Dividends for Development: A Role for Common Wealth Dividends (CWD) in the International Aid Agenda

Brent Ranalli, The Cadmus Group, August 2016

brent.ranalli at cadmusgroup.com

(This paper was originally prepared for the 2014 Gates Foundation / Global Development Network “New Horizons” essay contest)

This paper examines the possibility of establishing institutions to share more equitably the wealth that accrues from common resources (“the commons”). It describes precedents from the developed and developing world, and shows how a program of common wealth dividends (CWD) can help achieve the goals of the international aid and development community.

I. Introduction

As the period of the Millennium Development Goals (MDG) (2000-2015) draws to a close, there is still much work to be done in the way of raising incomes of the very poor. Ironically, many nations that struggle most deeply with poverty are well-endowed with natural resources (USAID 2013). And as we will see, even regions without fuel and mineral resources possess considerable common wealth. What prevents that wealth from being effectively harnessed for the benefit of the citizenry?

The short answer is that the benefit of the resources has been captured by private interests (who have the means to develop and exploit the resources) and the state. It is widely accepted that private interests have an obligation to compensate the public for use of common resources. Typically, compensation is provided in the form of fees and taxes to the state. It is less obvious that the state itself has an obligation to share those revenues directly with the public, rather than simply providing “in-kind” services, but we will see that there are ethical and pragmatic reasons why individual citizens should be included in the revenue stream.

A CWD program—that is, a program that equitably distributes wealth deriving from natural resources and other commons—not only meets standards of fairness, it also (as we will see) can help achieve policy goals such as poverty reduction, natural resource stewardship, improving government efficiency and accountability, reducing corruption, and strengthening a middle-class economy.
The paper is structured as follows: Part II introduces CWD. Part III examines the applicability of CWD to the international aid agenda.

II. CWD Basics

A. Common resources and common wealth

Common resources (aka “the commons”) are resources that are found, not made. More precisely, they are not made by individuals who could have a legitimate claim to compensation. They include renewable and nonrenewable natural resources, ecosystem services, accumulated technical knowledge and cultural heritage, etc.

As co-inheritors and co-stewards of common resources, all living persons have a stake in ensuring they are used wisely, and all have some claim to benefit materially from them. Whether use of a resource by a private party merits compensation of the public depends on several factors: Is the resource scarce, such that one person’s use deprives others of a similar opportunity? Does use degrade the quality or reduce the quantity of the resource? What quantities of rent (income from resources) are being extracted?

Consider two examples:

In the eighteenth century, Thomas Paine observed that the enclosure of former common land by English magnates resulted in more productive and profitable use of land, but also to widespread desperation and poverty among peasants who had previously relied on the land for grazing and foraging. Paine responded by articulating, in a 1797 pamphlet, the principle of common wealth:

> Every man, as an inhabitant of the earth, is a joint proprietor of it in its natural state.

With the rise of agriculture and civilization, Paine wrote, privatization of common resources has dispossessed more than half the inhabitants of every nation of their natural inheritance, without providing for them, as ought to have been done, an indemnification for that loss, and has thereby created a species of poverty and wretchedness that did not exist before.

Paine proposed a system of “groundrents,” whereby a nation’s landowners pay into a fund, out of which a small nest egg would be provided to every citizen at age 21 and an annual pension to those over age 50. These payments would not be charity, but a just compensation for conceding a birthright, namely equal access to and opportunity to make use of common resources now in private hands.

Today many nations and other jurisdictions place a portion of oil revenues into a sovereign wealth fund (SWF) in order to parlay the non-renewable resource into a permanent financial endowment. One SWF, the Alaska Permanent Fund (APF), has since 1982 paid dividends to
state residents out of interest earned, on the principle that the resources properly belong to the people, not the government. The Permanent Fund Dividend (PFD), usually between $800 and $2,000 per year per person, accounts for an average of 6 percent of annual household income in the state (EAM 126). As of 2007, though Alaska was only 19th among U.S. states in per capita income, it was second-lowest in poverty rates (Segal 2012a, 109). Alaska is the only state in the U.S. that has not experienced a widening gap between rich and poor in recent decades (Hammond 2012, 143).

Both Thomas Paine’s proposed national trust and Alaska’s successful PFD program are examples of common wealth dividend (CWD) programs. They collect some of the rent from exploitation of common resources and distribute it among all members of a polity. The redistribution is not charity, but justice: it enables all to share in the financial benefits that accrue from common resources.

