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# **A DEMOCRATIC IMPERATIVE**

## **AN ASSESSMENT OF THE STRENGTHS AND WEAKNESSES OF THE SOCIO-POLITICAL ARRANGEMENTS AND INSTITUTIONS OF SOCIAL DEMOCRACIES**

(With Emphasis on the United States of America)

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### Incremental Reform and the Social-Democracies

The era of the social-democracies began during the lifetime of Henry George and accelerated after the Second World War. Many internal and external factors combined to intensify the role of government in social and economic matters previously regarded by the enemies of hereditary power as belonging in the realm of private affairs and sanctioned by the doctrine of laissez-faire. We have seen the grudging advance of the welfare state ever since, supported and thwarted on a policy-by-policy basis by individuals who profess to hold either conservative or liberal principles. Mostly the political struggle has been one of who holds power over the division of the spoils.

At and beyond the fringe of our present political parties we find the countless grass roots, citizen-based groups whose members tend not to identify with either of the two main parties. Here are also found many of those who also belong to alternative political parties such as the Libertarians and Greens. Thus far, the doctrinaire programs of these parties have not been sufficiently attractive to mount a competitive challenge in the electoral arena. And so, we find ourselves troubled by seemingly unsolvable social, economic, environmental, health, educational and political problems -- with our elected representatives immersed in posturing to preserve their political longevity rather than engaged synergistically to provide their constituents with the goods for a decent human existence. For those of us on the fringe who have accepted a transnational value system and believe: (a) that our socio-political arrangements and institutions must live up to much higher standards of participatory democracy, (b) must inherently protect human rights, (c) must expand equality of opportunity and (d) must maximize individual liberty, the realization of our dreams demands that we unite to advance institutional changes that will harmoniously pull us in the above directions. This brings us, then, to a beginning.

I have written elsewhere (and at least once before in *Land & Liberty*) of the philosophy of Henry George. George adhered to a set of values best described, I suggest, by the term cooperative individualism. On many but not all questions of his day, he attempted to apply his principles. He was wise enough to admit that the future would raise many issues he could not foresee, and he trusted in the democratic system to allow an educated citizenry to decide wisely. What follows is my attempt to define the principles of cooperative individualism to which George generally ascribed, but did not always articulate. George is not, however, the ultimate test of these principles; they must stand or fall as a holistic system. Where I have erred in logic, I look for your correction. Although absolute agreement is too much to hope for, engaging in this type of dialogue will, I believe, reveal much about who we are and the principles we do or do not share.

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The last few years have brought remarkable changes to the global political landscape. State-socialism has fallen apart because, as a system of socio-political arrangements, government became an instrument of tyranny and oppression rather than protection for individual liberty and initiative. We few, and our predecessors who for more than a century have toiled under the Georgist banner, are beginning to experience the taste of success and some recognition of our ideas. Yet, we remain unknown to the general citizenry even where we are ourselves number more than a few dedicated individuals. Moreover, despite the smallness of our number, our periodic gatherings reveal an absence of consensus over important questions of both principle and policy.

Into this environment has been tossed a proposal that needs to be given serious consideration and debate; namely, whether a global political party ought to be initiated the objectives of which would be to attract broad-based support and offer candidates for election to public office. This proposal has come from individuals in Australia, but the sentiment for such an endeavor is shared by other Georgists as well.

I am sure that as a group we will discuss the potential for success that a direct entry in the political arena might bring. I suspect that some of us will decline to become involved in the effort for reasons that are personal as well as strategic. At bottom is the rather larger question of whether, as Georgists, we come together more as a coalition of small groups (as small as groups of one) sharing general agreement over tax and trade policy as opposed to being united by a common socio-political philosophy. If we do function as a loose coalition, there is a very real danger of losing ground (and supporters) in the effort to develop a philosophical statement of principles and to obtain consensus over the application of those principles to societal structure.

I, for one, believe the risk is worth taking. The revolutions in communications and information technology have united the globe in ways that facilitate transnational activism on a scale never before possible. This is a time when many people are giving renewed thought to long-held beliefs about the limits to individual liberty and the relationship between the individual and the State. Our challenge is to provide the philosophical context around which this debate will unfold. We must speak with one voice to the issues that thoughtful people everywhere are concerned about: peace, prosperity, justice, liberty and a clean environment. Before we take our case to others, however, we must construct a statement of principles that fully satisfies our need for philosophical unity. Building a political party on any other basis would equate to "politics as usual" and the resort to a strategy of appealing to the lowest common denominator in order to gain public office.

or add to crime or the cost of government are warnings that a difference exists between these societies in degree only. A society whose socio-political arrangements and institutions are consistent with human rights, that secures equality of opportunity and maximizes individual liberty will welcome immigrants as valued new producers and contributors.

As a long-term objective, we must continually work for a new form of global government. In order to overcome the intense ethnic (often tribal) conflicts over territory, these groups must be encouraged to accept settlements reached under conditions of binding arbitration. Deep animosities and rivalries will not disappear quickly. Many groups continue to think of themselves as a people separate and distinct from others, sharing a history of external domination and oppression that drives a deeply-rooted need for cultural independence and territorial sovereignty. Here, expediency is warranted in order to promote peaceful intercourse between peoples based on voluntary association. A global fund could be created (perhaps from rents collected from the leasing of the ocean floor for exploitation of minerals, or the auctioning of licenses to commercial fishing enterprises) to provide some level of compensation to those required to relocate and abandon physical property, or dispose of their property under conditions that do not lend themselves to a sale under normal market conditions.

