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## The Law of Rent and the Economics of War and Peace

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*The land, the earth God gave to man for his home, sustenance, and support, should never be the possession of any man, corporation, society, or unfriendly government, any more than the air or water.... An individual, company, or enterprise should hold no more than is required for their home and sustenance. All that is not used should be held for the free use of every family to make homesteads, and to hold them as long as they are so occupied.*

—Abraham Lincoln

Graph 1 below illustrates *A Peaceful Flow of Goods* and states: “In a naturally just and harmonious society everyone has fair access to the gifts of nature—land and natural resources—in order to procure their livelihood.”

This graph represents a simple economy based on equitable direct access to the gifts of nature. In such societies wealth is fairly distributed and there are often rules and ceremonies to ensure that no one group or family accumulates wealth while others lack the basic

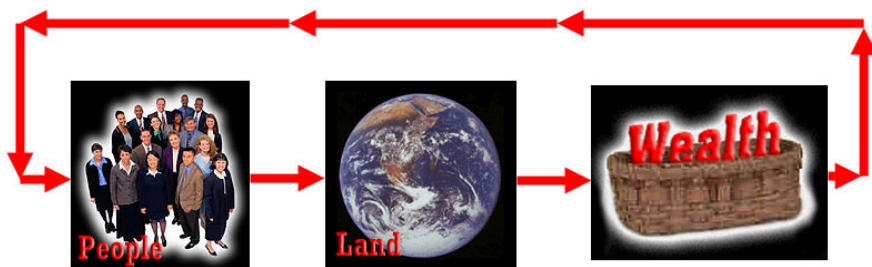
necessities. There is no hoarding while others go hungry. There are no homeless as all have access to raw materials to build shelter. There are no prisons in cultures that protect and enforce the access to land for all, as the severest form of punishment is usually banishment from the group. Designated wise ones or elders mediate conflicts.

Jeffersonian democracy envisioned broad ownership of land worked by independent family farmers. Early American society was in large part Jeffersonian

in character. The frontier image of the log cabin and the highly self-sufficient homestead was a reality for many. Wage labor was looked down upon as lacking in individual freedom. Thomas had a firm understanding that political democracy must be based on fundamental economic democracy. He said, “The earth is given as a common stock for men to labor and live on.”

Abraham Lincoln clearly articulated this perspective when he said “The land, the earth God gave to man for his home, sustenance, and support, should never be the possession of any man, corporation, society, or unfriendly government, any

### Essentials of Economic Rent and a War Economy



**In a naturally just and harmonious society,  
everyone has fair access to the gifts of nature  
in order to procure their livelihood.**

Graph 1

more than the air or water, if as much. An individual, company, or enterprise should hold no more than is required for their home and sustenance. All that is not used should be held for the free use of every family to make homesteads, and to hold them as long as they are so occupied.”

The burning issue of the Reconstruction period immediately after the Civil War was that of land reform of the southern plantations. Thaddeus Stevens and other Reconstructionists pushed to distribute the lands of the former plantations to those newly freed from slavery as well as to poor white landless people, all of whom they thought should receive forty acres and a mule. Northern industrialists, fearing a loss of their labor pool if northern workers were also to assert their right to land, rejected this proposal. Millions of African Americans as well as white people have suffered the vicissitudes of poverty ever since.

The US economy became ever more complex, urbanized and centralized over the ensuing years. Yet the allure of “the simple life” of rural homesteading emerged once again in the twentieth century, especially during the Depression and periods of war. Scott Nearing, an economist and college professor who had lost his academic position because of his pacifist beliefs and anti-war activism, and his musician wife Helen became well known from their books about their homesteading experiences which spanned more than five decades. They produced most of their own food, shelter and energy while living a lifestyle balancing manual and intellectual or creative work and play.

Bob Swan, Chuck Matthei, Ralph Borsodi and Mildred Loomis launched the community land trust movement in the 1940s and were leading voices urging thousands to try homesteading through the publications and activities of the *Institute for Community Economics* and the *School of Living* which continues to this day. *The Federation of Equalitarian Communities*, the *E.F. Schumacher Society*, and the *Global Ecovillage Network* share the same inspiration. Students of newly-formed Gaia University can obtain bachelors and masters degrees in earth-based community development.

Harvey Baumgartner, a self-described “sixty-year-old subsistence farmer from Wisconsin”

tells us in a recent issue of *Mother Earth News* how he built a fully functioning homestead in just a few years after leaving his structured employment. He began by planting a large garden and building a simple home of logs, sod, cob, and hay bales, then added a chicken coop, root cellar, clay oven, barn for his goats and horse, and a sauna. He loves this way of living and greatly enjoys visits from his grandchildren. Harvey says:

*I am interested in reviving strong rural communities... Bringing back the way we used to interact and rely on each other seems like something worth working toward. With my neighbors, it has been easy to start the process by exchanging items we need.... Each new day is an adventure here on my hilltop homestead. I eat fresher foods now and always have plenty. No longer is my focus on making money. I now concentrate my energy on the quality of my life, and I'm discovering true wealth.... I live in harmony with the natural world and its cycles...Until recently, I felt I was a steward of this land but since I've been living here I've come to feel that I am only a guest. I am just here as one of many participants, and my aim is not to dominate the land, but to live in harmony with it. And so I treat this land with the reverence and love it deserves.*

Harvey did not have much money when he started his homestead. But he had come to own a twelve acre hayfield. His is a very personal story that reminds us that human beings can live joyous and meaningful lives of self-reliance and cooperation beginning with the most basic of all needs—access to land.

Given the option of a secure place to be on this planet, no doubt multi-millions of people who now live miserable lives of degrading poverty, hunger, and exploitation would chose this simple way of life in harmony with nature over that of the daily grind and struggle required to pay rent to live in our towns and cities. With secure and sufficient access to land and other natural resources, most all human beings everywhere on earth can acquire the skills to provide for their

*We have reached the deplorable circumstance where in large measure a very powerful few are in possession of the earth's resources, the land and all its riches, and all the franchises and other privileges that yield a return. These monopolistic positions are kept by a handful of men who are maintained virtually without taxation . . . we are yielding up sovereignty.*

—Agnes de Mille (1905-1993)

own basic needs.

Graph 2 below indicates that structural violence—the wealth gap and conditions of economic injustice—begins at the point where a few gain control of most of the land and natural resources of the earth, thus excluding others from the gifts of nature. As the economy develops and land values increase, a Privilege Fund grows as a result of the private capture of land rent. Privilege Funders’ excessive accumulation of this unearned income gives them a great capacity to make loans to others, thereby capturing enormous amounts of interest as well as other types of economic rent (the excess of price over the necessary cost of production). The gun images situated above the terms “rent” and “interest” indicate that these are initial points of structural injustice.

**The Classical Economists and the Law of Rent**

Let us now define our terms as enunciated by Adam Smith and other classical economists. Land, Labor and Capital are the three primary economic factors of production in the analysis of classical economists, who described their field of focus as the study of “the production and distribution of wealth.” The term Land indicates *all nature given resources*. The term Capital means “wealth used to produce more wealth” and re-

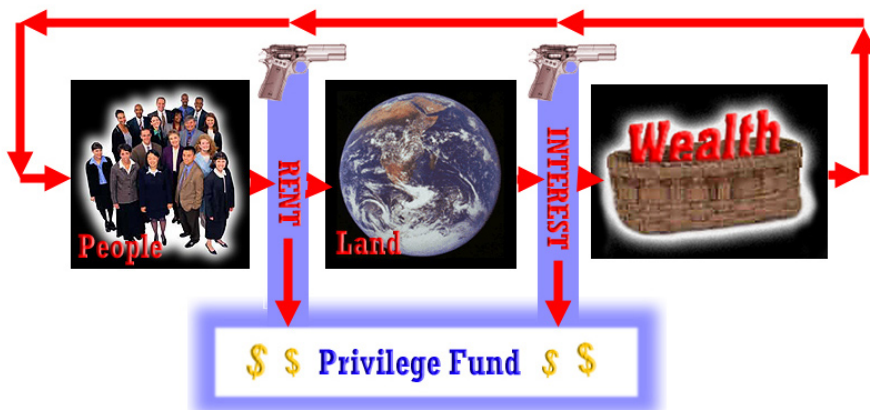
fers to tangible items of tools and machinery, not financial instruments. By “distribution” the classicals did not mean carting apples off to sell in markets but rather how the overall wealth pie was divided between the three factors. The return to Land they termed Rent; the return to Labor is the usual meaning of Wages; and the term used to describe the return to Capital was Interest.

Graph 2 requires explanation of one of the most fundamental laws of political economics—the Law of Rent. “Rent” is the term used by the classical economists to define the payment which must be made for access to “Land” (natural resources). “Rent” is unearned by the landholder, who has the privilege of holding title to “Land.” John Stuart Mill and other 19th-century economists called land rent and land price gain the “unearned increment.” Classical economist David Ricardo refined the Law of Rent in his *Principles of Political Economy and Taxation* (1817). He explained that “without a knowledge of [the theory of rent], it is impossible to understand the effect of the progress of wealth on profits and wages, or to trace satisfactorily the influence of taxation on different classes of the community.”

The **Law of Rent** is among the most important and firmly established principles of economics. The Law of Rent states that the rent of a land site is equal to the economic advantage obtained by using the site in its most productive use, relative to the advantage obtained by using marginal (i.e., the best rent-free) land for the same purpose, given the same inputs of labor and capital. This law has a number of important implications, perhaps the most important being its implication for wages. The Law of Rent implies that wages bear no systematic relationship to the productivity of labor and are instead determined solely by the productivity of labor on marginal land.

Surface land and extractive resources have no production costs, having been produced by nature. The value of surface land sites increases as the community grows and develops. Surface land values are highest in the cities – the centers of production and exchange of wealth. Cities grew in locations of some natural advantage, such as a

**Privilege Fund Grows**



**When people must pay rent for access to land, exploitation of labor begins.  
Because of the Rent Leak, people cannot get capital without borrowing  
from the Privilege Fund lending system, and paying interest.**

Graph 2

harbor or the confluence of rivers, or at the foot of trails through mountain passes. As settlements grew and had need for public infrastructure and services, systems of taxation were established to pay for schools, libraries, transportation systems, water and irrigation systems, etc. These public amenities further increase the desirability of these locations which results in an increase of the land values of serviced sites. Land value is thus a reflection of the labor and activities of the entire community of people. No one individual creates land value. Similarly the market value of finite extractive resources increases as there is more demand for the utilization of such resources.

The classical economists who turned their attention to the problem of poverty and questions concerning root causes of the rich/poor gap came to the realization that Land Rent represents a social surplus and belongs by rights to the community as a whole and thus should not be privately appropriated by land title holders. A fair economy would capture rent for the benefit of the entire community. (Further explanation of this is the focus of Graph 4 in this series.)

Unfortunately, the truths brought forth by the classical economists have been obfuscated (see *The Corruption of Economics* by Mason Gaffney). The reality of our present neoclassical economic system is that most people must pay increasing amounts of “rent” for access to land either to other title holders or to banks in the form of mortgage payments. Thus begins the exploitation (note the gun images on the graph) of those who have only their labor to bring to the process of wealth creation. Because of the “rent leak” most people cannot secure capital (homes included) without borrowing from the “Privilege Fund lending system” and paying interest. As the privilege fund grows, so does the wealth gap between the super rich and the rest of us.

Under our current property-in-land laws, land is treated as a market commodity. Whoever holds title to valuable natural resources and desirable land sites reaps the land rent as individual profit. Land speculation adds fuel to the fire of increasing land values. We are all familiar with the phrase “to make a killing in real estate.”

Our Western form of land tenure has deep historical roots. The land of Europe was once held as a commons. There were well-established community rules of use rights to the forests, fields, and streams. However, after several hundred years of the enclosure or privatization of the common lands in Europe, which began with

the Statute of Merton of 1235, most of the people were mired in poverty and abhorrent living conditions. Some of those who managed to make a living for themselves in the emerging cash economy gradually were able to acquire land once again, this time by purchase. Land then became a market commodity with a sale price. All three factors of production—land, labor, and capital—could now be bought and sold.

Fast forwarding to our own times we see that those who once had access to common lands, the common people, now are viewed by Privilege Funders to reside in a “labor pool.” Most of us commoners *sans* commons are currently drowning in a sea of debt. The reality of burgeoning numbers of people in prison in the United States today shows a similar result to how the economy was structured during times of the debtors’ prisons of the Middle Ages. Most of us of social concern are quite aware that people of color and poor white people, those who had no previous capacity to stake claim to land and natural resources, disproportionately populate our prisons. As of December 31, 2005:

- 2,193,798 prisoners were held in Federal or State prisons or in local jails—an increase of 2.7% from yearend 2004, less than the average annual growth of 3.3% since yearend 1995.
- There were an estimated 491 prison inmates per 100,000 U.S. residents—up from 411 at yearend 1995.
- The number of women under the jurisdiction of State or Federal prison authorities increased 2.6% from yearend 2004, reaching 107,518 and the number of men rose 1.9%, totaling 1,418,406.
- At yearend 2005 there were 3,145 black male sentenced prison inmates per 100,000 black males in the United States, compared to 1,244 Hispanic male inmates per 100,000 Hispanic males and 471 white male inmates per 100,000 white males.

### **Wealth Concentration and the Boom/Bust Housing Market**

Everywhere in the world where land is treated as a market commodity land prices are inexorably and relentlessly increasing. People are working longer and harder to make payments for land access, either as apartment rentals or mortgage payments. With improved technology and enhanced productive capacity, wealth increas-

es as development proceeds. However, land prices, and thus housing costs for example, increase more rapidly than the wages of those who work for a living. This reality—that housing costs increasing more rapidly than wages—is one example of the workings of the Law of Rent.

Shelter is a basic necessity of life. Lifelong renters pay as much as ten times the cost of their rental unit in the course of their lifetime. Others do everything they can to find a way to purchase a home. Since wages do not keep up with the ever increasing price of land and thus the cost of a house, those who work for a living must borrow if they wish to own a home. An ever greater amount of their wages are then taken from them *via* mortgage interest payments. Not long ago a one-income family could afford home purchase. Today, two-income families are struggling to make the mortgage payments.

If suddenly a new continent were to be discovered and people could flee to it to gain free access to land, the rent of land in the “old continent” would decrease and the wages of workers in the “old continent” would increase as a proportion of total wealth produced. Those who could directly work the land on the new continent could keep all of what they produced with no need to pay either land rent or mortgage interest. However, if the property rights laws of the new continent were essentially the same as that of the old, the Law of Rent would gradually take effect and the people of the new continent would eventually be ground down to economic insecurity and poverty as had happened previously on the old continent. This is what is happening now to increasing numbers of the people of the United States. They are being ground down to subsistence levels and below. And there are no new continents to discover.

“The burden of housing costs in nearly every part of the country grew sharply from 2000–2005, according to new Census Bureau data.... The numbers vividly illustrate the impact, often distributed unevenly, of the crushing combination of escalating real estate prices and largely stagnant incomes.” Thus began an October 3, 2006 New York Times article, *Across Nation, Housing Costs Rise as Burden* by Janny Scott and Randal C. Archibold who also tell us that:

- Housing prices have been rising faster than household incomes and in many parts of the country, real estate prices have escalated sharply in recent years. In New York City, more than half of all renters

spend at least 30% of their gross income on housing, a percentage figure commonly seen as a limit of affordability.

- The places with the highest overall percentages of people carrying a heavy housing burden were in fast-growing areas of California, Colorado and Texas. Boulder, Colorado and College Station, Texas had the highest number of renters spending nearly 50% of their income on housing.
- The percentage of mortgage holders spending at least 50% of their income on housing rose as well. For instance, in Clifton, New Jersey, 12% of mortgage holders spent at least 50% of their income on housing in 2000, rising to 27% by 2005.
- Poorer communities well located to employment opportunities and close to public transportation had the highest overall percentages of homeowners spending 30% or more of their income on mortgage payments.

