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Global commons and common sense The Real New Deal

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1. Introduction

Globalisation is the result of economic growth and technical progress. Production systems have attained global reach. However, the rules and institutions that regulate the systems' relations of production and exchange are still mostly national. Furthermore, national regulation systems have been drastically eroded in the past three decades of deregulation, liberalisation and privatisation. The present global economic crisis is clearly the result of this inconsistency or contradiction.

We could say with Marx in the famous Preface to the *Contribution* that the global ‘material productive forces of society [have] come into conflict with the existing relations of production [...] From forms of development of the productive forces these relations [have] turn into their fetters.’

For Marx this should mark the ‘beginning of an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure.’ Economic historian Jacques Attali (2009), for his part, vaticinates a protracted period of international and internal *hyper-conflict* preceding the emergence of global regulating institutions (*hyper-democracy*). Be that as it may, many — including many members of the economic and political establishment — seem to agree in the necessity of new, global rules and institutions for the management of the largely unregulated global economic and financial system.

To forge global rules and institutions does not seem to be an easy thing. The idea here is in a way to follow the path of least resistance. An area in which there is already global consensus about the urgent need of global regulation is climate change.

A new domain in which awareness seems to be forming about the need of global regulation is global finance and international liquidity. Liquidity is about trust and confidence. There is liquidity when there is confidence that promises of payment will be honoured. International liquidity may be seen as a global commons of financial trust and confidence.

The reach of the productive force of technology is paralleled by the reach of its destructive power. The real possibility of MAD (mutual assured destruction) gives testimony to that. The maintenance of global peace and security is also an area in which the logic of the commons can suggest possible ways of progress.

As in the case of MAD, competition for common limited resources has sometimes been described as a game of ‘Chicken,’ in which two drivers head against each other from opposite directions — the first to swerve is the loser. In the race for world resources, those who most voraciously exploit and deplete them are the momentary winners of the suicidal game. To avoid mutual destruction, the logic of conflict suggests the formation of a ‘social norm’ to be collectively followed. An ancient social norm, found in most ethical traditions, is the rule of reciprocity, which applied to the utilisation of a common exhaustible resource gives the norm of equal rights for all.

Standard utilitarianism also would conclude that aggregate utility is maximised by equal distribution.

The world's oceans and seas cover about 70 percent of the earth's surface; 20 percent of this area is claimed under national jurisdiction. The ocean fisheries are typical commons, which tend to be overexploited and depleted in the absence of regulation. Fish stocks have collapsed in nearly one-third of all ocean fisheries. Global regulation of the resources of the sea is as needed as the global regulation of carbon dioxide emissions, or the global management of international liquidity.

A closely related realm is the realm of what economists used to call Land. That is, a privately owned natural resource, producing a differential rent, the income of a particular class of factor owners. There are old and venerable redistributive institutions like the biblical Jubilee (by which plots were periodically permuted) based on the idea that the land belongs to YHWH, and that humans are only tenants. There are also strong ethical arguments (Spinoza) for the common property of land, to be rented to producers — or alternatively for taxation of land rent. There is general acceptance of the idea, reflected in most tax codes, that land rent and other 'non-earned incomes' due to fortuitous factors such as location are not fully legitimate and should (at least partially) be taxed away.

The argument applies to other natural resources such as mineral and oil deposits, which also give rise to differential rents. The fact that in most countries oil is a collectively owned resource and underground resources in general are *prima facie* considered as belonging to the commonwealth, suggests that mineral resources are naturally seen as the common property of the commonwealth. What is *not* reflected in most natural resource legislations is the legal consequence of collective ownership, namely the equal allocation of dividends, a question that is central to the global redistributive mechanisms discussed here.

However, the question still hovers around who belongs to the commonwealth. Who composes the commonwealth? Which commonwealth is relevant? Which commonwealth is the legitimate owner of the natural resources? These questions will acquire increasing relevance with rising expected rents accruing from rapidly increasing scarcity, and the resulting wars for the control of resources. Many wars, and perhaps most current and planned wars, are about the control of resources — oil in particular. The unfortunate fact is that there is no factually legitimate form of exclusive/exclusionary ownership. All forms of privately or nationally restricted forms of property are contestable, and in fact often contested. The only stable, uncontestable form of resource

ownership is collective ownership by the global society, according to clear and effective rules of use, acceptable to all. And again, the often avoided question of the equal distribution of dividends must be considered simultaneously.

So we have here introduced three critically important areas of common resources that are in great need of being globally regulated: greenhouse gas emissions, international liquidity, and natural resources. It is admittedly a great pretension on my part, as an individual citizen of the world, not representing any state or any other organisation, to try to candidly analyse and formulate possible solutions for these enormous questions. However, I do it in the conviction that it is precisely what is needed: a candid, open, unconditioned approach, with all humanity in mind. A plain, common sense look may show that the emperor is in fact naked. Such a look may also serve to suggest the kind of clothes that could fit her/him rather well.

