

# Efficient and Just Implementation of Equal Rights to Natural Opportunities

Nicolaus Tideman\*

## Abstract

If people realized that all people have equal rights to natural opportunities, and that these rights should be managed in an efficient way, what would follow? Natural opportunities would be divided into the categories of freely available, like air to breathe, others available to anyone for a price, like fish in the seas, and others assigned, like land rights. The right of each person to an equal share of what nature offers implies that there must be compensation for inequalities in assignments of rights to natural opportunities. The market price of unimproved land and other natural opportunities would go to zero, necessitating some financial restructuring and causing a significant reduction in the wealth of the very wealthy. There would be provision for future generations. The environment would be managed efficiently. To the extent that population increases cause global costs, nations with above-average population growth rates would compensate those with below-average population growth rates, creating incentives to keep population in check. Nations would recognize that they must allow unhappy minorities to secede if they cannot satisfy them. Nations and individuals who achieve this understanding before it is general can take action to align themselves with its future recognition.

Suppose that people woke up one day with the understanding that all people on earth have equal right to the natural opportunities that the earth offers. What would follow, with respect to the allocation of natural opportunities?

## I. Allocation to categories of control

Natural opportunities would need to be allocated to categories with respect to the permission needed to use them. Some opportunities, like the opportunity to catch fish in the ocean or the opportunity to use the atmosphere as a sink for carbon dioxide, would be placed in a category of available to anyone, upon payment of a price equal to the marginal global cost of using the opportunity, with the proceeds shared among nations in proportion to their populations. Some opportunities, like the opportunity to use the oceans for transportation or the atmosphere for breathing, can be used by anyone without appreciable diminution in their availability to others and should therefore be available for anyone to use whenever they wish. The opportunity to remove salt from the oceans probably belongs in this category. The amount of salt in the

---

\* Department of Economics, Virginia Polytechnic Institute and State University. Some parts of this talk are taken from "The Needed Moral Revolution," pp. 259-272 in Fred Harrison (editor) *Rent Unmasked: How to Save the Global Economy and Build a Sustainable Future, Essays in Honour of Mason Gaffney*, Shephard Walwyn, 2016

ocean is undoubtedly finite, so it is imaginable that there is some positive cost from removal of salt from the oceans. But the amount of salt is so vast that the global cost of allowing anyone who wishes to extract as much as he or she can is almost certainly infinitesimal and not worth the administrative cost to collect. Manganese nodules on the floor of the sea provide another example of a natural opportunity that may be so abundant that it is not efficient to charge for their extraction, except for the possible environmental harm of the extractive process.

If an opportunity is initially abundant but can be predicted to become scarce, then that opportunity should be freely available for anyone to use for as long as it is abundant, provided that, as with water flowing into the ocean, the initial use does not restrict later use. If, as with minerals in the ground, initial use does restrict later use, then use of the opportunity should be priced so as to maximize the expected present value of revenue,

Some opportunities, like (possibly) the opportunity to kill whales and eat them, could be placed in a category of not available to anyone, on the ground that the opportunity was most valuable if left unexploited. Where there was disagreement about whether a particular natural opportunity should be put into the category of not for sale at any price, there is probably no better decision rule than global majority rule, implemented by country representatives having voting power in proportion to the populations of countries.

## **II. Compensation for Unequal Shares among Nations**

Most territory would be allocated to the primary control of individual nations, based on historical borders. But commitment to the principle that people have equal rights to the earth implies that if a nation has a greater share of the value of all allocated natural opportunities than its share of the world's population, then that nation has an obligation to compensate nations with per capita territorial value that is below average. An obligation to compensate would also arise if a nation used its territory in ways that caused costs for other nations, such as the production of air or water pollution that went into other countries.

The value that must be shared equally would be measured not in "stock" terms (dollars of selling price) but rather in "flow" terms (dollars per year of rental value), since this is what is consumed. Where value arises from an opportunity to extract natural resources, the value should be measured in terms of the combination of the rental value of access to the extractive opportunity and the decline in the present value of future opportunities caused by the extraction.

Recognizing the need for unbiased estimates of value, nations would arrange for the hiring of appraisers who would estimate the pre-development rental value of the territory of each nation and the loss of future value from extractions, so that nations with more than their share of value could be properly billed and those with below-average shares could be properly compensated.