Stephen Ohlemacher, in an AP story out of Washington on October 3, 2006, tells a similar story headlined *More Americans Find Themselves ‘House Poor.’* Among the Census Bureau statistics that Ohlemacher highlights is that California has the most expensive housing costs among the states. “We are really reaching the outer edge of the envelope of what people can manage,” said Cynthia Kroll, senior regional economist at the University of California at Berkeley.

Note that California has the sixth largest economy in the world. With a gross state product (GSP) of about \$1.4 trillion, its economy is surpassed only by the economies of the United States, Japan, Germany, the United Kingdom and France. But the average worker’s paycheck has been shrinking compared to the increases in apartment rents and mortgage costs increase.

The above examples illustrate the workings of the Law of Rent, namely, (1) land prices and hence housing costs rise faster than wages; (2) land with locational advantages such as proximity to employment and transportation generate the highest land rents; (3) higher wages that might be generated in these areas are more than offset by the higher rents and mortgage payments extracted from workers who live there, (4) over time, no matter the degree of progress and development, workers gradually lose their stakes in the economic game as wealth concentrates in the hands of the few who are positioned to capture rent and interest.

Privilege Funders invest the rent and interest they receive in the development of large scale capital industries—corporations—which they control and monopolize. Wages are further driven down when machines replace people. Tools become labor enslaving rather than labor saving. Asset prices soar for real estate, stocks and bonds. Wages and living standards decrease.

Since the 1980s, mortgage lenders and the financial sector in general have backed real estate interests in lobbying to shift taxes off property. Along with the Federal Reserve's easy-credit policy lowering short-term interest rates from 20% in 1980 to just 1% in 2004, tax cuts for property have spurred asset-price inflation. Former Federal Reserve Chairman Alan Greenspan has characterized this policy approach as promoting "wealth creation" but others call it "debt creation" because bank credit has fueled the rise in real estate (read "land rent") and other assets. Most families have gone deep into debt to afford housing leaving many workers "one paycheck away from homelessness" as the popular phrase puts it. If one of the two-wage earners of the typical American middle income family loses their job, there is a high likelihood that they will miss their mortgage payment. As Michael Hudson and others have pointed out, due to heavy mortgage debt workers are afraid they might miss their mortgage payment and lose their homes if they strike or even to stand up against being forced to work overtime without pay.

A Center on Budget and Policy Priorities analysis of Census Bureau data discovered that between 2001 and 2005 the median income for non-elderly households—working US families—fell 3.7%, or \$2000. Tax cuts for the wealthy and for businesses combined with low-interest-rate policies yielded booming real estate markets. But with the boom comes the bust and now housing prices are falling. Many wage earners who bought homes, lured by lower mortgage interest rates the past few years, will be paying for an asset which will be worth less than it cost. If one of the two wage earners is faced with a unemployment in a time of recession, many will lose their homes and equity.

Many families in the United States and other developed countries have made more money in recent years from the rising price of their homes than from their salaries. But to realize this price gain, they have to borrow against it. This means that as their major asset—their home—has risen in price, so has their debt. Figures compiled by US mortgage behemoth Freddie Mac show that Americans have withdrawn \$727.4 billion in

equity from their homes during the past five years (2000–2005).

*This borrowing has pushed the savings rate into negative territory for the first time since the beginning of the Great Depression. As a result of this massive borrowing, the ratio of mortgage debt to home values has never been higher. With home prices falling, millions of homeowners will soon lose the ability to borrow against their homes. This will force people to curtail their consumption. Tens of millions of families bought homes at bubble inflated prices and now face the prospect of seeing their life savings disappear in the housing crash. In many cases, it will cause people to lose their homes, as they will not be able to maintain their mortgage payments. – Dean Baker (After the Housing Bubble Bursts, Truthout/Perspective, October 24, 2006)*

Meanwhile, the concentration of wealth in the hands of the few is proceeding at an alarming pace. As of year 2006, the wealthiest 20% of households were earning 50.4% of the nation's gross income; the poorest 20% were earning just 3.4%. Total wealth accumulated is significantly more concentrated than income. The top one percent of the US population now has more than one trillion dollars more wealth than the bottom 90% or viewed as a percentage, the top one percent holds 38% of all wealth.

"The bottom 20% basically have zero wealth. They either have no assets, or their debt equals or exceeds their assets. The bottom 20% has typically accumulated no savings," said wealth gap expert Edward Wolff in a recent Multinational Monitor interview on *The Wealth Divide—The Growing Gap in the US Between the Rich and the Rest*.

Wolff's analysis tells us that the top one percent of families hold half of all non-home wealth. While the major assets of the middle class are their home, checking and savings accounts, certificates of deposits, money market funds and pension accounts, in other words, labor income derived assets, the richest 10% of families own about 85% of all stocks and financial securities, 90% of all business assets. These financial assets and business equity are even more concentrated than total wealth.

"The United States has rising levels of poverty and

inequality not found in other rich democracies. It also has less mobility out of poverty,” says Holly Sklar in *Growing Gulf Between Rich and Rest of US*.

Since 2000, America’s billionaire club has gained 76 more members while the typical household has lost income and the poverty count has grown by more than 5 million people.

The extent of poverty and inequality in the United States is seldom seen or reported on television. “The infant mortality rate in the United States compares with that in Malaysia—a country with a quarter the income,” according to the 2005 Human Development Report. “Infant death rates are higher for [black] children in Washington, D.C., than for children in Kerala, India.” Kerala is a relatively poor state where basic needs are nonetheless being met due to a significantly higher degree of fairness in wealth distribution than can be found in other states and countries.

*Forbes* magazine has been publishing an annual list of America’s 400 richest people since 1982. That first year *Forbes* found that 13 of these people were billionaires. Year 2006 *Forbes* finds all 400 of the richest people in America are billionaires. Their total net worth is \$1.25 trillion. In 2004, the most current year with stats available, the 56 million American families who make up the poorer half of America’s wealth distribution had a total combined net worth of just \$1.29 trillion, as reported in the weekly e-newsletter *Too Much*, 9/25/06.

Taking a global look, *Forbes* finds that the income of the world’s 500 richest people exceeds that of the poorest 416 million. The *Human Development Report* finds that the average income of the top 20% of the world’s population is 50 times the average income of the bottom 20%.

Addressing the situation of dire inequality with which we are now confronted, newly elected Senator Jim Webb had this to say in his *Class Struggle* article published in the November 15 (2006) edition of *The Wall Street Journal*:

*The most important—and unfortunately the least debated—issue in politics today is our society’s steady drift toward a class-based system, the likes of which we have not seen since the 19th century. America’s top tier has grown infinitely richer and more removed over the past 25 years. It is not unfair to say that they are literally living in a different country. Few among them send their children to pub-*

*lic schools; fewer still send their loved ones to fight our wars.... Trickle down economics didn’t happen.*

*A troubling arrogance is in the air among the nation’s most fortunate. Some shrug off large-scale economic and social dislocations as the inevitable byproducts of the “rough road of capitalism.” Others claim that it’s the fault of the worker or the public education system, that the average American is simply not up to the international challenge, that our education system fails us, or that our workers have become spoiled by old notions of corporate paternalism.... Most Americans reject such notions. But the true challenge is for everyone to understand that the current economic divisions in society are harmful to our future. It should be the first order of business for the new Congress to begin addressing these divisions, and to work to bring true fairness back to economic life.... Our government leaders have no greater duty than to confront the growing unfairness in this age of globalization.*

### Homelessness And Hunger In The United States

*Much of the homeless problem can be attributed to increases in the number of the poor in the 1980s and declines or rough constancy in the number of low-rent rental units; the number of homeless has grown since 1983, despite economic recovery, with the number of homeless families growing especially rapidly. (Permanent homelessness in America? Richard B. Freeman and Brian Hall.)*

The National Low Income Housing Coalition 2006 *Out of Reach* report on housing affordability tells us that the cost of affordable rental housing continues to grow, outpacing the wages of those who need it most. The NLIHC national two-bedroom Housing Wage—defined as the hourly wage a full time worker must earn in order to afford a two-bedroom rental unit—climbed to \$16.31 for 2006, up from \$15.78 from 2005. Yet in 2005, the most recent year for which data on median hourly wage are available, the median hourly wage for all workers was \$14 and the estimated average renter wage was \$12.64. The report found that the problem is particularly stark for the lowest wage earners, includ-

ing those who earn just the minimum wage, even in states that have higher minimum wages than the federal minimum wage, which has been stalled at \$5.15 since 1997.

“Minimum wage earners are unable to afford even a one-bedroom home anywhere in the country, and 88% of renters in cities live in areas where the FMR (Fair Market Rent) for a two-bedroom rental is not affordable even with two minimum wage jobs,” state the authors of *Out of Reach*.

The Urban Institute reports (year 2000) that even in a booming economy, at least 2.3 million adults and children, or nearly one percent of the U.S. population, are likely to experience a period of homelessness at least once during a year. For people living in poverty, the likelihood grows to 6.4%. For recent years surveyed the estimates of the number of people likely to be homeless at least once in a given year is between 2.3 and 3.5 million. Children are nearly 25% to nearly 40% of those who are homeless and using homeless services.

“Housing costs are on the rise in metropolitan areas, while extreme poverty and other vulnerabilities are facts of life for millions of people, homeless and otherwise. Preventing homelessness in a booming economy is an ongoing challenge,” says Urban Institute researcher Martha Burt.

The U.S. Conference of Mayors and Sodexo, Inc. 2006 Hunger and Homelessness Survey says that during the previous year, requests for emergency shelter increased in the survey cities by an average of nine percent. Requests for shelter by homeless families alone increased by five percent. An average of 23% of the requests for emergency shelter by homeless people overall and 29% of the requests by homeless families alone are estimated to have gone unmet during the last year with emergency shelters in most of the survey cities having to turn away homeless families due to lack of resources. Survey cities reported that over the last year, people remained homeless an average of eight months.

A Second Harvest survey found that while 89% of U.S. households were food secure throughout the entire year of 2005, the remaining households—11% or 35 million people, including 12.4 million children—were not. In the category of *very low food security* were at 3.9% of households—4.4 million people. Overall, households with children had nearly twice the rate of food insecurity as those without children. In households with very low food security, eating patterns of one or more household members were disrupted and their food

intake was reduced at times during the year because the household lacked money and other resources for food.

Ninety-five percent of city officials included in the Sodexo report expect that requests for emergency food assistance by families with children will increase during 2007. Seventy-five percent expect that requests by homeless families will increase during 2007. Along with unemployment and other employment related problems city officials cite other causes of hunger, in order of frequency, include high housing costs, poverty or lack of income, medical or health costs, substance abuse, utility costs, transportation costs, and the lack of education.

The U.S. government has been returning less rather than more of received tax funds back to the people during the past several decades. Although neoliberalism pushes for the reduction of state intervention in other parts of the world, in the U.S. taxes have steadily been reduced for the higher income levels but raised for the majority of the population. Most of these funds have been spent as subsidies to the agricultural, military, aerospace and biomedical sectors. Thus, the income of those at the top increases to the detriment of everyone else.

Sodexo USA Chief Operating Officer Richard Macedonia, said “... it is disheartening and disturbing to learn that so many of our fellow Americans are in desperate need of shelter, food, clothing, and the other basic necessities of life—and that in nearly every major US city, the problem of hunger and homelessness is steadily growing.”

These statements were made by others during the press conference when the Sodexo Survey was released:

*As mayors of cities in the richest and most powerful nation in the world, we cannot simply stand by as our residents—families with children—continue to suffer.*

—Douglas H. Palmer, U.S. Conference of Mayors President and Mayor of Trenton

*The results of this report shed light on a very real challenge facing this nation. All of us, as Americans should ask ourselves, are we willing to confront the difficult issues of hunger and homelessness and identify the causes?*

—Des Moines Mayor T.M. Franklin

Cownie, Co-Chair of the U.S. Conference of Mayors Task Force on Hunger and Homelessness

*Hunger and homelessness are not simply part of the 'natural order of things'. They represent inexcusable failures of political will and human imagination. All of us – at all levels of government and throughout society – must re-dedicate ourselves to addressing the needs of ALL Americans.*

—Congressman Jim McGovern.”

### Middle Class Stress

In the United States, not only are the poor people becoming poorer, sicker, and hungrier each year, the middle class is also increasingly stressed and distressed. In *The Middle Class on the Precipice: Rising financial risks for American Families*, Elizabeth Warren tells us that middle-class families are being “threatened on every front.... Even with two paychecks, family finances are stretched so tightly that a very small misstep can leave them in crisis.... Incomes are less dependable today. Layoffs, outsourcing and other workplace changes have trebled the odds of a significant interruption in a single generation.”

Warren’s analysis leads her to conclude that the security of middle-class American families has vanished. “The new reality is millions of families whose grip on the good life can be shaken loose in an instant.” Economic pressures have caused more middle-class families to turn to credit cards and mortgage refinancing just to make ends meet. Debt is now greater than savings. Yet as previously noted, mortgage refinancing is becoming less of an option for many.

### The Higher Debt Of Higher Education

The heading of a *USA Today* (2/22/06) story by Sandra Block, *Students Suffocate under Tens of Thousands in Loans*, paints a glum picture of the price of higher education. The average college graduate owes \$19,000 but many undergrads have debt exceeding \$40,000. “The weight of debt is forcing many to put off savings for retirement, getting married, buying homes and putting aside money for their own children’s educations,” says Block. “It’s a real crisis,” says Diana Cantor, director of the Virginia College Savings Plan. “You’re strapped before you get started.”

Block goes on to report that the average debt for a college graduate has risen 50% in the past decade, after inflation. Tuition has soared much faster than pay for the kinds of lo-wage jobs that students tend to hold, thus it is difficult to avoid going into debt to pay for college. The option to extend their payment periods for up to 30 years sharply boosts the interest to pay. For example, a borrower who takes 30 years to pay off a \$20,000 loan at 6.8% will pay about \$27,000 in interest. That compares with \$7,619 on a loan paid off in 10 years.

If many people will be 55 or 60 years old before their student loans are paid off, how will they be able to help pay for their own children’s college education?

### Health Insurance And Drug Profits

Rather than caring about anyone’s health, insurance companies are in it for the money. Jim Hightower tells us (*Insurance Giants Take Stock in Tobacco*) that a number of insurance companies are doing a good bit more than providing insurance. “The four major insurance companies now own Health Maintenance Organizations and are major owners of tobacco companies,” he says. “These are what I call Full-Service companies: they profit by selling you health insurance, then profit by selling you cigarettes to give you diseases, then profit again by selling you medical service for your diseases,” says Hightower.

Uninsured people file for bankruptcy every year because they cannot pay their medical bills. Others cannot afford the high cost of prescription medicine or simply cannot get health insurance. Yet in 2004, the 13 largest drug companies netted profits of \$62 billion, and U.S. hospitals posted \$26.3 billion in profits. While 46 million Americans—including 8 million children—go without health insurance, the top 12 HMO executives earned \$222.6 million this year.

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Inequality has broad societal consequences and effects physical health as well. Despite varying degrees of health care and expenditure, research and analysis of the past several years reveals that countries with the greatest economic inequality have the most people suffering from poor health. Thus in addition to eliminating poverty we must solve this problem of the vast gap

between the super-rich and the rest if we are improve overall physical and mental health.

### Worldwide Wealth Gap

Inequality is widening worldwide. The World Institute for Development Economics Research of the United Nations University reported in 2000 that the top 1% of the world's population—some 37 million adults with a net worth of at least \$515,000—accounted for about 40% of the world's total net worth. The bottom half of the population owned merely 1.1% of the globe's wealth. The net worth of the world's typical person—whose wealth was above that of half the world's population and below that of the other half—was under \$2,200.