**B. CWD mechanics**

There are several ways to capture the public’s share of wealth from use of common resources. These include taxation, auctioning of permits (e.g., pollution permits, which generate revenue while limiting use of ecosystems services to sustainable levels), and competitive bidding for contracts to exploit natural resources (concessions). Concessions have the advantage of being in wide use throughout the developed and developing world, and of their ability (if the bidding process is competitive) to return 100% of resource rents (calculated as income beyond the cost of labor and capital and a fair profit) to the public.

Revenue gathered in one of these ways can be managed and distributed to the public directly by government or (as in the case of Alaska’s PFD) by means of a trust.

**C. Examples**

Alaska’s PFD, profiled above, is the best-known and best-studied (e.g., Widerquist and Howard, 2012a,b) example of a working CWD.

For decades, Iran shared the benefit of its oil revenues with its citizens by means of artificially low fuel prices. In 2010, when Iran needed to phase out the fuel subsidies, it eased the transition by initiating a program of paying subsidies directly to households instead. A universal dividend scheme was seen as more expedient than trying to target the poorest 70% of households (Tabatabai 2012).

In 2008, Bolivia instituted an old-age pension system funded by 30% of natural gas revenues. The Bolivian government describes the pension scheme, *Renta Dignidad*, as “the concrete result of the nationalization of our natural resources” (Segal 2012b). Kuwait too effectively transfers a portion of resource revenue (oil revenue) to citizens in the form of pensions, among other types of transfer payments (El-Katiri et al., 2011).
Proposals have also been made to distribute oil revenues as dividends in Britain (Brittan and Riley 1978), Nigeria (Sala-i-Martin and Subramanian 2003), Iraq (Palley 2003; Clemons 2003; Smith 2003; Birdsall and Subramanian 2004; Hammond 2012; Banai 2012), Ghana (Moss and Young, 2009), and South Sudan (Jason Hickel 2012).

Two ecosystem service protection programs (both aimed at lowering carbon emissions) are organized as CWD. British Columbia refunds revenue from a fuel tax to citizens and businesses. Since the program was implemented in 2008, the province’s energy consumption has decreased and its economic performance has improved (Sustainable Prosperity 2012). California has begun to require that utilities rebate to customers the revenue they receive from auctioning carbon permits under the state’s cap-and-trade program (Hull 2014). Even more ambitious carbon-reducing CWD programs have been proposed (Barnes, 2001; Revkin 2008); “cap and dividend” legislation was introduced in the U.S. Senate in 2009 and 2014.

D. Why CWD? The policy benefits of distributing dividends

Why should rents be distributed as dividends? Why not just let the state collect and use the money on behalf of the public?

Thomas Paine’s answer would be that as a matter of justice, compensation is due to individuals, because it is individuals who are properly the joint inheritors of common resources. In addition to this argument from principle, there are several practical policy reasons to distribute money directly to individuals or households.

1. Dividends fight poverty

CWD has the effect of directing financial resources to the most vulnerable households. Researchers have concluded that “it is difficult to think of a more efficient poverty reduction policy” (Sandbu 2006, 1163).

A growing body of research demonstrates that when aid is provided in the form of cash, with no strings attached, outcomes are generally favorable (Hanlon et al., 2010). For instance, a study of cash aid donations made to households in Kenya found that recipients increased their investment in and revenue from livestock and small businesses and that hunger was reduced (Haushofer and Shapiro, 2013).

A program like CWD that distributes universal payments offers several distinct advantages over traditional means-tested state spending on social welfare, including:

- **Efficiency.** No bureaucracy needed to interpret and enforce eligibility requirements.
- **No accidental exclusion of intended beneficiaries by gatekeepers.** In some developing countries, targeted assistance fails to reach up to 70% of intended recipients (Soares et al. 2007, 2).
- **No perverse incentives.** When the poor find work and increase their income, they are not threatened with loss of the transfer payment (Segal 2011, 478; Lord 2003).
• **Political staying power.** Programs with universal benefits, unlike welfare programs that specifically target the needy, tend to be popular with the electorate (Hannesson 2001; Segal 2011, 478).