To deal with disputes, there would be forums where experts would exchange ideas. When input from experts was not sufficient to resolve disagreements, global majority rule would be used, with each nation having voting power in proportion to its population.

### **III. Population**

In a world that does not share natural opportunities proportionally, it is reasonable to treat the rate of population growth of any country as a completely internal issue. Where natural opportunities are shared, however, a faster rate of population growth of a nation means that the shares of natural opportunities for all other nations will be smaller in the future, so that a nation with an above-average population growth rate causes a cost for other nations. On the other hand, there are some benefits of a larger world population. A world with a larger population will have more books, movies, software, inventions of all types and anything else with long-run marginal costs that are lower than average costs. Thus it is relevant to estimate the net global cost of added population and (assuming the net result is a positive cost) to charge nations with above-average population growth rates for the net costs that this growth of population causes for other countries.

### **IV. Consequences within Nations**

#### **A. Equal sharing**

In a pre-market era, recognition of equal rights to natural opportunities would have implied dividing land up, so that everyone had a share of equal value. In a market era people recognize that not everyone has the ability to organize production effectively, so some people make best use of their rights to natural opportunities by allowing others to use the opportunities that they could claim, in exchange for a payment. Thus equal rights to land within a nation can be achieved efficiently by collecting, from everyone who has title to land, the rental value the land would have if it were unimproved, and sharing the proceeds. If the nation was getting more than its share of global rent, some fraction of all rent would need to be set aside to compensate the nations that had less than their shares. A person who wanted to use only his (global) share would

be able to pay the charge for the land that he was using out of the payment for his share of the proceeds, thereby obtaining “free” use of his share of land. Since sharing would be among the living, land rights would terminate upon a person’s death.

### **B. Separate Treatment of Infrastructure**

For the purpose of sharing the unimproved value of land equally, “unimproved” means “in the condition provided by nature,” that is, without any surrounding infrastructure as well as without man-made improvements on the site in question. Thus the unimproved value of land in an urban area would be the value that the land would have as a place to put a city if there were no city there. The additional value that the land has because of the surrounding infrastructure and private development is not value that everyone in the world can claim. Rather, it belongs to the residents of the city. The city would reasonably collect this part of land rent and use it to finance public services. Thus while justice requires only that the part of land value due to nature be shared equally, it would be reasonable to collect all the rent that parcels of land would have if they were individually unimproved, allocate the part that is not due to nature to governments. To the extent that activities of state governments and the federal government raise the value of land, that amount of land rent would be sent to those governments to support those activities. This would permit a substantial reduction in other taxes. What was left would be used first to compensate other nations for any excess in the nation’s allocation of natural opportunities, and then put into a pot for equal national sharing.

### **C. The Variety of Sources of Rent**

Rent would be collected not just from land, but also from a variety of other natural opportunities as well. There would be:

- Water rights
- Mineral rights
- Fishing rights
- Hunting rights
- Spectrum rights

There might be others. The rule of sharing the value would apply to all scarce opportunities that are provided by nature and assigned to individuals. It would *not* apply to human talent or to value produced by human effort.

#### **D. Assessment**

To determine the value of natural opportunities, a nation that sought to share natural opportunities equally would need assessors. These assessors would operate rather like assessors now operate under property taxes, but with a couple of differences. First, they would assess only land rather than both land and improvements as at present. Second, they would assess rental value rather than selling price.

There are two reasons for assessing rental value rather than selling price. First, rental value is what a nation that sought to share natural opportunities equally would seek to identify and share. Second, if the rental value of an unimproved natural opportunity was fully collected publicly, then the selling price of that unimproved natural opportunity would be zero.

Because selling prices would go to zero, assessors would need to devise new methods of assessment. They could not rely on selling prices as they do now. One possibility would be for the assessors to hold rental auctions of examples of the things they were assessing, with bidders understanding that their bids were offers of rent for some specified number (perhaps three) years. The results from the auctions would be used to set rental values on similar items that had not been subject to rental auctions.

Some natural opportunities, such as mineral deposits, can only be used by being used up. For these natural opportunities, the value that assessors would estimate would be a combination of the diminution in value from extraction and a rental fee for access to the opportunity.

#### **E. The Financial Transition**

Recognition of equal rights to the earth would entail a fall in the aggregate market value of assets, because every child born in the future would be born with a claim on the use of the earth's natural opportunities. The fall in asset value would be the other side of the fact that future children would not need to buy their way into the world.