2. Global warming: the atmosphere is a commons¹

The sun shall be darkened, | earth sinks in the sea,
Glide from the heaven | the glittering stars;
Smoke-reek rages | and reddening fire:
The high heat licks | against heaven itself.
The Edda (Ll. Frá Ragnarökum)

As diverse factors as Hurricane Katrina, the IPCC (2007) report, Al Gore's film (*An Inconvenient Truth*), and the Stern (2007) review, have dramatically increased world awareness about the dangers of global warming. Different approaches to possible solutions are beginning to surface in the public debate. In Scandinavia, for instance, the ecologists' radical vision of a simpler life close to Nature and away from the Market confronts the dream of a high growth, innovative capitalism, where the magic of technology solves all problems. These are often imaginative visions, but what is still lacking in all of them is a clear and explicit acknowledgment of the strictly global character of the climate change problem. What is lacking in the debate is the overt acceptance of the fact that in the global warming problem 'we are all in the same boat,' that is, all of the globe's population. Global problems need global solutions. A solution to global warming poses from the start the problem of the extremely biased world income and wealth distribution. A realistic solution should necessarily incorporate global redistributive mechanisms, including market mechanisms.

The lack of common sense analyses of the global warming problem is perhaps due to the difficulty of adopting a universalistic, humanity-wide perspective.

¹ This section and the following two are largely based in Buzaglo (2007).

Most analyses, even the most reputable, such as Stern (2007) and IPCC (2007) lack such a perspective. They are thought from the perspective of a national state (as in the case of Stern) or from an international perspective, reflecting the balance of power and influence between states. The cosmopolitan perspective — rare today — should serve as a benchmark or horizon to which all other solution proposals should be compared.

The cosmopolitan perspective is very easy to formulate, but until now very difficult to implement, in a world where inequalities are huge and steadily growing. The cosmopolitan perspective is the point of departure of the extant ‘universal constitutional rights,’ established in 1948 by the United Nations Declaration of Human Rights. It states in its Preamble that ‘recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world.’ The profound and clear insight of the Declaration is: without equality in rights and dignity among all human beings, there is no freedom, peace nor justice in the world.

The root of this idea is very old, and belongs to the basic ethical insight of most cultures. In the western cultural realm the insight is usually formulated as: ‘Do unto others as you would have them do unto you.’ An equivalent, less demanding formulation is: ‘Do not do unto others as you would not have them do unto you.’

Kant’s *categorical imperative* may also be traced to the same basic ethical insight. Kant’s moral imperative is to act only according to that maxim whereby you can at the same time will that it should become a universal law. Practical reason understands that if what I do unto others should become the general rule, then it should have them do unto me. Therefore, I should not do unto others as I would not have them do unto me.

Before Kant, Baruch de Spinoza derived this same ethical principle using the ‘geometrical method,’ i.e. by logical deduction from precise definitions and self-evident axioms. Rational human beings, who endeavour to preserve their own being, and who seek that which is useful in accordance with reason, desire for themselves nothing, says Spinoza, which they do not also desire for the rest of mankind (*The Ethics* IV, Prop.18, Note).

Applied to the management of common resources such as the atmosphere the above ethical principles give a clear orientation. With Kant’s or Spinoza’s logic, if everybody were allowed to emit greenhouse gases as much as I can, I should not emit more than the globally sustainable average. That is the only sustainable way in which my individual action can be universal law and

adopted by the rest of humankind. Or in Spinoza's terms, as a rational human being, I do not desire to pollute the atmosphere at a level that would be unsustainable if also achieved by the rest of humankind. When it comes to the election of rules and systems for the allocation of rights, the only effective *rational choice* for every individual on the planet is the norm of equal emission rights for all.

This ethic of reciprocity and cooperation is most probably the result of millennia of observation and experience of human conflict. Game theory arrives at similar conclusions in the analyses of games that are repeated an unlimited number of times, and where the participants can be thought to learn through experience. In infinitely iterated games, history, learning, context and negotiation can bring solutions that are more desirable than mutual or collective destruction.

The conflict about the contamination of the atmosphere, a shared resource, can be compared to the so-called Hawk-Dove game. In the Hawk-Dove game analysed by biologists, species competing for a common resource can choose between cooperation and conflict. A formally identical game is the Chicken game, which models the situation where two drivers drive towards each other on a collision course: one must swerve, or both may die in the crash. The game has also been used to describe MAD, the mutual assured destruction of nuclear warfare.

The results of game theoretic analyses, and in particular, the results of repeated Chicken game analysis, based as they are in extremely simplified and abstract situations (such as explicit, clearly specified and fixed rules of the game, two players, quantifiable 'payoffs,' etc.) are very far away from reality. The conclusions are however close to common sense and experience: it is found that the optimal method of playing the repeated game is to cooperate and play a socially optimum strategy according to a 'social norm.' However, in an iterated game of Chicken, a stable compromise can only be achieved through 'brinkmanship,' that is, pushing the situation to the brink by forcing the opposition to back down and make concessions. In the case of greenhouse gas emissions, this would mean for low polluters (largely the poor countries) to convincingly show that they are prepared to push their emissions to the level of heavy polluters (largely the rich countries).

3. A solution to global warming when mutual destruction is barred

The essence of the challenge of a cooperative solution to the problem of a shared resource can be grasped through the simplified situation of an imaginary island economy. Thriving inhabitants and successful consumers are expanding the island garbage dump at a high and increasing rate. The

poisonous substances in the garbage seep into the ground and infect the groundwater. Careful study of the situation by experts concludes that the explosive growth of the garbage dump must stop. The amount of waste produced cannot continue to grow. The question for the islanders is how to achieve that. One islander proposes a straightforward solution: nobody can increase his/her present amount of waste. (It happens to be a rich islander who produces a high amount of garbage.) Another islander, a small waste producer, thinks that the allowed amount of waste anyone can leave must be equal for all. Shall big polluters be rewarded with prolongation of their privilege? No Sir, all islanders have the same rights, she says. After long discussions, there is a vote. The supporters of equal waste quotas win the referendum with wide margin — high waste islanders are a small minority. From now on, all islanders have the right to dump the same share of the permissible/sustainable amount of garbage.

