We have reached the deplorable circumstance where in large measure a very powerful few are in possession of the earth's resources, the land and all its riches, and all the franchises and other privileges that yield a return. These monopolistic positions are kept by a handful of men who are maintained virtually without taxation . . . we are yielding up sovereignty. - Agnes de Mille (1905-1993)

Graph 2 indicates that structural violence - the wealth gap and conditions of economic injustice - begins at the point where a few gain control of most of the land and natural resources of the earth, thus excluding others from the gifts of nature. As the economy develops and land values increase, a Privilege Fund grows as a result of the private capture of land rent. Privilege Funders' excessive accumulation of this unearned income gives them a great capacity to make loans to others, thereby capturing enormous amounts of interest as well as other types of economic rent (the excess of price over the necessary cost of production). The gun images situated above the terms "rent" and "interest" indicate that these are initial points of structural injustice.

THE CLASSICALS AND THE LAW OF RENT

Let us now define our terms as enunciated by Adam Smith and other classical economists. Land, Labor and Capital are the three primary economic factors of production in the analysis of classical economists, who described their field of focus as the study of "the production and distribution of wealth." The term Land indicates <u>all nature given resources</u>. The term Capital means "wealth used to produce more wealth" and refers to tangible items of tools and machinery, not financial instruments. By "distribution" the classicals did not mean carting apples off to sell in markets but rather how the overall wealth pie was divided between the three factors. The return to Land they termed Rent; the return to Labor is the usual meaning of Wages; and the term used to describe the return to Capital was Interest.

The Graph 2 illustration requires explanation of one of the most fundamental laws of political economics - the Law of Rent. "Rent" is the term used by the classical economists to define the payment which must be made for access to "Land" (natural resources). "Rent" is unearned by the landholder, who has the privilege of holding title to "Land." John Stuart Mill and other 19th-century economists called land rent and land price gain the "unearned increment." Classical economist David Ricardo refined the Law of Rent in his *Principles of Political Economy and Taxation (1817)*. He explained that "without a knowledge of [the theory of rent], it is impossible to understand the effect of the progress of wealth on profits and wages, or to trace satisfactorily the influence of taxation on different classes of the community."

The **Law of Rent** is among the most important and firmly established principles of economics. The Law of Rent states that the rent of a land site is equal to the economic advantage obtained by using the site in its most productive use, relative to the advantage obtained by using marginal (i.e., the best rent-free) land for the same purpose, given the same inputs of labor and capital. This law has a number of important implications, perhaps the most important being its implication for wages. The Law of Rent implies that wages bear no systematic relationship to the productivity of labor and are instead determined solely by the productivity of labor *on marginal land.*

Surface land and extractive resources have no production costs, having been produced by nature. The value of surface land sites increases as the community grows and develops. Surface land values are highest in the cities – the centers of production and exchange of wealth. Cities grew in locations of some natural advantage, such as a harbor or the confluence of rivers, or at the foot of trails through mountain passes. As settlements grew and had need for public infrastructure and services, systems of taxation were established to pay for schools, libraries, transportation systems, water and irrigation systems, etc. These public amenities further increase the desirability of these locations which results in an increase of the land values of serviced sites. Land value is thus a reflection of the labor and activities of the entire community of people. No one individual creates land value. Similarly the market value of finite extractive resources increases as there is more demand for the utilization of such resources.

The classical economists who turned their attention to the problem of poverty and questions concerning root causes of the rich/poor gap came to the realization that Land Rent represents a social surplus and belongs by rights to the community as a whole and thus should not be privately appropriately by land title holders. A fair economy would capture rent for the benefit of the entire community. (Further explanation of this is the focus of Graph 4 in this series.)

Unfortunately, the truths brought forth by the classical economists have been obfuscated (see <u>The Corruption of Economics</u> by Mason Gaffney). The reality of our present neoclassical economic system is that most people must pay increasing amounts of “rent” for access to land either to other title holders or to banks in the form of mortgage payments. Thus begins the exploitation (note the gun images on the graph) of those who have only their labor to bring to the process of wealth creation. Because of the “rent leak” most people cannot secure capital (homes included) without borrowing from the “Privilege Fund lending system” and paying interest. As the privilege fund grows, so does the wealth gap between the super rich and the rest of us.