The transition to a society that shared the rent of natural opportunities, with a consequent fall in land prices toward zero, would have stark consequences for homeowners and financial institutions that held mortgages. The selling price of unimproved land would go to zero. Homeowners would need to pay their mortgages as well as their land taxes. And financial institutions that had lent on the value of land would find that the collateral for the loans that they held no longer covered the loans. Special measures would be needed to deal with these consequences.

The situation of homeowners would not be as difficult as it seems at first, because the use of the rent of land and other natural opportunities as a source of public revenue would permit reductions in other taxes. Still, if the purpose of public collection of the rent of land is to transfer to the public what has previously been pocketed privately, it is sensible to collect it from those who have been doing the pocketing. In the case of mortgaged land, those who have been pocketing the rent are not the homeowners but rather the recipients of mortgage interest. Thus it is sensible to devise a mechanism for collecting the tax on land from them. The way to do this is to specify that those who have mortgages on land are allowed to pay the interest on the land component of their mortgages with their tax receipts. In other words, while the person who had title to land would be legally responsible for paying the tax on that land, if there was a mortgage on the land, the title holder could pass on to the mortgage holder as much of the tax as corresponded to the interest on the mortgage on the land.

Mortgages are generally held by financial institutions that have obligations to creditors. The financial institutions would be allowed to pass the land taxes on to their creditors, and so on to the final recipients of the mortgage interest that represented the rent of land. The rationale in justice for designing a land tax to fall primarily on the recipients of mortgage interest is that today the rent of land goes substantially to pay mortgage interest, so it is appropriate that a tax on land fall correspondingly on the recipients of mortgage interest. The public would in effect be saying to citizens, “If you were counting on pocketing the rent of land directly or indirectly, you are out of luck. We are collecting it to provide public services and to share equally the value of natural opportunities.” The result would be that the loss of asset value would be strongly concentrated on the very rich.<sup>1</sup>

There is the further issue of bank loans that would no longer be supported by collateral. Managers of financial institutions would be unhappy. For the United States, this situation must be considered separately in “no recourse” states and in other states. In the 12 “no recourse” states, a mortgagee has the right to turn mortgaged property over to the lender and walk away from the loan. Financial institutions that lent in these states might need to be restructured. That is, because it would be likely that many borrowers would be walking away from loans that now exceeded the value of the mortgaged property, the creditors of these financial institutions would

---

<sup>1</sup> I learned of the possibility of taxing the mortgage holders from a conversation with Michael Hudson.

need to accept that the institutions would not be able to pay all their obligations, so the obligations would need to be reduced in line with their likely revenues.

For other states, where borrowers did not have the option of walking away from their loans, there would be a different issue. Borrowers would be obliged to repay the full amounts that they had borrowed, but they would be unable to sell their homes for the amount borrowed. It might be nearly impossible for any real estate transactions to occur. To make it possible for property to be sold when there was not enough value in the property to pay the mortgage, I would recommend that financial institutions be obliged to replace each under-collateralized mortgage with the combination of a mortgage for 100% of the value of the property and a personal loan to the borrower for the remainder. The financial institutions would be little if any worse off, and the borrowers would be able to sell their property.

The point of these details is that recognition of the equal rights of all persons to natural opportunities would have substantial consequences for the social organization within a nation, but would not require a wholesale overturning of society. There would be difficulties, but they could be managed. Private property in things made by human effort could continue. Markets could continue. A system of private titles to parcels of land and other natural opportunities could continue, with the difference that the selling price of such titles for unimproved natural opportunities would be approximately zero.

The recognition of equal rights to the earth would lead to greater efficiency in at least two ways. First, charging people for the consequences of their actions motivates people to act with appropriate concern for these consequences, which improves efficiency. Second, collecting the rent from natural opportunities would make it possible to reduce the taxes now used. Economists as far back as Adam Smith have recognized that a tax on land does not discourage economic activity the way other taxes do, because the amount of tax to be collected cannot be changed by changing what one does. Thus recognition of the equal rights of all to the earth would lead to a generally more efficient economy.

#### **F. Secession**

Equal rights to natural opportunities entails the equal rights of all to determine how they will use their shares of access to natural opportunities. Thus the recognition that all people have equal rights to natural opportunities would lead to an understanding that no nation can justly prevent a minority who wish to secede from doing so.