Economists know that market exchange can improve the solution for all those whose garbage output is different from the established quota. The equally allotted waste rights might be exchanged in a (real or virtual) market created to that effect. Those who do not use all their allotted rights can sell their surplus to those who want to dump more waste than the allotted quantity, and are able to pay for it. The system has a bonus: it reduces income inequalities.

According to climate scientists (IPCC 2007) our cosmic island is in a similar condition — yet much worse. Global greenhouse gas emissions must at least be *halved* by 2050. What can be done? Shall every country reduce their emissions by 50 percent, as in the rich islander's proposal ('grandfathering')? Shall the U.S. halve its carbon dioxide emissions from present 20 metric tons per capita to 10 tons by 2050, while Vietnam halves its only ton (latest data from the World Bank's website, for 2005)?

This does not look like a convincing solution for the 84 percent of the world's population not living in high income countries. They produce only 3 tons per capita on average — less than a fourth of what is produced by the inhabitants of the rich world. If the world had a democratically elected parliament, or should a world referendum take place, the poor islander's principle of equal rights would likely win by a large margin.

Equal, fixed emission quotas for all would imply that all rich countries must at once limit their greenhouse gas emissions to the world average of 5 tons per inhabitant, and then gradually reduce them to 2.5 tons year 2050 (if we assume for simplicity a constant population). For low polluters such as Sweden or Switzerland, which emit 6 tons per inhabitant, this does not look

like an impossible undertaking or a catastrophic welfare loss. But it would certainly be for most other rich countries.

With tradable emission rights, rich countries would of course not need to drastically reduce their emissions to 5 tons per inhabitant. They would buy emission rights from low-polluting countries such as Vietnam or Guinea. They could so reduce their emissions cost-efficiently, only to the level at which the unit cost of emission-reducing measures remains lower than the market price of a unit emission permit. Poor, low-polluting countries, on the other hand, would gain large incomes from their sales of emission permits. Böhringer and Welsch (2006) simulated the effects of different ways of sharing the costs of lowering global greenhouse gas emissions. An equal allocation of emission permits in proportion to population would give Sub-Saharan Africa and India the greatest gains. Smaller benefits would accrue to the Middle East and North Africa, and even smaller yet to Latin America. China would be more or less unaffected by the scheme. The costs are mainly disbursed by the rich countries and Eastern Europe/ex-Soviet Union.

4. Reclaiming the commons: The atmosphere

Achieving this type of market-based solution to climate change would involve of course grand institutional innovations. The point of departure of Peter Barnes' (2006) institutional analysis is the 'tragedy of the commons.' Resources without clearly defined rules of utilisation or ownership tend to be overexploited and eventually exhausted. If, for instance, the atmosphere were owned by a Waste Management Inc., it would charge dumpers a fee and limit emissions.

However, even for neoliberals, a privately owned atmosphere is unthinkable. Barnes suggests instead endowing the management of the atmosphere to a trust. If instead of Waste Management Inc., a trust owned the sky there would be a bonus: every citizen would get a yearly dividend check. This is not just a dream: since the 1980s in the US such an institution, the Alaska Permanent Fund, manages that state's oil resources and distributes dividends among its inhabitants.

The solution is thus to develop strong institutions that have ownership rights over common resources. This is an important insight, but ignores the fact that global warming is a global problem. The atmosphere is a global good, and the tragedy is being played out on the world stage. A system whose rules are followed by just a few and whose legitimacy is not recognised by all is not an effective system. Think if the world's three billion poor find it legitimate for them to achieve the same greenhouse gas emission levels as the rich...

The Kyoto Protocol was a first attempt at constructing a governance structure for the atmosphere. It must be recalled though, that the Kyoto protocol is not global. It covers at present not more than 30 percent of global emissions and a much smaller share of the global population — neither the US nor the developing countries participate. Similarly, the effective part of the EU's emission rights system represents only 8 percent of global emissions (Nordhaus 2006).

Management of global resources requires global instruments. Even if ineffectual when partially implemented at the local or national level, Barnes' idea of a climate trust fund might be a powerful initiative at the global level. What could indeed be effective is an *atmosphera.org*, a global trust fund with the mandate of managing the atmosphere on behalf of future generations and of investing its revenues in social programs and environmental projects worldwide, according to the equal rights principle.

This type of scheme would attract the developing countries, and also answer to two objections commonly raised by the rich countries. First, it is suggested that a large share of the incomes accruing to poor countries could end in the pockets of corrupt officials and politicians. Second, it could also be possible that these incomes, even in the absence of corruption, might not benefit the poor — in many countries, public expenditures only increase the bias of an already unequal income distribution. A global, independent trust with clear mandate, power and accountability should see to it that the scheme is free from corruption and that its revenues benefit the 'carbon-poor.'