Another element in the struggle to purge nationalism from our existence is to encourage large nation-states to divide into much small states, so that no one state within a global confederation is dominant in terms of population, natural resources or development of physical infrastructure. For those of us living in very large countries, this would present an opportunity to debate a more efficient construction of regional states, each eventually becoming a member state in the global confederation.

### Restructuring Government in the Social-Democracies

History and experience have demonstrated that participatory government, particularly when decentrally structured, is inherently more likely to yield higher degrees of equality of opportunity and liberty than any other form. Yet, even within those societies considered highly democratic in nature, there exists a considerable degree of frustration over the role played by government at all levels. Citizens generally feel left out of the process and unable to influence the actions taken by quasi-permanent bureaucracies, particularly at levels other than local or municipal. Too often, only a small percentage of those eligible to vote in elections make the effort (unless required by law to do so), and an even smaller number are active in community affairs. To be sure, we have a right to expect those employed by or elected to government to make sure the public sector fulfills its responsibilities. Unfortunately, time and experience have proven that the present constitution of government interferes with this objective. What is needed to more fully realize the promise of democracy is take the debate over solutions to a sustained, higher level that focuses not simply or primarily on short-run, remedial measures, but looks at the fundamental construction of our socio-political arrangements and institutions.

### Citizenship The Nation-State As A Divisive Factor

One of the greatest hurdles we, as transnationals, have to overcome is the prevalence of nationalism, a force in human affairs that restricts and diminishes our interaction as global citizens. In many societies today the problem is exasperated by ethnocentric territorialism and by intolerance toward groups of individuals who do not share the same culture, religion, race or language. Economic stagnation in the social-democracies is providing a convenient source of strength to all of the worst forms of intolerance.

A successful campaign to purge nationalism from human relations requires a sustained effort, with education and activism focused on the subordination of nation-state sovereignty to transnational (i.e., universal) standards of behavior consistent with the securing of human rights. The forging of a global movement to counter nationalistic tendencies is, as yet, in its infancy. At a personal level, one's attachment to our own society -- as something separate and apart from other societies -- is a bond not easily set aside. How many of us are truly ready, for example, to denounce the exclusivity inherent in the concept of nation-state citizenship in favor of rights based on global citizenship? In response to this question, we ought to debate the practical considerations of sanctioning individuals a second level of citizenship based on human rights. Wholesale adoption of this reform would protect the liberty to travel and live wherever one may wish. Within the United States and most other federated republics, this dual level of citizenship has always existed. And, to an extent we seldom express, has been responsible for a high level of mobility for generations of immigrants and their descendants. One important result has been the creation of a societies unique in history that encourage common values in an environment of pluralism. To be sure, the process has been painful and not altogether successful. What must be said, however, is that an emphasis on individual rights a central building block of government has assisted many individuals to overcome the bias and prejudice to which many minorities are subjected.

History and our contemporary experience demonstrate the very strong correlation between freedom to migrate and justice. Societies from which large numbers of individuals wish to but are prevented from leaving will always be found to have oppressive socio-political arrangements and institutions. Privilege for the few is the characteristic readily apparent to the outsider. From the standpoint of human rights, the only legitimate reasons for restricting the movement of individuals from one part of the globe to another involve the health and safety of others. A person infected with a highly contagious or communicable disease would jeopardize the health of others and should be quarantined in some fashion. A person who has committed a criminal license against others must not only pay a proper debt to society but must demonstrate rehabilitation before an unwary populace in another part of the world is exposed to such an individual. Absent these behavior-related issues, citizenship must protect our human right of equal access to the earth, the exercise of which is inherent in the right to migrate.

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Within the receiving societies, the presence of tensions or fears that new immigrants will compete for available employment opportunities or drive down wages

Discussion of government today most often focuses on issues. We ask how government can mitigate the social and economic problems that plague our societies. The interest of those in government is to maintain this focus and to discourage measures designed to alter the structure within which government functions. Those individuals within government who advance proposals for systemic reform or restructuring are viewed (by their colleagues) not as citizens to be praised but as whistle blowers. To be fair, this conflict between those who bring to any job a high level of motivation and principle-based behavior and those who do not is not limited to government. Those who are comfortable in their circumstance or who benefit by the status quo will often strenuously resist even obviously necessary changes. Their power to do so, individually and collectively, may be great or small. Many times only a severe shock to the system opens a window of opportunity for those who desire to effect structural improvements.

Putting aside for the moment the structural changes needed in the private sector, there are very specific changes that will materially improve the performance of government at all levels. The first objective should be to expand the degree of citizen participation in the governing process. In communities throughout much of the world, where authoritarian regimes are not an obstacle, citizens do come together in civic and neighborhood associations or as members of political parties. A much smaller number are active in volunteer, environmental or other public interest groups. For the great majority of citizens, however, even the fundamental civic responsibility of voting for elected officials is ignored. For reasons that include apathy, disgust, a sense of isolation and the challenge of simply earning a living, many citizens do not participate. Before this situation can be reversed, we must recognize what the obstacles are and take action to remove them.