The government of that nation with a minority that wished to secede would recognize that it cannot claim to have accorded equal rights to the earth to its citizens unless people are free to exercise their equal rights to the earth in collaboration with whom they choose. While there might be some minimum size for seceding regions (perhaps 30,000, the size of the smallest nations today), and it might be appropriate to require agreement by a supermajority to implement a secession (perhaps 60%), in view of the disruption in the lives of those who did not wish to secede, still the nation that recognized that all people have equal rights to the earth would need to acknowledge that, in principle, a region that wished to secede had a right to do so, as long as 1) the seceding region agreed not to prevent anyone who wished to leave to do so, and 2) the seceding region would not be claiming more than their share of natural opportunities.

#### **IV. What if Not All Nations Agree?**

The analysis to this point has been developed within the assumption that there was an overnight universal recognition that all people have equal rights to the earth. Consider now the consequences of a recognition of equal rights to natural opportunities that swept some nations but not others. There are two principled positions with respect to non-citizens that might be taken by a nation that recognized that all people have equal rights to natural opportunities.

##### **A. The less severe position**

The less severe of the principled positions would be to affirm that it was important for everyone to refrain from appropriating more than their share of natural opportunities. A person's share of natural opportunities can be calculated as global annual rent divided by global population. A nation's share of rent can therefore be calculated as global annual rent multiplied by the nation's share of global population. The principled nation would hire consultants to estimate the amount, if any, by which its appropriation of global rent exceeded its share. When informed of this amount, the nation would make a corresponding transfer for the benefit of those who received less than their shares of global rent.

Such principled action would provide a powerful example that would help the nation persuade other nations to behave the same way. If all nations could be persuaded to behave in this way, then global rent would be shared equally.

##### **B. The more severe position**



The more severe principled position would be that in a world where the equal rights of all persons to the earth are not uniformly recognized, those who do recognize the equal rights of all have an obligation to share the available rent equally among all who are being deprived of their shares. From this perspective, the share of rent that can justly be claimed by each citizen of the nations that recognize that all have equal rights to natural opportunities is much smaller. It is the amount of the nation's rent that each can receive while also raising to that amount the shares of all persons in other countries who have less.

This more severe position would serve as an even more powerful symbol of justice than the less severe position. A nation that took such a position would be in a very strong position to urge other nations to follow its example. Every time another nation made a commitment to accept the consequences of the principle that all people have equal rights to the earth, the rent that could be paid to all who accepted the principle and to all who were deprived of equal shares of rent would rise.

In nations where many citizens were receiving payments to compensate for their lack of shares of rent, but where powerful interests were collecting large shares of rent, if there was any democracy there would be strong pressure to join the nations that were sharing rent. When the preponderance of countries had accepted the principle of equal rights to the earth, it would be possible to put pressure on the holdouts through economic sanctions. In this we could eventually achieve a world where it was accepted that all people have equal rights to the earth.

## **V. Consequences for Future Generations**

In a world that recognized the equal rights of all to the earth, environmental sustainability would be a nearly automatic consequence. To engage in actions that reduce the usefulness of natural opportunities through pollution is just as much an appropriation of a natural opportunity as an enclosure of an opportunity that keeps others out. Thus a nation that recognizes the equal rights of all to natural opportunities would require anyone engaging in an activity that generated pollution to pay for the harm caused by that pollution. When an activity (such as emissions of carbon dioxide) had consequences beyond the borders of the nation, the nation would recognize that the rest of the world needed to be compensated for the costs of that activity. The nation would also recognize that if all people have equal rights to the earth, this means all people in all generations. The nation would therefore ensure that it acted in such a way as to reasonably

ensure that future generations would have opportunities no less valuable than those of the current generation.

## **VI. Equal Rights to the Earth and Global Peace**

For eons, since before we were human, we have been appropriating territory and resources through fighting. It is nature's way, for creatures that lack the intelligence to find something better. As humanity struggles to become creatures who put fighting aside and achieve peace, the question arises: what basic framework will we use? There are two principal candidates: armistice and equality.