If mandated by nation states, such an institution could even bypass local governments, and operate a somewhat futuristic direct global monitoring and redistribution scheme. With present-day computing and storage capabilities, (almost) every citizen on earth could have a 'CO₂ credit card' — e.g. coupled to a bank credit card — on which the CO₂ (equivalent) content of consumption is drawn. Periodically, the card would be credited with the amount corresponding to CO₂ consumption below the overall emission right, and debited for consumption in excess of the general quota. A system of virtual or real *tâtonnement* would regulate the price of the emission right so as to equate supplies of CO₂ under-consumers with demands of over-consumers.

A universal system of individually allocated carbon quotas is clearly superior in that the 'commons' nature of the problem underlying it is explicitly incorporated in the mechanism — an important trait in itself. But of course,

also in the case of nationally allocated emission rights or a global CO₂ tax, the equality principle should be incorporated into the dividend rules.

5. Reclaiming the financial commons

Nothing is quite so effective in concentrating the political mind as a financial crisis—fear of systemic collapse can help drive significant reforms when a crisis strikes. If the current semi-system fails to muddle through, in particular if the US economy is significantly damaged, then steps such as explicit creation of a World Financial Authority [...] could well become politically feasible and even desirable. Lance Taylor (2002: 76)

Present-day financial markets are as global as the atmosphere. Financial flows move around the world even more fluidly than greenhouse gases. Average daily global foreign exchange market turnover in 2007 was 3.2 trillion dollars, ‘an unprecedented growth of 69% since 2004’ (BIS 2007:1). *Daily* financial flows represented then 6% of the world’s *annual* GDP — 30 times the (average daily) global international merchandise trade.

Liquidity is basically about trust. It reflects trust that a promise of payment will be honoured. Until the collapse of the Breton Woods’ fixed exchange rate regime in the 1970s national states and their central banks were the main providers and endorsers of trust. With the general adoption of different forms of flexible exchange regimes and the deregulation and liberalisation of international financial flows in most countries, the creation of trust and liquidity became increasingly privatised and internationalised (*extraterritorialised*, we should more accurately say). The evolution was from nationally based, largely closed and closely regulated financial systems towards a largely extraterritorial, unregulated financial system.

The instability of the unregulated global financial system has been shown by successive crises, starting in the 1980s with the debt crisis in the periphery of the system, followed by other crises in increasingly important financial centres, until the present and most severe one, at the very core of the global financial system.

It does not seem possible that the unregulated global financial system could be re-started without significant changes — as it seems to have been the approach until now. The global financial system has proven to be highly unstable and in need of regulation, and its regulation must be exercised at the global level. The alternative to global regulation is

regulation at lower, national and/or regional levels. However, regulation at lower levels would occur at much lower levels of output and international trade — a re-regulation *à la* 1930s. As argued by the UN Commission of Experts headed by Joseph Stiglitz: ‘The weaker is the system of global regulation, the more segmented will financial markets have to be to ensure global stability’ (UN 2009: 16).

Eatwell and Taylor (2000) were prescient to think that it would be wise to revise the global financial system before markets crash, but that if they should, the political equation would certainly change. Since then, the faith in the efficiency and stability of unregulated financial markets has been seriously shaken, but the horn has not yet sounded for their proposal of a World Financial Authority. The Global plan for recovery and reform adopted by the recent G20 London Summit, for instance, does not even mention that possibility (see G20 2009).

The World Financial Authority proposed by Eatwell and Taylor (2000) should provide the necessary regulatory framework within which the IMF could evolve as an effective lender of last resort, managing the system so as to avoid a swing back to widespread protectionism. However, one might ask if the IMF and the World Bank, with their undemocratic and conservative structures and policies, should continue to exist after the constitution of a World Financial Authority.

The UN Commission of Experts headed by Joseph Stiglitz recently made a similar proposal; to lay the groundwork for a Global Financial Regulatory Authority as the main instrument for the formulation of reforms of the global financial system (UN 2009: 15). According to the Commission, global financial supervision should ensure the safety of financial products — financial regulators should be mandated to ascertain the safety and appropriate use of financial instruments and practices. Global regulation should also be comprehensive — all types of financial institutions (including credit rating agencies) and instruments (including derivatives) should be supervised and regulated.

In my view, a World Financial Authority should have the clear evolutionary objective of becoming a World Central Bank. The function of a future World Central Bank should be to create and distribute liquidity to ensure global equity, stability and growth. In the same way as global regulation should limit CO2 emissions and other contaminants, regulation of global financial commons should limit ‘toxic asset’ creation, fraud and illicit financial flows (such as flows related to drug and arms trafficking, tax evasion, and illegal capital

flight). Regulation of financial commons should generate global trust and liquidity in an equitable, stable and efficient manner.²

There are several extant instruments and ideas that the World Financial Authority could immediately start with. The first is the expansion of the IMF's Special Drawing Rights (SDR) composed of all currencies participating in the system, as suggested since the 1960s by many developing countries and several international documents, and most recently by China's central bank director. The Commission of Experts headed by Joseph Stiglitz proposes a New Global Reserve System, 'what may be viewed as a greatly expanded SDR' (UN 2009: 11).

Abundant SDR reserves in all countries would facilitate the introduction of global emission rights markets as discussed above, as they would remove the external payments' restriction for countries confronting simultaneously payments deficits and excess-demands of emission rights. Greatly expanded SDR, along with the significantly increased purchasing power in the hands of the billions of global 'CO2 poor,' would have a strong expansionary and anti-depressive effect on world demand. In fact, one can argue that the main reason of the present crisis is long run compression of world demand through stagnant real wages, declining wage shares, and increased income inequality, all caused by the neoliberal approach to globalisation (see e.g. Cornia 2004). Groups within the international labour movement propose, for instance, the creation of new SDR at 2% of global GDP, or \$1 trillion, of which a half would be allocated to 'green investments' protecting the world's climate (GLS 2009: 31). The G20 London Summit agreed to support a very restricted SDR allocation of \$250 billion, about 0.5% of global GDP.