“Developed countries have pulled ahead of the rest of the world,” said Edward N. Wolff, a professor of economics at New York University who is a co-author of the new study. “With the notable exception of China and India, the third world has drifted behind.”

The U.S. accounted for 4.7% of the world's population but 32.6% of the world's wealth. Nearly 4 out of every 10 people in the wealthiest 1% of the global population were American. The average American had a net worth of nearly \$144,000, losing only to the average Japanese, who had \$180,000, at market exchange rates; the average person in Luxembourg, who had \$183,000; and the average Swiss, who had \$171,000. By contrast, in 2000 the average Chinese had a net worth of roughly \$2,600, at the official exchange rate. China, home to more than a fifth of the world's population, had only 2.6% of the world's wealth. And India, with 16.8% of the world's people, accounted for only 0.9% of the world's wealth.

When discussing and studying inequality it is important to make a clear distinction between inequality of income and inequality of wealth. A recent study by Emmanuel Saez of the University of California, Berkeley, and Thomas Piketty of the École Normale Supérieure in Paris, found that in 2004 the top 1% of Americans earned a higher share of the nation's income than at any time since the 1920s. Still, that share was only 16%. But even as income inequality has reached near record levels in many countries, the distribution of the world's wealth—things like stocks, bonds or physical assets like land—has become even more narrowly concentrated than income.

Among Americans, wealth is distributed about as unequally as it is around the globe. The study cited data

from the Federal Reserve's Survey of Consumer Finances, which found that the richest 1% of Americans held 32% of the nation's wealth in 2001. This tops the inequality in every country but Switzerland among the 20 nations that measure these wealth disparities and are cited in the report. Wealth inequality vastly outstrips the inequality in the distribution of income.

The *Human Development Report* for 2005 tells us that the ratio of the poorest 10% of the population to the richest 10% for the world as a whole is 1 to 103. Absolute income inequality between rich and poor countries is increasing. The incomes of the richest 20% of the world's people are approximately 140 times those of the poorest 20%. As one example, in 1990 the average American was 38 times richer than the average Tanzanian. Today the average American is 61 times richer, according to the most recent HDR.

However, “average” is a relative concept. As discussed previously, the wealth is fast flowing to the top in the United States. What is crystal clear is that both “developed” and “developing” countries share the same very serious problem—the growing wealth divide, with the wealth of the world now concentrated in the hands of a very few.

Here is what one capitalist publication tells us about this state of affairs: “The three richest people in the world have more money than the poorest 48 nations combined,” reported Thomas Kostigen in *MarketWatch* (December 12, 2006). Another way to view the situation was reported by David Korten in his article *The Limits of the Earth* (*The Nation*, July 15/22, 1996): The world now has more than 350 billionaires whose combined net worth equals the annual income of the poorest 45% of the world's population.

As the director of the *Public Policy Program* at John Hopkins University, Vincent Navarro, so clearly states in his article on *The Worldwide Class Struggle*: “The primary conflict in today's world is not between North and South but between an alliance of the dominant classes of North and South against dominated classes of North and South.”

Susan George thinks that this conflict might have something to do with “the land problem.” She says, “The most pressing cause of the abject poverty which millions of people in the world endure is that a mere 2.5% of landowners with more than 100 hectares control nearly three-quarters of all the land in the world, with the top 0.23% controlling over half.” (Susan George, *How the Other Half Dies*, Penguin Books, 1976, p. 24.)

### The Land Problem

In understanding the land and land rent problem we come to grasp how it is that despite doctrines of human rights and democratic governance we live on a planet where a few hundred multi-billionaires now have accumulated as much wealth as that of half of the world's population of six billion people. The fact of the matter is that the land problem is a worldwide problem, and the "law of rent" functions universally and currently for the benefit of the few and to the detriment of the many.

A New York Times article by Anne Christendom (September 12, 1992) about Bangladesh, the poorest country in the world, described how the root of the problem of persistent malnutrition in the midst of relative plenty is the unequal distribution of land ownership in Bangladesh. She reports that:

*The wealthiest 16% of the rural population had come to control two thirds of the land while almost 60% of the population had less than one acre. Bangladesh is classed as a democracy but great numbers of children die of hunger and malnutrition. Not surprisingly the government is dominated by landowners. Even when Bangladesh shows high economic growth this is due primarily to exports on the world market. The extensive poverty of the majority is untouched.*

An example of this primary structural injustice from an earlier time was what happened in Ireland, whose elite landowners were profiting from exporting food while millions starved during the "potato famine." With land concentrated in the hands of a few and while huge amounts of food was being exported as cash crops to England, between 1841 and 1851 at least 2.5 million people died of starvation, about one quarter of the population

Addressing now the root cause of the concentration of the world's wealth and the persistence of poverty amidst abundance, let us look at some bottom line (which is the earth) numbers:

- "At best, a generous interpretation would suggest that about 3% of the population owns 95% of the privately held land in the USA (Peter Meyer, "Land Rush—A Survey of America's Land—Who Owns It, Who Controls It, How much is Left" in Harpers Magazine, Jan. 1979).

- 568 companies control 22% of private land in the USA, a land mass the size of Spain. Those same companies land interests worldwide comprise a total area larger than that of Europe—almost 2 billion acres.

In order to show that there was NO NEED for land reform in Central America because our land in the USA is even more concentrated in ownership than Central America, Senator Jesse Helms read these facts into the Congressional Record in 1981:

- In Florida, 1% owns 77% of the land. Other states where the top 1% own over two-thirds of the land are Maine, Arizona, California, Nevada, New Mexico, and Oregon.

A United Nations study of 83 countries showed that less than 5% of rural landowners control three-quarters of the land.

- In specific countries we see these numbers:
- 86% of South Africa is still owned by the white minority population
- 60% of El Salvador is owned by the richest 2% of the population
- 80% of Pakistan is owned by the richest 3% of the population
- 74% of Great Britain is owned by the richest 2% of the population
- 84% of Scotland is owned by the richest 7% of the population.
- In Venezuela, 77% of the farmland is owned by 3% of the people.
- According to a 1985 government report, 2% of landowners hold 60% of the arable land in Brazil while close to 70% of rural households have little or none. Just 342 farm properties in Brazil cover 183,397 square miles—an area larger than California (Worldwatch, Oct. 1988)
- In Spain, 70 per cent of the land is owned by 0.2 per cent of the people.
- In Britain, 69 per cent of the land is owned by 0.6 per cent of the population. Just 158,000 families own 41 million acres of land while 24 million families live on four million acres.

(For these and other statistics go to Geodata section of [www.earthrights.net](http://www.earthrights.net))

With so few people owning and controlling so much of the land of the planet, including the prime locations, it is easy to understand how these same few are in position to capture land rent, deposit most of this unearned income into their banks, then receive interest payments from the funds they loan. Some researchers estimate that at least as much as one third of most countries GDP is rent.

Further exacerbating the problem, the FIRE sector—finance, insurance and real estate—channels much of their profits (about 70% in the United States and Britain) into real estate, according to economist and former Wall Street analyst Michael Hudson. “Most of the remaining credit is extended to institutional speculators in the stock and bond markets – whose greatest gains are in the public-sector assets being sold at such low prices that great capital gains are guaranteed,” says Hudson. “Unprecedented underwriting fees to investment bankers have been supplemented by more fees for mergers and acquisitions, enriching the financial sector at the expense of the rest of the economy. So we are brought back to the fact that what is being planned by today’s wave of privatizations is the creation of power elites whose families are likely to dominate their societies for centuries to come, much as feudal European conquerors shaped subsequent development.”

At the other end of the extreme is the reality that members of poor families are being captured, forced or sold into slavery. After journeying across five continents to investigate the issue, David Batstone reports in his book *Not for Sale: The Return of the Global Slave Trade and How We Can Stop It*, that human trafficking generates \$31 billion annually and enslaves 27 million people around the globe, half of them children under the age of eighteen. Batstone profiles the new generation of abolitionists who are leading the struggle to end this appalling epidemic.

Joseph E. Stiglitz, former Chief Economist with the World Bank and one of three winners of the 2001 Nobel Prize in economics, shared his insights on the land problem in an interview with Greg Palast, a writer for *The Observer* (London). Stiglitz described in detail the four-step plan used by the international banking institutions to extract wealth from around the world. In his view the process leads to financial barbarism, pillage and plunder and has resulted in immense suffering, starvation and destruction. “It has condemned people to

death,” Stiglitz said bluntly in the interview.

When Palast asked Stiglitz what he would do to help developing nations, Stiglitz proposed radical land reform and an attack at the heart of “landlordism,” including excessive rents charged by the propertied oligarchies worldwide. When Palast asked why the World Bank didn’t follow his advice, Stiglitz answered, “If you challenged it (property rights in land), that would be a change in the power of the elites. That’s not high on their agenda.”

Graph 3 focuses on how the military-industrial-financial complex and an imperialistic U.S. foreign policy have grown out of this concentration of wealth and power in the hands of so few. It indicates that Privilege Funders, with their enormous capacity to accumulate and control wealth and power, invest in land and resources in “underdeveloped” countries. To quell protests, investors call for military intervention. Privilege Funders play a strong role in developing US foreign policy in ways that further their own interests. A large share of the taxes of working people pay for elite wars of aggression fought in the name of human rights and democracy but in reality for the expansion of Privilege Funder control of land, natural resources and key locations. A disproportionate number of poor people give their lives in these wars.

Mason Gaffney in *Rent-Seeking and Global Conflict* contends that national governments originate historically to acquire, hold and police land. “Other functions are assumed later, but sovereignty over land is always the first business. Private parties hold land from the sovereign; every chain of title goes back to a grantor who originally seized the land,” says Gaffney who suggests we keep in mind that rent-seeking in its original form is “land grabbing.”

Arguing that conventional economists are wrong when they submit that “national defense is a public good” Gaffney reveals that what is defended behind the defense wall is land previously seized, as was native lands in the Americas. “Every land title in the world goes back to a taking by force,” says Gaffney. Furthermore:

*The Lords and Barons have much at stake; the serfs and vagrants very little. Rent is what is being defended, along with, no doubt, traditional feelings of machismo and some local folkways and mores.... But it is outside the defense wall of the nation proper that rent-seeking is most*

*dynamic and destabilizing. Military force (often in tandem with finance) is used to project sovereignty into foreign nations, and over no-man’s-lands like the oceans, polar regions, radio spectrum and outer space.*

Gaffney identifies two general kinds of offshore rent-seekers:

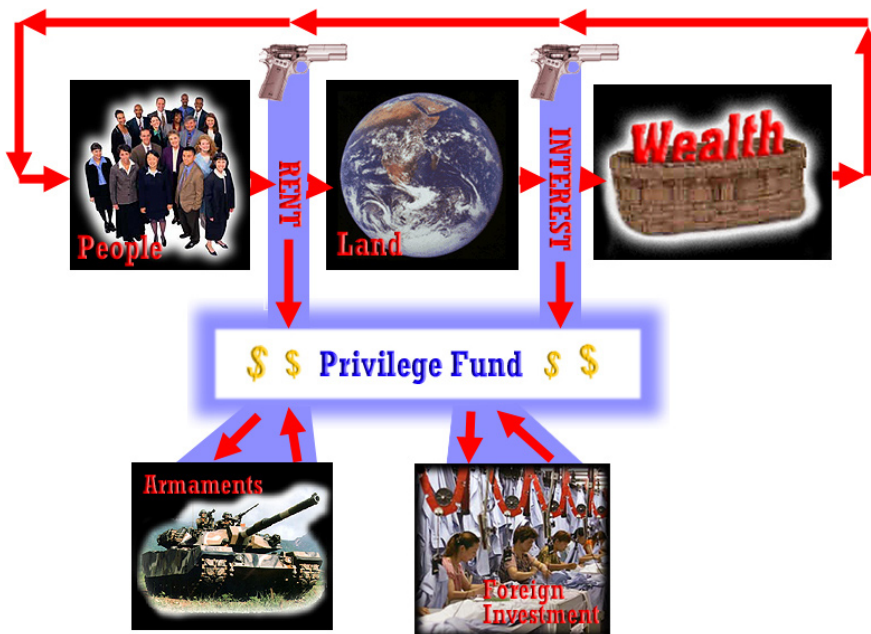
1. *Caciques*, a generic term for local cooperating rulers from the native population, are drawn from the matrix of the local landholding oligarchy which imperial powers work through in a kind of control symbiosis. Although turn-over among individual caciques may be high, the local oligarchy remains stable often thanks to the support of imperial power elites.
2. Rent-seekers of the second kind are U.S. or allied multinational interests, mostly corporations. The cacique is expected to assign to them, or be complaisant in their taking con-

cessions and resources like minerals, transportation routes, communications, bank charters, plantations, exploration, over flights, and navigation rights. Native elites normally control more of the traditional resources like farmland.

“Both these groups have major influence on U.S. policies and often manage to direct large discretionary government funds to their own interests,” says Gaffney. His analysis shows how rivalry to appropriate limited rent-yielding resources leads to conflict:

*The biggest gains to rent-seekers come from buying in on the ground floor, cheap, when tenures are precarious or uncertain. Then one invokes the U.S. armed forces and the sanctions of ancillary statecraft to raise the value of one’s acquisition. The three main concerns are to firm up precarious tenures (as by supporting the government that granted them); to hold down taxes on their holdings; and to avoid pure competition (as by giving preferential access to the U.S. market, or Pentagon procurers). Profits to be made are more the products of statecraft and force than of capital inputs proper.*

### Privilege Fund Enables War System



**Collectors of the Privilege Fund invest in land and resources in “underdeveloped” countries.**

**To quell protests, investors call for military intervention.**

Graph 3

Graph 3 shows the development of the “iron triangle” of the military industrial complex (MIC)—the close and symbiotic relationship between a nation’s armed forces, its arms industry, and associated political and commercial interests. In such a system, the military is dependent on industry to supply material and other support, while the defense industry depends on government for a steady revenue stream. The term was coined by President Dwight Eisenhower in his farewell presidential address to the nation wherein he warned of the dangers of “a permanent arms industry of vast proportions.” In this speech

he said that the agenda of those who profit from war is counter to the survival of democracy:

*In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.*

As pejorative terms, the MIC refers to an institutionalized collusion among defense contractors (industry), The Pentagon (military), and the United States government (Congress, Executive branch), as a cartel that works against the public interest, whose motivation is profiteering. Taxes on working people subsidize the MIC to such a degree that the United States has developed a permanent war economy. Members of Congress go to Washington to grab funds for their back-home arms industry in the name of providing local employment.

The MIC, to which we will now add the letter F – Military-Industrial-Financial Complex—goes hand in hand with U.S. foreign policy which we have previously described as largely dominated by rent-and-interest seeking Privilege Funders, mostly corporations, banks, a handful of billionaires, and their allied local elites, the caciques or vassals. Altogether the forces of these players have brought us to the current official U.S. foreign policy of “full spectrum dominance” of the world and its resources. But the roots of U.S. foreign policy can be found in the distant past.

### Roots Of U.S. Imperialism

In his essay “The Problem of the Modern World” John Mohawk states:

*When land became a ‘commodity’ and lost its status as provider and sustainer of life, Western civilization began its history of subjugation and exploitation of the earth and earth based*

*cultures. For nearly five centuries people have been coerced from their landholdings. The problem, in the English-speaking world, has its roots in the sixteenth century.*

Mohawk is talking about the Enclosure Period. This is the time of violent direct suppression of the indigenous people of Europe. Between the thirteenth and seventeenth centuries, masses of peasants were evicted from their holdings or saw their common lands fenced off for sheep.

The Enclosures began after the signing of the Magna Carta in 1215. This was the great charter that King John was forced by the English barons to grant. Traditionally interpreted as guaranteeing certain civil and political liberties, the right to land for the common people was *not* among them. The first legal act to enforce enclosures was the Statute of Merton of 1235 which spoke of the need to “approve (meaning improve) the land in order to extract greater rent.” The land barons were of course extracting rent from those who formerly had free access to the fields, forests, streams and meadows of the commons.

