequal appropriations of the common heritage is to have everyone send to a clearing house the full rental value of the land to which he has exclusive access. The clearing house would then divide the proceeds equally among all persons in both nations.

While this is conceptually simplest, it entails transferring more money than necessary. It would suffice for each person with more than his share to send the difference between the rental value of his land and the global average rental value per capita. This would provide a fund that would exactly suffice to compensate every person with less than the global average per capita amount, for the difference between the average and his holding.

With people organised into two nations, it would probably be convenient to have the excess rent sent not to a global clearing house, but to a national clearing house. The clearing house of the larger nation would then send the clearing house of the smaller nation an amount of money equal to the rental value of the amount of land by which nation's area exceeded half of total land. Both clearing houses would then have just enough money to compensate their citizens who had less than the global average per capita access to land.

The assumptions of just two nations, equal populations and land of uniform quality simplify the identification of what one nation owes the other. It is easy to dispense with these assumptions. When there are many countries, land quality varies, and population sizes differ, a nation is fully entitled to what it is using, taking account of the equal entitlements of the citizen of other nations to all that nature offers, if its average rent per capita is no greater than the global average rent per capita. If the nation's rent per capita is greater than this, it owes compensation equal to the excess of its aggregate rent above the product of its population and the global average rent per capita.

Note that an equal sharing of natural opportunities does not imply either that people derive equal satisfaction from their shares of natural opportunities or that what constituted one person's share will remain constant over time. If you are the only person who likes mountain top land, you may be able to obtain a great deal of it as your share of what nature offers, and be much more satisfied than those who like land in valleys and have to compete with many others who want valley land. If mountain top land becomes more popular, the amount that constitutes your share will decline.

Now suppose that nations are not entirely agricultural, but have cities as well as agricultural areas. Cities have streets, water systems, sewer systems, and a variety of other public services that raise the rental value of land. How does this additional source of rent affect the compensation process? Recall the principle:

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.

Streets, water systems, sewer systems, and other public services are not offered by nature. The additions to the rental value of land that these services provide are the product of the human effort that goes into creating and sustaining them. Thus the increases in the rental value of land that arise from them are not part of what must, by the application of our axiom, be shared among nations.

This distinction between rent to which all persons have equal rights and rent that is properly the income of a particular community creates a problem of assessment. To fulfil their obligations to people in the rest of the world, the people of a city must know what the rental value of the land they occupy would be if the city were not there. How can they know this?

This assessment problem is formidable, but not a reason to abandon the effort to achieve equal rights to natural opportunities. In principle, the pre-development value of the land beneath a city is the difference between the rental value of the land when developed optimally and the annual cost of that development. One might call upon city planners or the developers of new towns to make such estimates. Even if we could not achieve complete precision in such estimates, we might achieve substantial agreement. It would be a great step in the direction of equal rights to natural opportunities if each nation were to make a declaration of the form, "This is what we believe to be the pre-development value of our land, and of the land in the rest of the world, and this is the basis for our belief."

What has been established so far is that adherence to a principle of equal rights to natural opportunities requires payments among nations to offset inequalities in the value of natural opportunities per capita, that natural opportunities are exemplified by the pre-development rental value of land, that significant difficulties can be expected in identifying these pre-development rental values, and that such difficulties are not a sufficient reason to abandon all efforts to identify the pre-development rental value of land.

Further applications of the theory THE PRE-DEVELOPMENT rental value of land is only the beginning of the natural opportunities to which all persons have equal rights. Consider fishing in the oceans. If there were so many fish in the oceans that the removal of some by the

fishermen of one nation had no detectable impact on the opportunities available to the fishermen of other nations, then there would be no economic scarcity of fish in the oceans as a natural opportunity, and the value of fish would represent returns on the labour and capital of the fishermen, along with some luck. But when fishing by one nation leaves noticeably fewer fish for the others, the reduction in the value of fish stocks caused by fishing represents an appropriation by that nation of the common heritage of all, which needs to be accounted for in establishing what compensation is needed to achieve an equal division of natural opportunities. The pie to be divided now consists of the sum of the pre-development rental value of all land plus the depletion cost of the fishing that all nations do. A nation is fully entitled to the proportion of this total represented by the proportion of its population in total population.

The same logic that applies to fishing applies also to the rent component of the value of all things - the iron and other metals in products of all kinds, the gold and other resources in jewellery, the component of land rent in lumber, etc. Each nation's use of such resources must be included in the pie to be divided.

Sometimes rivers flow from one nation into another. If the withdrawal of water by the upstream nation reduces the value of the natural opportunities that are left to the downstream nation, then this reduction in the value of the downstream opportunities is part of what the upstream nation appropriates from the common heritage of all nations. The total value of the available natural opportunities is maximised while also achieving justice, if all withdrawals of water by both nations are charged at a price that equates supply and demand, the money so collected is counted as part of the pie to be divided, and land is valued according to the rental value it would have if unimproved, considering the price of water.

If nations are close enough together that effective use of parts of the frequency spectrum by one requires that others refrain from using those parts, and if bandwidth on the spectrum is scarce, then any recognition that one nation will have exclusive use of a portion of the frequency spectrum should be accompanied by a payment into the fund to be divided, equal to what others give up by not using it.