Second, a greatly expanded SDR system under World Financial Authority management should help to definitively cancel the onerous debts of developing countries, once their legitimacy has been checked and their 'non-odious' character has been proven by the Authority. This should be the initial task of a permanent Sovereign Debt Restructuring Mechanism — a body proposed by UN (2009: 16).

Third, in the transition towards a global common currency — the natural evolutionary heir of a successful SDR system — the World Financial Authority

² In fact, one could futuristically imagine that such a global financial commons, an open credit and payments system, might start and develop spontaneously from the Internet. Creative capacities such as those that developed Linux (the open code, free access computer operating system) and Wikipedia (the open Internet encyclopaedia) could converge to create a system of payments and credit that is transparent and effectively global. One can only hope that such a wide movement of spontaneous creativity will dare to defy Mammon itself.

should introduce the ‘Tobin tax’ on foreign currency transactions, as a main policy instrument for reducing volatility and instability in financial markets, increasing economic policy sovereignty, and removing the recessive bias introduced by unregulated financial flows. The ‘financial commons’ perspective of a World Financial Authority would imply that Tobin tax revenues, as emission rights and/or carbon tax revenues, should be distributed according to the equal rights principle. James Tobin (1996: xvii), suggested that the tax rate ‘should not exceed 0.25% and perhaps should be as low as 0.1%.’ He estimated that at the 0.1% rate the revenue yield would be (in 1995) \$94 billion. Since then and until 2007, the volume of foreign exchange transactions worldwide has increased by a factor of 2.5 (BIS 2007), so that today the revenue yield at a 0.1% rate should be somewhere between \$200-250 billion a year. This sum can be compared to the estimated costs of achieving the UN’s Millennium Development Goals (*inter alia* halving extreme poverty by 2015), that would imply an annual additional funding of \$50 billion (Atkinson 2004). The figure also can be compared to the proposed (one time) SDR allocation of \$250 billion by the G20 London Summit. So, even at the low rate of 0.1%, there would be enough revenue to go beyond the very modest Millennium Development Goals, and to share incomes with national governments, as an incentive for generalised adoption and a way to ‘sweeten the pill’ (Tobin 1996: xvii). There seems to exist increasing support in the US — until now a consistent ‘Hawk’ player in the multilateral Chicken game — for a financial transactions tax, which should also include foreign exchange transactions (see Baker 2008; Weaver, Dodd and Baker 2003; Pollin, Baker and Schaberg 2002). Both the UN (2009: 17) and the Global Unions (GU 2009: 8) support the adoption of the Tobin tax.

‘Sand in the wheels’ of international financial markets in the form of the Tobin tax should not substitute for the possibility of introducing different types of controls when capital flows and speculative attacks seem to drive the system or particular economies out of control. Also, and most importantly, unsustainable payment deficits and foreign debt accumulation should be avoided, and a non-recessive system of adjustment should be introduced, symmetrically treating surplus and deficit nations. Keynes proposed already in 1943 the creation of an International Clearing Union with these functions.

Fourth, the Financial Authority should promote new rules for liquidity creation by all central banks. Equal rights to the commons of global trust and liquidity imply that in addition to international allocation of SDR, Tobin tax and other financial resources according to *per capita* shares, credit expansion at national levels should also follow an even pattern. Also within countries should liquidity and credit creation follow a *per capita* basis. A source of inspiration might be David Schweickart’s economic democracy model

(Schweickart 2009; see also 2002), which allocates financial resources to a network of regional and local banks, each region getting its *per capita* share (adjustable by US Congress). Schweickart's ideas are thought for application in the US, but short of a total breakdown of the multilateral financial system and a return to strictly limited capital movements, it seems that the real future of the financial commons idea is at the global level, managed by a democratically instituted and controlled body such as the World Financial Authority. As Barnes' ideas on US emission rights, Schweickart's are plausible and viable only at the global level.

This substantial reorientation on the financial dimension of the global economy should be accompanied by a profound 'structural adjustment' at the root of the real-economy cause of the crisis. The deep structural cause of the crisis is a lack of global demand (due to compressed wages and increased inequality) coexistent with a greatly augmented productivity. A long period of restrictive (neoliberal) economic policies and regressive income redistribution in most countries should be followed by an expansive phase of progressive redistribution and expansive economic policies at the global scale.

6. Planning for global structural adjustment

By our reckoning (which is put forward with great diffidence), if the United States were to attempt to restore full employment by fiscal and monetary means alone, the balance of payments deficit would rise over the next, say, three to four years, to 6 percent of GDP or more—that is, to a level that could not possibly be sustained for a long period, let alone indefinitely. Yet, for trade to begin expanding sufficiently would require exports to grow faster than we are at present expecting, implying that in three to four years the level of exports would be 25 percent higher than it would have been with no adjustments. It is inconceivable that such a large rebalancing could occur without a drastic change in the institutions responsible for running the world economy—a change that would involve placing far less than total reliance on market forces. Goodley, Papadimitriou and Zezza (2008:5)

The current undermining of trust in unregulated global financial markets is a process happening in the emotional depths of the collective economic psyche, where 'market sentiments' and 'animal spirits' dwell. On the 'real' side of the process are the huge, growing structural distortions and imbalances of the world economy. Major structural distortions of the world economy are the permanent US foreign trade (and savings) deficits, resulting in unsustainable levels of foreign (and internal) debt. A deregulated US economy developed eventually unsustainable imbalances, seemingly insurmountable by unregulated markets — insurmountable at least at present levels of output and trade. To paraphrase 'getting prices right,' the IMF mantra of the 1980s and 1990s, 'getting structures right' seems to be an indispensable task that the markets alone will not perform.

