

## ENVP U6250 Takeaway Points

- The ideal of the commons assumes that we come into this world with an equal right to the natural and social resources of the world around us.
  - We find most of these resources are already “owned” under titles created and maintained by government.
  - Resource titles include not only titles to land and minerals, but also broadcast spectrum, patents and trademarks, fishing rights, rights-of-way, taxi medallions, cable franchises, bank charters, and many others.
  - Ownership may be direct or indirect through shares or bonds of corporations.
  - To a point, resource titles serve a useful function limiting interference—“externalities”--between resource users.
- Ownership of natural and social resources titles is largely determined by “the three P’s”: power, priority and politics.
  - Power means military conquest (or “gunboat diplomacy”), which is the origin of most land titles. (George Washington was a surveyor, of land conquered from Indians.)
  - Priority means getting there first, whether settling land first, or first obtaining a patent on a natural phenomenon.
  - Politics means political influence, either legitimate through a democratic process, or corrupt—such as the giveaway of spectrum.
- Inequality of ownership is environmentally harmful.
  - Large owners tend to occupy the best quality resources in any category, for example the best farmland, the best spectrum, or the most central land in cities. They often withhold these resources from use, or use them lightly and wastefully.
  - Large owners compete with each other to grab titles to resources decades in advance of need, worsening the withholding problem, and sometimes generating international resource wars.
  - Large owners induce government to build unnecessary and environmentally destructive infrastructure, like the California State Water Project
  - Large owners, like the energy companies owning coal in Appalachia, are normally absentees, with little knowledge of or concern for local conditions.
  - Small owners are forced onto marginal resources, which they use intensively, for example causing erosion of low quality farmland.
  - Inequality tends to cause resource sprawl, with higher value uses – such as suburbs – scattering out inefficiently on lower value land.
  - Sprawl worsens “non-point pollution”, that is, hard-to-control pollution from many dispersed sources, such as auto exhaust, or farm run-off.
- Inequality of ownership is economically harmful.
  - Because large owners use their resources lightly, they provide relatively little employment per resource unit. But those jobs are relatively good and well paid.
  - Because small owners use their resources intensively, they provide relatively more employment per resource unit, but that employment is less desirable and poorly paid.
  - As a result, large owners get more output per worker, but less per resource unit, while small owners get less output per worker, but more per resource unit. The combined economy gets less output per worker and per unit, and provides less employment. That is, the economy is less productive overall.
  - For the same reasons, inequality impedes economic growth. (This leaves aside what kind of growth is or isn’t desirable.)

- When large owners dominate an economy, they can use monopoly power to further withhold resources, increasing their income at the expense of the rest of the economy.
- Inequality of ownership is socially harmful.
  - Severe inequality creates poverty, in the sense that a portion of the population lacks access to a self-respecting style of life—which obviously varies from society to society.
  - As documented in *The Spirit Level*, greater inequality is associated with an increase in a range of social ills, such as higher infant mortality, higher rates of imprisonment, and lower levels of educational achievement.
  - Inequality threatens democratic governance. It can generate a vicious circle in which “the 1%” control government sufficiently to write tax, subsidy, and regulatory rules to their own benefit—not to mention the election laws.
- Inequality of ownership substantially determines the distribution of income.
  - Family members of large owners have superior access to education and health care.
  - In business, large owners can also borrow at lower rates of interest because they have good collateral; small owners or non-owners may be unable to borrow at all.
  - Large owners have superior access to government favors.
- Ownership of titles conveys what economists call “economic rent”, that is, unearned income or other benefits.
  - Rent is a surplus created by the cooperation of “factors of production”: labor, resources, and physical capital—which is “stored up” labor and resources.
  - The value of resource titles is the “discounted present value” of expected future rent.
  - Thus the wealth of individuals or corporations depends on expected rent, usually as reflected in the value of corporate shares.
  - The term “rent-seeking” refers to activities, primarily of large owners, seeking new titles from government, or changes that enhance the value of existing titles. For example, property owners may seek permits to drill for gas, or farmers may seek increased crop subsidies.
  - Rent-seeking is a major cause of environmental damage, as corporations seek to develop resources in advance in order to claim title—for example, overfishing in order to claim a quota.
  - Overoptimistic projections of increasing rent causes the boom and bust cycle, leading to a crash that pulls down the banks that loaned against inflated values—and leaving homeowners stuck “underwater” with mortgages worth more than their homes.
- Trade, both domestic and international, is an essential form of rent-generating cooperation.
  - Beneficial trade requires some government oversight to prevent force, fraud and monopoly
  - Some international trade, especially trade in third world natural resources, amounts to organized theft.
  - Even beneficial trade can harm some parties, such as those who lose jobs. Hence, modern societies provide a “social safety net.”
- “Overpopulation” does not cause poverty or environmental damage.
  - Population density—not the same as crowding—allows people to cooperate and produce more, with less environmental damage.
  - By spreading people out, inequality of ownership reduces cooperation and increases environmental damage.
  - As people become better off, and particularly as women gain better education, health care, and access to employment—people voluntarily reduce birth rates.

- The classical economists like Adam Smith, among others, recommended a policy to counteract inequality: tax the value of land and other titles in order to collect the rent and use it for public purposes.
  - Since ownership of land and other titles is much more concentrated than income, such a tax is extremely progressive.
  - A hundred years ago, American philosopher, economist and activist Henry George recommended shifting all taxes onto land.
  - Since land is already a major component of property taxes, that meant untaxing improvements like buildings, and raising the tax on land.
  - Under George's influence, taxes on land were increased in many major cities, often with dramatic effect.
  - Since then, property taxes have fallen dramatically, replaced by income taxes, payroll taxes and sales taxes.
  - Over the last 40 years, the US tax, subsidy and regulatory system has become increasingly regressive, leading to growing inequality and environmental damage.