Under our current property-in-land laws, land is treated as a market commodity. Whoever holds title to valuable natural resources and desirable land sites reaps the land rent as individual profit. Land speculation adds fuel to the fire of increasing land values. We are all familiar with the phrase “to make a killing in real estate.”

Our Western form of land tenure has deep historical roots. The land of Europe was once held as a commons. There were well-established community rules of use rights to the forests, fields, and streams. However, after several hundred years of the enclosure or privatization of the common lands in Europe, which began with the Statute of Merton of 1235, most of the people were mired in poverty and abhorrent living conditions. Some of those who managed to make a living for themselves in the emerging cash economy gradually were able to acquire land once again, this time by purchase. Land then became a market commodity with a sale price. All three factors of production - land, labor, and capital - could now be bought and sold.

Fast forwarding to our own times we see that those who once had access to common lands, the common people, now are viewed by Privilege Funders to reside in a "labor pool." Most of us commoners *sans* commons are currently drowning in a sea of debt. The reality of burgeoning numbers of people in prison in the United States today shows a similar result to how the economy was structured during times of the debtors' prisons of the Middle Ages. Most of us of social concern are quite aware that people of color and poor white people, those who had no previous capacity to stake claim to land and natural resources, disproportionately populate our prisons. As of December 31, 2005:

- 2,193,798 prisoners were held in Federal or State prisons or in local jails -- an increase of 2.7% from yearend 2004, less than the average annual growth of 3.3% since yearend 1995.
- There were an estimated 491 prison inmates per 100,000 U.S. residents -- up from 411 at yearend 1995.
- The number of women under the jurisdiction of State or Federal prison authorities increased 2.6% from yearend 2004, reaching 107,518 and the number of men rose 1.9%, totaling 1,418,406.
- At yearend 2005 there were 3,145 black male sentenced prison inmates per 100,000 black males in the United States, compared to 1,244 Hispanic male inmates per 100,000 Hispanic males and 471 white male inmates per 100,000 white males.

WEALTH CONCENTRATION AND THE BOOM/BUST HOUSING MARKET

Everywhere in the world where land is treated as a market commodity land prices are inexorably and relentlessly increasing. People are working longer and harder to make payments for land access, either as apartment rentals or mortgage payments. With improved technology and enhanced productive capacity, wealth increases as development proceeds. However, land prices, and thus housing costs for example, increase more rapidly than the wages of those who work for a living. This reality - that housing costs increasing more rapidly than wages - is one example of the workings of the Law of Rent.

Shelter is a basic necessity of life. Lifelong renters pay as much as ten times the cost of their rental unit in the course of their lifetime. Others do everything they can to find a way to purchase a home. Since wages do not keep up with the ever increasing price of land and thus the cost of a house, those who work for a living must borrow if they wish to own a home. An ever greater amount of their wages are then taken from them via mortgage interest payments. Not long ago a one income family could afford home purchase. Today, two income families are struggling to make the mortgage payments.

If suddenly a new continent were to be discovered and people could flee to it to gain free access to land, the rent of land in the "old continent" would decrease and the wages of workers in the "old continent" would increase as a proportion of total wealth produced. Those who could directly work the land on the new continent could keep all of what they produced with no need to pay either land rent or mortgage interest. However, if the property rights laws of the new continent were essentially the same as that of the old, the Law of Rent would gradually take effect and the people of the new continent would eventually be ground down to economic insecurity and poverty as had happened previously on the old continent. This is what is happening now to increasing numbers of the people of the United States. They are being ground down to subsistence levels and below. And there are no new continents to discover.

"The burden of housing costs in nearly every part of the country grew sharply from 2000 - 2005, according to new Census Bureau data…. The numbers vividly illustrate the impact, often distributed unevenly, of the crushing combination of escalating real estate prices and largely stagnant incomes." Thus began an October 3, 2006 New York Times article, *Across Nation, Housing Costs Rise as Burden* by Janny Scott and Randal C. Archibold who also tell us that:

- Housing prices have been rising faster than household incomes and in many parts of the country, real estate prices have escalated sharply in recent years. In New York City, more than half of all renters spend at least 30 percent of their gross income on housing, a percentage figure commonly seen as a limit of affordability.