To quote again Goodley, Papadimitriou and Zezza (2008:5): ‘It is inconceivable that such a large rebalancing could occur without a drastic change in the institutions responsible for running the world economy—a change that would involve placing far less than total reliance on market forces.’ The alternative to ordered, internationally negotiated rebalancing, is of course laissez faire rebalancing. It would very much look like a global-scale IMF structural adjustment program of the kind applied to countries in payments’ crises. That is, equilibrium would be re-established at lower levels of income and trade — probably a global long term stagnation or depression.

The rebalancing that we are envisaging here is a large expansion of the global financial commons. The badly needed demand expansion is mainly to be provided by the lower 3-4 quintiles of the global income distribution — those whose incomes have stagnated in the last decades — in particular the global poor, the lower half living on less than \$2 a day. A big global demand push should compensate for the US economy’s change from a huge net importer to a (perhaps modest) net exporter, able to service its gigantic gross external debt of over \$12 trillion — equivalent to 86% of GDP, or one fourth of total US capital stock (CIA data; capital stock estimated by adopting a standard capital/output ratio of 3). Should the US pass, for example, from a present deficit of 6% of GDP to a surplus of 1%, world demand would contract by about \$1 trillion annually, nearly 2% of world output. Global structural adjustment may even include the re-industrialisation of the US, and transforming it in a ‘post-financial,’ high-tech, ‘green’ economy, which exports industrial and investment goods to industrialising lower income countries, which in turn would temporarily expand their commodity exports. The deep origin of the ‘junk’ and ‘toxic asset’ financial crisis is the US economy’s need of annually generating over half a trillion dollar debt to be sold to foreign creditors in order to pay for the current account deficit, when genuinely productive assets such as industries and natural resources are not on sale (cf. the sovereign wealth fund debate in the US).

The necessary changes for ‘getting structures right’ must be analysed and formulated by a global, effective, real-economy body of governance. The UN proposes a Global Economic Coordination Council at the level of heads of state, ‘a globally representative forum to address areas of concern in the functioning of the global economic system in a comprehensive way’ (UN 2009: 12). The London Declaration of the international labour movement proposes a ‘grand global deal,’ a new global institutional architecture, including an effective and accountable structure of Global Economic Governance, ‘a new decision-making forum on economic and social policies at a global level which combines effectiveness, legitimacy and accountability’ (GU 2009: 12).

Both UN and GU proposals are however not very bold, and do not refer specifically to the sorts of structural distortions and inequities that must be addressed. What is needed is no less than a global Keynesian investment planning authority, with the mandate of ‘organising investment on long views and on the basis of the general social advantage, taking into account the efficiency of investments’ (Keynes 1936: 164). Keynes’s lucid formulation needs only to be specified in the sense that by ‘general social advantage’ we should mean today the advantage of the whole world society and its natural environment. World demand should be managed so as to maintain high levels of output and employment, at the same time that the huge existent disparities in incomes are addressed, and the environment is saved. Investment, which is the strategically key component of global demand, should be kept at a level compatible with high employment, and allocated globally in order to achieve the highest advancement of democratically chosen, global objectives (on global democratic governance see e.g. Archibugi 2008). After decades of increased disparities and extended poverty in most countries, poverty reduction and increased economic equality are clear candidates for the short/medium term. But the all-embracing enlargement of human capabilities for all individuals seems to be the clearest indicator of ‘the general social advantage’ of a flourishing human society (Buzaglo 2003).

Humankind has already a set of clearly formulated, ambitious objectives for human development which could serve as transitional targets for a relatively long period. These objectives have the highest legitimacy imaginable, as they were postulated as *basic human rights* of all humanity by the foundational documents of the United Nations, but were never given the means to be implemented, ignoring the fact that ‘*l’oubli ou le mépris des droits de l’homme sont les seules causes des malheurs publics et de la corruption des gouvernements* [neglect or contempt of the rights of man are the sole cause of public calamities and of the corruption of governments]’ (*Déclaration des Droits de l’Homme et du Citoyen*, 1789). The United Nations Declaration of Human Rights is supplemented by a series of other foundational documents which develop and particularise its themes. The universally recognised human rights include the rights to:

- life and liberty,
- a standard of living adequate for health and wellbeing, including food and housing,
- social protection in times of need,
- the highest attainable standard of physical and mental health,
- work and to just and favourable conditions of work,
- education and to access to information,

- participate in the political process and in cultural life
- physical security and integrity.

If an expansion of SDR big enough to compensate the decline in US net import demand were envisaged, and if both carbon emission rights (and/or taxes) and Tobin taxes were introduced with the global commons idea in mind, very large funds will be available for global investment, particularly large in the case of impoverished regions, with comparatively very low investment activity. The possibility would be open for seriously attempting to accomplish in time the Millennium Development Goals, and for fulfilling basic human rights for all humankind within the present generation.