**Voter Registration and Voting.** In elections in many countries the unfortunate reality is that a majority of a minority of citizens determine who is elected. In the United States, for example, far less than half of the eligible citizens bother to register to vote in most districts. Registering requires the citizen to be proactive rather than reactive. Now that computerized data bases can be economically maintained, other methods of securing voter registrations should be pursued. A registration form could be automatically sent to anyone who is in the data base but did not vote in the previous election or has otherwise lost eligibility. Registration by telephone should be considered, with each citizen assigned a security number entered over a digital phone. A natural extension of this process is to permit voting by telephone for those individuals who work outside of the communities in which they reside or who cannot conveniently visit a voting location. Another possibility is to place election ballots within a bulletin board on a personal computer network for those who have access to a personal computer connected to the voting location by modem. Computerized voting stations could be installed in numerous locations so that citizens could vote wherever they might be regardless of where they actually reside.

**Political Parties and Primary Elections.** Our systems of positive law have evolved as powerful means of distributing privilege; and, to the extent this side of law is effective, liberty and equality of opportunity are thwarted. Even under the best of circumstances, where positive law was built on truly just principles, there would still be

disagreement over the degree to which government versus private initiative should be relied upon to advance public policy. The practical need to influence public opinion suggests that political parties will be resorted to for a long time to come. At issue is whether the general citizenry, who have no day-to-day involvement in party affairs, should continue to be empowered to select the party candidates for office by virtue of their party registration and voting in, what in the United States are called, primary elections. If, in fact, our political parties are to be organizations of individuals joined together to advance a philosophically-driven policy agenda, allowing otherwise uninvolved citizens to determine a party's candidates dilutes the purpose of the party. Political parties ought to be democratically-structured, but only those individuals who have contributed either their time, energy or financial resources should be considered members of the party and eligible to select candidates for office. The requirements for party membership should be left to the party members to determine. Excessively stringent requirements would, of course, virtually assure the party a place in permanent obscurity. The right of the citizen to vote for public officials is appropriately limited to the general election, where all party candidates and their programs are weighed one against the other. Under this type of system the candidates are far more appropriately the representatives of their parties and what they stand for can be more consistently relied upon as the agenda they will pursue and support if elected.

**Terms of Office.** Should individuals be permitted to succeed themselves in office and, if so, how many times? This is the fundamental issue to be resolved. On the side of providing for unlimited terms of office is the right of citizens to select whomever they wish to represent their interests. Against this position is the advantage of incumbency in elections and the concentration of political power into the hands of a relatively small number of entrenched individuals. Tocqueville observed that one of the main safeguards of American democracy was the frequency of elections, implying that frequent elections inherently limit the consolidation of power. Experience suggests that when frequency of elections is combined with unlimited potential for re-election, representative government is diminished in no small part by the amount of time and financial resources devoted to campaigning. What, then, are the options to be considered for a cleansing of this process and broadening of the Democracy? In the complexity of our modern world, serving as an elected official requires an individual's undivided attention; and, there is a rather long learning curve before one becomes adequately informed on legislation under consideration. Under these circumstances, a term of office of less than four years makes no sense at all. Beyond the local and municipal levels of government, we ought to consider setting terms in the legislature at six years, but limit individuals to two successive terms in office. A twelve-year period within which to affect the direction of governmental programs is long enough to encourage continuity while reducing the amount of energy and financial resources devoted to gaining elected office. When combined with changes in how candidates are selected, the actual election campaign period can be shortened to no more than a few months. The public can protect itself from serious misrepresentation by the recall process, the particular aspects of which might be structured as described below.

**Electing Representatives By Lottery.** At the far end of our options is the prospect of electing our representatives by lottery from the eligible citizenry. Citizens



would be selected to serve at random for a stated term or until 51% of registered voters proactively withdrew their support. The lottery system requires that elected offices be treated more like civil service positions. The minimum requirements for offices requiring specialized skills would be established by a nominating committee (and reviewed periodically for appropriateness to current conditions). For legislative positions the requirements might include meeting a minimum score on an examination that tests for competency in language use and an understanding of the governmental process. Successful reliance on such a system requires that our schools effectively prepare individuals for citizenship, something that is sorely lacking at present.

**The Chief Executive.** Critics of the American political system point out the disturbing fact that the President is frequently unable to implement the programs and policies designed by the Executive branch because the Congress is controlled by the opposition party. Under the constitutional model that evolved for Britain and has been adopted by many other countries, a Prime Minister heads the government as the appointed leader of the majority party. Hypothetically, one individual might serve as prime minister for decades. Common to all social-democracies, however, is the assumption that power tends to corrupt, and that only a separation of powers provides adequate checks and balances. In the United States, the Executive branch of government is not empowered to enact legislation (although the initiation of legislative ideas is considered part of the President's leadership role); rather, Executive agencies have been created to assure the proper implementation of legislation. The pros and cons of the two systems (and variations thereof) ought to be examined and debated. Common to each system, however, is the question of limited tenure in office for a President or Prime Minister.