- The places with the highest overall percentages of people carrying a heavy housing burden were in fast-growing areas of California, Colorado and Texas. Boulder, Colorado and College Station, Texas had the highest number of renters spending nearly 50 percent of their income on housing.

- The percentage of mortgage holders spending at least 50 percent of their income on housing rose as well. For instance, in Clifton, New Jersey, 12 percent of mortgage holders spent at least 50% of their income on housing in 2000, rising to 27 percent by 2005.

- Poorer communities well located to employment opportunities and close to public transportation had the highest overall percentages of homeowners spending 30 percent or more of their income on mortgage payments.

Stephen Ohlemacher, in an AP story out of Washington on October 3, 2006, tells a similar story headlined *More Americans Find Themselves 'House Poor.'* Among the Census Bureau statistics that Ohlemacher highlights is that California has the most expensive housing costs among the states. “We are really reaching the outer edge of the envelope of what people can manage,“ said Cynthia Kroll, senior regional economist at the University of California at Berkeley.

Note that California has the sixth largest economy in the world. With a gross state product (GSP) of about $1.4 trillion, its economy is surpassed only by the economies of the United States, Japan, Germany, the United Kingdom and France. But the average worker’s paycheck has been shrinking compared to the increases in apartment rents and mortgage costs increase.

The above examples illustrate the workings of the Law of Rent, namely, (1) land prices and hence housing costs rise faster than wages; (2) land with locational advantages such as proximity to employment and transportation generate the highest land rents; (3) higher wages that might be generated in these areas are more than offset by the higher rents and mortgage payments extracted from workers who live there, (4) over time, no matter the degree of progress and development, workers gradually lose their stakes in the economic game as wealth concentrates in the hands of the few who are positioned to capture rent and interest.

Privilege Funders invest the rent and interest they receive in the development of large scale capital industries – corporations - which they control and monopolize. Wages are further driven down when machines replace people. Tools become labor enslaving rather than labor saving. Asset prices soar for real estate, stocks and bonds. Wages and living standards decrease.

Since the 1980s, mortgage lenders and the financial sector in general have backed real estate interests in lobbying to shift taxes off property. Along with the Federal Reserve’s easy-credit policy lowering short-term interest rates from 20 percent in 1980 to just 1 percent in 2004, tax cuts for property have spurred asset-price inflation. Former Federal Reserve Chairman Alan Greenspan has characterized this policy approach as promoting “wealth creation” but others call it “debt creation” because bank credit has fueled the rise in real estate (read “land rent”) and other assets. Most families have gone deep into debt to afford housing leaving many workers “one paycheck away from homelessness” as the popular phrase puts it. If one of the two-wage earners of the typical American middle income family looses their job, there is a high likelihood that they will miss their mortgage payment. As Michael Hudson and others have pointed out, due to heavy mortgage debt workers are afraid they might miss their mortgage payment and lose their homes if they strike or even to stand up against being forced to work overtime without pay.

A Center on Budget and Policy Priorities analysis of Census Bureau data discovered that between 2001 and 2005 the median income for non-elderly households - working US families - fell 3.7 percent, or $2000. Tax cuts for the wealthy and for businesses combined with low-interest-rate policies yielded booming real estate markets. But with the boom comes the bust and now housing prices are falling. Many wage earners who bought homes, lured by lower mortgage interest rates the past few years, will be paying for an asset which will be worth less than it cost. If one of the two wage earners is faced with a unemployment in a time of recession, many will lose their homes and equity.

Many families in the United States and other developed countries have made more money in recent years from the rising price of their homes than from their salaries. But to realize this price gain, they have to borrow against it. This means that as their major asset – their home – has risen in price, so has their debt. Figures compiled by US mortgage behemoth Freddie Mac show that Americans have withdrawn $727.4 billion in equity from their homes during the past five years (2000 – 2005).

> This borrowing has pushed the savings rate into negative territory for the first time since the beginning if the Great Depression. As a result of this massive borrowing, the ratio of mortgage debt to home values has never been higher. With home prices falling, millions of homeowners will soon lose the ability to borrow against their homes. This will force people to curtail their consumption. Tens of millions of families bought homes at bubble inflated prices and now face the prospect of seeing their life savings disappear in the housing crash. In many cases, it will cause people to lose their homes, as they will not be able to maintain their mortgage payments. – Dean Baker (*After the Housing Bubble Bursts*, Truthout/Perspective, October 24, 2006)

Meanwhile, the concentration of wealth in the hands of the few is proceeding at an alarming pace. As of year 2006, the wealthiest 20 percent of households were earning 50.4 percent of the nation's gross income; the poorest 20 percent were earning just 3.4 percent. Total wealth accumulated is significantly more concentrated than income. The top one percent of the US population now has more than one trillion dollars more wealth than the bottom 90 percent or viewed as a percentage, the top one percent holds 38% of all wealth.