The notion of investment of the Global Economic Governance body should thus be very encompassing, and not limited to physical investments such as investments in plant, equipment or infrastructure. Investment should also include social expenditure in health and education, and all other forms of expenditure which potentially increase productive capacities. ‘Green investments,’ aimed to preserve and upgrade the natural environment — in particular climate change abatement investments — are a fundamental expenditure category, also to be organised on long views and on the basis of the general social advantage, in coordination with the body in charge of climate control (our ‘atmosphera.org’ above).

After the demise of what was once called ‘socialist planning,’ the idea of a global investment planning agency might look scary to many. However, this body should only be an analytical and advisory body, aiming at giving concrete content to the types of sequences of actions needed for the efficient, long term realisation of the general aims of world society. The world planning body would formulate the general lines of the necessary changes in the allocation of global investment, along with the sectoral and regional distribution of investment activity that most effectively satisfy the democratically chosen objectives. This would give broad lines and relative certainty for project and program identification and design at a scale that for many regions and countries was unknown of before.

Global investment planning would thus design the broad lines of medium and long term development for a new world commonwealth. At this level would also be provided technology development and assistance, and also financial expertise. The detailed formulation, funding, and practical implementation of investment programmes and projects would be the provinces of local, national and regional levels’ economic governance (cf. Schweickart 2009).

7. There are more commons

From the standpoint of a higher economic form of society, private ownership of the globe by single individuals will appear quite as absurd as private ownership of one man by another. Even a whole society, a nation, or even all simultaneously existing societies taken together, are not the owners of the globe. They are only its possessors, its usufructuaries, and, like *boni patres familias* [good family fathers, JB], they must hand it down to succeeding generations in an improved condition. K. Marx, *Capital* (vol. III, Ch.46)

The list of global commons apparent to common sense is larger. It includes global peace, ocean fisheries, natural resources such as land, and ore deposits such as hydrocarbon, water and minerals. The extant store of scientific knowledge and cultural heritage, on the other hand, does not correspond to the idea of a commons, as its magnitude does not decrease with use — it can be said that on the contrary it increases by being more intensively used. Its material characteristics are such that it is typically difficult to exclude potential users, and their use is usually limited by artificial means such as patents and copyright laws. They correspond more closely to the idea of a *public good*.

The peace and security commons

Peace and security could be compared to financial trust, in the sense that both involve a feeling of confidence. In the case of peace and security, it involves the very basic feeling of confidence in the own physical integrity and survival. As an animal species, there is an innate instinct for humans, when pressed, to attempt to achieve security through violent means. Technical development seems to have set a logical limit to that tendency. The optimal method of playing the repeated game of Chicken — the ultimate form of the game in a nuclear world — is to cooperate and play a socially optimum strategy according to a ‘social norm.’ But in the iterated game of Chicken, it might be rational to practice ‘brinkmanship.’ In the case of the nuclear contest, this means to develop your own nuclear weapons if you aim to be taken seriously as a multilateral partner.

So, our rational strategic analysts and mathematical modellers arrive at the conclusion that it is rational to play mad. (It can be said that an individual or state effectively playing mad would be phenomenologically undistinguishable from a psychotic and pathological one.) It is anyway the crucial task of our time, given the unacceptable costs of nuclear madness and collective self-destruction, to arrive to an acceptance of the idea of a peace commons, and to collectively limit pollution of the security commons.

The dangerous level attained by the degree of pollution of the global security commons has a clear economic indicator. A basic dysfunction of the global

economic structure, not often put into question, is the role of the US military budget. The huge costs for the US of systematically playing global Hawk in the international game of Chicken, is one of the main structural causes of the present crisis. Currently at \$1 trillion annually (Higgs 2007, about twice the spending of all other countries combined), military spending explains a large part of the US budget and trade deficits, and amounts to the single most important global structural distortion. (A particularly perverse result of this distortion is that US's creditors such as China and other lower income countries thus become paradoxical financiers of the desperate adventures of the US 'military-financial complex.')

A rebalancing of the global economy should imply a sharp reduction of the US military budget. The level, allocation and financing of global military expenditures should be one of the priorities for global structural adjustment for a body of Global Economic Governance.

By itself, a global commons approach to the global economic crisis would simultaneously increase peace and security in the world. A context of shared governance for increased global economic justice would bring down the level of conflict at all levels. A crucial ingredient of that context is reduction of US military expenditure. That means reduced conflict levels and reduced costs for maintaining peace and security, on the one side. On the other side, this means common responsibility and common financing of security.

The attempt by countries to achieve peace and security through the use of force ultimately increases overall insecurity. The only sustainable way of solving the collective security problem is for states to clearly comprehend the 'commons' character of the problem, and to arrive to a multilaterally shared approach to security.

Ocean fisheries

In the general competition for the exhaustible resources of the oceans, countries have built huge fishing fleets, often by subsidisation of new investment. The oceans are being rapidly depleted. The majority of fisheries' stocks are fully exploited. Fish stocks have collapsed in nearly one-third of all ocean fisheries — fisheries collapse is defined as catches dropping below 10% of the recorded maximum (Worm *et al.* 2006). All commercially valuable world fish stocks could completely collapse by 2048. As in the case of atmosphere, an international agreement and a new institution are needed, in order to regulate the use of ocean fisheries and other resources of the seas. The global commons perspective suggests the creation of tradable fishing rights entitling fishermen to a portion of the sustainable global catch. These rights to fish a certain amount are not permanent or hereditary or based on tradition (as in the case of similar systems in countries as e.g. Iceland), but auctioned off periodically, annually for instance.