**The Courts and the Constitution.** A school of legal scholars in the United States, generally described as conservatives, have argued that the Courts must (under the State or Federal constitutions) apply a narrow, strict constructionist criteria to their determinations of legislative constitutionality. There is, however, an unresolved degree of ambiguity associated with the implied powers language in the Federal constitution. In response, conservatives suggest the Courts must refer to the framers' original intent for guidance. The problem, of course, is that the Constitution as a framework of government arose out of compromise. Philosophical and moral principles, espoused by at least some of the framers as essential to the securing of liberty and of equality of opportunity, were subverted by the collective strength of interest groups. Other countries with written constitutions may have a similar problem; or, conversely, the language of the constitution is strong on principle, but the protection of the rights guaranteed in the constitution is weak and inconsistent. Britain and many other countries function without a formal constitution, and are instead governed by legislative will subjected to the pressures of public opinion and checked by traditional values. Our first task is to establish by education and persuasive discussion a consensus acceptance of the principles against which any constitution of government (written or informal) ought to be measured for its degree of justice. A written statement of principles ought to be prepared, from which a committee could be formed to draft a transnational Constitution for distribution, subsequent discussion and possible adoption as a result of political action.

### Private Wants and Public Needs

**Corporations and Social Responsibility.** The function of government ought to be two-fold: (i) to protect the health and safety of all citizens; and (ii) to prevent the formation of monopolies, contrived shortages and/or price fixing among producers. High on the list of relationship issues is what sort of principles ought to govern the activities of businesses, particularly those that adopt the corporate form of ownership. We continue to struggle with the body of law that governs the formation, treatment and dissolution of corporations. In return for the privileges granted under corporate charters, what obligations (if any) ought to be imposed on the corporate owners to act in a manner consistent with appropriate societal (i.e., human rights) objectives?

Manufacturing businesses that have become multi-national are de facto global citizens with little or no inherent commitment to the societies in which they happen to be incorporated. The transfer of productive facilities from one region or country to another is far easier today than ever before. Even most LDCs have adequate infrastructure to accommodate the needs of industry. Corporate executives naturally and appropriately stay alert to locational opportunities where profit margins can be maximized because of much lower labor costs, lax environmental regulations, subsidized land and energy costs and low taxes. For individual societies and corporations -- and even for the labor force in a given country -- the short-run result is often an expansion of employment opportunities, economic growth and maintenance of or increase in profit margins. As has frequently been the case, however, the heavy subsidies and "tax incentives" granted have left the citizens of the host country with a net loss (particularly in terms of environmental destruction). While free and open trade benefits the world's consumers, there is good reason to discuss how a political party organized around a doctrine of human rights ought to respond to this and similar exploitative arrangements.

Under circumstances where there are more jobs searching for workers than workers searching for jobs, the aggregate result of the movement of production activities is greater efficiency and a net increase in purchasing power. Under existing circumstances, where industries invest in new capital equipment or new locations with a net aggregate reduction in people employed, the longer run result is a concentration of purchasing power accompanied by an increase in structural unemployment among a broadening section of citizens.

Government's failure to adopt win-win policies in the regulation of production and commerce are traced, as most of us would agree, to one major reason: in virtually every society, tax laws relating to property and income impose heavy costs on production and consumption while favoring speculation and hoarding of building sites and natural resources, the selling price of which increases based on government's failure to collect in taxation the annual rental value of these assets. This problem involves a failure of government at all levels and today benefits most those corporations that function as industrial landlords, meaning those controlling extremely valuable land in urban centers as well as tens of thousands, even millions, of acres of forest, mining, agricultural or grazing land at very low expense.

Industrial democracy, characterized by cooperatives and employee stock ownership programs, mitigate the problems created by land monopoly by allowing workers to participate in the distribution of income derived from capital and land ownership. Societal stability could be enhanced by more cooperative ownership of businesses, lessening the pressure on executives to pursue short-term profit maximization demanded by disinterested stockholders. Industrial democracy would also check the power of executives to compensate themselves in multiples hundreds of times greater than other employees. This approach to more responsible corporate behavior is far more desirable than relying on government to adopt intrusive, regulatory or social legislation.

Global competition and the revolution in computer and communications technology have greatly challenged traditional corporate hierarchies and decision-making processes. More than ever before, companies large and small must attract highly talented and motivated individuals able to adapt to constant change. Highly educated individuals have much greater expectations not only in terms of compensation for their services but in terms of stimulation, challenge and satisfaction. Manufacturing industries have historically created many repetitive jobs and a much smaller number of stimulating career opportunities. Assisted by computer robotics and other technological advances, the output of goods from manufacturing and processing operations has rapidly expanded as a multiple of the direct labor component. To the extent that tedious, dangerous and mind-numbing jobs are shifted to machines, this is a development to be applauded and encouraged. The dilemma, as discussed above, is that under current condition hundreds of millions of workers are faced with few alternative employment choices. Replaced by machines or left unemployed by the relocation of their jobs elsewhere, they become dependent on social welfare programs for a subsistence level existence. The decline in purchasing power, when a company represents a large portion of a region's employment base, can literally destroy communities. The citizens and leaders of smaller communities, in particular, must learn how to diversify and eliminate dependence on just a few sources of employment. The balance is found when the community protects itself from the downside of the global economy while creating the appropriate socio-political climate in which businesses can operate profitably and without subsidy or monopolistic privilege.

