Vermont's Common Assets

From Banana Republic to Sovereign Commonwealth

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Although the term "commonwealth" appears prominently in the Vermont Constitution, what does that mean? We have largely forgotten about the notion of "the Commons." How appropriate then, that Vermont Commons would run a series about the commons. Common sense?

When we think about the commons, perhaps we think of the town squares of yore, such as Boston Common, which once were grazing lands for cattle. The commons may seem like an archaic term in the modern age of privatization, corporatization, and globalization, but the commons persists despite the concept being largely ignored. The air we breathe, our ozone layer, and our climate are commons, currently undergoing drastic change. Public roads, sidewalks, schools, parks, lakes, beaches, bike paths, and hiking trails are all commons. The Internet is the global cyber-commons. Public museums, libraries, music, money, law, democracy, and fairy tales are all commons. We can't exist without the natural commons, and we all benefit from the wisdom of our cultural commons of accumulated knowledge.

When we think of the commons, perhaps we think of the Enclosure Acts in England during the fourteenth to eighteenth centuries that "enclosed" the common grazing lands and turned them into private property primarily for the benefit of sheep farming and wool-making. It has become the prevailing wisdom in capitalist societies that enclosure of the commons in private ownership of all natural and social resources is the best approach. But is this true?

It now seems apparent that unrestricted private ownership is an inefficient means of allocating resources and leads to environmental destruction, increasing inequity, speculation, and boom/bust cycles such as the recent S&L crisis, dot.com collapse, housing bust, and the ongoing Wall Street meltdown. On the other extreme, history shows that a system of total state ownership of "the means of production" is even worse. In short, a new economic paradigm (or perhaps, the revival of an old one) is needed.

In 2006, entrepreneur Peter Barnes wrote a book entitled *Capitalism 3.0,* in which he proposed a new paradigm by adding an economic sector called "the Commons" sector, managed by trustees. In this paradigm, society's common resources (the commons) are reclaimed for the public instead of privatized by corporations. Private enterprise continues as before, but commons trustees set sustainable limits on resource use, and property rights to the commons are allocated to the public. Resource users pay rent to the public for the use of the commons and are no longer able to privatize the unearned income from mere ownership of the resource. Ideally, with this increase in revenue there will be decreased need for taxation of earned income such as income, sales, or profits on productive activities. Trustees would collect revenue from economic rent on the commons and allocate it to restoration and protection of the commons, other public goods, and direct payments to citizens.

A working commons model currently in use is the Alaska Permanent Fund, where mineral rights are designated as belonging to the citizens of Alaska, and 25 percent of oil royalties go into the Permanent Fund, which pays dividends to all tax-paying Alaskan citizens. What's missing in this model is the investment in environmental restoration and alternative energy to replace oil when it is depleted. Several other governments—Alberta, Abu Dhabi, and Norway—have "sovereign wealth funds” flowing mainly from oil resources. There is no reason Vermont cannot have a sovereign wealth fund supported by its common assets.

Common assets are parts of the commons that have market value. They take two forms: natural assets and socially created assets. Natural assets consist of those parts of nature that no human being may rightly take claim for creating. These include fossil fuels like oil, coal, and natural gas, minerals like gold, silver, platinum, uranium, public forests, electromagnetic broadcast spectrum, water, the atmosphere, etc. Socially created assets include all those things created by society as a whole that, once again, no individual can possibly take credit for. These include the stock market, monetary system, Internet, land values, etc. Every state has a basket of common assets equal to or more valuable than Alaskan oil. Most of them have been privatized.

Property rights to some common assets are already owned by the public, but others are not. To take but one example, the electromagnetic broadcast spectrum, if it were leased annually instead of auctioned off, would be worth approximately $782 billion per year as of 2002 in the United States. The public already has rights to this spectrum through the congressionally passed Federal Communication Act of 1934.

Liquidity of the financial markets is a socially created asset worth about $51.2 trillion in the United States. Federal Reserve system banks have privatized seigniorage (the right to create money) to the tune of about $8 trillion per year.

The Internet was created by military research (DARPA) using taxpayer dollars, yet U.S. citizens receive no direct return on their investment.

Land values are socially created assets, as without population or municipal services, land is nearly worthless.

All of these socially and naturally created assets lend themselves to the creation of joint property rights, the collection of revenue, and the distribution of dividends. Distribution of revenue from common assets directly to the public has many advantages including fairness, efficiency, and freedom. The marginal benefits are greatest to the lowest-income citizens, yet no transfer payments are required.

One of the primary ways in which wealthy and poor countries differ can be found in their ownership and control of natural and social resources. Norway, Abu Dhabi, and Alaska all have major oil resources, and are relatively wealthy. Nigeria has massive oil deposits, Congo has gold, diamonds, cobalt, copper, and coltan, and yet these countries are desperately poor. Why? One reason is that wealthy countries with effective governments all exert sovereignty over their resources and collect resource rents and royalties for public revenue. The “Resource Curse” is due to poor governance. Poor countries’ resources are often controlled by foreign corporations, local dictators, warlords, or militias, and revenue doesn’t benefit the public. During the current economic slowdown, Norway is turning to its $300 billion sovereign wealth fund to cushion the blow to its economy, instead of using debt. Alaska residents enjoy a nearly $2,000 annual dividend from their $30 billion Permanent Fund, and Abu Dhabi’s sovereign wealth fund is the world’s largest at $800 billion.

In terms of its resources, Vermont resembles an economic colony more than a sovereign state—a banana republic without the bananas.

Our major minerals are owned by a foreign corporation (Omya), our groundwater is exported by out-of-state bottling companies (Coca-Cola and Nestle), our hydropower resources are owned by TransCanada, and 88 percent of surface-water withdrawals in Vermont are used by Vermont Yankee for cooling water at no charge. The federal government, meanwhile, has given away 98 percent of our “public airwaves” for free and allows private banks to create 93 percent of the currency with interest attached. Citizens and businesses are subject to taxation of earned income, which impacts job creation and economic productivity, while resource owners collect massive amounts of unearned income.

All over the world, countries are beginning to exert sovereignty over their resources, such as Ecuador over oil, and Bolivia over lithium. Can Vermont reclaim sovereignty over its natural and social resources, or will we remain a banana republic?