Why Countries Shouldn’t Sell Their Natural Resources To Foreigners

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Abstract

Years ago, I recommended that my City, my Polis, Gloucester, MA, never sell its natural resources to any outsider. Last year, with the passing of Fidel Castro, I saw a possibility for Cuba to become finally free. Naturally, I urged Cubans not to repeat the errors made by Russia and China at the collapse of communism; I urged Cubans not to sell their natural resources to the oligarchs, whether local or foreign. This time around, I also urged Cubans not to repeat the political errors of the past, namely trying to correct horrors of the left with horrors of the right; this time around I urged Cubans and anyone else who might want to hear to achieve a revolution from the center of the political system.

With the forthcoming elections in Kenya, in the hope of averting the bloodshed that followed the 2007 elections there, I recently felt impelled to enlarge my focus to appeal to every nation in Africa, and the rest of the world for that matter, not to sell their natural resources to foreigners. The financial resources to achieve this goal are the same the world over: One must organize local financial resources, through: 1. Any such instrument as a Local Interdependence Fund; and 2. A reform of central bank operations to issue a) loans only to create real wealth; b) loans at cost; c) loans to benefit as many people as possible, hence loans to individual entrepreneurs, cooperatives, corporations with ESOPs and/or CSOPs, and to public agencies with taxing power to fund public works projects.

JEL: D24, E52, E58, F31, F33, G21, G28, G34, K11, K21, N50, O44

On December 11, 2016, I posted on Econintersect an essay that focused its attention on Cuba. It was titled “Own Cuba – Don't Sell Her” (1). It is now time to enlarge our focus on Africa, namely on each and every nation of Africa, and the rest of the world for that matter.

Here is what I said then.

With the passing of Fidel Castro, will Cuba finally be truly free?

On Feb 10, 2016, Luis Gutierrez wrote to gaiapc@yahoogroups.ca:

I am not a fan of the Castro regime. Not that what we had before was much better, but the cure has been even worse than the disease. Pity, because the Cuban revolution could have been a good turning point but was betrayed and corrupted by absolute power. Communism is extreme capitalism turned upside down and inside out; even more materialistic than capitalism, and with human rights either ignored or manipulated at will by the state. Not recommendable, but let's see what they can do now that they no longer blame the embargo for the Cuban disaster.
What they will most likely do is what Russia and China have done after the collapse of communism. They have sold juicy morsels of the people’s labors to a few exploiters and created billionaires. Back to the worst forms of capitalism, in other words. Not even Adam Smith was favorable to this type of capitalism. In fact, tucked very tightly within the folds of the Wealth of Nations, there is this strong maxim that ought to keep Neoliberals on their toes:

“All for ourselves and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind” (2).

A True Alternative, a Revolution from the Center

The pendulum swings wildly back and forth, a revolution from the left predictably spurs a revolution from the right. How can one evaluate this long historical tradition? Even without adding the effects of the next expected collapse of the world financial system, it can objectively be said that the social, economic, and political condition of We the People of the world is getting progressively worse. One cannot expect anything much better from a continuation of ongoing economic policies.

We the People have not yet really experienced a revolution from the center (3). This is a real alternative, I believe, to the structural weaknesses of both individualism/capitalism and collectivism/communism (4). Socialism (and the ideology of social justice) has, of course, been the traditional preferred alternative. But socialism tends to carry with it the structural weaknesses of both capitalism and communism. In the course of fifty years of ongoing research and publication, the real alternative that I have discovered and strongly recommend to Cuba and all other nations of the world is this: If the intention is to build a world of solidarity and sustainability, Concordian economics is the economic framework one may want to embrace (5). Concordian economics leads to a revolution from the center.

Concordian economics

Concordian economics is a candidate to replace mainstream economics. Concordian economics offers an integration of economic theory, policy, and practice.

Here are two diagrams that present theory and policy back to back:

Concordian economic theory presents the integration of Production of real goods and services; Consumption or expenditure of financial assets to acquire real goods and services; and the Distribution of the value of ownership rights over goods as well as money. One cycle of the process is completed when goods pass from producers to consumers and money from consumers to producers; for the exchange to occur - in a civilized way - both producers and consumers must have ownership of what they exchange.

Even in the purchase of a car there is an exchange of three items: 1. the car; 2. the money; and 3. the deed of ownership.
Since in any transaction there are three entities, real wealth, people, and money, a full economic analysis has to take care of all three bottom lines: planet, people, and profits. A brief explanation for this broad coverage is that Production, Distribution, and Consumption are synthetic terms; but they are universal. Therefore, they encompass all real wealth, all financial instruments, and all ownership rights – whether they are produced by or belong to private individuals, to governments, or are held in common as in “commons.”

Concordian economic policy presents an integration of the three essential planks of economic justice: the right to participate in the economic process (participative justice); (in order to obtain) the right to a fair share of what one produces (distributive justice); and the right to receive an equivalent value of what one gives (commutative justice).