The enclosures redefined land as “private property” and thereby gave it the status of a commodity, tradable within an expanding market system. Since the majority of people were denied access to the land and were forced to become wage laborers, labor also became a tradable commodity. The enclosures were justified by its perpetrators as necessary in order to make “improvements.” Whole villages were being pulled down to make way for the more profitable industry of sheep farming and families were turned adrift onto the roads. Those who did not starve became “displaced persons” and “internal refugees” – and soon paupers, prisoners, servants or soldiers.

The word “privilege” derives from “private law.” Private property-in-land laws of Enclosure appropriated the Commons for the privileged few to the exclusion of the vast majority of the people of England, Ireland, and Wales and much of Europe.

Over several hundred years 4,000 Private Acts of Enclosure were passed covering some 7,000,000 acres.

*He who joyfully marches to music in rank and file has already earned my contempt. He has been given a large brain by mistake, since for him the spinal cord would fully suffice. This disgrace to civilization should be done away with at once. Heroism at command, senseless brutality, deplorable love-of-country stance, how violently I hate all this, how despicable and ignorable war is; I would rather be torn to shreds than be a part of so base an action! It is my conviction that killing under the cloak of war is nothing but an act of murder.*

– Albert Einstein (1879 – 1955)

Probably the same sized area was enclosed without application to Parliament. About two thirds involved open fields belonging to cottagers while one third involved commons such as woodland and heath. In the census of 1086, more than half the arable land belonged to the villagers. By 1876, only 2,225 people owned most of the agricultural land in England and Wales. As newer agricultural methods and technologies were applied, landowners could raise the rents of their lands by phenomenal amounts. As the cash economy developed, the rent money accumulated into the hands of the landholders and the plight of the people worsened. To survive, they often were forced to borrow money from the landholders at high rates of interest.

The forerunner of this state of affairs goes all the way back to Roman law which developed the ownership concept that legitimized the accumulation of wealth by a few at the expense and impoverishment of the many. The Roman land law of “dominium” legalized the usurper’s claim to land originally obtained by conquest and plunder. Early Christian leaders had dealt with the question of ownership and Roman law and railed against the *dominium* concept of ownership as an “exclusive and unlimited right to dispose of a thing, to the exclusion of all others.”

The original Judeo-Christian land ethic was that of *koinonia*—land was God’s gift to the community as a whole for the *autarkeia* or self-sufficient livelihood of all. The early Christian prophets lost out to the proponents of plunder and privilege when Christianity became the “official” religion of Rome at the Council of Nicaea, convened in 325 by the Roman Emperor Constantine I. This Council of around 300 male bishops, convened after most of the radical followers of Jesus had been hung, burned or thrown to the lions, was more concerned with establishing orthodox doctrines and creeds than with bringing a vision of peace and justice down to earth.

### U.S. Land Grabs And Usurpations

Bill Moyers, in his recent lecture on *The Meaning of Freedom* delivered at West Point (11/15/06), gave a sobering sequence of United States “foreign” policy reminding the freshly minted cadets of the many years during which the army’s chief engagement was “wiping out the last vestiges of Indian resistance to their dispossession and subjugation. One People’s advance became another’s annihilation and one of the most shameful episodes of our history.” Let us review these fights:

The **Mexican–American War** was a land grab conflict fought between the United States and Mexico from 1846 to 1848. Mexico had not recognized the secession of Texas in 1836 and when it was annexed by the U.S. in 1845 Mexico announced its intention to take back what it considered a rebel province. As a result of this war the Mexican territories of California and New Mexico were ceded to the United States.

The **Spanish-American War** (April–August, 1898) was a conflict between the Kingdom of Spain and the United States of America that took place from April to August 1898. The war ended in victory for the United States and the end of the Spanish Empire in the Caribbean and Pacific. Representatives of Spain and the United States signed a peace treaty in Paris on December 10, 1898, which established the independence of Cuba, ceded Puerto Rico and Guam to the United States, and allowed the victorious power to purchase the Philippines Islands from Spain for \$20 million.

(Moyers reminded the West Point graduates that after its “liberation” the island of Cuba was made a “virtual protectorate, ruled by a corrupt dictator.”)

The **Philippine-American War** (1899-1902) was America’s first true colonial war as a world power. Though the Philippines had been “purchased” from Spain, the Filipinos had been fighting a bloody revolution against Spain since 1896 and had no intention of becoming a colony of another imperialist power. In February of 1899, fighting broke out between the occupying American Army and the Filipino forces.

The Anti-Imperialist League was formed in the United States against the annexation of the Philippines and in an attempt to thwart those who wanted to gain a “foothold” in the markets of Asia. Among the writers of that time was Mark Twain, vice president of the League from 1901 until his death in 1910. Of the Philippine-American War Twain said:

*We were only playing the American Game (democracy and human rights) in public—in private it was European.... What we wanted, in the interest of Progress and Civilization, was the Archipelago, unencumbered by patriots struggling for independence.*

General Smedley Butler became aware of the form and shape of U.S. imperialism in the early decades of the twentieth century. After serving thirty-years in the Marine Corps he was the most decorated U.S. military

officer of his day. Butler's powerful writings clearly articulate his agony and anguish upon fully perceiving the end goals of his military ventures. Speaking of his time in the military in his 1934 book, *War is a Racket*, Smedley wrote:

*I spent most of my time being a high class muscle-man for Big Business, for Wall Street and for the Bankers. In short, I was a racketeer, a gangster for capitalism.... I helped make Mexico, especially Tampico, safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the rapping of half a dozen Central American republics for the benefits of Wall Street. The record of racketeering is long. I helped purify Nicaragua for the international banking house of Brown Brothers in 1909-1912. I brought light to the Dominican Republic for American sugar interests in 1916. In China I helped to see to it that Standard Oil went its way unmolested.*

*During those years, I had, as the boys in the back room would say, a swell racket. Looking back on it, I feel that I could have given Al Capone a few hints. The best he could do was to operate his racket in three districts. I operated on three continents.*

*War is just a racket. A racket is best described, I believe, as something that is not what it seems to the majority of people. Only a small inside group knows what it is about. It is conducted for the benefit of the very few at the expense of the masses.... The trouble with America is that when the dollar only earns 6% over here, then it gets restless and goes overseas to get 100%. Then the flag follows the dollar and the soldiers follow the flag. I wouldn't go to war again as I have done to protect some lousy investment of the Bankers.*

*Out of war nations acquire additional territory, if they are victorious. They just take it. This newly acquired territory promptly is exploited by the few – the selfsame few who wrung dollars out of blood in the war. The general public shoulders the bill. And what is this bill? This bill engenders a horrible accounting. Newly placed gravestones. Mangled bodies. Shattered minds. Broken hearts and homes. Economic instabil-*

*ity. Depression and all its attendant miseries. Back-breaking taxation for generations and generations.*

John Stockwell, self-described as “CIA, Marine Corp, three CIA Secret Wars, a position in the National Security Council in 1975 as the Chief of the Angola Task Force running the Secret War in Angola, the third CIA Secret War I was part of” has given us his overview of the decades of U.S. wars of aggression, starting where Smedley Butler left off. Stockwell's statement below and the following ones by Daniel Sheehan and Peter Dale Scott are all to be found on a video compilation by Frank Dorrel entitled *What I Learned about U.S. Foreign Policy* which can be viewed in its entirety at <http://www.addictedtowar.com>.

*Trying to summarize this Third World War that the CIA, the U.S. National Security Complex with the military all interwoven in it in many different ways, has been waging, let me just put it this way, the best heads that I coordinate with studying this thing, we count at least minimum figure six million people who've been killed in this long 40-year war that we have waged against the people of the Third World....*

*They are people of countries like the Congo, Vietnam, Kampuchea, Indonesia, Nicaragua, where conspicuously, they nor their governments, do not have the capability of doing any physical hurt to the United States. They don't have ICBM's, they don't have armies or navies. They could not hurt us if they wanted to. There has rarely been any evidence that they really wanted to.... Cheap shots, if you will, killing people of other countries of the world who cannot defend themselves under the guise of secrecy and under the rubric of national security.*

*Senator Church said in the 14 years before he did his investigation that he found that they (the CIA) had run 900 major operations and 3000 minor operations. And if you extrapolate that over the whole period of the 40 odd years that we've had a CIA you come up with 3000 major operations and over 10,000 minor operations. Every one of them illegal. Every one of them disruptive of the lives and societies of*

*other peoples and all of them bloody and gory beyond comprehension....*

Daniel Sheehan, formerly Chief Legal Counsel for the *Christic Institute*, says:

*There exists in operation now a secret team of some two dozen men, former CIA covert operatives, former U.S. Pentagon arms suppliers, who have joined together in private enterprise outside of the control of the American government, either the Congress or the President, who are mounting their personal wars around the world... And that's the group we are dealing with right here—who're making war around the world for their own personal profit.*

And from Peter Dale Scott, Professor at the University of California at Berkeley who has conducted extensive research on covert action and CIA activities:

*To think of the democratic governments that have been overthrown in the last 30 years by military coups, it is almost like giving a capsule history of CIA covert operations in the last 30 years. I mean there was the overthrow of Prime Minister Mosaddeq in Iran in 1953; there was the overthrow of Arbenz in Guatemala in 1954; there was the overthrow of the Brazilian government in 1964; there was the overthrow of the Ghana government in 1996. A lot of the governments I just mentioned got into trouble with international oil companies because they tried to assert their national prerogatives over their own resources. Time after time the CIA has come in on behalf of those multi-national companies.*

The *Federation of American Scientists*, which counts more than three dozen Nobel laureates in science on their board of sponsors, has catalogued some two hundred military incursions since 1945 in which the U.S. has been the aggressor. Many of these operations have deodorant-sweet names, perhaps to better shield us from the gross reality of intent to slaughter: Desert Spring, Provide Comfort, Shining Hope, Open Arms, Golden Pheasant, Greensweep, Green Clover, Silent Promise, Safe Harbor, Sea Angel, Desert Calm, New Life, Garden Plot, Operation Freedom Train.

Gore Vidal, in his 2002 book *Dreaming War*, states that these “recorded military unilateral strikes that the U.S. has made against Second and Third World countries is a great scandal not discussed in our Media or known to our taxpayers.” Vidal is appalled by those:

*...forty years of mindless wars which created a debt of \$5 trillion that hugely benefited aerospace and firms like General Electric. This while median household income was reduced by 7%. The federal income tax started out as a nibble on the rich, leaped on us like a lion in 1943, and continues to devour pounds of flesh from those who work for a living while the cost of living soars.*

Historian William Blum in his books *Killing Hope* and *Rogue State: A Guide to the World's Only Superpower* has compiled a shockingly long list of more than 70 countries where the U.S. has intervened, sometimes more than once, militarily or through covert operations, sanctions, embargoes, and/or assassinations since World War II. On the list with specific details are China, Marshall Islands, Italy, Greece, Philippines, Korea, Albania, East Germany, Iran, Guatemala, Costa Rica, Indonesia, Haiti, Guyana, Iraq, Vietnam, Cambodia, Laos, Thailand, Ecuador, The Congo/Zaire, France/Algeria, Brazil, Peru, Dominican Republic, Cuba, Ghana, Uruguay, Chile, Greece, South Africa, Bolivia, Australia, Portugal, East Timor, Angola, Jamaica, Honduras, Nicaragua, Seychelles, South Yemen, South Korea, Chad, Grenada, Suriname, Libya, Fiji, Panama, Afghanistan, El Salvador, Haiti, Bulgaria, Albania, Somalia, Peru, Mexico, Yugoslavia, Afghanistan, Iraq.

Blum's view is that “The engine of American foreign policy has been fueled not by a devotion to any kind of morality, but rather by the necessity to serve other imperatives” which he summarizes as follows:

- Making the world safe for American corporations;
  - Enhancing the financial statements of defense contractors at home who have contributed generously to members of congress;
  - Preventing the rise of any society that might serve as a successful example of an alternative to the capitalist model;
  - Extending political and economic hegemony over as wide an area as possible, as befits a “great power.”
- In his article *Unleashing Armageddon in the Mid-*

dle East Dr. Elias Akleh tells us that in the mid-1970s the American Power Elite (what we are herein calling Privilege Funders) drew a “Grand Plan” to control and to monopolize global oil and nuclear energy resources, for “he who controls energy resources determines the fate of nations.” Akleh says that:

*The base of this Grand Plan is the invasion of energy rich countries to directly control their resources, and to create subservient governments that would exploit their own people as cheap labor to harvest energy for the United States.*

President Jimmy Carter’s administration had pledged itself to non-intervention in the Third World, to a sincere commitment to arms control, and to work for worldwide human rights. President Carter accomplished much along these lines in the beginning of his term in office, but in the end he reversed himself and fell victim to Cold War fever. Following the Soviet invasion of Afghanistan in 1980 Carter issued his famous statement to a joint session of Congress in which he said:

*An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America (and) will be repelled by any means necessary, including military force.*

Michael T. Klare, professor of peace and world security studies at Hampshire College, describes in his book, *Resource Wars: The New Landscape of Global Conflict*, how the United States began a military build-up in the Persian Gulf area at that time which has continued to this day. The Carter Doctrine was invoked during the Iran-Iraq war of 1980–88 and again in August 1990 when Iraqi forces occupied Kuwait.

“Controlling Iraq is about oil as power, rather than oil as fuel. Control over the Persian Gulf translates into control over Europe, Japan, and China. It’s having our hand on the spigot,” says Klare.

When Iran’s democratically elected prime minister Mohammad Mossadegh nationalized his country’s oil industry in order to benefit the Iranian people rather than the multinational oil corporations he was deposed in a 1953 coup orchestrated by Kermit Roosevelt, grandson of President Theodore Roosevelt.

In the name of democracy, but in reality at the behest of the MIFC, many democratically elected leaders have met similar fates when they attempted to put in place economic democracies in order to improve the living conditions of their people. When the Chilean people elected Salvador Allende as their president and promised to nationalize their copper and other resources the U.S. CIA used covert actions to overthrow him resulting in the deaths of more than 3,000 and the tortures of tens of thousands. We know now that the U.S. sent advisers to help with the killings and torture.

In 1961, democratically-elected leader of the Congo, Patrice Lumumba, planned to claim the resources of the Congo for the people of the Congo. His stand for economic sovereignty resulted in his murder, again with U.S. complicity and the backing of the Eisenhower administration. The mass murderer and torturer Jonas Savimbi was then installed.

Zbigniew Brzezinski, former US National Security Advisor, describes “superpower politics” and “the American global system” in his 1997 book, *The Grand Chessboard—American Primacy and Its Geostrategic Imperatives*. Brzezinski presents the strange viewpoint that in order to provide the basis for global cooperation in the distant future, US foreign policy must be based on global dominance in the present. It is a bit like providing a rationale for a husband dominating his wife so that in the future they can have a respectfully cordial relationship. The focal point of the chessboard is Eurasia—the “globe’s most important playing field” where the US must maintain control as “the central basis for global primacy.” After laying out his three-step formula to “offset, co-opt, and/or control” the “geopolitical critical Eurasian states” Brzezinski says:

*In a terminology that harkens back to the more brutal age of ancient empires, the three grand imperatives of imperial geostrategy are to prevent collusion and maintain security dependence among the vassals, to keep tributaries pliant and protected, and to keep the barbarians from coming together.... Competition based on territory still dominates world affairs.*

The book *Confessions of an Economic Hit Man* by John Perkins has been praised by Harvard Professor John E. Mack as a revelation of the inner workings of “our deeply entrenched governmental/corporate imperialist structure.” Covertly recruited by the National

Security Agency but working as a consultant with private firms, Perkins' job was to convince governments of countries including Indonesia, Panama, Ecuador, Columbia, Saudi Arabia, Iran and others to implement policies and programs that promoted U.S. based banks and corporations.