**Business Assets and Revenue as Sources of Government Revenue.** Economic theory recognizes that when government places taxes on production or on commerce the net result is a reduction in those activities. The reason is that these taxes add to the cost of production, to the cost of doing business. Producers will attempt to pass on the added costs to their customers, and many external factors will determine whether or not this can be done. Among the variables include the level of demand, the availability of less costly substitutes and the purchasing power of potential customers. What customers are willing to pay for most goods today is determined by a globally determined equilibrium between supply and demand. Thus, if taxes must be absorbed by the producer, profit margins will fall or disappear unless the producer is somehow able to otherwise reduce the costs of production. This may involve substituting new capital equipment for labor, imposing higher productivity objectives on labor; or, if these strategies are ineffective, relocating or shutting down altogether.

The ideal tax policy toward business is clear. Production and commerce ought to be maximized, while at the same time pushing that same business to maximize its use of the land and natural resources under its control. As discussed above, this means that the taxes paid to government ought to equate to the annual rental value of land and natural resources held. If the need for government revenue exceeds the combined total rental value of all land and natural resources, any additional taxes ought to create the most level playing field possible. Existing business taxes tend to penalize success and reward failure. The greater a business's expenses and the lower its declared profit, the lower are the taxes levied. A more efficient approach is to levy taxes against gross revenue. In doing so, the impact on businesses with heavy expenses will be greater and on those with lower expenses smaller. Businesses will then be encouraged by the tax system to maintain a firm control over expenses. Firms would no longer receive tax advantages as a result of their borrowing and would, therefore, borrow only on the basis of sound business reasons. A firm's physical assets (including plant and equipment) would no longer be taxed, nor would depreciation taken as an expense play a role in the calculation of taxable income. From the standpoint of the public interest, no longer would an army of government auditors be paid to assure compliance with tax laws.

**Individual Assets and Community/Societal Revenue Needs.** The same principles of just taxation and economic efficiency apply to the individual as to companies. Moral philosophy also serves as the basis for human rights criteria applied to property. Our birthright as human beings is the right of equal access to the earth. Titles to land and natural resources and other licenses that restrict equal access create unnatural forms of property, privileges that are inherently monopolistic. Our natural right to property comes, on the other hand, from what we produce by applying our labor to nature. Justice demands that government protect our right to use and/or dispose of our property as we choose (so long as in doing so we do not infringe on the rights of others). Taxation of property or of income derived from the use of property is a form of confiscation. Justice demands, however, that the individual compensate all others in society for the privilege of monopolizing access to any land and natural resource received under titles or licenses.

Let us suppose that all individuals and all other groups who control land and natural resources are contributing the full rental value of these privileges. Let us suppose further that, by consensus and in accord with democratic principles, a majority of citizens agree that additional public goods ought to be provided and revenue raised to accomplish this. What should be the guiding principle for the confiscation of natural property from individuals? Here is where ability to pay ought to be given highest consideration. One approach is to institute a graduated tax that exempts all individuals who earn below a certain level, say, the median income in any given year. Above that income, a graduated rate would be applied that increases up to a maximum on very high marginal incomes. To provide a basis for discussion, I offer the following example of how this would work in the United States: (a) incomes below \$25,000 would be exempt; (b) a 10% tax on dollars earned between \$25,001 - \$50,000; (c) a 15% tax on dollars earned between \$50,001 - \$100,000; (d) a 20% tax on dollars earned between \$100,001 - \$500,000; and (e) a 25% tax on dollars earned over \$500,000.

**Protecting the Environment.** The human species has excelled in the exploitation of the earth's resources for immediate gratification and short-term survival. What many of us now realize is that our behavior has been (and continues to be) damaging in the extreme to the operation of the earth as an ecosystem. To continue on as we have is little short of suicidal behavior. Pollution and over-fishing threaten to destroy the food chain in the oceans and fresh water seas. Heavy use of herbicides and pesticides poison the land and inland waterways with toxic chemicals that are consumed by animals and enter our own food supply. Subsurface and strip mining operations pour even more chemicals into groundwater supplies. The burning of fossil fuels turns our air into poisonous vapor. The by-product of energy generated by nuclear reactors is a vast storehouse of radioactive waste for which no safe means of storage has yet been found.

If we have any reason for optimism it is that a wide range of nongovernmental groups are focusing time and resources on these problems. On the other side, despite a quarter century of activism and the passage of sweeping regulations, the effort to make our activities environmentally sensitive continues to be thwarted by individuals, businesses and even governments acting to protect short-term profits, privilege and political power. Clearly, the struggle to heal and preserve our ecosystem requires mobilization of the global citizenry on a scale never before achieved. Steps are being taken in this direction and considerable examples of progress can be pointed to within many societies as well as global cooperation among nations. At issue, then, is how to more effectively shift the balance of power in favor of our long-term survival.