2. **Distributing dividends improves resource revenue transparency**

If common wealth revenue passes directly from resource user to government, ordinary citizens are unlikely to be aware of the sizes of the sums involved or to be able to detect mismanagement or misuse of the funds.

On the other hand, if the common wealth revenue is due to be distributed as dividends, every citizen has a direct stake in following the money trail and ensuring that there is no fraud or graft. A study in Uganda, where money allocated for schools regularly went missing, found that dramatic improvements could be had merely by publicizing the amount of money each school was budgeted to receive from the central government (Reinikka and Svensson, 2004). A universal dividend program, under which every individual is owed the same amount, would be even easier to make fully transparent.

3. **Distributing dividends encourages government efficiency and accountability**

Recent research has shed light on the so-called “resource curse”: the fact that nations with easy access to cash (e.g., from fuel or mineral wealth) tend to develop inefficient, authoritarian regimes and weak economies. The phenomenon can be observed as far back as the early modern era, when South American silver fueled a mighty Spanish regime that ended up chronically bankrupt and industrially backward (e.g., Landes 1999; Humphreys et al. 2007).

The distinction to be drawn is between governments that tax their citizens and governments with independent sources of wealth. A government that is dependent its citizens for material support will be subject to citizens’ demands for efficiency and good governance. Furthermore, a government that depends on its population for support will have incentives to make investments (in infrastructure, education, health, etc.) that will foster a strong middle class tax base. As Jason Hickel (2012) puts it, the obligations incurred by taxation amount to a social contract.

Distributing resource revenue to the population, and raising public funds via taxation, can enable a resource-rich nation to escape the resource curse (Sandbu 2006).

E. **Common questions addressed**

1. **What effect will dividends have on working, spending, and saving behavior?**

A dividend may induce some people, presumably those who already live comfortably, to work less. (In the case of poor households in developing countries, cash transfers appear to lead to a reduction in child labor but not adult labor (Fiszbein et al. 2009, 16; Bramatti 2007).) A reduction in labor supply by the “overemployed” would both increase wages and make it easier for the underemployed to find work. At the same time, there is evidence that dividends, like microlending, could unleash previously untapped entrepreneurial potential among the poor, and
that the poor would use cash transfers to make investments in education, health, and livestock and other capital that improve labor productivity and household income (Haushofer and Shapiro 2013; Segal 2011, 485; Sandbu 2006, 1162).

2. Is CWD only for “resource-rich” countries?
Every polity has some valuable common resources. To illustrate this point, one research team has calculated that in a supposedly “resource-poor” state like Vermont, rents from wildlife and fish, forests, ground water, surface water, miscellaneous minerals, broadcast spectrum, land value, wind energy potential, etc., could easily generate dividends of the same magnitude as those provided to Alaskans by the APF (Flomenhoft 2012).

3. How widely should dividends be distributed?
At what scale should a CWD be organized? The nation is a convenient unit for reasons having to do with culture, politics, and infrastructure. In most nations, too, it is the state that has legal ownership of valuable natural resources.

But there is no reason in principle why a CWD could not be designed on a scale that is larger or smaller. By Paine’s logic, if natural resources belong to everyone, then the ideal CWD would be global in scope. On the other hand, it can be argued that those who live in the vicinity of a resource have the most valid claim to compensation. Both the global claim and the local claim have some merit.

One possible solution is a nested hierarchy of trusts, with revenue shared up and down the hierarchy to moderate local differences. Another is to conventionally assign certain types of rents (e.g., from water resources and land values) to local trusts and others (e.g., from oil resources and carbon permits) to national or global trusts (Hartzok 2012, 61; Barnes 2006, 136ff). Still another is to assign a certain percentage of rents to compensate local residents for local impacts while placing the rest in a large-scope trust (Hickel 2012, 133).

While there is room for debate on this point, the ideal need not be the enemy of the good. Where national trusts can be established, they should be. Where local trusts can be established, they should be supported too, and any conflicts that arise over jurisdiction can be negotiated. A trust that is global in scope seems a remote possibility at this time: if it eventually comes about, it will most likely arise out of the coordination and then federation of national trusts.

III. CWD for international aid and development

A. Conformity with the goals of international aid and development
As the MDG period winds down, the international community is again thinking broadly about goal-setting. In May 2013, a “high-level panel” established by the U.N. Secretary General issued a report outlining a proposed new development agenda for the international community (United
Nations, 2013). The recommendations include five major points. Here we evaluate the contribution that CWD can make toward each of those five broad goals.