"The bottom 20 percent basically have zero wealth. They either have no assets, or their debt equals or exceeds their assets. The bottom 20 percent has typically accumulated no savings," said wealth gap expert Edward Wolff in a recent Multinational Monitor interview on *The Wealth Divide - The Growing Gap in the US Between the Rich and the Rest*.

Wolff's analysis tells us that the top one percent of families hold half of all non-home wealth. While the major assets of the middle class are their home, checking and savings accounts, certificates of deposits, money market funds and pension accounts, in other words, labor income derived assets, the richest 10 percent of families own about 85 percent of all stocks and financial securities, 90 percent of all business assets. These financial assets and business equity are even more concentrated than total wealth.

"The United States has rising levels of poverty and inequality not found in other rich democracies. It also has less mobility out of poverty," says Holly Sklar in *Growing Gulf Between Rich and Rest of US*.

Since 2000, America's billionaire club has gained 76 more members while the typical household has lost income and the poverty count has grown by more than 5 million people.

The extant of poverty and inequality in the United States is seldom seen or reported on television. "The infant mortality rate in the United States compares with that in Malaysia -- a country with a quarter the income," according to the 2005 Human Development Report. "Infant death rates are higher for [black] children in Washington, D.C., than for children in Kerala, India." Kerala is a relatively poor state where basic needs are nonetheless being met due to a significantly higher degree of fairness in wealth distribution then can be found in other states and countries.

Forbes magazine has been publishing an annual list of America’s 400 richest people since 1982. That first year *Forbes* found that 13 of these people were billionaires. Year 2006 Forbes finds all 400 of the richest people in America are billionaires. Their total net worth is $1.25 trillion. In 2004, the most current year with stats available, the 56 million American families who make up the poorer half of America’s wealth distribution had a total combined net worth of just $1.29 trillion, as reported in the weekly e-newsletter *Too Much*, 9/25/06.

Taking a global look, *Forbes* finds that the income of the world’s 500 richest people exceeds that of the poorest 416 million. The *Human Development Report* finds that the average income of the top 20 percent of the world’s population is 50 times the average income of the bottom 20 percent.

Addressing the situation of dire inequality with which we are now confronted, newly elected Senator Jim Webb had this to say in his *Class Struggle* article published in the November 15 (2006) edition of *The Wall Street Journal*:

> The most important--and unfortunately the least debated--issue in politics today is our society's steady drift toward a class-based system, the likes of which we have not seen since the 19th century. America's top tier has grown infinitely richer and more removed over the past 25 years. It is not unfair to say that they are literally living in a different country. Few among them send their children to public schools; fewer still send their loved ones to fight our wars…. Trickle down economics didn’t happen.
>
> A troubling arrogance is in the air among the nation's most fortunate. Some shrug off large-scale economic and social dislocations as the inevitable byproducts of the "rough road of capitalism." Others claim that it's the fault of the worker or the public education system, that the average American is simply not up to the international challenge, that our education system fails us, or that our workers have become spoiled by old notions of corporate paternalism….Most Americans reject such notions. But the true challenge is for everyone to understand that the current economic divisions in society are harmful to our future. It should be the first order of business for the new Congress to begin addressing these divisions,

> and to work to bring true fairness back to economic life…. Our government leaders have no greater duty than to confront the growing unfairness in this age of globalization."