Once again, an understanding of the economics of taxation will direct us to press for a dramatic overhaul in the way we raise revenue for public use, with material benefits accruing to the health of our ecosystem. Societies are faced with the choice of whether titleholders to nature are to be permitted to build personal fortunes on the basis of land and resource speculation and control or acknowledge the access they are guaranteed as a privilege for which society as a whole is to be legitimately compensated. When the tax base equates to the annual rental value of land, the cost of regulations imposed on producers for protection of the environment will merely lower the amount a potential user will be willing to pay for access to land. If the cost of cleaning up the environment is left to society after the fact, the amount of rent users will pay for access to land unencumbered by regulations will be higher, but government will then have the higher revenue to use for remedial efforts. The basis for public policy, then, ought to be whether certain levels of pollution control are best handled by individual titleholders (or lessees of public land) or by government. Water and sewerage systems are a primary example of how economies of scale are realized by centralized systems. Regulations requiring extensive refining of fossil fuels or conversion into natural gas is the type of public policy that will drive down the annual rental value of fossil fuel-bearing lands.

**Learning and Citizenship.** One important legacy of the nineteenth century reform initiatives -- whether democratic, utilitarian, communitarian or statist -- has been an almost universal reliance on education to raise the living standards of the unpropertied. After a period of limited success with religious and philanthropic experiments in education, society after society created systems of publicly-funded education. In the

United States this system was decentrally structured and supported by broad-based taxes (collected primarily from owners of real estate).

The motivations to establish universal education were both humanitarian and utilitarian. Industrial landlordism could expand only so far using unskilled labor; technical and managerial positions required individuals who possessed not merely basic literacy but sound foundations in the mechanical and administrative arts. German reforms of the mid-to-late nineteenth century sought to produce an educated populace for its bureaucratic, militaristic and industrial State. Britain was struggling with an increasingly rigid class division between the propertied and the unpropertied and ended up with the distinctly two-tiered educational system that continues today. A real concern of many nineteenth century native Americans (meaning those of Anglo-European heritage) was that the millions of immigrants arriving from southern, central and eastern Eurasia would jeopardize the existing system of social and political values. Providing public education was a means of Americanizing new arrivals and bringing them into the mainstream. A system of land grant colleges established during the century provided additional opportunities for individuals who settled far from the urban centers to gain exposure to a liberal education in the Western classics and in agricultural research. An explosion in both public and private funds made available over the last forty-five years for scholarships and financial assistance has opened the doors to a college or university education for tens of millions of U.S. citizens and foreign visitors. Similar and even more aggressive programs were implemented in many other of the social-democracies (as well as in the former Soviet bloc nations).

Despite the remarkable achievements of the educational systems as a group, the need for reform has become apparent even to their staunchest defenders. In the United States, far too many young people leave our secondary schools ill-equipped for the responsibilities of citizenship. Millions more do not even complete a full twelve years of formal childhood schooling. What is clear is that far too many of our schools are unable to meet the individual needs of youngsters and are organized to perpetuate failure on the part of those students who do not mature emotionally, intellectually or physically according to the norm established based on chronological ages. Moreover, the stresses of daily life experienced by many students materially affect their ability to learn. Although this is understood today more than ever before, the responsiveness from the government and the educational establishment has been insufficient and improved the system only marginally.

One of the reforms discussed more frequently today is that of choice, meaning that parents and youngsters ought to have many more options in the selection of an educational opportunity than have traditionally been available. For the most part, choice has historically involved the one public school within walking distance or to which bus service was provided, or paying tuition to attend a parochial school. Access to privately-operated schools has been largely restricted to youngsters whose families could afford the expense of high tuition and, in many cases, full-time boarding. At the same time, all owners of real estate contributed via the tax system to the cost of public education. Moving to a voucher system, under which each child is supported by some minimum amount of public scholarship, while allowing parents to select the school (and,

as they can or desire to, use their own income to supplement the public voucher) will create a far more competitive educational environment and stimulate the design of programs directed to the individual needs of children rather than to the needs and priorities of administrative bodies.

As we examine the opportunities to reform our educational system, we ought to also consider a gradual plan to phase out publicly-operated schools altogether. Moving to privatization is desirable; however, there are extraordinary dangers in the creation of a system of for-profit schools that are also owned by disinterested stockholders whose primary interest is in profit maximization. The ideal form of privatization is the professional association. Teachers who share the same educational philosophy should be encouraged to come together (much the same way as attorneys or physicians do) to form a school. These professionals would then hire administrators to help implement policies the teachers decide upon. In our publicly-operated and parochial schools, as well as the overwhelming majority of privately-operated schools, the individuals most directly involved in the process of education are merely hired help who have nominal input into the development of curriculum, selection of new staff or the establishment of standards.

At the college and university level many of the same problems exist. Professors are rewarded not on the basis of their effectiveness as teachers (or, if you prefer, facilitators of learning) but for their status as researchers or scholars. How is it possible that a student at some of the nation's most prestigious universities can complete their undergraduate requirements without ever encountering an actual professor in the classroom? Undergraduate education, arguably the place where our best instructors are needed, is too often left in the hands of graduate students or part-time faculty, some of whom cannot even communicate effectively in the English language. The institution of tenure has also isolated professors from the rigors of competitive pressures existing in most other societal arenas. Here, again, the more appropriate structure for colleges and universities is to have the professors associated as equal partners, each required to perform at a high level, and that high level determined in large part by their ability to attract and retain paying students. As was once written by a remarkable teacher, the difference between a teacher and an educationist is that the former hangs out a shingle and students come voluntarily, while the latter is assigned to teach courses to students required to attend.