Perkins describes the mechanisms of imperial control behind several major world events such as the fall of the Shah of Iran, the deaths of Panamanian president Omar Torrijos and Ecuador's Jaime Roldas, and the U.S. invasions of Iraq. Perkins had come to like and respect Torrijos and Roldas, but his "day job" was not in their interests as they had insisted on retaining control of their country's resources. Both were killed.

Perkins says it took him many years to garner the courage to write this book revealing how he was one of the "highly paid professionals who cheat countries around the globe out of trillions of dollars" and whose tools included "fraudulent financial reports, rigged elections, payoffs, extortion, sex and murder." All of his "case studies" fit into the pattern of the numerous other overt and covert wars of aggression that the U.S. has supported or directly waged against people of many countries of the world on behalf of Privilege Funders' ideas of law and order.

Andrew Bacevich, in his book *The New Militarism: How Americans Are Seduced by War* describes the propaganda methods which keep up the illusion that certain foreign nations constitute a threat to the US, thereby maintaining a permanent level of international tension. He identifies elements of "messianism embodied in American civic nationalism, with its quasi-religious belief in the universal and timeless validity of its own democratic system, and in its right and duty to spread that system to the rest of the world."

Bacevich describes how U.S. militarism has been built around a set of glaring contradictions, for example, the contradiction between the military coercion of other nations and the belief in the spreading of "freedom" and "democracy."

"This combination is historically coterminous with Western imperialism," says Bacevich. "Reaching 'freedom' at the point of an American rifle as no less morally and intellectually absurd."

### **Soldiers Sickened And Abused**

What about those holding the American rifles? Foreign Policy in Focus columnist Conn Hallinan describes the

"shafting of vets":

*Modern battlefields are toxic nightmares, filled with depleted uranium ammunition, exotic explosives, and deadly. The soldiers are shot up with experimental vaccines that can have dangerous side effects from additives like squalene. Soldiers are not only under fire, they are assaulted by their own weapons systems and medical procedures. Upwards of 20,000 Americans have been wounded in Iraq, some of those so grotesquely that medicine has invented a new term to describe them—polytrauma. An estimated 7,000 vets have severe brain and spinal injuries and have required amputation.*

Bill Moyers told the West Point students that "the chicken hawks are failing you" and described to them contents of the October (2006) issue of the magazine of the *California Nurses Association* which contains a long report on "The Battle at Home." In veterans' hospitals across the country—and in a growing number of ill-prepared, under-funded psych and primary care clinics as well—the report says that nurses "have witnessed the guilt, rage, emotional numbness, and tormented flashbacks of GIs just back from Iraq." Yet "a returning vet must wait an average of 165 days for a VA decision on initial disability benefits," and an appeal can take up to three years. Just in the first quarter of this year (2006) the VA treated 20,638 Iraq veterans for post-traumatic stress disorder, and faces a backlog of 400,000 cases.

According to a 1994 Congressional report (as stated by William Blum, *The Anti-Empire Report—Johnny Got His Gun*, January 12, 2007):

*Approximately 60,000 military personnel were used as human subjects in the 1940s to test two chemical agents, mustard gas and lewisite (blister gas). Most of these subjects were not informed of the nature of the experiments and never received medical follow-up after their participation in the research. Some of these human subjects were threatened with imprisonment at Fort Leavenworth if they discussed these experiments with anyone, including their wives, parents, and family doctors. For decades, the Pentagon denied that the research had taken place, resulting in decades of suffering for many veterans who became ill after the*

*secret testing.*

*In the decades between the 1940s and 1990s a number of government programs used soldiers as guinea pigs—marched to nuclear explosion sites, pilots sent through the mushroom clouds; chemical and biological weapons and radiation experiments; behavior modification experiments; widespread exposure to the highly toxic dioxin of Agent Orange in Korea and Vietnam. There were reported millions of experimental subjects.*

*In the 1990s many thousands of American soldiers came home from the Gulf War with unusual, debilitating ailments. Exposure to harmful chemical or biological agents was suspected but the Pentagon denied that this had occurred. As years went by the veterans suffered from neurological problems, chronic fatigue, skin problems, scarred lungs, memory loss, muscle and joint pain, severe headaches, personality changes, passing out, and other disorders. Eventually the Pentagon began to own up to the fact that these soldiers were indeed in the vicinity of poisonous gas releases, finally a estimated that nearly 100,000 U.S. soldiers could have been exposed to trace amounts of sarin gas.*

*Soldiers have been forced to take vaccines against anthrax and nerve gas not approved by the FDA as safe and effective and punished, sometimes treated like criminals, if they refused. (During WW II soldiers were forced to take a yellow fever vaccine, with the result that some 330,000 of them were infected with the hepatitis B virus.)*

*Through all the recent wars countless soldiers have been put in close proximity to the radioactive dust of exploded depleted uranium-tipped shells and missiles on the battlefield. DU has been associated with a long list of rare and terrible illnesses and birth defects. It poisons the air, the soil, the water, the lungs, the blood, and the genes.*

*Troops serving in Iraq or their families have reported purchasing with their own funds bullet-proof vests, better armor for their vehicles, medical supplies, and global positioning devices, all for their own safety, which were not provided to them by the army. There are frequent*

*complaints by service women of sexual assault and rape and the hands of their ale counterparts. Numerous injured and disabled vets from all wars have to engage in an ongoing struggle to get the medical care they were promised.*

The *New York Times* (*Army Acts to Curb Abuses of Injured Recruits*, May 12, 2006) reports accounts of the callous, bordering on sadistic, treatment of soldiers in bases in the U.S. Repeated tours of duty fracture family a life and increase the chance not only of death and injury but also of post-traumatic stress disorder. *National Public Radio's* "All Things Considered" on December 4 (2006) and other days ran a series on Army mistreatment of soldiers home from Iraq and suffering serious PTSD. At Colorado's Ft. Carson these afflicted soldiers were receiving a variety of abuse and punishment much more than the help they need, as officers harassed and punished them for being "emotionally weak."

It is as General Smedley Butler had said of war: "The general public shoulders the bill. And what is this bill? Newly placed gravestones. Mangled bodies. Shattered minds. Broken hearts and homes. Economic instability. Depression and all its attendant miseries."

### **Nuclear Bombs**

The malefic vision for the planet that the Privilege Funders and their institutions have spawned has reached an absurd and horrifying crescendo under the Bush administration's doctrine of "preemptive nuclear war." After the 2002 Nuclear Posture Review the 2003 Senate decided that the new generation of "low yield mininukes," though having up to six times the explosive capacity of the Hiroshima bomb were "safe for civilians" as the explosions are (if they bang according to design) underground.

The United States is apparently going head with its plan to build the country's first nuclear warheads in nearly 20 years. The effort will require a huge refurbishment of the nation's complex for nuclear design and manufacturing, with the overall bill estimated at over 100 billion dollars.

Michel Chossudovsky, Professor of Economics at the University of Ottawa, Director of the *Center for Research on Globalization*, and author of *Globalization of Poverty*, is a clear-sighted analyst who is alarmed that use of these bombs is now on the table. Chossudovsky says:

*In an utterly twisted logic, nuclear weapons are presented as a means to building peace and preventing “collateral damage”... Even at the low end of its 0.3-300 kiloton yield range the nuclear blast will simply blow out a huge crater of radioactive material, creating a lethal gamma-radiation field over a large area.*

We cannot minimize the possibilities of a nuclear holocaust. The US Strategic Command Headquarters in Nebraska, in coalition with US allies, is responsible for overseeing a global strike plan and has created a new command unit, the *Joint Functional Component Command Space and Global Strike*, mandated to oversee the launch of a nuclear attack against not only “rogue states” but also China and Russia.

Russia aims most of its 8,200 strategic nuclear warheads at U.S. and Canadian targets. The U.S. aims most of its 7,000 on Russian missile silos and command centers. Each of these thermonuclear warheads has roughly 20 times the destructive power of the bomb dropped on Hiroshima, according to a report on nuclear weapons by the *National Resources Defense Council*. According to the *Center for Defense Information*, if an attack is suspected the commander of the U.S. Strategic Air Command has only three minutes to decide if a nuclear attack warning is valid, ten minutes to locate the president for a 30-second briefing to decide whether or not to attack and if so, to consider which pre-set targeting plan to use. Once launched, the missiles would take 10 to 30 minutes to reach their Russian target.

Some would say that a nuclear holocaust is already underway, albeit less dramatically than all-out nuclear war. The US nuclear industry has produced 1.2 billion pounds of depleted-uranium (DU) waste which is being recycled into DU munitions. Under international law, DU meets the definition of a weapon of mass destruction and violates US military law as well as the Geneva and Hague conventions.

Leuren Moret, a radiation scientist, and Doug Rokke former *U.S. Army Depleted Uranium Project* director, are certain that there has been a cover-up by three administrations of the health problems and cancers cause by DU. The Veterans Administration reports that well over 500,000 Persian Gulf veterans have gone on medical disability since 1991. Moret, Rokke and others attribute many of these disabilities to DU exposure.

### The Arms Trade And Military-Industrial Profits

In his article *Us Is Top Purveyor On Weapons Sales List* (Globe Staff, November 13, 2006) Bryan Bender writes that the United States last year provided nearly half of the weapons sold to militaries in the developing world. Major arms sales to the most unstable regions—many already engaged in conflict—grew to the highest level in eight years. According to the annual assessment, the United States supplied \$8.1 billion worth of weapons to developing countries in 2005—45.8% of the total and far more than second-ranked Russia with 15% and Britain with a little more than 13%.

In addition to weapons already delivered, new contracts for future weapons deliveries topped \$44 billion last year—the highest overall since 1998, according to the report. Nearly 70% of them were designated for developing nations.

Arms control specialists said the figures underscore how the largely unchecked arms trade to the developing world has become a major staple of the American weapons industry, even though introducing many of the weapons risks fueling conflicts rather than aiding long-term US interests.

“We are at a point in history where many of these sales are not essential for the self-defense of these countries and the arms being sold continue to fuel conflicts and tensions in unstable areas,” writes Daryl G. Kimball, executive director of the nonpartisan *Arms Control Association* in Washington.

One startling example of arms sales involves that of surplus F-14 parts to Iran. Democratic Senator Ron Wyden wants to cut off all Pentagon sales of these parts which are used for the Tomcat fighter jets made famous in the 1986 Tom Cruise movie, “Top Gun.” The U.S. retired its F-14s last fall leaving only Iran—which bought these jets in the 1970s when it was a U.S. ally—flying the planes. Wyden has put forth the *Stop Arming Iran Act*.

“It just defies common sense to be making this kind of equipment available to the Iranians with all that they have done that is against our interests,” said Wyden in an *Associated Press* interview by Sharon Theimer published January 29, 2007.

While selling fighter jet spare parts to Iran may defy one sort of common sense, it makes total sense when hung together with the profit motives of a government entwined military-industrial-financial complex. Iran and Iraq have been taking alternate turns as “ally”

and “enemy” of America, like plucking “hate me, hate me not” daisy petals. The dissembling can now be seen in truth as Great Game manipulations for power and control.

### The Military-Industrial Complex And Iraq’s Oil

In the mid 1990s Saddam Hussein was preparing to establish lucrative agreements with French, Russian, Chinese and other oil companies (estimated to be worth \$1.1 trillion), excluding US and British companies and thus realigning the global energy industry. Months after the U.S. invasion of Iraq it was revealed that control of Iraq’s oil fields was one of the chief issues discussed in Vice President Dick Cheney’s Energy Task Force meeting with oil executives in 2001. Among the items released under court order were maps of Iraq’s oil fields pipelines and refineries.

As of this writing the Iraqi government is about to pass a law giving Western oil companies the rights to the country’s massive oil resources. A January 7, 2007 article, *Blood And Oil: How The West Will Profit From Iraq’s Most Precious Commodity*, published by *The Independent* says that

*“production-sharing agreements” (PSAs) would enable oil majors such as BP and Shell in the UK and Exxon and Chevron in the US to sign deals of up to 30 years to extract Iraq’s oil. The legislation was drafted with the assistance of an American consultancy firm hired by the US government, major oil companies and the International Monetary Fund with little or no input from Iraqi members of parliament.*

So much for Tony Blair’s proposal that “The oil revenues, which people falsely claim that we want to seize, should be put in a trust fund for the Iraqi people administered through the UN” or then US Secretary of State Colin Powell’s solemn promise that “the oil of the Iraqi people belongs to the Iraqi people; it is their wealth, it will be used for their benefit.”

According to the US-based *Center for Public Integrity*, 150-plus US companies have won contracts in Iraq worth over \$50 billion. There remains no doubt that Iraq has been shattered and hundreds of thousands killed in a war for oil and profit, power and plunder, and maybe in some very warped minds, just for the sheer hell of it.

### The Costs Of U.S. Imperialism

Empire monitoring and control requires vast numbers of US foreign bases, more than 700 in about 130 countries. These are staggering numbers but the 2003 *Base Status Report* fails to mention garrisons in Kosovo, Afghanistan, Iraq, Israel, Kuwait, Kyrgyzstan, Qatar and Uzbekistan established in the two-and-a-half years since 9/11.

The Pentagon similarly fails to note all of the \$5-billion-worth of military and espionage installations in Britain, which have long been conveniently disguised as Royal Air Force bases. If there were an honest country, the actual size of our military empire would probably top 1,000 different bases in other peoples countries but no one—possibly not even the Pentagon—knows the exact number for sure, although it has been distinctly on the rise in recent years, according to a January 15, 2004 article at <http://www.TomDispatch.com>.

Discussing America’s empire of bases, Chalmers Johnson says that

*Once upon a time, you could trace the spread of imperialism by counting up colonies. America’s version of the colony is the military base. By following the changing politics of global basing, one can learn much about our ever larger imperial stance and the militarism that grows with it. Militarism and imperialism are Siamese twins joined at the hip. Each thrives off the other. Already highly advanced in our country, they are both on the verge of a quantum leap that will almost surely stretch our military beyond its capabilities, bringing about fiscal insolvency and very possibly doing mortal damage to our republican institutions.*

The *Center for Defense Information*, founded by former top-ranking admirals and generals, reports that overall defense spending will rise to more than \$550 billion. Compare that to the \$20 billion that the United Nations and all of its agencies and funds spend each year on all of its programs to make this a safer and more livable world. According to United Nations calculations a \$40 billion increase in funding could feed, clothe, and educate the entire globe. *Economists Allied for Arms Reduction* has calculated that for less than two-thirds the cost of the \$1.2 trillion dollars that would be the lifetime costs of a proposed multi-layered Ballistic

Missile Defense system, the entire *Millennium Development Goals* for poverty eradication worldwide could be fully funded.

A recent study by Nobel prize-winning economist Joseph E. Stiglitz and Harvard University's Linda Bilmes estimates the true cost of the Iraq misadventure at \$2.267 trillion projected to the year of 2010.

"The big prize here for Bush's foreign policy is not the acquisition of natural resources or the enhancement of U.S. security, but rather the lining of the pockets of the defense contractors, the merchants of death who mine our treasury," says Robert Scheer (*Ike Was Right* posted at <http://www.Truthdig.com>, December 26, 2006).

The U.S. now spends more on empire than at any time since World War II and more than the combined military budgets of rest of the world.

The federal government is not able to accurately track the amount of money being spent on the wars in Iraq and Afghanistan. Nor does Congress seem to know how much it appropriated for these wars. *The Defense Monitor* reported in September/October 2006 that "Outlays for the war are impossible to track; DOD mixes those records with outlays for non-war costs, making it impossible to determine if the money was spent as DOD, or Congress, intended." It would appear that the federal government has become hopelessly complex, or maybe too corrupt, to meet basic standards and expectations of government accountability.