And here is how theory and policy are translated into action. Concordian economic practice presents an integrated set of rights and responsibilities in relation to the four essential factors of modern production: the right of access to land and natural resources and the responsibility to pay taxes on that portion of land and natural resources that fall under our exclusive control; the right of access to national credit and the responsibility to repay loans acquired through national credit; the right to the fruits of one’s labor and the responsibility to contribute to the process of creation of wealth; the right to the enjoyment of one’s wealth and the responsibility to respect the wealth of others. The exercise of these economic rights presupposes, not the absence, but the full bloom of such political rights as freedom of speech and the responsibility to exercise the voting franchise.

**NOTE:** While the introduction of economic justice at the core of Concordian economics is an automatic operation, we must be aware of its historical importance. With economic justice, we return to the intellectual world that prevailed from Aristotle to Adam Smith - with adjustments, of course (6). The core of that world was encapsulated in John Locke’s formula: we all have the right to “life, liberty, and property”. To return to that world, in other words, is to somewhat mischievously undo what Jefferson did. We all know that Jefferson erased the word property from the Draft of the Declaration of Independence, and substituted it with the expression “the pursuit of happiness”. By crossing out the word “property”, Jefferson broke with Tradition and thrust us toward the la la land of “happiness”. This is a land of entitlements. This is a land of “rights” and no responsibilities. Jefferson had to do that, because otherwise he would have not saved the union. Property then covered the horrible practice of ownership of human beings, and the South was not ready to free the slaves. But thanks to Abraham Lincoln, slavery does no longer plague us. We can safely go back to the ancient formula of “life, liberty, and property”.

**The Crucial Importance of Ownership**

The best way of summarizing the core of the new/old train of thought represented by Concordian economics is for me to touch upon the crucial importance of ownership. The Framers of the US Constitution did know in their bones the relationships among personal freedom, political liberty, and culture. They knew that these relationships are all rooted in the ownership of property; they knew this reality to such an extent that they denied the voting franchise to the propertyless. This solution was obviously wrong and became unsustainable.

The right solution, as George Mason recommended, is to extend the “means of acquiring and possessing property” to everyone. A copy of the Virginia Declaration of Rights, which embodies this high principle, faces me every time I go upstairs in my house, a colonial house. George Mason’s goal is finally within reach.

The way to reach this goal is to expand upon a recommendation I advanced in a series of essays collected in To My Polis, With Love in the early part of this century. Then I pleaded: “Do not sell Gloucester - Own It” (7)

*Today I will enlarge the field of observation and heartily make the same recommendation to Cubans: “Do not sell Cuba - Own her.”*

And now, April 21, 2017, I would like to enlarge the scope of this essay by focusing on Africa as a whole, namely on each and every nation in Africa—and the rest of the world, for that matter. This is my
recommendation: “Do not sell African natural resources to foreigners – Own them, and develop them yourselves.”

Technical experts from all over the world will be at your feet, if you pay them well.

Here are a few specifics to make this recommendation a reality.

Where Are the Financial Resources?

Where are the financial resources to reach this goal? As I pointed out then and have continued to explore in the pages of Mother Pelican (8) and Econintersect (here and here) (9), there are two major sources of financial funds that are readily available for the asking: One is a local interdependence fund (10); the other is the central bank (11). All that is required is a bit of knowledge and much political will.

The interdependence fund that I recommend - there is a great variety of them - asks the community to cash in at least ten percent of its wealth, however measured, and put it into a fund, administered by its owners/depositors, to be devoted exclusively to local economic and cultural development projects. The essential rules for a safe and sound administration of the funds are these: 1. Issue loans only for the creation of real wealth; 2. Issue loans at cost, not at variable interest rates; 3. Issue loans to benefit all members of the community, which implies that loans ought to be issued only to individual entrepreneurs, cooperatives, corporations with Employee Stock Ownership Plans (ESOPs) and/or Consumer Stock Ownership Plans (CSOPs), and public agencies with taxing powers, so the loans can be repaid. In a society thus gradually made securely and justly rich, love/charity will easily take care, with great dignity, of the few who for any reason do not want to or cannot participate in the economic process. In a healthy society, those who do not want or cannot participate in the economic process are naturally few. What is generally not recognized is that most people love to work; indeed, need to work to earn self-respect - from themselves and from others. The essential proviso is that they should be free to, and have the opportunity to do what they love.

The central bank of Cuba—or any African nation—can apply these same rules when creating new money. Thus, local entrepreneurs, cooperatives, local corporations with ESOPs and/or CSOPs, and local agencies with taxing power will have access to national credit. Rather than selling their assets to local and especially to foreign interests, owners of existing assets will have the financial resources to hold on to their ownership and make them prosper. Cuba will finally be Cuba Libre, indeed.

Of course, this is precisely what I am recommending to the American political structure as well. I hope that in this period of exciting ferment, the American public as well as the Cuban—and African—public will listen. Amazingly, given all due differences, Cuba, the US, and the rest of the world are in the same intellectual boat at the moment. The scale is enormously different, of course; yet, the human perils and opportunities are largely the same.