HOMELESSNESS AND HUNGER IN THE UNITED STATES

> Much of the homeless problem can be attributed to increases in the number of the poor in the 1980s and declines or rough constancy in the number of low-rent rental units; the number of homeless has grown since 1983, despite economic recovery, with the number of homeless families growing especially rapidly. - *Permanent homelessness in America?* Richard B. Freeman and Brian Hall

The National Low Income Housing Coalition 2006 *Out of Reach* report on housing affordability tells us that the cost of affordable rental housing continues to grow, outpacing the wages of those who need it most. The NLIHC national two-bedroom Housing Wage - defined as the hourly wage a full time worker must earn in order to afford a two-bedroom rental unit - climbed to $16.31 for 2006, up from $15.78 from 2005. Yet in 2005, the most recent year for which data on median hourly wage are available, the median hourly wage for all workers was $14 and the estimated average renter wage was $12.64. The report found that the problem is particularly stark for the lowest wage earners, including those who earn just the minimum wage, even in states that have higher minimum wages than the federal minimum wage, which has been stalled at $5.15 since 1997.

"Minimum wage earners are unable to afford even a one-bedroom home anywhere in the country, and 88 percent of renters in cities live in areas where the FMR (Fair Market Rent) for a two-bedroom rental is not affordable even with two minimum wage jobs," state the authors of *Out of Reach*.

The Urban Institute reports (year 2000) that even in a booming economy, at least 2.3 million adults and children, or nearly one percent of the U.S. population, are likely to experience a period of homelessness at least once during a year. For people living in poverty, the likelihood grows to 6.4 percent. For recent years surveyed the estimates of the number of people likely to be homeless at least once in a given year is between 2.3 and 3.5 million. Children are nearly 25% to nearly 40% of those who are homeless and using homeless services.

"Housing costs are on the rise in metropolitan areas, while extreme poverty and other vulnerabilities are facts of life for millions of people, homeless and otherwise. Preventing homelessness in a booming economy is an ongoing challenge," says Urban Institute researcher Martha Burt.

The U.S. Conference of Mayors and Sodexho, Inc. 2006 Hunger and Homelessness Survey says that during the previous year, requests for emergency shelter increased in the survey cities by an average of nine percent. Requests for shelter by homeless families alone increased by five percent. An average of 23 percent of the requests for emergency shelter by homeless people overall and 29 percent of the requests by homeless families alone are estimated to have gone unmet during the last year with emergency shelters in most of the survey cities having to turn away homeless families due to lack of resources. Survey cities reported that over the last year, people remained homeless an average of eight months.

A Second Harvest survey found that while 89 percent of U.S. households were food secure throughout the entire year of 2005, the remaining households - 11% or 35 million people, including 12.4 million children – were not. In the category of very low food security were at 3.9 percent of households – 4.4 million people. Overall, households with children had nearly twice the rate of food insecurity as those without children. In households with very low food security, eating patterns of one or more household members were disrupted and their food intake was reduced at times during the year because the household lacked money and other resources for food.

Ninety-five percent of city officials included in the Sodexho report expect that requests for emergency food assistance by families with children will increase during 2007. Seventy-five percent expect that requests by homeless families will increase during 2007. Along with unemployment and other employment related problems city officials cite other causes of hunger, in order of frequency, include high housing costs, poverty or lack of income, medical or health costs, substance abuse, utility costs, transportation costs, and the lack of education.

The U.S. government has been returning less rather than more of received tax funds back to the people during the past several decades. Although neoliberalism pushes for the reduction of state intervention in other parts of the world, in the U.S. taxes have steadily been reduced for the higher income levels but raised for the majority of the population. Most of these funds have been spent as subsidies to the agricultural, military, aerospace and biomedical sectors. Thus, the income of those at the top increases to the detriment of everyone else.

Sodexho USA Chief Operating Officer Richard Macedonia, said "… it is disheartening and disturbing to learn that so many of our fellow Americans are in desperate need of shelter, food, clothing and the other basic necessities of life - and that in nearly every major US city, the problem of hunger and homelessness is steadily growing."

These statements were made by others during the press conference when the Sodexho Survey was released:

> *As mayors of cities in the richest and most powerful nation in the world, we cannot simply stand by as our residents – families with children – continue to suffer.*
> – Douglas H. Palmer, U.S. Conference of Mayors President and Mayor of Trenton

The results of this report shed light on a very real challenge facing this nation. All of us, as Americans should ask ourselves, are we willing to confront the difficult issues of hunger and homelessness and identify the causes? - Des Moines Mayor T.M. Franklin Cownie, Co-Chair of the U.S. Conference of Mayors Task Force on Hunger and Homelessness

Hunger and homelessness are not simply part of the 'natural order of things'. They represent inexcusable failures of political will and human imagination. All of us – at all levels of government and throughout society – must rededicate ourselves to addressing the needs of ALL Americans. - Congressman Jim McGovern."