**Where Individual and Societal Responsibilities Collide.** We are constantly reminded by the reporting of the news just how frequently individuals exercise criminal licenses against others. Social scientists continue to debate the extent to which these outbursts are a function of neglect or mistreatment during the individual's early years when nurturing by biological parents and by others help instill behavior and other values. If one accepts that by virtue of birth, each individual's human rights are the proper subject of protection by society, then the system of positive law and institutions created must by consensus establish minimum standards for nurturing. Where the biological parents fail to meet this standard, government has the responsibility and should be given the authority to intervene. In legalistic terms, a child is by nature an incompetent party requiring parental and societal nurturing until such time as competency is demonstrated. At that point, what had amounted to a trustee responsibility of society is diminished.



Competency entitles the individual to full benefits of citizenship (i.e., freedom of action restrained by justice). The exercise of citizenship is the exercise of liberty; actions that infringe on the liberty of others are by definition licenses. What has been most difficult for societies to resolve is to distinguish between liberty and license and to structure positive law accordingly. Of almost equal difficulty has been the question of how to deal with incompetencies voluntarily (or nearly so) brought on by the actions of an individual who was at one time fully competent.

As a society, we have yet to come to terms with the two major causes of voluntary incompetency: alcohol and drug abuse. The minimum level of societal involvement ought to center on the impact the behavior of these individuals has on others. An individual under the influence of alcohol or drugs is far more likely to act in ways that result in the exercise of criminal licenses -- from failure to provide appropriate nurturing to dependent children, physical and mental abuse of a spouse, and assault or worse against others. While addiction to alcohol and drugs is certainly an illness, the issue facing society is how to balance treatment of the individual with the responsibility to protect citizens from criminal license. Does society have the responsibility (and should government be given enough authority) to act proactively when the risk of criminal license is high? Or, must society wait until someone actually commits a criminal license as justification for isolating that individual from others? We already make these decisions every day, but the dynamics of our socio-political arrangements, our institutions and our enforcement agencies provide neither liberty nor security. When society does a better job of protecting the human rights of our incompetent members and in creating a socio-political environment that secures equality of opportunity, we will experience fewer and fewer cases of criminal behavior occurring because of an individual's financial desperation or other anti-societal attitudes fostered by an absence of positive nurturing and surroundings. At the same time, enforcement of just laws acts as a break on the individual whose actions exceed the bounds of liberty.

The issue receiving more public attention and debate than almost any other is what, if any, rights are possessed by the unborn child. Is the life growing within the womb of a woman by nature part of that woman until the child is actually born? Or, is the biological parent merely a host, who by virtue of pregnancy, acquires nurturing responsibilities to a human life in the process of formation? Modern technology has added a dimension by replicating the physical environment within which human life can successfully develop. The biological mother is, in fact, no longer absolutely essential after the sixth month of life. Extremists on one side of the debate take the position that life begins when a sperm enters an egg and a zygote is formed; extremists at the opposite end argue that life begins only after the fetus leaves the womb as a result of the natural birthing process.

To satisfy the moral principles espoused by the first group, a woman must primarily be considered a biological host and only secondarily as a mother. This distinction is crucial, in that if the first circumstance becomes the basis for positive law, then the decision of the woman to continue nurturing beyond delivery of the child must be voluntary. Society would have the primary responsibility for nurturing once birth has occurred. In the second instance, the decision of whether or not to accept the condition



of pregnancy and the superior right and responsibility of nurturing would rest with the woman, as biological mother. In either event, society retains both the obligation and authority to intervene on behalf of the child as an incompetent party; however, the responsibility to do so is immediate and primary when the woman is required, as biological host, to subordinate control of her body to the rights of the growing child.

From the perspective of public policy, the most important responsibility of society is to instill sound moral values in young adults -- particularly -- who, as a group demonstrate a strong desire to experience sexual fulfillment but who do not yet possess the emotional maturity and economic means to provide positive nurturing to children. What must be said, however, is that this responsibility must accommodate a diversity of sentiment on the subject of sexual activity. Some individuals believe strongly that sexual activity outside the marital relationship is morally unacceptable. Others see sexuality as merely one aspect of our humanity that has no attachment to gender or formalized attachments. Here, again, the interest of society is in the health and safety of citizens, and all schools ought to be required to provide education on the diseases that can result from certain patterns of sexual activity and what measures need to be taken for prevention. When schools are formed by educators with similar philosophies in mind, schools will advertise to parents that they attempt to instill particular values in the students and parents will have the opportunity to choose which sexual curriculum and value system they wish their children to be exposed to. Safeguards, in the form of minimum standards, are appropriate and must be guided by the principle of protecting the most vulnerable of our citizens from physical or mental mistreatment.