One Immense Difference

The immense difference between USA and the rest of the world is that the US Dollar is the preferred means of exchange in international commerce. This is a reality that might or might not change in the future. For the time being, how best to operate within this reality? There are two solutions: One is to teach the people of the world to buy local; two, is to raise tariffs on import of foreign goods. The ultimate solution on which we all have to work in order to have a peaceful world is gradually to reach an equivalence of value in the exchange of foreign currencies.

A Word on Implementation

Considering that all the rights and responsibilities (Rs&Rs) recommended above have been exercised on a piecemeal basis with great success for a long time all over the world gives much hope for the future. These Rs&Rs stem from an integrated application of the thought of Henry George (land), Benjamin Franklin (financial capital), Louis O. Kelso (labor), and Louis D. Brandeis (physical capital). Thus, this is an All-American policy. And it will have to become an All-World policy. Forget Keynes; forget Hayek.
One would think that just by mentioning them, most Cuban, American, and African people would want to see these economic rights and responsibilities implemented; but that is not going to be the case. What is required is that ten percent of the population rally around them; that ten percent will convince the other ninety percent of their necessity. What it takes is political action.

Since money is the most common need and the most likely tool of future community building, we need to concentrate our attention on the implementation of the second set of Rs&Rs. We need to exercise our right of access to national credit, because access to financial capital — as distinguished from access to consumer loans that enslave us — will free us all: Cubans, Americans, Africans, and eventually all other people of the world.

If loans to fix our public works infrastructure are financed this way, their repayment could be achieved through a tax on land and natural resources, thus we would automatically be implementing the other fundamental set of Rs&Rs as well, namely the exercise of our right of access to land and natural resources: These taxes, by reducing hoarding and accumulation in a few hands, increase their supply and thus reduce their price for all people.

If access to national credit were to be favoring the creation of ESOPs, we would be automatically implementing the third set of Rs&Rs concerning labor.

For the fourth set of Rs&Rs concerning physical capital, we need to be fairly bold and innovative. Apart from a stringent application of anti-trust regulations, some ideas along these lines are introduced in some of my other papers. In the course of implementing these Rs&Rs, we would be automatically implementing the highest values of democracy as well.

It was a poet, Walt Whitman, who ultimately understood the deepest demands and promises of democracy. He said:

“Did you, too, O friend, suppose democracy was only for elections, for politics, and for a party name? I say democracy is only of use there that it may pass on and come to its flower and fruits in manners, in the highest forms of interaction between men, and their beliefs — in religion, literature, colleges, and schools — democracy in all public and private life.”

We have challenging work to do.

A Momentous Recent Development

A momentous development occurred since the publication of this essay. After examining a set of integrated policy recommendations (12), the Federal Reserve System seems to be ready to implement them — if proposed by the Congress.

The Most Exciting Part of the Work Ahead

The most exciting part of the work ahead in Cuba, the United States, and the African nations is that in the course of application of Concordian economics we will automatically discover that economic justice is a new/old field of action and thought that offers progressively larger solutions to our current many-sided social, economic, political, and cultural ills.

These solutions are simple, but far from simplistic constructions of the mind. They are forms of humanism in full bloom. Why is economic justice, a construction that is integrally imbued in Concordian economics, so important? Because justice is a virtue, and a virtue can be fully exercised only if it is aided by all other virtues. Hence, to give and receive economic justice we need love. And love is, not a fickle sentiment, but the highest of all human virtues. Indeed, it is a theological virtue. "The Other" to embrace in our love is not only our neighbor, and ultimately our enemy, but Mother Earth as well. If we are not that inclusive, we are going to commit ecological suicide.

Conclusion

Cuba, the United States, all African nations, and gradually all nations of the world have a once in a lifetime opportunity to choose among fundamentally different paths of cultural and economic development. The proposed Concordian economic path is a new path. Much is there to be said to differentiate the paths thoroughly. This presentation, supplemented perhaps by readings of other writings
by this writer as well as the works of Benjamin Franklin, Henry George, Louis D. Brandeis, and Louis O. Kelso, might suffice. As Dr. Gutierrez pointed out in the paragraph quoted at the beginning of this exhortation, “Communism is extreme capitalism turned upside down and inside out; even more materialistic than capitalism, and with human rights either ignored or manipulated at will by the state.”

Both systems are based on privileges for the few without any responsibility. Concordian economics, instead, is based on rights for all validated by correspondent responsibilities.

Go Cuba, go. Go America, go. Go Africa, go.

Be free and thus help us all to be free.

Viva Cuba Libre. Viva America free. Viva Africa free.

Notes
(2) Smith, A. 1776. Wealth of Nations, B. III, Ch. 4.10.
(6) Gorga, C. 2017b, at https://1drv.ms/w/s!AgFxYQBpjmMF0uNGxIKg88zRSS_.
(11) Gorga, C. 2016c, at https://1drv.ms/w/s!AgFxYQBpjmMFhILPBlkE_TmQoYbQ.
(12) Gorga, C. 2016c.
(13) Durr, J. 2016, at https://1drv.ms/w/s!AgFxYQBpjmMFjasalauiBRkFLq.

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