MIDDLE CLASS STRESS

In the United States, not only are the poor people becoming poorer, sicker, and hungrier each year, the middle class is also increasingly stressed and distressed. In *The Middle Class on the Precipice: Rising financial risks for American families*, Elizabeth Warren tells us that middle-class families are being "threatened on every front…. Even with two paychecks, family finances are stretched so tightly that a very small misstep can leave them in crisis…. Incomes are less dependable today. Layoffs, outsourcing and other workplace changes have trebled the odds of a significant interruption in a single generation."

Warren's analysis leads her to conclude that the security of middle-class American families has vanished. "The new reality is millions of families whose grip on the good life can be shaken loose in an instant." Economic pressures have caused more middle-class families to turn to credit cards and mortgage refinancing just to make ends meet. Debt is now greater than savings. Yet as previously noted, mortgage refinancing is becoming less of an option for many.

THE HIGHER DEBT OF HIGHER EDUCATION

The heading of a *USA Today* (2/22/06) story by Sandra Block - *Students Suffocate under Tens of Thousands in Loans* – paints a glum picture of the price of higher education. The average college graduate owes $19,000 but many undergrads have debt exceeding $40,000. "The weight of debt is forcing many to put off savings for retirement, getting married, buying homes and putting aside money for their own children's educations," says Block. "It's a real crisis," says Diana Cantor, director of the Virginia College Savings Plan. "You're strapped before you get started."

Block goes on to report that the average debt for a college graduate has risen 50% in the past decade, after inflation. Tuition has soared much faster than pay for the kinds of lo-wage jobs that students tend to hold, thus it is difficult to avoid going into debt to pay for college. The option to extend their payment periods for up to 30 years sharply boosts the interest to pay. For example, a borrower who takes 30 years to pay off a $20,000 loan at

6.8% will pay about $27,000 in interest. That compares with $7,619 on a loan paid off in 10 years.

If many people will be 55 or 60 years old before their student loans are paid off, how will they be able to help pay for their own children's college education?

HEALTH INSURANCE AND DRUG PROFITS

Rather than caring about anyone's health, insurance companies are in it for the money. Jim Hightower tells us (*Insurance Giants Take Stock in Tobacco*) that a number of insurance companies are doing a good bit more than providing insurance. "The four major insurance companies now own Health Maintenance Organizations and are major owners of tobacco companies," he says. "These are what I call Full-Service companies: they profit by selling you health insurance, then profit by selling you cigarettes to give you diseases, then profit again by selling you medical service for your diseases," says Hightower.

Uninsured people file for bankruptcy every year because they cannot pay their medical bills. Others cannot afford the high cost of prescription medicine or simply cannot get health insurance. Yet in 2004, the 13 largest drug companies netted profits of $62 billion, and U.S. hospitals posted $26.3 billion in profits. While 46 million Americans — including 8 million children — go without health insurance, the top 12 HMO executives earned $222.6 million this year.

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Inequality has broad societal consequences and effects physical health as well. Despite varying degrees of health care and expenditure, research and analysis of the past several years reveals that countries with the greatest economic inequality have the most people suffering from poor health. Thus in addition to eliminating poverty we must solve this problem of the vast gap between the super-rich and the rest if we are improve overall physical and mental health.

WORLDWIDE WEALTH GAP

Inequality is widening worldwide. The World Institute for Development Economics Research of the United Nations University reported in 2000 that the top 1% of the world's population — some 37 million adults with a net worth of at least $515,000 — accounted for about 40% of the world's total net worth. The bottom half of the population owned merely 1.1% of the globe's wealth. The net worth of the world's typical person — whose wealth was above that of half the world's population and below that of the other half — was under $2,200.

"Developed countries have pulled ahead of the rest of the world," said Edward N. Wolff, a professor of economics at New York University who is a co-author of the new study. "With the notable exception of China and India, the third world has drifted behind."

