● Barry Bracewell-Milnes. Onlookers – portraits of free enterprise economists Milton Friedman and F. A. Hayek.

On sentiments, profits and a new theory of ownership

BY P. E. POOLE

ANYONE who allows sentiments to compromise profit-maximising decisions is not a consistent capitalist.

It may be felt that, in a free market society, there should be room for non-material considerations to influence behaviour. But in that case, we need to know how to measure the value of those sentiments.

Who should do the measuring? And under what circumstances can they justifiably override the collective interests of society or the wealth of any one individual?

These are the kinds of questions provoked by *Land and Heritage*,[1] published by the London-based Institute of Economic Affairs which, in the past two decades, has done a remarkable job of reviving political and scholarly interest in the economics of the free market.

Which is why the publication of this Hobart Paper is such a disappointment. For while the author, Barry Bracewell-Milnes, claims to be developing a welfare theory of ownership, he merely produces a weak apology for the freehold land tenure system.

UTILITY, says the author, is obtainable from ownership as well as consumption.

To own a tract of land is to create what he calls "subjective illiquidity" – a fancy term for that range of sentiments that arise from an association with some asset.

And the value of these sentiments, says Bracewell-Milnes, raises the total value of an asset above its market price.

So, if my family has owned an estate for five generations, it seems that I will treasure it and place a value on it far above its market value, the price that a stranger would be willing to pay for it.

Of land, the author says: "There is no other major category of asset that possesses in similar degree the quality of increasing in value through continuity of ownership."

Ownership – stressed by the use of alternative terms such as *proprietary* wealth – is the crucial consideration in the creation of this "subjective illiquidity." Well, no; not exactly. For it seems that a fifth generation tenant farmer can also acquire "subjective illiquidity" for a tract of land.

Indeed, we find that a *community* can also generate "subjective illiquidity." Bracewell-Milnes gives the game away when he qualifies his ownership thesis in these terms:

"The same characteristics of land that make it a personal asset to the owner also make its use and treatment interesting to others – tenants, neighbours and the local community in general. Both the owner and the others acquire a deeper interest and a closer attachment as time goes by."

Ownership, therefore, is *not* a precondition for the creation of those sentiments which may affect people's judgments in the market place.

Possession and *use* are the critical considerations; the secure right to hold and nurture, to tend the land and enjoy the bequests of nature.

By his own admission, then, the author's defence of freehold tenure *per se* is a spurious one. There is little value in this claim: "Land is not only a personal asset ... it is also proprietary wealth, in the sense of being worth more to society when owned by private persons than by the state or its agencies."

For provided we can devise a system whereby there is no separation of user from the soil, it does not matter who owns the land.

Bracewell-Milnes attacks the ownership of land by the big institutions, such as the insurance and pension funds, and by the government through nationalisation. But he fails to consider a third alternative, which might meet his demand for a personalised association with assets such as land.

Can a benign framework be created which – unlike socialist collectivisation – does not impersonalise land use? A system which, at the same time, establishes an economically efficient approach to maximising the material benefits for one and all?

There is such a system: the one defined by Henry George.[2] Bracewell-Milnes admits that he did less than justice to the Georgist thesis in his paper. Indeed, he misrepresents George's attitude towards "nationalisation" (the American economist had an almost violent aversion to the concept as it is employed by socialists), and he wrongly asserts that George's principle of site value taxation had been refuted by authors like Edwin Seligman.[3]

HENRY GEORGE argued that the community should receive the economic benefits of land, but that the free market (not state functionaries) should be the mechanism for both establishing values and the allocation of land.

Within this framework, individuals would continue to enjoy secure possession (for as long as they were willing to pay the economic rent in the form of a tax to the national exchequer, rather than the same sum as rent to freehold landlords); and they could therefore develop their "subjective illiquidity" without let or hindrance, to their hearts' content.

There would be no despotic State or impersonal institution to interfere with their possession or use of the land.

Under the present regime, however, landowners retard the sum total of material wealth in the pursuit of their "subjective illiquidities" (e.g., the hundreds of thousands of sporting acres in Scotland that are kept idle so that tenth generation lordships might indulge in the occasional grouse shoot).

Under the Bracewell-Milnes scheme of things, we have to accept that wealth is greatest when those acres are privately monopolised, rather than divided up into tenant farms under some alternative institutional arrangement.

The arrogance of those who defend *ownership* was recently illustrated by Lord Middleton, the President of the Country Landowners Association, who declared that only landowners can be relied upon to conserve the countryside. But, as we have seen, the sufficient condition is secure *possession* and *use* of land.

Bracewell-Milnes admits that his system inhibits the free market – "but in a good cause." Whose good cause? Not the welfare of each and every individual in society, that is for sure.

REFERENCES

1. Barry Bracewell-Milnes, *Land and Heritage: The Public Interest in Personal Ownership*, London: IEA, Hobart Paper 93, £3.
2. Henry George, *Progress and Poverty*, New York: Robert Schalkenback Foundation, 1979.
3. For the best assessment of Seligman's critique of Henry George, see R. V. Andelson, *Critics of Henry George*, Rutherford: Fairleigh Dickinson UP, 1979, Ch. 19.