Accounting for God's and Others' Gifts

We need a capitalism in which public property rights are seen to be at least as important as private property rights.

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Accounting for God's and Others' Gifts - Abstract

It is futile to seek an anti-capitalist future for New Zealand. Not only is such a future unlikely to be achieved through any kind of democratic process, but anti-capitalist vision is sparse and illiberal.

Our debate is "which kind of capitalism?". This essay is unequivocal. We need a capitalism in which public property rights are seen to be at least as important as private property rights.

Property that is inherently public is that which arises from giving rather than selling. "Gifts of God" (the natural environment) are central to any form of accounting for sustainable capitalism. Equally important, however, are the many individual and collective gifts of humankind which have enhanced the public domain.

A proper recognition of our public domain is a prerequisite for any nation's sustainable economic and social development.

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Leadership is about vision. A new vision changes the way something is *seen*. It is not about the political imposition of a new reality. Realities evolve, of course, when vision changes. Vision changes reality *indirectly*.

Vision is unequivocally positive. Opposition however is negative; it is not vision. For example, there is nothing visionary in being anti-capitalist. "Leader" and "Opposition" are oxymoronic concepts, drawn together only by an adversarial political culture.

Capitalism is reality. For twenty-first century humankind, it is neither a problem nor a solution. Modern living standards could not have happened without capitalism. I don't think anyone in the developed world really wants the chaos, dramatic loss of living standards and environmental plunder that would take place if capitalism were somehow overthrown. One thing that is markedly worse than unsustainable economic growth is unsustainable economic collapse.

Capitalism is an evolving world-system which emphasises capital (the built environment plus private tools), markets, competition, freedom and property rights. How it evolves depends on how we see it, and on the extent to which we engage in the free contest of ideas that is integral to capitalism.

To disengage from the ongoing construction of capitalism is to concede that capitalism will grow only in accordance with others' interpretations of capitalism. If the "left" disengages, then capitalism will grow in line with the clearly expressed visions of today's "neoliberal" capitalists. The emphasis on *private* property rights will continue to dominate our understanding of capitalism. And the concentration of private wealth which follows from the neoliberal interpretation of property will continue to dominate our experience of capitalism.

My alternative vision sees capitalism as a powerful synergy of market economy and gift economy. The market economy is about the free production and exchange of private goods and services. Giving, on the other hand, is production without exchange. That is, gifts are free. Giving is intrinsic to capitalism. It's just missing from most capitalists' description of capitalism.

Giving started with God. In every religion, nature is a gift of God. It matters not whether God is a useful abstraction or a real being. God's gifts are of great value to any world-system. Without a natural environment, there can be no capitalism. The fact that His gifts are free (by definition) does not mean they are without value.

The classical economists called God's gift Land, and saw it as the first (or primary) "factor of production". Because the word "land" is somewhat understates its true meaning, many modern texts substitute the term "natural resources". This substitute term, as we shall see, also limits our understanding of this primary factor of production.

Giving does not stop with God. We need a concept of God simply to place the gifts of people in context. (All gifts that are not given by people can be understood as 'Gifts of God', a positive to counterbalance the insurers' term 'Acts of God'.)

The gifts that matter to us are not the private-to-private transfers that constitute altruism. No, what matters here is private-to-public giving in which the giver is also a recipient. The aggregate of God-to-public (natural environment), private-to-public (eg inventions, ideas, web-sites, social capital) and public-to-public gifts (eg, government research, laws, public policy) is the "public domain". While God laid the foundations, today's public domain is something more than God's firmament. That's why we are more prosperous today than when *homo sapiens* first left a footprint on our planet. We have an institutional, cultural and technological inheritance (Alperovitz 1994).

Thus the primary resource of capitalism is capitalism's public domain rather than the understated "land". The secondary and tertiary factors of production that make-up capitalism's private domains are capital and labour. Capital here means any property that is subject to exclusive ownership and, in one way or another, facilitates production. Note that government-owned enterprises (eg Mighty River Power) are as exclusively owned as any private corporation's. Their assets are private; their revenues are public.

Parts of the public domain depreciate, and they depreciate most when they are overused or otherwise abused. Antibiotics become ineffective. Spam depreciates the Internet. Other parts of the public domain depreciate when they are underused. For example visions of capitalism are a part of the public domain. Forgotten visions represent an impoverishment of the public domain.

I find it easiest to use the term "public domain" in a generic, singular sense. And to use "commons" as a plural, to emphasise that different communities and societies have their own specific commons.

The public domain is a suite of common resources; assets that are *equally* owned rather than *un*owned. The global public domain is a human asset that is owned by all humans. Publicness is not necessarily global, however. Herbert Simon (2000) uses the huge differences between rich and poor countries' living standards to establish the primacy of the rich countries' national commons.

Some commons can, to a greater or lesser extent, be privatised. Such privatisation is indeed an important part of the history of capitalism; eg the enclosure of common grazing land. Nevertheless, the emergence of new commons has comprehensively outstripped the losses to our natural commons.

The environmentalist movement, with its emphasis on the unbuilt environment (it should ideally be called "naturism", but that word has long been appropriated from our common inventory of possible words) can be understood as a philosophy that gives comparatively little weight to humankind's "artificial" additions to the public domain and very much weight to God's "natural" contributions. (Language, we might note, is an important human-made addition to our public domain.) Hence, to environmentalists, the growth of the gift economy fails to compensate for the diminution of the natural environment since capitalism emerged as the dominant world-system. That is not to say that environmentalists are necessarily anti-capitalist. Rather the environmentalist vision can be one in which we give, in particular, to revive our natural commons.