1. **Eradicating extreme poverty**

MDG prioritized reductions in poverty levels. The new recommendations call for ending extreme poverty once and for all.

As we have seen, an increasing body of evidence indicates that putting cash in the hands of the poor, and letting them decide how to spend and invest the money, is an effective way to fight poverty. CWD offers a just, politically sustainable way to make those transfer payments—and CWD is amenable to transparency provisions that can help ensure the payments reach intended recipients.

The best projections available to date indicate that a simple CWD based on natural resource rents, implemented nationally in developing countries, could effectively halve global poverty (Segal, 2011). Secondary effects of transfer payments to the poor (increased demand for goods and services, increased household investments in health, education, and micro-enterprises) would presumably spur economic growth, multiplying the effect on poverty reduction.

While probably not sufficient to eliminate global poverty all by itself, CWD might well be the single most powerful weapon in the international community’s arsenal of poverty-reduction strategies.

2. **Integrating environmental and social development efforts**

The panel candidly acknowledges that despite decades of operating under a “sustainable development” paradigm, the international community has failed to produce a single instance of a nation successfully reconciling the goals of poverty reduction, economic growth, and environmental sustainability. The panel calls for “structural change” to bridge that gap, noting the potentially disastrous effects of climate change and environmental degradation.

CWD can be designed to achieve sustainability goals. A “cap-and-dividend” CWD, for instance, can effectively reduce carbon emissions while also reducing poverty. A CWD of any kind, by making subsistence easier, reduces pressure on the environment (i.e., if poor peasants have a secure source of income they needn’t cut down the rainforest), and (as described in item #3, below) can help usher in a more sustainable society by alleviating the general mania to increase economic growth at all costs as a poverty-reduction strategy (Lord 2003).

3. **Improving livelihoods / job prospects**

The panel envisions creating more dynamic and diverse and inclusive economies, not only to end poverty but also to improve livelihoods and ensure good job possibilities.

This point reveals some cognitive dissonance on the part of the panel. In the context of creating jobs the panel talks about “sustainable patterns of consumption and production” and “harnessing
But sustainable patterns of consumption are patterns that limit economic demand, and thus job creation. And technology is a driver that increases the efficiency of production and thus reduces the need for human labor. The panel perhaps recognizes the dissonance, for rather than targeting full employment outright it uses phrases like “improve livelihoods” and “good job possibilities,” which suggest qualitative improvement in work life rather than job creation per se. But that still leaves a conceptual gap. How can poverty (item #1, above) be comprehensively addressed without moving toward fuller employment, and how can employment be increased in the face of a commitment to environmental sustainability (item #2) and increasing technological redundancy?

CWD provides a way out of this conundrum, a way that is entirely compatible with the direction the panel is groping toward with its carefully chosen language.

For centuries we have steadily been replacing human labor with machine labor. By the mid-twentieth century, as John Kenneth Galbraith (1958) noted, we passed the point (in the developed world, at least) where production represents a grave economic problem. With advances in technology and automation, we have become so good at producing things that today we could easily provide a comfortable standard of living to every person on the planet. Having solved the problem of production, then, why don’t we simply work less? With each advance in automation that multiplies worker productivity, we could cut back work hours and spend more time with family and community. Environmental considerations make that scenario not only attractive, but imperative: we should be reducing, not increasing, our footprint. The reason we don’t strive to reduce economic activity, the reason job creation remains an economic and political imperative, is that a job is a ticket to eat. That is, although we have solved the problem of production, we have not yet solved the problem of distribution.

A rational solution to the problem of distribution, in an age when automation eliminates jobs, would be to ensure that there are widely distributed sources of purchasing power that are not tied to employment (Barnes, 2006). Traditional means-based social insurance programs do that, but in a way that is politically divisive and morally stigmatizing. CWD represents an alternative that is politically sustainable (i.e., the program, once implemented, is likely to be universally popular), just (the transfer payment is understood to be a birthright, not a handout), and also creates no perverse incentives for recipients (those who seek to better themselves aren’t threatened with loss of the transfer payment).