The U.S. accounted for 4.7% of the world's population but 32.6% of the world's wealth. Nearly 4 out of every 10 people in the wealthiest 1% of the global population were American. The average American had a net worth of nearly $144,000, losing only to the average Japanese, who had $180,000, at market exchange rates; the average person in Luxembourg, who had $183,000; and the average Swiss, who had $171,000. By contrast, in 2000 the average Chinese had a net worth of roughly $2,600, at the official exchange rate. China, home to more than a fifth of the world's population, had only 2.6% of the world's wealth. And India, with 16.8% of the world's people, accounted for only 0.9% of the world's wealth.

When discussing and studying inequality it is important to make a clear distinction between inequality of income and inequality of wealth. A recent study by Emmanuel Saez of the University of California, Berkeley, and Thomas Piketty of the École Normale Supérieure in Paris, found that in 2004 the top 1% of Americans earned a higher share of the nation's income than at any time since the 1920s. Still, that share was only 16%. But even as income inequality has reached near record levels in many countries, the distribution of the world's wealth — things like stocks, bonds or physical assets like land — has become even more narrowly concentrated than income.

Among Americans, wealth is distributed about as unequally as it is around the globe. The study cited data from the Federal Reserve's Survey of Consumer Finances, which found that the richest 1% of Americans held 32% of the nation's wealth in 2001. This tops the inequality in every country but Switzerland among the 20 nations that measure these wealth disparities and are cited in the report. Wealth inequality vastly outstrips the inequality in the distribution of income.

The *Human Development Report* for 2005 tells us that the ration of the poorest 10% of the population to the richest 10% for the world as a whole is 1 to 103. Absolute income inequality between rich and poor countries is increasing. The incomes of the richest 20% of the world's people are approximately 140 times those of the poorest 20%. As one example, in 1990 the average American was 38 times richer than the average Tanzanian. Today the average American is 61 times richer, according to the most recent HDR.

However, “average” is a relative concept. As discussed previously, the wealth is fast flowing to the top in the United States. What is crystal clear is that both “developed” and “developing” countries share the same very serious problem - the growing wealth divide, with the wealth of the world now concentrated in the hands of a very few.

Here is what one capitalist publication tells us about this state of affairs: "The three richest people in the world have more money than the poorest 48 nations combined,” reported Thomas Kostigen in *MarketWatch* (December 12, 2006). Another way to view the situation was reported by David Korten in his article *The Limits of the Earth* (*The*

Nation, July 15/22, 1996): The world now has more than 350 billionaires whose combined net worth equals the annual income of the poorest 45% of the world's population.

As the director of the *Public Policy Program* at John Hopkins University, Vincent Navarro, so clearly states in his article on *The Worldwide Class Struggle:* “The primary conflict in today’s world is not between North and South but between an alliance of the dominant classes of North and South against dominated classes of North and South.”

Susan George thinks that this conflict might have something to do with “the land problem.” She says, "The most pressing cause of the abject poverty which millions of people in the world endure is that a mere 2.5% of landowners with more than 100 hectares control nearly three-quarters of all the land in the world, with the top 0.23% controlling over half.” (Susan George, *How the Other Half Dies*, Penguin Books, 1976, p. 24.)

THE LAND PROBLEM

In understanding the land and land rent problem we come to grasp how it is that despite doctrines of human rights and democratic governance we live on a planet where a few hundred multi-billionaires now have accumulated as much wealth as that of half of the world’s population of six billion people. The fact of the matter is that the land problem is a worldwide problem, and the “law of rent” functions universally and currently for the benefit of the few and to the detriment of the many.

A New York Times article by Anne Christendom (September 12, 1992) about Bangladesh, the poorest country in the world, described how the root of the problem of persistent malnutrition in the midst of relative plenty is the unequal distribution of land ownership in Bangladesh. She reports that:

> The wealthiest 16% of the rural population had come to control two thirds of the land while almost 60% of the population had less than one acre. Bangladesh is classed as a democracy but great numbers of children die of hunger and malnutrition. Not surprisingly the government is dominated by landowners. Even when Bangladesh shows high economic growth this is due primarily to exports on the world market. The extensive poverty of the majority is untouched.

