

The long road to a social dividend

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**“All peoples may, for their own ends,
freely dispose of their natural wealth
and resources.”**

International Covenant on Economic, Social and Cultural Rights, Article 1

Earth for all. That is the name of this project. It is also at the core of the fiscal transformation proposed in this paper: introduce fees for those who profit from common goods and services, then redistribute the proceeds to all. Sharing the Earth’s fruits in a just way for everyone is a recurrent theme and goes to the heart of economics. The field asks what and how to produce and, just as important, “Who gets the benefits?”.

Current tax policies raise the awkward question of why we tax people’s efforts at adding value when they produce goods and services – and again at the point of consumption. Rather, why are we not taxing at source the people and organisations that benefit from global resource extraction, capital gain and land value? Owners of property – whether conventional or intellectual – or platforms and networks - can collect unearned income, which economists call economic rents, for controlling access to their scarce property. But they do not add value. In some cases, this imposes costs on society that an additional tax could recoup. Instead, most contemporary taxes apply to labour, production and consumption.

In fact, many governments subsidise resource extraction via tax breaks for the machines that substitute for labour, or by enabling access to and the use of fossil fuel energy and minerals deposits, or for agricultural production at scale. Other subsidies and tax breaks encourage the ravaging of common goods such as forests and fish stocks.

Yet still we persist in the belief that somehow this is an industrial economy rather than one characterised by converting goods into financial instruments that favour the beneficiaries of rents, called rentier bias. Taxation in its contemporary formats became part of a social compact in now-rich countries that enjoyed the so-called “employment age” after the Second World War.

Lawyer and author James Robertson handily summarised today's change: "The social compact of the employment age is now breaking down. The time is passing when the great majority of citizens, excluded from access to land and other means of production and from their share of common resources and values, could nevertheless depend on employers to provide them with adequate incomes in exchange for work, and on the state for special benefit payments to see them through exceptional periods of unemployment. A new social compact will encourage all citizens to take greater responsibility for themselves and their contribution to society. In exchange, it will recognise their right to share in the value of the 'commons', enabling them to become less dependent than they are today on big business and big finance, on employers, and on officials of the state."

Significant change has occurred since the post-war period. Earth4All should embrace new structures for employment and tax, leaving behind outdated modes of thought. Equally, the mythology of progress and how it is measured needs exposing, since it is another relic of the mid-20th century. Indeed, the seminal work on growth *The Stages of Economic Growth* by W. W. Rostow was subtitled *A non-communist manifesto*, reflecting the geopolitics of the time and anxieties over which economic system could produce more.

Economist Herman Daly pointed out long ago that greater supply through resource extraction or improved productivity, employment or manufacturing at scale allows a society to postpone answering the questions of distribution and demand management. Even if supply-focused growth caused inequality, people could still point to rising incomes. Individuals could all feel like they were winning the race, as it were.

However, the planet and the global community were not. Eventually growth was not even doing what it promised as it became anchored in the growth of debt not production (see Box). It became a cruel but effective means of growing the wealth of the better-off parasitically through a combination of debt overheads, labour precarity and stagnant wages. Because gross national product (GNP) continued to grow, and policymakers continued to value this blunt metric, it still smelt like progress.

The evidence is overwhelming that Western economies have a financialised rentier economy that revolves around ownership of existing properties rather than an industrial or productive economy (Christophers, 2020). It was the task of classical economists in the late 18th century and much of the 19th century to understand this dynamic as it applied to landowners, trusts, oligopolies and the financial system and to suggest alternatives. Adam Smith, Karl Marx and Henry George all addressed the problem of how to deal with the rentier. Hence the long history of proposals to clamp down on rent-seeking actors, break up monopolies and use the money raised to increase economic security and wellbeing or to offset the effects of poverty (Chu, 2021).

GNP growth constructed on debt instead of productivity

Economist and Wall Street financial analyst [Michael Hudson](#) writes: "Wealth creation' by debt leveraging – that is, asset-price inflation – was celebrated as a post-industrial economy, as if this were a positive and natural evolution. But in reality it is a lapse back into a rentier economy, and even into a kind of neofeudalism. The post-2008 bailouts have vested a new rentier elite to lord it over the 21st century, thanks to the fact that most gains since 1980 have gone to the 1% – mainly the financial sector, not to the 99%."

A dividend on the commons

The “enclosure of the commons”, a historic term from English landownership, sets the stage for economic rent-seeking and we argued in the *Earth for All* book that compensation is due. Employees obviously deserve a share, outside of wages, perhaps in the form of dividends and capital gains. The general population also deserves a share: we are all co-owners of global commons. As a society, We could charge fees for the rights to access global goods and then channel them into a commons fund or citizens’ wealth fund, managed at a distance from government. Economists call this a fee/dividend approach to accounting for the cost of using global or common goods. Such an approach encourages a more sustainable use of the commons. It also works to satisfy basic needs.