Armistice is a laying down of arms, with everyone allowed to keep what they have at that time. It is simple, and it respects the relative power of the combatants. It is what humanity has traditionally sought to use, but its success has been limited. As the relative power of combatants changes, the armistice comes under pressure. Old resentments resurface. Maintaining the armistice requires the continued waste of resources in being prepared to fight. Fighting breaks out occasionally, until a new armistice is achieved. The new armistice is no better or worse than the previous one. Eventually, fighting breaks out again. A sequence of armistices punctuated by occasional fighting is better than continual fighting, but far from ideal. We ought to aspire to a better tool for achieving peace.

The better tool is a commitment to equal sharing of the earth, to the repudiation of claims based on a historical capacity to subdue other combatants. As long as nations insist on keeping the disproportionately large shares of global rent that history has given them, they will be in an ethically weak position when they try to insist that other nations refrain from trying to better their positions. A world order based on the principle that no one gets more than their share of natural opportunities, and no one is obliged to get by on less, has a much better chance than armistice of ending war permanently. If the preponderance of nations assent, the others can be induced to comply through economic sanctions.

## **VII. Equal Rights to the Earth: Consequences for Individual Action**

Suppose that you are convinced that all people have equal rights to the earth. What should you do? When a political movement to embrace equal rights to the earth emerges, you should support it. But it may be a long time before such a movement has any chance of success. What should you do in the mean time?

Consider a parallel with ending slavery. The beginning of the end of slavery in the English-speaking world came in the 1740s, when a few Quakers in the Pennsylvania colony became convinced that slavery was wrong. They traveled around the colonies, persuading people to free their slaves. Within a few decades, nearly all Quakers had freed their slaves. The combination of the widespread voluntary freeing of slaves and the Declaration of Independence<sup>2</sup> led to legislation to end slavery in all of the northern states between 1776 and 1887. It would be another century before the preponderance of the world had accepted that slavery must end, but the initial spark set the moral revolution in motion, and it could not be stopped.

A somewhat similar movement of individual conscience is occurring today, with respect to carbon emissions. People are deciding to be “carbon neutral,” to offset their activities that put carbon dioxide into the atmosphere with other activities that withdraw carbon dioxide from the atmosphere. If everyone could be persuaded to be carbon neutral there would be an end to the rising atmospheric concentration of carbon dioxide that promotes climate change. The existence of the “carbon neutral” movement adds to the pressure for countries to act to limit climate change.

The individual action of conscience that is needed to bring one’s life into conformity with the principle of equal rights to the earth is like being carbon neutral, but wider in its application. Individuals must resolve to be “resource proportional” or “resource compensating.”

As with a nation embracing the principle of equal rights to the earth, there is a less severe and a more severe version of the resolution. The less severe version of being “resource proportional” is to resolve to use no more of the world’s natural opportunities than everyone could use if these opportunities were shared equally, or to compensate those with inadequate shares if one wishes to use more than others can have. The more severe version, of being “resource compensating,” is to recognize that to use no more than those with the least can have in a world where these opportunities are not shared equally, one must compensate for nearly all of one’s appropriations of natural opportunities.

The first few people who seek to be resource proportional or resource compensating will need to make their own estimates. They might begin by using the assistance that is available on line for estimating one’s carbon footprint. That is one component of one’s resource use. Then

---

<sup>2</sup> “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.”

one should add the pre-development value of the land that one occupies, including one's share of the land for streets, parks, etc. of the polities to which one belongs. Then there is the rent embodied in all of one's consumption purchases and one's share of the rent appropriated by all of the firms in which one has invested. A person seeking to be resource compensating will estimate this amount and make corresponding contributions to organizations that help the most deprived people in the world.

When enough people are making the effort to be resource-compensating, someone will set up a Web site to assist people with estimating the value of the natural opportunities that they appropriate and the value that constitutes one person's share. As the amount of compensation that people offer increases, it will become feasible to try to ensure that everyone in the world with an inadequate share of natural opportunities receives some compensation.

As the number of people who embrace being resource compensating increases, some city, state or province will adopt the practice for their whole population. They will organize their economy in such a way that the rent of all natural opportunities that are appropriated by their citizens is collected publicly and appropriate compensation is paid, so that individuals do not need to make their own estimates. When enough states or provinces have made the shift, whole nations will begin to do so. When the preponderance of nations have made the shift, it will be possible to apply economic pressure to the remainder to do so. In this way we can attain the global moral revolution of recognizing that all people have equal rights to the earth.