### **Military Contractors, Mercenaries And Militias**

Thus it should not surprise that Army investigators have opened up to 50 criminal probes involving battlefield contractors in operations in Iraq, Afghanistan and Kuwait. Senior contracting officials, government employees, residents of other countries and U.S. military personnel have been implicated in millions of dollars of fraud allegations according to a January 27, 2007 *Associated Press* story (*Army Probes War Contractor Fraud*).

The Pentagon has viewed outsourcing a wide variety of military tasks as much more efficient but the GAO reported in December (2006) that the military has been losing millions of dollars because it cannot monitor industry workers in far-flung locations. Some 60,000 contractors have been supporting the Army in South-west Asia, which includes Iraq, compared with 9,200

contractors in the 1991 Persian Gulf War. Commanders are often unsure how many contractors use their bases and require food housing and protection. One Army official said the service estimates they are losing about \$43 million each year on free meals provided to contractors who also get a food allowance.

In *The Dallas Morning News* (11/28/06) Tod Robberson discusses the "contractor's war role debate." The target contractor is DynCorp International in Irving, Texas. With more than 5,000 employees in and around Iraq and Afghanistan, DynCorp's paramilitary workforce deploys alongside the U.S. military. Its active and pending federal contracts have a current value of \$5.7 billion. Taxpayers provide 97% of DynCorp's revenue. Its biggest contracts involve training foreign police and other security services and drug-crop eradication.

Rep. Janice Schakowsky has been monitoring DynCorp's activities but says that she has been repeatedly thwarted in efforts to review U.S. government audit reports on the company's contracts because, according to the State Department. The need to protect DynCorp's commercial secrets supersedes the public's right to know. "There seems to be no real interest in overseeing or reporting or holding accountable any of these contractors. And we're talking about billions of dollars of taxpayer money," she says.

Robberson reports that human rights groups have been particularly critical of the free license DynCorp and other security contractors seem to enjoy when their paramilitary units deploy in world trouble spots such as Iraq, Afghanistan, Sudan or Colombia. Iraq's ambassador to Washington echoed those concerns in an interview, labeling such units "imported militias."

Contractors currently rank as the second-largest foreign force, behind the U.S. military, serving in Iraq. Blackwater USA was formed in 1997 to provide additional support to military and law enforcement organizations. It was one over sixty private security firms employed following the U.S. invasions of Afghanistan and Iraq.

Blackwater consists of nine companies. Company literature claims the company runs "the largest privately owned firearms training facility in the nation". The facility, located in North Carolina, is composed of several ranges, indoor, outdoor, urban reproductions and has over 7000 acres of land spanning Camden and Currituck counties. In November 2006 Blackwater announced it recently acquired an 80-acre facility 150

miles west of Chicago, in Mount Carroll, Illinois to be called Blackwater North.

The documentary film *Iraq for Sale: The War Profiteers* suggests that the company may have been partially responsible for the Abu Ghraib scandal.

Blackwater employees all have military experience, but in order to join this new breed of warriors—private security contractors—they must pass an eight-week course for which they must pay \$20,000. One of their lessons is on how to break a man's arm with your bare hands. (*Blackwater: Inside America's Private Army* by Joanne Kimberlin and Bill Sizemore, *The Virginian-Pilot*, July 23, 2006)

An investigation by *The Chicago Tribune* revealed some ugly truths about the sub-contractors that are paid to do the menial work for the bigger U.S. and other military contractors. An international network of such companies has apparently brought thousands of laborers to Iraq. The *Tribune* reporters found that

*subcontractors and brokers routinely seized workers' passports, deceived them about their safety or contract terms and, in at least one case, allegedly tried to force terrified men into Iraq under the threat of cutting off their food and water.*

The U.S. military has confirmed that laws banning human trafficking have been violated and has ordered contractors “to return passports that have been illegally confiscated from laborers on U.S. bases.” (*The Three U.S. Armies in Iraq* by Zia Mian, *Foreign Policy in Focus*, January 2007)

“Not one contractor of the entire military industry in Iraq has been charged with any crime over the last three and a half years, let alone prosecuted or punished. Given the numbers of contractors, let alone the incidents we know about, it boggles the mind,” says Peter Singer, an expert on U.S. private military contractors.

### **International Financial Institutions And Multi-National Corporations Trench On The Peoples Right To Land**

International financial institutions (IFIs), purportedly established to alleviate poverty in developing countries, have instead furthered the aims of the MIFC. For example, *Economic Justice News* (September, 2006) reports that the World Bank's private sector lending arm,

the International Finance Corporation (IFC) was set up in 1956 with the goal of lending to small and medium-sized businesses in developing countries to stimulate broad based economic growth. But the loan beneficiaries are often large multinational corporations. Large infrastructure projects as well as oil, mining and gas projects accounted for 13.6% of spending in 2005, and just 1.4% went to education and healthcare combined. This is despite World Bank reports which show that large infrastructure and extractive industries projects create poverty by displacing communities and detaching them from their traditional means of livelihood.

More than 50,000 people participated in the *World Social Forum* held in Nairobi from January 20-25, 2007. In her article on the Forum, *Debt, the Illegitimate Legacy of Africa's Dictators*, Joyce Mulama writes that most of the debts that hurt the economies of the world's poor countries are illegitimate and that the debt burdens are increasing. Jubilee South, a global alliance of anti-debt movements, estimates that over 60 countries will fail to realize the anti-poverty Millennium Development Goals by 2015 if their debts are not fully cancelled.

Joel Varado, a Filipino member of the House of Representatives who spoke at the WSF, said his country's debt had increased from 599 million dollars in 1965 to 60.1 billion dollars at present. The current debt is 48% of the GDP.

According to Moussa Demba, coordinator of the African chapter of Jubilee South, sub-Saharan Africa's total debt burden is about 210 billion dollars, which is 85% of GDP. Kenya's total debt burden is about 10 billion dollars with debt servicing costs of about 22% of the country's budget. There is now a movement in Kenya to pressure through their legislators a new law calling for the suspension of repayment of Kenya's illegitimate debt.

“It is no secret that a number of the loans were given to many dictatorial, unaccountable and irresponsible leaders in Africa and elsewhere, and the money never benefited those that it was meant for,” said Nobel Peace laureate Wangari Maathai in her speech to the WSF for which she received a standing ovation.

There are many examples of how the International Monetary Fund has forced weak nations to open their borders to subsidized food from abroad, destroying their own farming industries and, perhaps most importantly, preventing state spending on land reform. Given fair access to land and natural resources, the people of every country of the world could develop to meet their basic

needs without external funding. But the IFIs in various combinations with the military-industrial-financial complex have colluded to prevent ordinary people of the non-elite classes from securing rights to land and natural resources.

For example, George Monbiot investigated land expropriations on the Basotu Plains of Tanzania, funded by Canada whose chemical and machinery companies, world leaders in wheat technology, benefited when that crop was planted rather than corn, beans or cassava. Dispossessed were 40,000 members of the Barabaig tribe who were beaten, imprisoned and tortured when they tried to return.

In India, a much bigger scheme being funded by the UK will dispossess some 20 million people from their lands in the state of Andhra Pradesh. As neo-liberal economic structures of the privilege funders have clawed their way deeper into Africa, over the past ten years, the number of people in sub-Saharan Africa living on less than a dollar a day has risen from 242 million to 300 million.

Land distribution is the key determinant of food security. Small farms are up to 10 times as productive as large ones, as they tend to be cultivated more intensively. Small farmers are more likely to supply local people with staple crops. But governments dominated by first world elites don't like land reform which hurts big farmers and the companies that supply them.

Mike Whitney pointed his finger in the right direction about one important outcome of recent war in Lebanon. Writing in Information Clearing House Blog (Why Fisk is wrong about Lebanon, January 28, 2007) he states that the "real purpose of the \$7.6 billion in loans is to shackle Lebanon to the international lending institutions that are demanding additional taxes on the poor, more privatization of state-run industries, and restructuring the economy to meet the requirements of the global banking elite."

Whitney called the World Bank loan "Phase 2 of the assault on Lebanese sovereignty." Echoing similar insights of Smedley Butler of decades ago, Whitney says:

*The US military is just the left hand of the banking establishment. One hand washes another. It's the perfect system; the US-Israeli war machine flattens an entire country and then their buddies in the corporate-banking business rake in the profits from loans and reconstruc-*

*tion contracts. At the same time, they insist that the "New Lebanon" be rebuilt according to the neoliberal model; the same economic model that has kept Latin America and Africa in abject poverty for two decades.*

The global system of elite, Privilege-Funder control of the land and natural resources of the planet, financed by deficit spending and the tax dollars of working people, may be on the verge of collapse along with the public infrastructure of the United States. Non-defense discretionary spending declined 38% between 1980 and 1999 as a share of GDP, from 2.5% to only 1.5%. The *National Education Association* tells us that the nation's school facilities need \$268 billion to put facilities into good condition so that the children are physically safe.

In 2005, the *American Society of Civil Engineers* calculated that poor road infrastructure cost motorists \$54 billion a year in repairs and operating costs and the 3.5 billion hours per year that Americans are stuck in traffic costs the economy more than \$67 billion annually in lost productivity and wasted fuel. The report showed a decline of 1% in maintenance spending for the country's power grid since 1992, while demand rose 2.4% annually over the same time period.

Agonizing over the shift from the American dream to the American nightmare, Bill Moyers in his *America 101* lecture given to the *Council of Great City Schools* on October 27, 2006, had this to say:

*Democracy has been made subservient to capitalism, and the great ideals of the American Revolution as articulated in the Preamble to the Constitution are being sacrificed to the Gospel of Wealth.... The simple proposition of the common good that might balance the influence of organized wealth with the interests of ordinary people—the most basic assumption of all political teaching since ancient Greece—is written out of Washington life.*

Chalmers Johnson warns us that the United States "faces a violent contradiction between its long republican tradition and its more recent imperial ambitions." ("A National Intelligence Estimate on the United States," *Harpers Magazine*, 1/17/07). He sees that our economy is now based on a form of "military Keynesianism" whereby the flow of the nation's wealth—from taxpayers and (increasingly) foreign lenders through

the government to military contractors and (decreasingly) back to taxpayers—requires sustained military ambition in order to avoid recession or collapse.

Johnson says:

*Military Keynesianism may be economic development by other means, but it does very often lead to real war, or, if not real war, then a significantly warlike political environment. This creates a feedback loop: American presidents know that military Keynesianism tends to concentrate power in the executive branch, and so presidents who seek greater power have a natural inducement to encourage further growth of the military-industrial complex. As the phenomena feed on each other, the usual outcome is a real war, based not on needs of national defense but rather on the domestic political logic of military Keynesianism.*

As U.S. Senator Robert La Follette Sr. observed, “In times of peace, the war party insists on making preparation for war. As soon as prepared for war, it insists on making war.”

### The Unitary Presidency

George W. Bush has taken the political and economic dynamics of military Keynesianism to a never before experienced extreme in the doctrine of The Unitary Presidency. Vice President Cheney complained in 2002 that he had seen a significant erosion in post-Watergate power with the passage of reforms such as the War Powers Act, the Budget and Impoundment Control Act, the Freedom of Information Act, Executive Order 11905 which outlawed political assassination, and the Intelligence Oversight Act. Cheney said that these reforms were “unwise” because they “weaken the presidency and the vice presidency.” Bush has claimed that he is “the commander” and “the decider” and that therefore he does not “owe anybody an explanation” for anything.

From Bill Moyers message to West Point, November 29, 2006 quoting James Madison:

*In no part of the Constitution is more wisdom to be found, than in the clause which confides the question of war and peace to the legislature, and not to the executive department. Beside the*

*objection to such a mixture to heterogeneous powers, the trust and the temptation would be too great for any one man.*

The *United States Military Commissions Act* of 2006, enacting Chapter 47A of title 10 of the United States Code, is an Act of Congress (Senate Bill 3930) signed by President George W. Bush on October 17, 2006. The Act’s stated purpose is to “facilitate bringing to justice terrorists and other unlawful enemy combatants through full and fair trials by military commissions, and for other purposes.”

Signed into law by President Bush on October 17, 2006, the *Military Commissions Act* suspends the right of *habeas corpus* to persons “determined by the United States” to be an “enemy combatant” in the Global War on Terror. An “enemy combatant” is anyone who has “purposefully and materially supported hostilities against the United States.” The law has drawn severe criticism for its failure to specifically designate who in the United States will determine who is and who is not an “enemy combatant.”

After passage of the Act, Jonathan Turley, professor of constitutional law at George Washington University said, “What, really, a time of shame this is for the American system. What the Congress did and what the president signed today essentially revokes over 200 years of American principles and values.”

William Rivers Pitt notes that:

*This administration has proven itself to be astonishingly impatient with criticism of any kind. The broad powers given to Bush by this legislation allow him to capture, indefinitely detain, and refuse a hearing to any American citizen who speaks out against Iraq or any other part of the so-called “War on Terror.” If you write a letter to the editor attacking Bush you could be deemed as purposefully and materially supporting hostilities against the United States. If you organize or join a public demonstration against Iraq, or against the administration, the same designation could befall you. (In Case I Disappear, Truthout Perspective, September 29, 2006)*

The *Military Commissions Act* was drafted in the wake of the Supreme Court’s decision on *Hamdan v. Rumsfeld* in which the Court held that military commis-

sions set up by the Bush administration to try detainees at Guantanamo Bay “violate both the Uniform Code of Military Justice and the four Geneva Conventions.” On June 29, 2006, the Court issued a 5-3 decision holding that it had jurisdiction, that the federal government did not have authority to set up these particular military commissions, and that the military commissions were illegal.

Hamdan’s defense attorney, Lieutenant Commander Charles Swift, was named one of the 100 most influential lawyers in America by the National Law Journal just days before this Court decision. The following October, the Navy announced plans to dismiss him under its “up or out” promotion policy.

**Death Throes Of Democracy**

The line has been crossed. The Republic lost. Johnson opines:

*Congress has forfeited the power to declare war, the Courts have failed to restrain presidential ambition, the Military at lower levels is too intimidated and at higher levels too well paid to take back democracy in the name of the people.*

Johnson thinks that it is unlikely that the People could restore constitutional democracy via a grass roots movement to break the hold of the MIFC and establish public financing of elections because of the conglomerate control of the mass media and the difficulties of mobilizing the United States’ large and diffuse population.

The only truly possible scenario that could check presidential, imperial power would be, in Johnson’s viewpoint, the:

*...economic failure that is the inevitable consequence of military Keynesianism....With no political check, debt accrues until it reaches a crisis point. The writing is on the wall with projected Iraq War costs of \$1 trillion (American Enterprise Institute) to \$2 trillion (Stiglitz and Bilmes), the enormous U.S. trade deficit of \$213 billion to China and \$350 billion worth of U.S. Treasury bills held by China.*

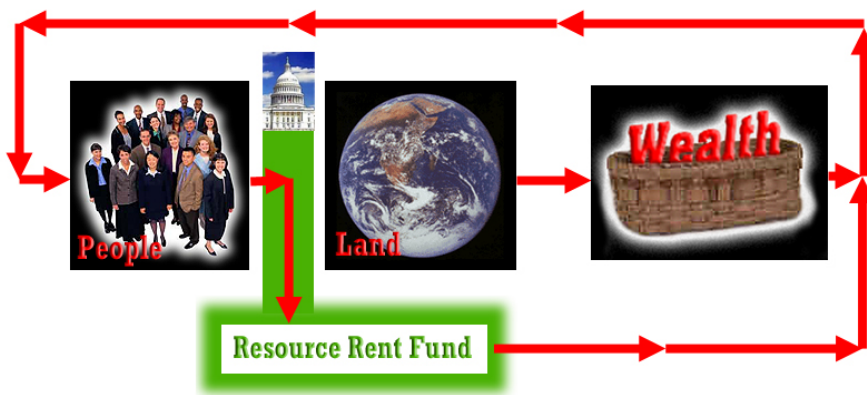
The U.S. Department of Commerce reported (in Trade Picture, Economic Policy Institute, February 10, 2006) that the international deficit in goods and services trade reached a record level of \$726 billion in 2005, an 18% increase over 2004’s \$655 billion level which was an 8% increase since the previous year.