It is common (ie frequent) for neoliberal capitalists to come across as anti-commonists. In 1968, Garrett Hardin, a right-wing environmentalist, coined the term "the tragedy of the commons". Adopting a niggardly ("Hobbesian") view of human nature (ref. Cheah 2003), the very existence of commons would pre-dispose us to a "take-economy", the antithesis of a "gift-economy". Thus, commons were seen to be there for plundering and littering. The only solutions were to regulate their use or to privatise them. Only the owners of private property could be trusted to not spoil their capital.

Hardin's Malthusian agenda was to oppose the welfare state. For him, social security created a reproductive common that would enable all persons of reproductive age to litter the world with their offspring. The irony is that it has been the welfare state more than anything else that has caused fertility levels to drop in many countries to below replacement levels. Children today are private-to-public gifts. We can choose not to have them and, when we age, we draw on the common endeavours of our children's generation (rather than on our individual children) to provide us with the goods and services that our superannuation will buy. The gift-economy is ubiquitous. Inter-generational giving is central to human society. The welfare state means that individuals can afford to not have children.

We cannot (indeed should not) account for the gift economy with the precise accounting tools that we use to account for market transactions. But it does need some accounting for. If we fail to acknowledge that the public domain has economic value, we all too easily assume that its value is zero. Further, we always value an asset more if we receive a financial return from that asset.

So, how do we divide the income generated from the utilisation of public domain assets?

The traditional answer - implicit in neoclassical economics, explicit in Marxian economics - is that the income generated from unowned means of production is subject to a contest between labour and capital. If we look at the century from 1875 to 1975, labour, if not the winner, made substantial inroads into realising a substantial claim on the economic surplus. The fortunes of labour regressed markedly however from 1975 to 2000. Martin and Moldoveanu (2003) see this grand struggle being replaced by a capital versus talent struggle, in which "talent" (read David Beckham, Bill Gates etc.) has the potential to further concentrate the world's wealth. John Stuart Mill identified "talent" as a participant in the contest for income shares in 1849 (Van Parijs 2000).

Once we assert however that the public domain is property subject to common ownership, and not simply an unowned intangible, then it is clear that the public (as the public and not in its private guise as labour or as capital) has a clear claim on the primary share of national income. If we assume that national income is an approximately equal return on capital (private), labour (private) and the commons (public), then we can claim that, for each nation, the common income share (about one-third) is the equal property of every permanent resident ("citizen") of that nation.

Two further observations logically follow.

First, so long as we can show that the public domain is growing, in relative as well as absolute terms, then the common share of national income should be growing. According to a note in Buurman (1991, p.482 n2.) the sovereign's domain was estimated as being worth about one-third of the *produit net* by the French *Économistes* (otherwise known as Physiocrats) in the mid-eighteenth century. If so, then it is worth a much greater share today.

Second, because the public domain is a gift, it should be valued conservatively. Givers do not account for their gifts.

One could easily argue, as Herbert Simon (2000) and others have done, that the contribution of public domain resources to developed nations' national incomes is over 70%. It would not be appropriate in the twenty-first century, however, to relegate the private income shares (labour and capital) to 30% or less. We have to take a middle position. If strict accounting suggests that the public share should be over 70% of national income, then maybe the best proposition is to take an average of 0% and 70%, yielding a 35% share of national income to be divided equally to each "citizen". For example's sake though, I will use 33%, New Zealand's current company tax rate.

How would it be done? In its most simplistic sense, income tax would be set at a flat rate of 33% of each firm's contribution to gross domestic product. That 33% would be accounted for as a cost of production, much as wages are accounted for by employers. It is not an additional tax. Indeed the appropriate name for such income deductions would be "royalty" (a modest claim by the people for the unimpeded use by firms of public domain resources) rather than "tax". Royalties are an alternative way of understanding businesses public commitments. All profits, interest and wages would be paid (and costed) net of tax. It would no longer be possible for libertarians to claim that income tax is theft.

A portion of the royalties collected should, ideally, be accounted for as a private income to each member of the public; a social wage (Rankin 1997, 1998). After all, to be a citizen is to be a shareholder of the public domain. Some of that social wage would be paid as a cash benefit. (We should note that some quasi-governments - eg the Auckland Energy Consumers Trust - already pay equal dividends to citizen shareholders.) The remainder - most if the rate is only 33% - would be withheld as a personal tax, representing an equal charge on each citizen, to be used by government to provide collective goods such as education, health and defence.

The result is a vision of common capitalism, in which the public income fund rises as the gift economy enlarges the public domain. Once such a description of capitalism is understood, economic growth will come to be associated in the public mind with increased equality. Further, the incentive to conserve the depreciable parts of the public domain will be greatly enhanced once taxes (ie royalities) levied on the commons are seen, positively, as a component of every individual's private income.

As common capitalism evolves, there will still be inequality between capital, labour and "talent". However, once all workers get some of their personal income from a common fund (eg a dividend from the government's consolidated fund) then ordinary (non-talented) workers' bargaining power is much enhanced. Workers will be more free to say "no" to exploitative employers. This is what Alperovitz (2000) means by "liberty".

We already have common capitalism. Many governments already command over one-third of national income, much of which is returned to citizens as benefits, pensions or tax concessions. The problem is that our public property rights are not acknowledged. As a result of our failure to identify the economic significance of the public domain, the public share of national income is not growing as it should be, and the government (an agent of the public) is seen almost as a private entity (sometimes, with a hint of menace, it is "the state"), simply another actor in an economy in which all property rights are private.

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