As is the case of emission rights, fishing rights should be global — fish move freely. As in the case of emission rights, they should also be equal for all; there are no bases for particular privileges. Citizens of both land-locked countries and countries with large ocean coasts and platforms should have the same rights. Fishing rights should be administered in a fashion similar to the atmosphere, by a specific entity, and the revenues distributed according to equal per capita shares.

Land and sub-surface resources

According to the classical economists, rents derived from the scarcity of a resource such as land are ‘unearned income.’ Land rent is due to the differential productivity of particular types of land, and not the result of the labour of workers or entrepreneurs. Should the import of corn be allowed, for instance, these ground rents would vanish. These rents made the income of an absentee class, a privileged category of people monopolising a common resource, who supposedly gained these lands long time ago by the right of conquest.

This insight is already in Spinoza’s *Political Treatise* (1677). There is also in Spinoza the suggestion that the natural productivity of land should not become the unearned income of a particular class, but should be collectively owned: ‘The fields, and the whole soil, and, if it can be managed, the houses should be public property’ (Chapter VI.12).

The same reasoning could be applied to sub-surface natural resources such as ore and hydrocarbon (and even water) deposits. Intra-marginal natural resource producers get an unearned income, derived from the particular physical characteristics of the resource (accessibility, concentration, etc.). This is acknowledged by the fact that most governments use different types of taxes, royalties and license fees (ground rents) in order to capture part of the rent produced. In most countries oil is a collectively owned resource, and underground resources in general are *prima facie* considered as belonging to the commonwealth. This fact, reflected by most national legislations, suggests that underground resources are naturally seen as the common property of the commonwealth. What is *not* reflected in most natural resource legislations is the legal consequence of collective ownership, i.e., equal allocation of dividends.

Resource wars, in particular wars about ownership of oil resources, were frequent in the past, and they are also frequent in the present. A highly placed witness, Alan Greenspan (former head of the US Federal Reserve), has candidly ‘acknowledge[d] what everyone knows: the Iraq war is largely about

oil.’ Valuated at current prices, Iraq’s proved oil reserves amount to about \$7 trillion, and compare well to the US gross foreign debt of \$12 trillion, or to the net foreign debt of \$2.4 trillion (gross debt and oil data for 2007, from CIA’s website; the net investment position, also for 2007, is from Nguyen 2008). A future war against Iran would also be ‘largely about oil’ — the current value of Iran’s reserves is about \$8 trillion. The present relative strength of the dollar in spite of the US financial collapse might be due to market expectations about the US being able to stay in Iraq. Of course, market expectations may change, and usually do.

Frequent in the past and present, resource wars risk to become even more frequent in the future. With the rapid depletion of oil and other resources, the rising rents accruing from quickly increasing scarcity dramatically augment the future probability of wars (cf. the ‘oil peacking’ debate in the US). ‘Wars of Chicken’ for the control of resources will probably become more common in the future.

The cause of resource wars is that any particular distribution of ownership is felt to be arbitrary and artificial for participants who have the power to effectively contest for the resource. There is no internationally agreed and accepted concept of legitimacy when it comes to the property of the vast amounts of wealth which happen to be beneath the soil where a particular person or group of persons happen to be. As in the case of the atmosphere, the only stable, legitimate distribution of property rights for underground resources is the common property of all.

Both the logic of conflict and the human moral imperative reflected in most ethical traditions suggest the equal rights solution. Natural resources should be owned by all humankind, and managed for the common good of present and future generations. ‘All humankind’ should mean democratic, transparent, accountable power elected by all. Until such a power might be formed, a global foundation with clear mandate, power and accountability could be a transitional solution. For the use of natural resources (including land, as in the old Spinoza proposal), users should pay a rent (or tax, or quota rights) subtracting the part of value added not contributed by labour or entrepreneurship, that is, the part which corresponds to natural differential productivity, and representing the ‘productivity’ of Nature, to be appropriated by the global commonwealth.

It is important to include as a fundamental part of the scheme that, reflecting the global ownership of natural resources, the proceeds or dividends should accrue equally to all. Equal revenue shares should be a basic element of the

foundational documents of the system, and this should be carefully reflected in the construction of the implementation mechanisms.

8. Final comments

We have analysed the consequences of applying the logic of the commons to several critical domains of actual and potential global conflict. Effective, peaceful management of global commons requires the creation of global regulating institutions. To be acceptable, these institutions need to be seen as legitimate and equitable by all actors. This means that they should be democratic, transparent and accountable, and not prone to capture by any special interests, particularly the special interests of the rich and powerful.

Regulation should ensure long term sustainability of global resources. A basic aspect inherent in the regulation of global commons is the equality of rights to the revenues produced by global management of the commons, derived from equal property rights to the commons. Inherent in global regulation are thus powerful mechanisms for eliminating poverty and reducing global income inequalities. Given the high consumption propensities of the main beneficiaries of regulation schemes, and given the significant magnitude of the revenues generated, global regulation would also represent a strong demand push, which is today needed for avoiding a long global stagnation or depression. The serious imbalances and structural distortions of the world economy would thus be solved without falling international trade and output, protectionism, and economic fragmentation.

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