



A grasp of *economic rent* is vital to understanding geoism and the path to social justice and environmental sanity. Short definitions are helpful but limited – the return to privilege; a free ride at society's expense; unearned increment; excess profits that monopolists reap in

the absence of competition; the income imputable to natural resources; the share in the wealth produced which the exclusive right to the use of natural capabilities gives the owner; or even the natural source of revenue for the community.

Sydney's **David Smiley** continues his series wherein he fleshes out the meaning of rent through a string of vivid historical examples.

SHOULD RESOURCE RENTS COUNT AS NATIONAL SAVINGS?

All countries save, and invest in development, about a quarter of what they produce. But many countries "borrow" from nature, and never pay back, much of these savings. In national accounts these include environmental damage and natural resource depletion incurred in the process of production. This does not seem a very good measure of sustainable development, and the World Bank has come up with a better one. The Bank subtracted from savings, the cost of carbon dioxide damage, and the values of energy depletion, mineral depletion, and net forest depletions. The result of these subtractions the Bank called Genuine Domestic Saving, or GDS, and their figures are astonishing.

World average GDS was about 13 percent. Both World Bank regional and country data were tabulated in World Bank World Development Indicators report of 2001, pages 180-183. For East Asia and Pacific, a region dominated by the successful land reform countries of China and South Korea, GDS was an impressive 25 percent. Moving to areas of political turbulence, GDS for Sub Saharan Africa was 3.9 and for Middle East and North Africa minus 1.3 percent. For Saudi Arabia, Nigeria and Azerbaijan, GDSs were actually minus 13.3, minus 18 and minus 24 percent! For these and future trouble spots, short term outcomes are aggressive rent seeking and political instability, and long term outcomes are likely to include economic decline and rising levels of poverty, unemployment, and asymmetric warfare (terrorism), as well, of course, as global environmental degradation.

But there is an important implication here that the Bank seems to have overlooked. Why is it that countries rich in natural resources rate low in progress and high in poverty and political turbulence? The reason, as I explained in Progress, 1066, March-April 2005, is rent seeking. And the answer to rent seeking, as we all know, is rent taxation.