



## edward j dodson's cooperative individualist view

losses to be amortised over the life of the securities. This dramatically eased the financial pain and stabilised their financial situation just as the housing market rebounded.

Securitisation also meant that commercial and savings banks could – for a guarantee fee – get Fannie Mae or Freddie Mac to pool their mortgage loans and issue additional mortgage-backed securities. The banks benefited similarly from the ability to amortise losses.

The return to low interest rates also stimulated a prolonged period of mortgage loan refinancings, reducing the annual costs of credit for millions of us households and generating desperately-needed revenue for the banks in the form of loan origination and mortgage servicing fees. At the same time, borrowing secured by second or even third mortgage liens on property skyrocketed after passage of the Tax Reform Act of 1986, which eliminated the deductibility of most non-mortgage interest payments. The banks now began to aggressively market new home equity loans and equity lines of credit. Many us households measured their ability to carry higher and higher levels of debt based on the amount of disposable income they enjoyed after paying their bills each month. For the majority of households in the nation, saving was either not possible or put off into the future. Whether there were one or two adults employed full-time, this meant that any prolonged interruption in household income resulted in credit problems, possible foreclosure on their residential property, and bankruptcy.

Into this financial world Alan Greenspan arrived to take over as Chairman of the Board of Governors of the Federal Reserve. Greenspan was immediately faced with the late-1987 stock market crash. The most-astute investors knew the market was overheated and moved their reserves into land and real estate speculation. Land prices rose accordingly – to levels that made profitable development difficult in many parts of the nation. Newly-constructed condominium units, particularly, started to remain unsold even as asking prices were slashed. Developers defaulted on construction loans, and when the banks foreclosed they were forced to dispose of these properties at prices far below the original cost of the land and construction of the buildings. By late 1989 conditions were set for another broad collapse of land markets and the subsequent failure of hundreds of banks facing heavy loan losses. **L&L**

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Some of us are old enough to remember the nearly decade-long United Nations *Convention on the Law of the Sea* that met from 1973 through 1982. The resulting treaty finally took effect in 1994, when a majority of member governments became signatories. Although the present Bush Administration finally agreed to US participation, the US Senate has yet to ratify the treaty. Opposition has come from conservative think tanks fearful of international interference with US security measures and rights as a sovereign nation-state.

I do understand and share concerns regarding transfer of legal authority of the global commons to an agency of the UN (the International Seabed Authority). If, as we argue, the laws of the social democracies have been structured to secure and protect entrenched privilege, the laws of other societies are even more overtly unjust. How can we be convinced that an organisation of governments will ever act in the interests of all?

The social democracies have a very thin claim to any moral high ground. We in the US have been a use, abuse and throw-away society from the earliest European settlement. If there is any universal moral principle, it is that the earth is the birthright of all persons, equally. Our acceptance of the system of sovereign nation-states makes the application of this principle extremely difficult, but within the rules of access to and exploitation of the resources of the oceans is our chance to begin to dismantle the systems of law that have acquiesced to the claims of sovereignty over territory.

A major reason for US reluctance is the structure of the bureaucracy empowered to administer the treaty provisions. The process of issuing licences for mining of the ocean sea beds needs to be depoliticised, with one set of rules for all and licences awarded to the highest bidders. The amount any company will bid for a licence will factor in the costs of compliance with all regulations (rigorously enforced).

A provision of the treaty guarantees the US sovereign control over oil, natural gas and any other natural resources found in the ocean a distance of 200 miles from the US coast. The mining and fishing industries in most nations with access to the oceans should be reasonably satisfied with these provisions, although there are many regions where negotiation over conflicting sovereignties is urgently needed.

A fair and effectively enforced *Law of the Sea Treaty* is in the interest of all. For one thing, our global food supply must be protected. We continue to struggle to protect species from catastrophic overfishing. The ocean ecology evolved over millions of years, and human intervention is on the verge of irreparably destroying the delicate balance that supports our own survival. We ought to call for scientists to determine what the maximum sustainable annual take is, as well as the use of sustainable harvesting methods, set the number of licences to be issued, then conduct an auction for those licences. This revenue stream, as well as that derived from issuing licences to drilling and mining companies, must then be equitably distributed under rules negotiated by members of the UN. This, then, would be a good beginning, but only a beginning. The list of resources rightfully belonging in the commons includes the wind, waves and currents, ocean life other than just fish, clean air, anchorages, locations conducive to floating development (like casinos and desalination plants) and licences issued for flight paths. You can surely think of others.