A positive vision for the international community would be one where CWD helps solve the problem of distribution by providing a permanent source of extra purchasing power to all persons. CWD also helps address the problem of unemployment and underemployment, not by guaranteeing full employment (though its repercussions, as noted above, are likely to include increased demand, increased investment in skills and businesses, and economic growth), but by making it easier to strike work-life balance: The overemployed, no longer as constrained by economic necessity as they once were, will have more freedom to cut back hours. There will be
correspondingly more opportunities in the workforce for the underemployed. The overall outcome will be, as the panel suggests, work life that is qualitatively improved.

In the developing world, where chronic underemployment is the norm for large cohorts of young people (United Nations, 2011) and can lead to frustration, disaffection, and the spread of violent conflict (Cincotta, 2013), it is imperative to view the problem as structural in nature (as one manifestation of the general problem of distribution) and in need of a structural solution like CWD, not merely ad hoc programs of “job creation” that may not survive the next recession.

4. Ensuring good governance
The panel calls for institutions to serve the public with accountability and transparency. Citizens should be able to see “exactly where and how taxes, aid and revenues from extractive industries are spent.”

CWD offers mechanisms to increase the transparency and accountability of the handling of resource revenue. In a well-designed CWD such as Alaska’s APF, resource revenues are placed in the hands of a dedicated independent trust rather than the state’s general treasury. Publicizing a single number—the size of the annual dividend, easily calculated and easily comprehended by the public—can provide a check on any attempt to divert dividend money from its intended recipients.

As we have also seen, assigning rents from extractive industry to citizens rather than the state and raising public funds via taxation shifts the state’s incentives in a way that is calculated to produce greater accountability and transparency as well as greater efficiency. Overcoming the “resource curse” in this way better aligns the interests of state and citizens.

5. Cultivating global solidarity
The panel calls for respecting “a common understanding of our shared humanity, underpinning mutual benefit and mutual respect in a shrinking world.”

CWD contributes toward this goal in three important ways. First, at the level of the individual nation (or other jurisdiction), CWD addresses a demand for distributive justice that is rarely articulated and even less frequently satisfied. It can be expected to increase social solidarity.

Second, at the global level, CWD addresses a demand for distributive justice among nations. As is today widely recognized (e.g., ICMM 2010), it is no longer acceptable for multinational corporations to extract resources from poorer nations (often former colonies) with impunity. CWD is one way of ensuring that individual citizens of each nation materially benefit from development of the nation’s resources.

Finally, the logic of CWD highlights commonalities rather than invidious distinctions between the so-called “developed” and “developing” worlds. Every nation is deficient with regard to fair sharing of common wealth. The process of initiating, scaling up, and implementing CWD is one
that will require both developed and developing nations to travel along a learning curve together. Put another way, with respect to fair sharing of common wealth, *all* nations are developing nations.

**B. Implementing CWD in the developing world—challenges and opportunities**

1. **Collecting rents**

   Even under existing tax and concession arrangements, developing nations have difficulty collecting revenue owed by extractive industries. In Africa, roughly two-thirds of illicit capital flight is due to commercial tax evasion and commodity mispricing, compared to only 3% due to domestic corruption (Hickel 2012, 135). Progress toward solving this problem is being made under the aegis of the Extractive Industries Transparency Initiative (EITI).

   In many developing nations, additional capacity building is required to effectively implement systems of taxation targeting common resources (e.g., land value taxation) (Törhönen 2003). Establishing a system of auctioned permits would require an even more sophisticated regulatory apparatus, and possibly technology transfer.

2. **Distributing dividends**

   Although in some countries 100% registration may prove challenging, the prospect of the dividend is likely to provide a strong incentive for populations to register with central authorities (Segal 2011, 483). That was the experience in Iran, where within a few months of CWD implementation fully 96% of households had registered (including reporting incomes and assets and a bank account number) (Tabatabai 2012, 22).

   As for distributing dividends, the rise of mobile banking makes it possible to transfer money even in the absence of banking and postal infrastructure. Cell phone ownership is not universal, but it is becoming very common, even among the poorest of the poor. Africa, which has recently seen mobile technology adoption rates higher than any other region in the world (Touré 2010), by 2010 had more mobile phone subscriptions than even North America (Essoungou 2010). Alternative arrangements could be made for those without phones or mobile banking accounts: for instance, distributing cash via airtime vendors that serve remote communities, or via public schools (Hickel 2012, 129).