If geo-synchronous parking spaces for satellites are scarce, then each nation that has the use of such parking spaces should include a payment for their market value in the pie to be divided.

When a nation generates air and water pollution that reduces the value of land in neighbouring countries, these reductions in the rental value of land become components of what the polluting nation must include in its calculation of the value of natural opportunities that it appropriates, while

the recipients of pollution may make corresponding reductions in the reported totals of the natural opportunities they appropriate.

If scientists reach a consensus that emissions of greenhouse gases are harmful, then each nation should include its emissions of such gases among the natural opportunities it appropriates, valuing each emission according to the harm that additional emissions do.

When we become aware of a global problem like the ozone hole increasing as a result of atmospheric emissions of particular gases, if any of the harmful activities are continued, the nations that permit such continuations of harmful activities should include the value of the resulting harm as additional components of the natural opportunities that they appropriate.

In sum, all of the things that a nation does that limit the ability of other nations to use natural opportunities or that reduce the productivity of other nations are charges on that nation's account. This includes claiming land, claiming exclusive extra-territorial use of portions of the frequency spectrum, claiming geo-synchronous orbits, appropriating water in international rivers, appropriating fish in the oceans, appropriating rent in the form of the use of resources that are incorporated into goods, and any form of pollution with international consequences. The axiom that all persons have equal rights to natural opportunities implies that each nation has a right to a share of the total of all such appropriations equal to its share in world population. Any nation that appropriates more than its share has an obligation to compensate those who have less than average per capita shares.

Differences in ability and in wealth SUPPOSE THAT A NATION appropriates only its share of natural opportunities but is richer than other nations because its citizens are on average harder working or more highly talented than the citizens of other nations are. Does justice require the richer nation to compensate the others? By this theory of social justice, definitely not! Each person has an exclusive right to his or her productive powers. Therefore the nation as a whole has a right to the product of its citizens' talents, no matter how greatly this product exceeds that of the citizens of other nations. The citizens of a rich nation may feel compassion for those who are poorer than themselves, and therefore contribute to poor nations as a matter of charity, but justice does not compel them to do so.

What about greater incomes that arise from greater wealth? These require more elaborate analysis. When greater wealth is the result of greater saving from the product of talent or from the product of a nation's share of natural opportunities, then a nation with greater wealth is fully entitled to the greater income that comes from it. However, when greater wealth is the result of a history of theft or of unjustifiably large

appropriations from the natural opportunities that are everyone's common heritage, then the nation that possesses that wealth cannot rightly claim either the income from the wealth or the wealth itself. To achieve justice, the wrongful appropriations must be rectified. The unjustly acquired wealth must be restored from those from whom it was taken, or if that is not possible, shared among all nations. To the extent that persons who are still alive received past income from this wealth, that income must be disgorged.

When George addressed this issue in *Progress and Poverty*, he suggested that all such past misappropriations be forgiven, that the generation that he addressed be content to receive their shares of future rent. But the desirability of such a policy is a matter that the dispossessed of any era must decide for themselves. Justice does not require them to forego such rectification.

Suppose that differences in incomes lead to differences in the rental value of land. To make the example-simple, go back to the case of two island nations, and this time suppose that they have equal amounts of land of the same quality as well as equal populations. But the people on one island have a stronger taste for work, or they have accumulated more capital, and as a result of this the rental value of land on their island is greater. Are they obliged to make payments to the people on the other island? No, they are not. They are appropriating only their share of natural opportunities, so they have no debt to the people of the other island.

THE NATURAL OPPORTUNITIES that have been considered to this point are ones that, to a first approximation, yield constant returns over time. A new set of issues arises when this theory of social justice is applied to resources that yield returns that necessarily vary over time. Now the issue of inter-generational justice arises along with that of international justice.

**Resources
that
fluctuate
over time**

Consider first the issue of inter-generational justice without the complication of international concerns. The efficient use of depletable natural opportunities requires that they be allocated over time in such a way as to maximise the present value of net revenue from sales. As economists have long known, this requires that prices charged for resources that are being depleted rise at the rate of interest. But this is just efficiency. It says nothing about who should get the money.

The axiom that all persons have equal rights to natural opportunities suggests that when we deplete a resource such as oil, there are two steps that must be taken to achieve inter-generational equity. In the first step, when oil is sold we must share the proceeds over generations in such a way that every person in every generation can receive a payment of the same real value every year. To satisfy this obligation when the number of

people alive in different years is not proportional to the amount of oil used in those years, we need to invest the proceeds of oil sales in a fund that would make annual payments to all persons of a size that could be maintained for all generations.

This first step provides inter-generational equity with respect to oil revenue, but it does nothing about the fact that, if oil is allocated efficiently over time, later generations will face a higher price of oil than early generations. To provide equity with respect to the changing price of access to natural opportunities, there must be a second step that redistributes money among generations to offset the changing price.