This then is the essence of fee/dividend proposals: to close the loop on property rights and to distribute the surplus to co-owners. In this paper the focus is mainly a *carbon* fee/dividend, not because it is somehow a special case or a complete solution, but because it shows potential, if we can think through and reimagine fee/dividends for our own times and circumstances. If we are in search of a new “social compact” as James Robertson argues, then here is the basis of it.

The potential for taxing resource extraction or waste has been thoroughly explored. In October 2021, the [Center for Climate and Energy Solutions](#) listed 35 carbon tax programmes around the world. Sweden has had one since 1991, while South Africa implemented Africa’s first carbon tax in 2019. In some cases, sub-national entities operate them: British Columbia began one in 2008.

These programmes assume that the economy would adjust after eco-taxation through market-based mechanisms and that governments could use the taxes to add to social welfare in some form. In reality, outcomes vary as much as the policies diverge from each other. Eco-taxation has struggled in large part due to its disproportionate impact on, minorities (Bubna-Litic, 2012) and the poor who spend a greater fraction of their incomes on energy. Special interest [lobbying against these initiatives](#) has also distorted them.

Although there have been 30 years of such eco-taxation approaches, writer and author of *The Case for Carbon Dividends* James K. Boyce plumps for a fee and dividend as being the most acceptable, transparent, predictable and effective (see also Barnes, 2021).

One of the attractions of the fee/dividend approach is that dividends cycle straight back to citizens. It is economic justice and environmental justice rolled into one. It is also easy to understand.

Climate scientist Kevin Anderson, [commenting on his 2020 piece](#) in the journal *Climate Policy*, writes: “Globally the wealthiest 10% are responsible for half of all emissions ... If regulations forced the top 10% to cut their emissions to the level of the average EU citizen, and the other 90% made no change in their lifestyles, that would still cut total emissions by a third. If we were serious about this crisis we could do this in a year – if we were really serious we could do it in a month, but we are not and our emissions just keep rising.”

It is this same concern with inequality that a fee/dividend approach addresses, making it clear who pays and who is supported. Incidentally, fees and dividends have a broad potential to tackle other forms of inequality and environmental challenges. For instance, the same approach could ensure that those suffering the worst effects of pollution receive adequate compensation from polluters, as in the case of an oil spill. Or it could encourage sustainable harvests of fisheries.

Charging fees on returns to property and redistributing them suits today's economy because it is a turn of the dial focused on demand management and distribution rather than production and income. Nobel Prize-winning economist Joseph Stiglitz argues for applying the idea to land ownership: "A tax on the return to land, and even more so, on the capital gains from land, would reduce inequality and, by encouraging more investment into real capital, actually enhance growth."

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Stiglitz credits the idea to Henry George, an influential journalist-turned-economist who made similar arguments in his 1879 book *Progress and Poverty*. The key was to chase the rentier, in particular the owner of urban property. George offered a different perspective to either free market fundamentalism or socialism as a means of undermining or capturing economic rents. Free market fundamentalism tries this through additional competition; socialism does it through confiscation by the state. He also favoured removing taxes from labour and from the profits of production.

There are many routes around the basic notion of circulating economic rents, and for some there is hesitancy around the notion of cycling funds through an institution at a degree of separation from the general tax fund. But it has been done: by the Alaska Permanent Fund, the Norwegian Government Pension Fund, the Shetland Charitable Trust and others. Some of those institutions eventually lost their political independence or ran out of funds. Yet their experiences are far from being fatal to the idea of a fee/dividend model; instead, the successful cases show how it can be practical and enduring (Standing, 2019), which is necessary to give legitimacy to the whole exercise. How funding is managed depends on what type of commons and enclosure is being addressed.

Guy Standing, an economist specialising in labour issues, has written in depth on the commons and what he prefers to call "basic income". He has worked across low- and middle-income countries to research how basic income fits a contemporary society and its challenges (Standing, 2019). Standing lists three kinds of commons around which fees might be recovered:

- **Exhaustible commons:** minerals, metals, fossil fuels (non-renewable) treated as capital assets. The beneficiaries receive the income generated from investments of those funds.
- **Replenishable commons:** forests, soils, fisheries where funds are put aside to cover capital maintenance and the benefits are from the sustainable use of materials and services provided.
- **Non-exhaustible commons:** such as air, water, ideas. Governments can charge levies for available current distribution.

Since the governance of such funds is as important as the target source and the beneficiaries, Standing argues that three clear rules should guide the activity. The first is the **Precautionary Principle** – investments by the fund are not problematical in social or environmental terms and should be regenerative and restorative. Next is the **Public Trust Principle** whereby resources are preserved for public use, and the government must protect and maintain these. If it is a permanent fund, then obligations to maintain its integrity are central. Last is **Hartwick’s rule**, that investment of resource rents from non-renewables should provide intergenerational equity so that future generations are not worse off.

Guy Standing’s research revealed that a degree of financial autonomy was a powerful driver for broader emancipation. Similarly, research in Madhya Pradesh by Sarath Davala showed that women and girls’ health, nutrition, economic activity and school attendance and performance improved more than in men and boys when a modest basic income was given to 6,000 people over 18 months (Davala et al., 2015; UNESCO, 2021).

What’s my share?