### Protecting Our Purchase Power Making Money And Credit A Private Affair

One of the ways governments have historically affected the purchasing power of individuals is by taxation. As has already been discussed, when revenue is raised by taxing individual labor or the wealth we produce these policies represent attackd on natural property. Where socio-political arrangements allow for adequate debate on public policy decisions and require something greater than a simple majority before implementing taxes on wealth, matters of greater public good may generate a consensus to impose taxation beyond primary sources of revenue (i.e., the annual rental value of nature and quasi-monopolistic licenses). The second means by which governments transfer purchasing power from individuals to themselves is by requiring the use of paper currency as legal tender and, further, by the self-creation of credit.

Whether government is in the hands of a monarchy, an oligarchy, a representative body or a bureaucratic state, one consistent behavior is the propensity to spend more than is received in revenue. Sitting governments have always willingly spent to build monuments to themselves with public money. And, all too often the public is required to pay for adventuristic wars or colonialism, to the enrichment of the few and at the expense of the many. We also know from experience that socio-political power and the accumulation of personal fortunes feed off each other, with the result that those who benefit most by government spending (the same individuals, generally, who meet the

ability to pay test) manage to shift the cost onto the general populace by the mechanism of government borrowing at interest.

A considerable part of the problem in the United States can be traced to legislative and administrative laws that went far beyond the powers granted to the Federal government under the Constitution. Although the constitution permits the government to borrow money, the original definition of money as gold and silver coinage has been subverted by the issuance of Federal Reserve notes as legal tender for all government debts. Not since the early years of the Bank of Amsterdam in the sixteenth century has any society experienced the benefits of sound money and honest banking. Within a few decades after its creation, the Bank's directors discovered the short-run profit maximization system of fractional reserves. Every banking system subsequently established has followed the Bank down this disastrous course, producing frequent and often catastrophic panics. Today, when the United States government desires to borrow legal tender from private investors, the Treasury Department offers government securities for sale which, in effect, are claims against future tax revenue (and, more frequently, against the revenue raised by the issuance of more securities). The Federal Reserve Banks have no reserve requirements in terms of gold or silver or any other commodities to which the redemption of their Notes is tied. Therefore, based on some monetaristic model of the nation's aggregate need for legal tender and credit, they raise or lower the rate of interest charged to member commercial banks for whatever borrowing these commercial banks require to meet demands for credit beyond the deposits of legal tender attracted from private individuals and organizations. What is also interesting is that if the Federal government's need for revenue is sufficiently high, the funds borrowed by commercial banks from the Federal Reserve might very well be reinvested in the securities issued by the Treasury Department.

The stability of our financial system has often been described as being dependent upon public confidence. By permitting government to deficit spend as a matter of normal practice, we are facing a \$4 trillion national debt, or approximately \$40,000 for every household in the United States. Assuming an average annual cost of funds of 8 percent, the amount of tax revenue required to service this debt comes to \$320 billion. Before the government is able to spend one dollar on programs that actually maintain or improve our physical or intellectual infrastructure, each household must be taxed some \$3,200 on average. Inasmuch as almost 16 percent of all households receive incomes insufficient to pay Federal income taxes, the average tax payment required of the remaining 79 million households is over \$4,000. In no country today is there any serious consideration given to retirement of national debt, and economists generally seem to be either silent on the seriousness of this problem or argue that the debt is not a real drain on economies so long as the debt is not increasing as a percentage of gross domestic product. Perhaps. We will, of course, discover in due course whether this economic principle holds true over the short run, the medium run or the long run (the long run taking us out to the time when most current taxpayers have died and the problem is handed to the next generation).

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We must introduce measures to reign in the ability of government to spend without having to gain direct permission from the electorate. The first step is to prohibit

by constitutional amendment the self-creation of credit. The revenue for all current expenditures must come from taxation. Physical infrastructure, such as highways, mass transit, bridges, public facilities, ought to be financed by fully amortizing gold and silver compose-backed securities issued for periods tied to the anticipated life of the improvements constructed. The annual budget would then include taxes levied sufficient to cover all interest and principle payments.

Getting the Federal Reserve Banks out of the business of issuing legal tender can be accomplished by the creation of a competitive system based on the chartering of banks of deposit. These banks would have no lending powers; rather, they would take in legal tender and purchase a basket of precious metals, establishing for members a credit line against which electronic purchases could be made from other members. Over time, a network of these banks would link producers and consumers together in a system that automatically debits and credits member accounts when transactions between members occur. Losses for bad debts become a thing of the past. Eventually, vendors could condition contracts with government agencies on their membership in the system. The banks of deposit would earn fees charged to each member. Many existing commercial banks would become members as well out of self-interest, with the interesting result that their ability to create credit on the basis of fractional reserves would be checked. With a global system established, Gresham's Law is made to work in reverse: good money drives out bad. Over time, legal tender will circulate at increasingly deep discounts. A wise decision on the part of the citizenry would be to press for legislation (or a constitutional amendment) prohibiting the Federal government from creating its own bank of deposit, although there is no reason why the Federal Reserve Banks should not be permitted to do so as a means of systematically retiring outstanding Federal Reserve Notes. For transactions of nominal amounts, the U.S. Mint could be contracted by the Banks to produce gold and silver coins of a standard metallic content.

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