This second step implicitly assumes a world with no change in technology. If an early generation provides later generations with improved technology, then the later generations are treated justly if the combination of prices of commodities, technology and money received from the earlier generation permits them to attain the same overall level of satisfaction as the earlier generation. This specification of justice presumes that everyone has the same tastes. When tastes differ, an improvement in technology that more than compensates some persons for a greater scarcity of some natural resources will provide inadequate compensation for others. Such inequality cannot be avoided. All that can be expected is that those who use exhaustible resources will, by limiting their use and providing endowments for future generations, make it possible for the typical member of every future generation to attain the same level of well-being as the typical members of the earlier generations of resource users. Success in such an effort cannot be guaranteed. We don't know the tastes of future generations. We don't know the rate at which technology will advance. We don't know the rate at which new resources will be discovered. Estimates of all these things must be made to determine the proper rate of resource use and the proper endowments of future generations. The most that can be asked for is a good-faith effort to achieve the standard required by justice.

Now consider the international dimension of inter-generational equity. What one nation owes to others with respect to inter-generational equity is compensation for making it more difficult for the other nations to provide adequately for their future generations. If all nations are using the same amount of oil per capita, then no nation can complain about what the others are doing. But if one nation is using more oil per capita than the others, then it owes compensation to the others for making it harder for the others to provide all of their future generations with equal rights to natural opportunities. If oil is being allocated efficiently and equitably among generations, the amount of compensation that an excessively consuming nation owes will be the market value of its excess oil consumption, valued in terms of the price of oil in the ground. The same result is obtained if all

nations include the resource value of all oil that they consume, and all other depletable resources, in the calculation of what they appropriate for themselves from everyone's common heritage.

One of the ways that a nation can compensate other nations for disproportionate use of natural opportunities is by creating technology that other nations can use to compensate their future generations for scarcer natural resources. If gasoline costs twice as much but cars are twice as efficient, people are not, on net, disadvantaged by the higher price of gasoline. This line of reasoning requires contestable judgements about the value of new technology and how long it would have taken before someone else would have made the same discovery. Nevertheless, technological improvements are a valid form of compensation for resource scarcity.

One issue that arises when technological improvements are used as compensation is that not all nations place the same value on technology. If some island nation wishes to maintain a way of life that does not involve cars, then that nation is not compensated for an increased scarcity of fish by increased efficiency of car engines. What compensates a particular nation must reflect the typical preferences of that nation.

Another troublesome issue with respect to natural opportunities is that people have different ideas about which creatures are properly treated simply as resources and which deserve a higher level of respect. When creatures are non-migratory, the right to control them can simply go with the land they occupy, and bids for the land will reflect values with respect to the creatures that occupy the land. However, with migratory creatures such as whales and songbirds, a different mechanism must be created to deal with desires to protect. If nations representing 80% of the world's population want to protect whales, then they should be able to protect 80% of whales. How such a rule would be implemented in practice is a problem that I leave for others to wrestle with.

Justice and the demographic equation

IF THE POPULATION of one nation grows faster than the populations of other nations, then in the future the citizens of the more rapidly growing nation will be able to say to the other nations, "We constitute a greater percentage of the world's population than our forebears. We deserve a correspondingly larger proportion of the value of using the world's scarce natural opportunities." It would not be just for the rest of the world to reply, "It's not our fault that your parents had so many children. You only get as a nation the same fraction that your parents got. You must each do with less." This would not be just because the equal right of every person to natural opportunities is not contingent on having had parents who were not excessively prolific. The equal right is an equal right of persons. But this means that at the

earlier time when the population was growing, the citizens of the less rapidly growing nation could say to those of the more rapidly growing nation, "Your decision to have a population that grows more rapidly than the world population requires us to set aside a greater quantity of resources for future generations, as their shares of depletable resources, and as compensation for greater scarcity of land in the future. This cost that you are imposing on us must be counted in the calculation of your share of natural opportunities." Thus the costs of differences in population growth rates are counted in the calculation of compensation for unequal appropriations of natural opportunities. Similarly, those nations whose populations grow more slowly than average can claim a credit for their slower growth.

The analysis above takes no account of the possible benefits of a greater population. With a greater population, there will be additional economies of scale that will lower the prices of some goods and make it feasible to bring to market other goods that would be unavailable if population did not grow. A nation with a population that grows at an above-average rate had a right to credit from this source of benefits to others. Such a nation might also expect to find that it has a greater number of highly talented people who produce innovations, permitting the nation to claim credit for the value of those innovations to future generations.

On the needs of humanity HUMANITY needs a system for deciding what belongs to which nation and for managing the unintended impacts that nations have on one another. It can be expected that any workable system will be based on principles of justice. This essay has outlined such a system, based on two axioms, namely that people have rights to themselves and that all persons have equal rights to natural opportunities. A companion essay in the next volume of this journal will explore the implication of this system for justice within nations and the processes that might be used to gain recognition for such a system.

References 1 Henry George, *Progress and Poverty*, Book VI, Ch. 2, p. 329 in editions published by the Robert Schalkenbach Foundation.

2 *Ibid.*, Book VII, Ch. 1, p. 334.

3 *Ibid.*, Book VII, Ch. 1, pp. 336, 338-9.