An example of this primary structural injustice from an earlier time was what happened in Ireland, whose elite landowners were profiting from exporting food while millions starved during the “potato famine.” With land concentrated in the hands of a few and while huge amounts of food was being exported as cash crops to England, between 1841 and 1851 at least 2.5 million people died of starvation, about one quarter of the population

Addressing now the root cause of the concentration of the world's wealth and the persistence of poverty amidst abundance, let us look at some bottom line (which is the earth) numbers:

- "At best, a generous interpretation would suggest that about 3% of the population owns 95% of the privately held land in the USA (Peter Meyer, " Land Rush - A Survey of America's Land - Who Owns It, Who Controls It, How much is Left" in Harpers Magazine, Jan. 1979).
- 568 companies control 22% of private land in the USA, a land mass the size of Spain. Those same companies land interests worldwide comprise a total area larger than that of Europe - almost 2 billion acres.

In order to show that there was NO NEED for land reform in Central America because our land in the USA is even more concentrated in ownership than Central America, Senator Jesse Helms read these facts into the Congressional Record in 1981:

- In Florida, 1% owns 77% of the land. Other states where the top 1% own over two-thirds of the land are Maine, Arizona, California, Nevada, New Mexico, and Oregon.

A United Nations study of 83 countries showed that less than 5% of rural landowners control three-quarters of the land.
In specific countries we see these numbers:

- 86% of South Africa is still owned by the white minority population
- 60% of El Salvador is owned by the richest 2% of the population
- 80% of Pakistan is owned by the richest 3% of the population
- 74% of Great Britain is owned by the richest 2% of the population
- 84% of Scotland is owned by the richest 7% of the population.
- In Venezuela, 77% of the farmland is owned by 3% of the people.
- According to a 1985 government report, 2% of landowners hold 60% of the arable land in Brazil while close to 70% of rural households have little or none. Just 342 farm properties in Brazil cover 183,397 square miles - an area larger than California (*Worldwatch,* Oct. 1988)
- In Spain, 70 per cent of the land is owned by 0.2 per cent of the people.
- In Britain, 69 per cent of the land is owned by 0.6 per cent of the population. Just 158,000 families own 41 million acres of land while 24 million families live on four million acres.

(For these and other statistics go to Geodata section of www.earthrights.net)

With so few people owning and controlling so much of the land of the planet, including the prime locations, it is easy to understand how these same few are in position to capture land rent, deposit most of this unearned income into their banks, then receive interest payments from the funds they loan. Some researchers estimate that at least as much as one third of most countries GDP is rent.

Further exacerbating the problem, the FIRE sector – finance, insurance and real estate – channels much of their profits (about 70 percent in the United States and Britain) into real estate, according to economist and former Wall Street analyst Michael Hudson. "Most of the remaining credit is extended to institutional speculators in the stock and bond markets – whose greatest gains are in the public-sector assets being sold at such low prices that great capital gains are guaranteed," says Hudson. "Unprecedented underwriting fees to investment bankers have been supplemented by more fees for mergers and acquisitions, enriching the financial sector at the expense of the rest of the economy. So we are brought back to the fact that what is being planned by today's wave of privatizations is the creation of power elites whose families are likely to dominate their societies for centuries to come, much as feudal European conquerors shaped subsequent development."

At the other end of the extreme is the reality that members of poor families are being captured, forced or sold into slavery. After journeying across five continents to investigate the issue, David Batstone reports in his book *Not for Sale: The Return of the Global Slave Trade and How We Can Stop It*, that human trafficking generates $31 billion annually and enslaves 27 million people around the globe, half of them children under the age of eighteen. Batstone profiles the new generation of abolitionists who are leading the struggle to end this appalling epidemic.

Joseph E. Stiglitz, former Chief Economist with the World Bank and one of three winners of the 2001 Nobel Prize in economics, shared his insights on the land problem in an interview with Greg Palast, a writer for *The Observer* (London). Stiglitz described in detail the four-step plan used by the international banking institutions to extract wealth from around the world. In his view the process leads to financial barbarism, pillage and plunder and has resulted in immense suffering, starvation and destruction. "It has condemned people to death," Stiglitz said bluntly in the interview.

When Palast asked Stiglitz what he would do to help developing nations, Stiglitz proposed radical land reform and an attack at the heart of "landlordism," including excessive rents charged by the propertied oligarchies worldwide. When Palast asked why the World Bank didn't follow his advice, Stiglitz answered, "If you challenged it (property rights in land), that would be a change in the power of the elites. That's not high on their agenda."

Graph #3 will focus on how the military-industrial-financial complex and an imperialistic U.S. foreign policy have grown out of this concentration of wealth and power in the hands of so few.