Based on several substantial studies, Matt Crenson recently reported for The Associated Press that if the US government conducts business as usual over the next few decades, a national debt that is already \$8.5 trillion could reach \$46 trillion or more, almost as much as the total net worth of every person in America. There have been three tax cuts on the richest of the rich. In 2001 alone the richest 1% received tax relief that will amount to \$479 billion over ten years.

And so we hear again the voice of General Smedley Butler alerting us to this line item on the bill of war: “Back-breaking taxation for generations and generations.”

Johnson predicts that bankruptcy will “open the way for an unex-

**Transforming the Privilege Fund**



- ✱ **The Privilege Fund is equitably returned to society by public collection of land and resource rents.**
- ✱ **Workers, with their just economic opportunities restored, can now accumulate capital through their own savings.**
- ✱ **Economic Justice, abundance and peace are restored.**

Graph 4

pected restoration of the American system, or for military rule, revolution, or simply some new development we cannot yet imagine.”

As this article nears completion there is a fever pitch of preparation for what is likely to be the most destructive and horrific war the world has ever known. There are ominous signs that Iran is in the hairlines of attack. Dr. Elias Akleh gives us alarming details in an article titled *Unleashing Armageddon in the Middle East* online at *Information Clearing House* (November 10, 2006):

*US and NATO countries have now amassed the largest military armada in the Middle East, consisting of Carrier Strike Group 12 led by nuclear powered aircraft carrier USS Enterprise, the Eisenhower Strike Group, which is another nuclear powered aircraft carrier with accompanied military vessels and submarines, the Expeditionary Strike Group 5 with multiple attack vessels led by aircraft carrier USS Boxer, the Iwo Jima Expeditionary Strike Group and the US Coast Guard. Canada has sent its anti-submarine HMCS Ottawa frigate to join the American Armada in the Persian Gulf.*

*On October 1st the USS Enterprise Striking Group had crossed the Suez Canal to join NATO armada at the eastern shores of the Mediterranean Sea. The NATO force is composed of troops and naval vessels from several countries and is lead by Germany. It includes German command naval forces, Italian navy, 2 Spanish warships, 3 Danish warships, 10 Green warships, 2 Netherlands warships, and French, Belgium, Turkish and Bulgarian troops in South Lebanon. This is the largest mass ever of military power in the region, and it is gathering for a reason.*

Albert Einstein said, “I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones.”

Other brilliant and astute minds have expressed our current reality in these terms:

The playwright Harold Pinter raged against American foreign policy in his Nobel Prize acceptance speech saying that the United States had not only lied to justify waging war against Iraq but had also “supported and in many cases engendered every right-wing military dicta-

torship in the last 50 years.” He said:

*The crimes of the United States have been systematic, constant, vicious, remorseless, but very few people have actually talked about them. You have to hand it to America. It has exercised a quite clinical manipulation of power worldwide while masquerading as a force for universal good. It’s a brilliant, even witty, highly successful act of hypnosis.*

In Dorrel’s *U.S. Foreign Policy* video compilation former U.S. Attorney General Ramsey Clark says:

*We have a war party in this country and we’ve had it all along! And you can call it Democrat for a while, you can call it Republican for a while, but it has been the special economic interest in this society that’s governed us from the time that we founded our governments on this continent. And the people have never controlled those governments.*

*We call ourselves the world’s greatest democracy – we are absolutely a plutocracy! It’s the most obvious thing in the world! Wealth governs this country! And wealth uses military violence to control the rest of the world as best it can. And we’re responsible! And we will pay the price for it!*

*If we don’t control our violence, if we don’t control the effect of the symbol of our glorification of violence, on our children and on the rest of the planet, then this human species is going to be the first to destroy itself completely. And that’s the road the United States government has put us on.*

Abraham Lincoln said:

*I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people, until the wealth of the nation is aggregated in a few hands, and the Republic is destroyed.*

Martin Luther King, Jr. made this profoundly disturbing statement in his famous Beyond Vietnam speech at the Riverside Church in New York City on April 4th, 1967, exactly one year before he was assassinated on April 4th 1968: *The greatest purveyor of violence on earth is my own government.*

#### Preliminary To Description Of Graph 4

Before getting to the heart of the matter of Graph 4, let us consider fundamental values, basic human needs, and what might be reasonable expectations for the end goals of a fair and functional economic system. For this we will draw upon the vision of a newly emerging political-economic framework called PROUT (Progressive Utilization Theory), some of the Millennium Development Goals as agreed to by all UN Member States, and human rights declarations.

PROUT envisions a world wherein all life forms—plant, animal and human—are evolving in an integrated manner and expressing the full flowering of physical, psychic and spiritual potentialities. According to this philosophy, every human being has three fundamental desires: (1) the desire to physically survive, (2) the desire to expand one’s horizons and realize one’s maximum potential, and (3) the desire for an inner spiritual peace. The fulfillment of these desires brings happiness. Their frustration brings sorrow.

PROUT includes food, clothing, housing, medical care and education as basic necessities which must be available to all people through full employment and adequate purchasing power.

All UN Member States have pledged to achieve several Millennium Development Goals by the year 2015, among them: (1) reduce by half the proportion of people living on less than a dollar a day; (2) reduce by half the proportion of people who suffer from hunger; and (3) achieve significant improvement in the lives of at least 100 million slum dwellers.

The basic framework for these goals was set forth in the Universal Declaration of Human Rights, adopted by the UN General Assembly on December 10, 1948. Article I states: “All human beings are born free and equal in dignity and rights.” Article 25 that:

*Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social*

*services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.*

The UN Habitat II Action Agenda adopted by all UN member states in 1996 states:

*Access to land and legal security of tenure are strategic prerequisites for the provision of adequate shelter for all and for the development of sustainable human settlements affecting both urban and rural areas. It is also one way of breaking the vicious circle of poverty. Every Government must ....strive to remove all possible obstacles that may hamper equitable access to land and ensure that equal rights of women and men related to land and property are protected under the law. The failure to adopt, at all levels, appropriate rural and urban land policies and land management practices remains a primary cause of inequity and poverty.*

This Action Agenda recommends “land value capture” and “land based taxes” as important to solving these social problems.

The International Declaration on Individual and Common Rights to Earth declares that:

*The earth is the common heritage of all and that people have natural and equal rights to the land of the planet. By the term “land” is meant all natural resources. This Declaration affirms that individuals do have the right to secure and exclusive occupation of land as long as (1) it is not used in such a manner as to destroy or impair the common heritage; and (2) there is a condition upon private and exclusive right to land and that is payment of the “rent” – the annual value attaching to the land alone apart from any improvements thereon – to the community as a whole.*

The document further states that:

*To allow this value (rent) to be appropriated by individuals enables land to be used not only for the production of wealth but as an instrument of oppression of human by human lead-*

*ing to severe social consequences which are everywhere evident.... Denying the existence of common rights in land creates a condition of society wherein the exercise of individual rights becomes impossible for the great mass of people.*

Linking these perspectives the realization dawns that to maximize human happiness and well being we need to put in place policies based on an ethic of equal rights to the earth.

#### **Graph 4—A New Role For Governance**

Graph 4 indicates the profoundly important role that governance must play if we are to establish economic democracy and “earth rights.” This graph shows the Privilege Fund converted to a Resource Rent Fund utilized for the public good. Workers, with their just economic opportunities restored, can now accumulate capital through their own savings. Economic justice, abundance and peace are thereby restored.

Prior to the intentional corruption of economics and the resulting travesty of the neoclassical distortion, classical economists had begun to catch the wave of this way forward. Michael Hudson, author of *Super Imperialism – The Economic Strategy of American Empire* and other works, tells us that the “rent tax” is what classical economics was all about. “Adam Smith, David Ricardo, and Alfred Marshall explained the basic logic for taxing windfall gains to land values,” says Hudson. Here are some quotes that Hudson has assembled:

Adam Smith in the *Wealth of Nations* stated that:

*(The rent of land) is a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.*

The French Physiocrats, advisors to Kings Louis XV and XVI, coined the term *Laissez Faire*. Some also credit them for first use of the term *capitalist*, as they wanted to transform the countryside away from the land monopoly of the aristocracy to peasant entrepreneurial activities. Towards this end, and to avoid what they perceived to be a looming bloody revolution, they urged the King to place a tax on land, the *impot unique*. Their advice was not taken and the French Revolution erupted.

Thomas Paine was in communication with the Physiocrats as is apparent by his statement: “Every landholder owes to the community a ground rent for the land which he holds.”

David Ricardo developed the Law of Rent in 1815-1817. In his *Principles of Political Economy and Taxation* he explained that “without a knowledge of (the theory of rent), it is impossible to understand the effect of the progress of wealth on profits and wages, or to trace satisfactorily the influence of taxation on different classes of the community.”

Alfred Marshall in *Principles of Economics* (1898) based his price theory on the principle that land rent is:

*a surplus in the sense in which the earnings from other agents are not a surplus ... there is this difference between land and other agents of production, that from a social point of view land yields a permanent surplus, while perishable things made by man do not.*

Marshall explained that economic growth “tends on the whole to raise the value of land.”

Over a hundred years ago Simon Patten, the first Professor of Economics at the Wharton School at the University of Pennsylvania held that rather than funding military industries and financing wars, tax dollars should finance public infrastructure via progressive taxation as a key to building an economics of peace. “If a state is military in character and passive in its [economic development] policy,” Patten explained, “it is a consumer of wealth and not a producer.” Properly funded (from rent capture) public infrastructure investment would “promote general prosperity” and build a “pleasure” economy of abundance.

Graph 4 portrays a new role and *raison d’etre* for the state. This new mandate for governance is to establish a world of peace and prosperity for all based upon principles and policies of earth rights democracy. With-

out earth rights policies in place, governments succumb to the plays of power, profit, privilege and plunder.

Graph 4 indicates this role of governance with the color GREEN—a reminder that human interaction with the earth to secure basic human needs must be within the capacity of the planet’s ability to sustain life for future generations of humans and other forms of life.

Here is a proposed “Earth Rights Amendment” that can be adopted by municipal charters or state and national constitutions:

People have a right to the earth, sustained in a healthy condition. Therefore,

1. Government shall enforce the liability of persons—corporate or real—who damage the carrying capacity of the earth.
2. People have a common heritage right to “rent”—the economic value of land sites and natural resources which can be used to meet human needs.
3. Their agent—government—is obliged to effect this sharing by:
  - a. Collecting resource rent via taxes, leases, use fees, dues, or other means and then
  - b. Disbursing the recovered rent via provision of government services and/or dividends that benefit all members of society equally.

The constitutions of several countries and commonwealth governments claim the land and natural resources on behalf of the people as a whole. Presently, however, natural resource rent largely escapes taxation, going instead to a few individual or corporate resource owners rather than by rights to all citizens. Various methods of land value capture for public benefit have been developed which can be utilized to secure these common ownership rights. Thus there is now a great potential for the emergence of citizen movements to realize and enforce their “rights to rent” by establishing land value capture and taxation systems.

An emerging new perspective on tax reform, based on the “earth rights democracy” framework, holds that capturing rent for public benefit can yield several positive results including:

- Fair distribution of wealth
- Environmental protection
- Wealth production
- Provision of adequate government services

- Peaceful resolution of territorial conflicts.

This public finance approach removes taxes from privately created wealth including:

- Income, especially from wages, payroll
- Capital, especially of durable quality and non-polluting
- Sales, especially for basic necessities
- Homes and other buildings.
- The full rent for private use of our common heritage resources should be collected from:
  - Surface land sites according to land value
  - Public lands for timber, grazing, mining
  - Electromagnetic spectrum
  - Geo-orbital zones
  - Oil and minerals
  - Fish in the ocean
  - Water resources
  - Emissions into air, water, or soil.

There are numerous examples, past and present, of attempts to base tax policy on this prescription, to capture rent and remove taxes on labor and productive capital. Here are a few in several categories:

### Surface Land Value Capture

In New York City after World War I there was an acute housing shortage with high crime and unrest in slums. Construction of housing had halted during the war and was still stalled. Industry blamed the crisis on shortage of investment capital and excessive labor costs. The state legislature determined that high taxes on buildings were the true impediment and passed legislation enabling the city to exempt taxes for ten years on new buildings used only for dwellings. The land beneath such exempted new buildings continued to be taxed. A building boom commenced. No public expenditures were involved in this program. The literature tells us that the “construction industry revived, the dwelling shortage ended, civic panic subsided, and municipal revenues rose.”

Unfortunately, the exemptions were rescinded instead of being incorporated into permanent housing legislation. There were two reasons for this. First, when the housing crisis ended, the real estate industry (read big land interests) contended that government should

stop interfering with the free market. Since the building tax exemption was a market correction, not an interference, this was a self-serving argument by land speculators and those who counted on housing shortages to allow them to charge high rents. The neoliberal economic paradigm, which neglects the importance of land and land rent, supported these interests as opposed to the public good.

In the state of Pennsylvania twenty municipalities, including Harrisburg, the state capital, have gradually shifted their local property tax systems away from taxes on buildings and instead capture increasing amounts of land rent via taxes based on land values. In all cases studied, building permits increased in those municipalities compared to others of similar size nearby.

Buildings formerly vacated and boarded up were repaired when owners realized it was better to have productive, serviceable properties than to speculate on future rises in land values, especially as they had now to pay taxes on their unused or underused land. With little or no grants or loans, these cities increasingly have been able to fund their needs for roads, fire and police protection and other services including environmental remediation.

In most cases the decision to implement this form of land value capture was made by city officials. In the case of Allentown, the state's third largest city, it was the citizens who pushed for this tax reform by means of a home-rule charter initiative. They voted for a municipal charter that froze or eliminated all other taxes and permitted tax increases on land values only for a period of twelve years. This city now experiences self-sufficient economic revitalization, the logical and expected result of this kind of tax shift. Allentown's new construction and renovation grew by 82% in dollar value in the three years after the system began. This was 54% more than that of Bethlehem, a nearby city of similar size, despite the latter's receipt of a significant amount of federal grant money.

A Virginia Polytechnical Institute/University study of Pennsylvania's land value tax (rent capture) cities found that the combination of lowering taxes on buildings and raising them on land values results in a measurable, significant increase in building values generated. The stronger the shift, the more the built environment improved.

Other significant changes detected in similar studies of this policy indicate that:

- Taxes on the majority of owner-occupied and rental

homes are reduced

- Construction and rehabilitation of residential and commercial buildings are stimulated
- The serious escalation of housing prices and housing rent experienced by most United States cities was averted in these Pennsylvania cities because housing stock expanded.
- Central business districts were revitalized because they attracted greater private investment.
- More efficient land use resulted as a city's idle lots and underused buildings were put into productive use; this in turn reduced the pressure for costly and environmentally harmful urban sprawl.

Hong Kong's use of a land lease method of capturing land values has been a significant boost to this Asian city. The government owns all the land. Assessment is basically an annual value system, which to a significant degree, captures land values for the public, with relatively low tax burdens on industry and labor. A large, subsidized public housing sector is made possible partly because the government already owns the land needed for such dwellings. In addition, the government further subsidizes this housing through grants and loans, at concessionary interest rates, to its housing authority.

### **Road Usage Rent Capture**

Taxation of motor vehicle ownership and usage also involves land values, although this is often unrecognized. To the extent that road usage rights represent rights to use of a land-related resource, taxing that right is completely in line with land value capture policy. In Singapore, where road space is a valuable resource road usage pricing has been implemented since 1975 and has significantly reduced traffic congestion. At the same time, tax rates on income and productive enterprise have been steadily reduced.