   Fraudulent registrations may be a concern. An advisor to the newly formed government of South Sudan has pointed out Ghana’s biometric IDs as possible model to emulate (Hickel 2012, 129).

   The net effect of the effort to register citizens and establish channels for dividend distribution, when the technical problems are resolved, will be greater civic engagement. It will pave the way to improved communication, improved voter registration, and possibly greater participation in the formal economy and thus a broader tax base. It will extend the infrastructure of savings and credit to a wider population (Sandbu 2006, 1162)
3. Program administration
It is widely agreed that collection of revenue and distribution of dividends is most efficient and least liable to corruption when handled by a trust at arms’ length from government (Hannesson 2001, 42; Sandbu 2006, 1157; Barnes 2006).

Some countries with (non-dividend-issuing) SWFs have designed their oil contracts in such a way that payments are made directly to the SWF rather than the state (Sandbu 2006, 1167). The West African islands of São Tomé and Príncipe, for example, whose oil contracts are considered a model of good governance, have oil revenues deposited directly into an independently managed fund from which the government makes one withdrawal per year (Bell and Faria 2005).

From a technical standpoint it would be very easy to convert SWFs to CWD trusts; this represents “low-hanging fruit” for jump-starting a global trend toward CWD programs. The example of the APF shows that it is possible to pay out dividends while continuing preserve and increase a fund’s capital and meet other objectives of a standard SWF (Cummine, 2012).

C. What difference can CWD make?
As noted above, Segal (2011) calculated that natural resource rents in developing countries, if distributed as dividends to citizens of those countries, could effectively halve global poverty rates.

It is also instructive to compare the magnitude of flows of development assistance to the magnitude of prospective common resource revenues. Figures from the World Bank (2014a,b) indicate that in 2012, the 146 countries receiving foreign aid had combined natural resource rents of 1.4 trillion USD, an order of magnitude higher than the 126.9 billion USD in official development assistance (ODA) contributed by major donor countries that year (OECD 2013a), and higher even than the 311.6 billion USD (0.7% of Gross National Income) that these nations had nominally committed to contribute (OECD 2013b, Shah 2012). Some of the 1.4 trillion USD in natural resource rents in developing countries are already captured by governments. Potential common wealth revenue is even higher, as the World Bank rent figures do not include ecosystem service revenues or certain types of lucrative natural resource rents (e.g., broadcast spectrum licenses).

Natural resources are, of course, unevenly distributed. A country-by-country comparison of 2012 ODA receipts (OECD 2014) and 2012 natural resource rents (World Bank 2014a,b) indicates that the selected rents exceeded aid in 82 of the 146 countries receiving aid, and fell below aid in 51 countries. (Adequate data on country-specific rents were unavailable for the remaining 13 nations.)

These admittedly crude comparisons show, at least, that capturing and equitably distributing common resource rents would significantly augment the power of the international community to meet development objectives with ODA. It would be prudent for the international aid and development community to assist developing nations in establishing and maintaining robust
CWD programs. When such programs are established, financial assistance could be targeted more effectively to nations and subnational populations in most need. Funds targeted for poverty reduction could even be directed through CWD channels, producing gains of efficiency. Elimination of extreme poverty—item number one on the proposed post-2015 development agenda—would become tractable. And once extreme poverty is eliminated, it is likely that other priorities will become more tractable as well.

**D. Action items for the international aid and development community**

Actions the international aid and development community can take to promote CWD as part of its own mission include:

- Consulting with national and sub-national governments on the creation of CWD programs.
- Providing technical aid to assist developing nations with technical challenges, including: effectively writing and managing contracts for resource extraction, conducting a census and registering populations, extending banking infrastructures into rural areas, providing capacity building and technology transfer for taxation and permit auctioning.
- Developing CWD case studies, best practices, and model statutory and regulatory language.
- Organizing conferences and workshops to identify and promote best practices and facilitate networking.
- Liaising with the SWF community to educate fund managers about CWD and to hear and address their concerns.
- Developing and implementing communications strategies to promote new norms, to remind people that they are co-inheritors of common resources and entitled to compensation for enclosure and private use of those resources.
- Developing standards for CWD trust cooperation and interoperability (e.g., to resolve conflicts between local and national trusts’ claims to resource revenues, and to make it easier for trusts to federate or merge if their constituents so choose).

**References**