This is usually the second question, after “What is a fee/dividend approach?”. The answer is that it depends. It also depends on the goal of the fee/dividend intervention. For some a basic dividend is about supplementing income without resorting to means testing. For others a basic dividend is a way to replace welfare or allow lower wages. The latter options are just shuffling the deck, and usually for ideological reasons: to reduce government expenditure

and influence in the welfare system or to subsidise employers or perhaps discipline labour to accept whatever jobs are available. For some, by contrast, the very strength of a reasonable basic dividend is around more autonomy, such as being able to say no to the worst-paying jobs or working conditions or to negotiate for improvement. This is especially true for women and disadvantaged groups.

There is also the scope of the fee dividend. Limiting fees/dividends to carbon is a lot less than one on, say, financial infrastructure and transactions and land value. Economist Peter Barnes predicted that an expanded, but still limited fee/dividend approach would eventually be worth US\$5,000 a year per individual.

However, if we look back at the first income tax in the United States in the early years of the 20th century, it was designed to catch the very high earners – the beneficiaries from owning stocks and shares. The federal and state governments then expanded it over time down the income scale until it fell on

average earners. It raises more from wage earners than rentiers receiving corporate dividends from shareholding. The moral is that any fiscal instrument, including fee/dividends, can be diverted or disempowered. Politics decides in the end.

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A real-world dividend?

The proposed 2021 US Energy Innovation and Carbon Dividend Act (EICDA) has three pillars:

- A gradually rising carbon fee
- A carbon dividend or rebate to households
- A border carbon adjustment

In this proposal, the dividend starts at \$15 a ton and rises by \$10 every year.

Revenues from the EICDA carbon fee would total over \$1 trillion in the first eight years, [Forbes reports](#). EICDA would pay over 98% of those revenues as a monthly payment to households. A family of two adults and two children might expect \$790 the first year. Because the fee rises every year, that sum would reach nearly \$3,500 after a decade. Analysts estimate that two thirds of households would break even or come out ahead financially compared with business as usual. Because businesses would find ways to reduce their carbon pollution to avoid the fee, the United States' carbon footprint could fall by 50% by 2030, which would put it on track for net zero by 2050.

Economist Paul Segal argues that governments in developing countries should distribute rents due on their natural resources directly to all citizens as an unconditional cash transfer. Such a program would provide incentives for people to register with the fiscal system, strengthen state capacity, help ameliorate the institutional causes of the resource curse, and reduce corruption. ...Most importantly, Segal highlights the considerable impact that a social dividend derived from resource rents could have on extreme levels of human deprivation. According to his calculations, this measure alone could halve global poverty if implemented internationally by all developing countries, and he concludes that the scheme “would be easier to implement than most existing social policies”.

That's a bold claim but something is beginning to coalesce around structured fee/dividends and a commons or citizens' wealth fund. As economist Alanna Hartzok puts it in *Financing Planet Management* (1994), “The fundamental human right which now needs to be affirmed is this – the Earth is the birthright of all people.” At heart it is about doing the right thing. Guy Standing agrees that ethical considerations are key to achieving social progress within environmental boundaries.

Conclusion

Rather than try to answer the question “What is it worth in money terms?”, we should view a fee/dividend approach mediated by a citizens’ fund as a way to leverage real impact on a range of key issues.

A fee/dividend approach is a good match with a world looking for a different and much better social compact, and one that can make a difference to key environmental challenges. Michael Hudson [claimed in a 2000 speech](#) to the Communist Party of Cuba that the approach begins to redress excesses of globalisation and financialisation by providing a counter-strategy: “There is one Achilles heel in the globalists’ strategy, an option that remains open to governments. This option is a tax on the rental income – the ‘unearned income’ – of land, natural resources and monopoly takings.”

Rather than try to answer the question “What is it worth in money terms?”, we should view a fee/dividend approach mediated by a citizens’ fund as a way to leverage real impact on a range of key issues. Such a system can be expanded over time or adjusted according to experience. It does good work by being a structural approach to money stocks and flows, made much easier by recent digital development, and one that is transparent and fair. To conclude, the fee/dividend system proposed in this paper could have a positive impact in all of the following ways:

- **Equity:** it goes to every individual
- **The environment:** it accounts for non-renewable resources and incentivises greener practices
- **Empowerment:** especially for women.
- **State capacity:** it brings people into the tax system
- **Eradicating poverty:** it supplements incomes of the most vulnerable
- **Employment:** better conditions, especially for the self-employed, and reskilling opportunities
- **Autonomy:** it gives people the ability to say no to the least attractive jobs
- **Combating corruption:** funds are not so easily diverted

What’s not to like?

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Earth4All is an international initiative to accelerate the systems changes we need for an equitable future on a finite planet. Combining the best available science with new economic thinking, Earth4All was designed to identify the transformations we need to create prosperity for all. Earth4All was initiated by The Club of Rome, the Potsdam Institute for Climate Impact Research, the Stockholm Resilience Centre and the Norwegian Business School. It builds on the legacies of The Limits to Growth and the planetary boundaries frameworks.

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