To avoid overcrowding and wasting fuel as vehicles idle in traffic jams, London recently introduced land value capture through traffic congestion pricing based on heavy or light use time of day. The number of vehicles in central London has been dramatically reduced, and traffic flows better.

### **Rent Capture By Obeying The Law**

Substantial increases in the amount of land rent captured for public benefit can be gained simply by complying with assessment laws already in place.

For example, the U.S. city of Southfield, Michigan found to be out of compliance with a state law that all taxable properties were to be appraised at market value. In Southfield buildings were assessed at 70–80% of market value, but land at only 5–10%. When a Southfield citizen ran for mayor urging compliance, the city stopped exaggerating the value of new construction and renovations, and appraised all land according to highest and best use. James Clarkson was elected to four terms as mayor, each time winning on the issue of fair assessments. Taxes on average homeowners were significantly reduced. The tax base, enhanced by capture land rent, rose by 20% a year during that time, affording many benefits to Southfield's citizens.

### **Special Benefit Districts**

“Special benefit assessment districts” have often utilized land value capture as the mechanism to pay for new or better public works projects. Upon determining a need for infrastructure benefits, such as paved streets, sidewalks, utilities extensions, or other amenities, a governing jurisdiction designates a district embracing all benefiting properties according to the relative land values of the affected properties served by or adjacent to the facility. A land levy is then put in place which pays for the improvements via the capture of the land values which increase due to the benefits received to the sites because of the new infrastructure.

If such land value capture mechanisms are not in place then holders of vacant land or blighted properties often receive an unearned windfall as their properties increase in value at public expense.

Land value capture benefit assessments districts have the following advantages: Citizens find them to be fair, as those receiving benefits bare the costs; others, who do not benefit, are not expected to pay; orderly urban growth is fostered as local government have more control over where infrastructure is to be extended; benefit districts tend to be democratic and efficient in that projects go forward only if affected owners approve; waste is minimized as those who have to pay take pains to confirm that facilities will be worth their cost.

One example of this type of special benefit assess-

ment district was put in place in Ohio which, after catastrophic floods, inaugurated a flood control system paid for by land value capture. Approximately 77,000 parcels along 110 miles of river valley were individually assessed within two years and land value taxes were levied. The total calculated benefits to properties of the flood control system exceeded \$100 million, more than three times the cost of the flood protection project, demonstrating that infrastructure can be self-supporting under a land value capture system

California's Wright Act allowed communities to vote to create irrigation districts which could issue bonds to be repaid by taxing the increase in land value. Once irrigated, land was too valuable for grazing and too costly for hoarding. So cattlemen sold fields to farmers at prices the farmers could afford. In ten years the Central Valley was transformed into over 7,000 independent farms.

Over the next few decades, vast tracts of treeless, semi-arid plains became the “bread basket of America” and one of the most productive areas on earth. It is a prime example of how land value taxation can promote and enhance the viability of both an efficient and equitable agricultural base.

This land value capture system brought prosperity and healthy, thriving communities. The value of town sites also were enhanced due to the higher productivity of the surrounding farms, yielding higher tax proceeds to local jurisdictions. The irrigation districts became multi-purpose, providing electric power, reclamation, and recreation, as well as water. Some five million acres turned green under this tax reform, which one analyst called “an extraordinarily potent engine for the creation of wealth.”

Unfortunately, a large private banking institutions disliked the Wright Act because it mandated that the local irrigation districts held the first lien on land for unpaid land value taxes. Banks were relegated to second place as lien holders. One large private bank initiated lawsuits against the enabling legislation and after several tries the Supreme Court dismembered the Wright Act. Now large agribusiness corporations farm the Central Valley using taxpayer subsidized irrigation.

As more people come to understand the importance of and need for earth rights policies, along with grasping the confluence of the land and land speculator interests with the mortgage and banking interests, there should be fewer setbacks like this in the future. As we keep in mind the two guns above the Rent and Inter-

est sections of the graphs, the task ahead for “we the people” becomes clear.

### **Banks, Rent And Interest**

Michael Hudson has it right. Explaining the importance of a rent capture approach to public finance in his paper to the government of Latvia he points out that:

*The motto of real estate speculators is that “rent is for paying interest.” Whatever property rent or, monopoly rents are not taxed are available to be pledged as interest to banks. Buyers borrow the money to obtain real estate or entire companies, including the natural monopolies being privatized. They increase their revenue (and hence, their ability to pay interest on yet larger loans) by raising prices while avoiding taxation by “watered costs” that are tax deductible, headed by interest payments. Bankers and bondholders end up with the economic rent, while owners and managers get capital gains from asset-price inflation.*

Hudson has noticed that the more intensely real estate, stock and bond speculation grows, and the more tax subsidies are given to run into debt, then even more money is diverted to speculation and privatization rather than capital formation and employment.

Hudson sees a simple and direct solution to the rent/interest problem:

*Under international law sovereign countries have the alternative of simply annulling their debts and taxing their rent-yielding property and capital gains... What is called for is government revenue to build up basic infrastructure. There are two sources of revenue: taxes, and Treasury credit creation... If credit is to be created, certainly the national Treasury can create it as efficiently as private banks.*

### **Rent Capture Approach To Solving Humanitarian Crises And Territorial Conflicts**

In *The Root Causes of Humanitarian Emergencies*, Frances Stewart reports that over the twentieth century an estimated 169 million people were killed in large-scale collective violence, including seventeen individ-

ual episodes where more than one million people were killed.

After extensive research into the origination of this massive collective violence, Stewart came to the conclusion that “The causes are to be found in the interactions of power-seeking with group identity and inequalities.”

R. Vayrynen in *Weak States and Humanitarian Emergencies: Failure, Predation and Rent-Seeking* (2000) urges conflict resolution workers to acknowledge fundamental realities regarding politics and economics by which the state generates and sometimes escalates and prolongs violent conflict through state predatory and rent-seeking activities.

Vayrynen’s key hypothesis is that:

*Humanitarian crises occur in societies in which the state is weak and elites greedy in pursuing their own interests. In the post-colonial neo-patrimonial state, a strong leader stands at the top of the power pyramid and supports a network of cronies in civilian and military bureaucracies.... The net result is state plunder, exploitation and anarchic, anaemic or failed state systems and increased reliance on force, coercion, and the possibility of organised state sponsored violence against opposition forces.*

*When the coercive power of the state and the exchange power of the market have been subverted by corrupt politicians and bureaucrats it makes the prospects for sustainable peace extremely unlikely. Trying to harness the integrative power of the community in such a situation by working in and through other civil society institutions, (families, religious, educational, health, and others) may be helpful in terms of emergency relief and humanitarian assistance. However, it will not yield sustainable peace in either the medium or long term.... These good initiatives will always be subverted by actions of corrupt governments, and the increasing criminalisation of politics.*

Paul Collier, Mats Berdal, David Malone and others argue strongly that many conflicts can be explained in terms of a competition for control of the production and distribution of natural resources, including land. ... “Conflict diamonds” and the often illegal exploitation of other natural resources such as timber and oil in Sier-

ra Leone, Angola, the Congo and Sudan point towards resource wars being a significant feature in future conflict transformation work.

Clearly there is an utmost necessity to redefine the role of governance as capturing rent for the many rather than surrendering its powers to the plunder of the few if we are to build a world of peace and justice. Developing strong institutions for this purpose is the task before us, and there are models and guidelines emerging to this end.

### Oil And Other Resource Rent Funds

*Experiences with Oil Funds: Institutional and Financial Aspects*, is an ESMAP report issued June 2006 which analyzed about a dozen oil and other natural resource rent funds currently in place. Fred Foldvary in *Peace through Confederal Democracy and Economic Justice* has applied the concept of establishing resource rent funds for public benefit as a way to address several areas of violent conflict in the world. There is much to be learned regarding the strengths and weaknesses of various pioneering approaches to these emerging institutions.

The Alaska Permanent Fund, established in 1980, is an excellent model of a transparent and accountable institution which capture resource rent to finance a number of public benefits as well as via direct citizen dividend payments. Under this state's constitution, natural resources are legally owned by the people as a whole. The APF captures rent via oil royalty payments, then places these moneys in an investment fund which generates dividends paid annually to all individuals, including children, resident in the state for at least one year. More than \$27,000 per person has been distributed in this way during the past 28 years. Overall, the dividend program has dispersed more than \$10 billion into the Alaskan economy. Alaska is the only state in the United States where the wealth gap has decreased during this period.

New proposals for the establishment of government rent funds are also coming to the fore. One such is the Bayelsa State Oil Fund Commission Bill which would remedy conflicts over oil revenue and environmental degradation in the Niger Delta of Nigeria.

Another indication of the growing interest in capturing rent for public purposes is a measure before the U.S. Senate Appropriations Committee that would recoup \$10 billion in lost royalties from oil companies

who had been drilling in waters owned by all Americans without paying for those rights under leases awarded in 1998 and 1999.

The United Nations Habitat Agency's newly launched Global Land Tool Network is in an initial phase of development of a program for land value taxation and capture which will be useful for cities and countries who want to implement this approach to poverty eradication and the establishment of fair and sufficient sources of public finance.

### Call For A Global Resource Agency

In that many significant sources of actual and potential natural resource rent lies outside of nation state boundaries in the global commons, there is an urgent, rational, ethical and democratic imperative for the creation of some type of Global Resource Agency which would be responsible for (1) monitoring the global commons; (2) determining rules for access to transnational resources; (3) issuing use permits; and (4) collecting and distributing transnational resource rents and revenues.

A Global Resource Agency would have charge of traffic on the seas; over food resources in the ocean; of mineral resources of the ocean floor; over air traffic and use of the electromagnetic spectrum and satellite orbital zones; and all other transnational resources. It would share with local and regional governing authorities jurisdiction over mineral ores, oil and natural gas under land and water.

Other significant global revenue sources are taxes or fees based on the polluter-pay principle such as carbon dioxide emissions, international flights or aviation fuel, international shipping or dumping at sea (if such is to be permitted at all), and air pollution due to industrial activities.

A primary duty of the Global Resource Agency would be to accurately assess and collect these resource rent and user fees and equitably distribute the funds worldwide as calculated by formulas based on population, development criteria and currency purchasing capacity.

Revenues raised from access fees for the use of global commons could fund sustainable development programs, environmental restoration, peacekeeping activities, or low interest loans for poverty eradication. Funds are also needed on the global level to finance justice institutions such as the World Court and the International Criminal Court and to facilitate policy con-

vergence in areas such as trade, currency exchange, and human rights.

Local communities can and should deal with local surface sites such as for farms, residences, businesses, and community benefit or services; regional authorities can best administer regional systems and areas such as watersheds, rivers, ports, forests, grasslands, parks, etc. However, a global authority is needed to regulate, administer, and see to the equitable use of, and profit from the high seas, air, shared water bodies, mineral deposits, etc.

Rather than fight wars over control of transnational resources, the Global Resource Agency would resolve such matters through the use and application of international regulations and law. Such a body could also assume substantial authority for levying fines and penalties for the abuse of common heritage resources. Punitive action would be brought against individual violators of such laws, as well as against government agencies and jurisdictions.

The royalties from the use of such resources would constitute an independent revenue stream adequate to enable the Global Resource Agency to administer its tasks: accurately and fairly assessing the value of transnational resources; collecting resource rents and royalties; patrolling and policing the transnational territory; seeing to the restoration, protection, and sustainable use of such resources; checking violations and maintaining courts before which those accused of violations could be tried; and equitably distributing the funds for worldwide poverty eradication.

Thus the Global Resource Agency would be based upon the pooling of sovereignty over the seas, the air, and the mineral resources of the earth—through recognizing and declaring these to be the common heritage of all the people of the earth. Any person or corporation extracting raw materials from the earth or dumping anything into the global commons would thus be licensed by the Trustees of the Global Resource Agency, and required to pay full resource rents and user fees. The charge would need to be enough to protect the resource, to use it sustainably and in the case of non-renewable resources to build a fund for the gradual replacement by renewable resources. These fees would both support and maintain our systems of global governance and be equitably shared to promote peace, poverty eradication and sustainable development worldwide.

A number of national governments would likely be willing to support the establishment of a Global Re-

source Agency if it were truly capable of promoting stability and economic human rights for their people. The push for its creation could come from a unity of these countries plus a powerful network of non-governmental organizations. Lead organizations would need to be recruited to promote and develop the plan and to talk with potential governments that might be interested. Places to look for components of a Global Resource Agency include the Law of the Seas Treaty, the Moon Treaty, the UN Commission on the Limits of the Continental Shelf and the Committee on Energy and Natural Resources for Development.

### Information Technology For Rent Capture

The powerful tools of information technology can well serve our work in securing the earth as our birthright. Cities and towns are putting property values and tax information into computer databases and onto the web, where this information is transparent and easily accessible. Geographic information systems (GIS) are computer maps containing detailed data. These new technologies are now being utilized in the development of ways to easily, simply and effectively implement land value capture policies.

“Google Earth” types of information technology will be of great assistance to us in finding answers to these important questions: Who owns the earth? How much do they profit? How much land rent do they pay into the common fund?” LANDSAT satellite technology can help us determine if land, water and air resources are being polluted or destroyed. Those indicators can serve as red flags indicating the need to levy pollution taxes or fines. All of these concerns can be monitored by the masses via computer technology. Safeguarding the planet and capturing rent for the people could become the “best game on earth.”

### Conclusion

“We are not aliens. We are from the same planet.”

These are the words on a placard carried by two women among the fifteen thousand people marching for peace and human rights in San Francisco, as shown in a photo from the June 2006 edition of *PeaceWork*, a publication of the New England Regional Office of the American Friends Service Committee.

U.S. Congressman Dennis Kucinich, a current candidate for President, spoke elegantly as to the ultimate

truth of where we come from in his *Spirit and Stardust* speech given at the Praxis Peace Institute Conference held at Dubrovnik Croatia on June 9, 2002:

*We need to remember where we came from: to know that we are one. To understand that we are of an undivided whole: race, color, nationality, creed, gender are beams of light, refracted through one great prism.*

*As we aspire to universal brotherhood and sisterhood, we harken to the cry from the heart of the world and respond affirmatively to address through thought, word and deed conditions which give rise to conflict: Economic exploitation, empire building, political oppression, religious intolerance, poverty, disease, famine, homelessness, struggles over control of water, land, minerals, and oil.*

This series of graphs has traced inequalities and root causes of wars to the most fundamental flaw in the “person/planet” relationship – the private appropriation of most of the riches of the earth by a few individuals, corporations and banks. Graph 4 has shown us a way forward with several examples of capturing rent for the benefit of the people of the world from the local to the global level.

The very first image in each of the graphs portrays a group of humans as representing humanity as a whole. The identity of each and every one of us as full-fledged and equal members of the human race is the sine qua non—the essential identity—from which to claim our fair share rights to planet Earth.

Exclusive territorial rights to land and natural resources can no longer be based primarily on discovery or prior claim, on conquest or military force, or by financial or legal mechanisms.

The only rational, supportable, moral, just and ethical basis upon which to assert a private claim to the resources of the earth is by birthright to the gifts of nature. The claim by birthright can only be legitimate if it is acknowledged that all other human beings have an equal claim to the gifts of nature. The deepest ethical dimension of territorial rights recognizes that humanity is one and indivisible in its fundamental right to the planet.

We now have many keys in the form of earth rights policies that our governments can use to unlock the riches of the commons in order to meet the basic needs of all those now living while at the same time

these common resources can be held in trust for future generations. We are ready to establish earth rights democracy.

If we are to move from warfare to earthshare we must grasp the profound interconnectedness of all life on our small and wondrous world. How we hold the earth is how we hold each other. The rules and laws of governance, of how we choose to live together on the planet, need to reflect this most fundamental truth—The Earth Belongs to Everyone.

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