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Source: *The American Journal of Economics and Sociology*, Apr., 2001, Vol. 60, No. 2 (Apr., 2001), pp. 547-556

Published by: American Journal of Economics and Sociology, Inc.

Stable URL: <https://www.jstor.org/stable/3487933>

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ON LAND AND RENT

Henry George's Land Reform: *The Distinction between Private Ownership and Private Possession*

By JOHN PULLEN*

ABSTRACT. Henry George stated that the taxation of land rent would amount to the abolition of the institution of private ownership of land, thereby alienating all those who, whether for economic or ideological reasons, regard the private ownership of land as essential for social order and progress. George believed that under his proposed reform the private ownership of land would be replaced by private possession. But his distinction between ownership and possession appears to have been based on a misconception of the nature of private ownership. His proposed reform could have been more logically described as a conditional, modified, or restricted private ownership of land, rather than as the abolition of private ownership of land.

I

George's Reform Policy: Initial and Modified Versions

IT IS WELL KNOWN that Henry George believed that radical land reform was the essential solution to the problem of persistent poverty in the midst of progress. The reform that he proposed—viz., the taxation of land rent—is quite clear and unambiguous; but whether this reform

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American Journal of Economics and Sociology, Vol. 60, No. 2 (April, 2001).
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amounts to, or was intended to amount to, the abolition of the private ownership of land as a legal institution, was left far from clear. The aim of this paper is to explore the distinctions made by George between ownership¹ of land and possession of land, and between common ownership of land and private ownership of land. One of the conclusions of the paper is that the lack of clarity in these concepts in George's writings has impeded the acceptance of his reform.

His initial statements of the reform appear to be an unequivocal plea for land nationalisation and for the abolition of private ownership of land. He stated emphatically

we must . . . substitute for the individual ownership of land a common ownership . . . *We must make land common property.* (1956, p. 328)

and argued that since private ownership of land is the cause of the problem, nothing short of the abolition of private ownership of land can rectify matters. To remove an evil one must remove its cause. He regarded all other proposed remedies as mere palliatives, more or less inefficacious.

But despite having presented the case for land nationalisation in such ringing terms, he then proceeded to offer a modified and less radical measure, viz., the public ownership not of the land itself but of the land value, to be achieved by imposing a tax on every portion of land equal to its annual value. He believed that this measure would amount to the abolition of private ownership of land, and he said that those who occupy and use the land after the implementation of this reform would be merely its "possessors" not its "proprietors."

This distinction between possession and ownership was not formally defined, but can be inferred from statements such as:

I do not propose to either purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

and

In form, the ownership of land would remain just as now. No owner of land need be dispossessed. (1956, pp. 405, 406)

Such statements indicate that for George the distinction between ownership of land and possession of land rests on the ownership of the land rent. The rights to “buy and sell, and bequeath and devise” are merely the “shell” or the “form” of ownership, but the right to the ownership of the land rent is the “kernel.” When the state takes over ownership of the land rent through taxation, George believed it effectively removes the essence of private ownership of land, and transforms private ownership into private possession, even though the possessors may still regard themselves (and may be permitted to regard themselves) as landowners.

He seems to have argued that private possession involves security of tenure for the land and its improvements, but excludes ownership of the land rent; whereas land ownership includes ownership of the land rent. By vesting the land rent in the state through taxation he therefore believed that he had transformed private ownership into private possession. He argued that the private possession of land is desirable because without security of tenure and the right of bequest, land would not be properly used or developed, and the very structure of society could be endangered. But, for George, this does not mean that the possessor of the land needs to be also its owner: “there is no more necessity for making a man the absolute and exclusive owner of land, in order to induce him to improve it, than there is of burning down a house in order to cook a pig” (1956, p. 397).

George’s reform in its modified version therefore did not mean the abolition of all rights of private individuals to land. Rather, he would maintain the right of private possession of land while taking away the right of private ownership of land. If in his system it is the ownership of the land value that determines whether we have a system of private ownership or private possession, it would logically follow that the state ownership of land values could not logically coexist with private ownership in land; they would be mutually exclusive concepts.

II

Land Rent and Land Ownership

HOWEVER, GEORGE'S DISTINCTION BETWEEN private ownership of land and private possession of land could be challenged. There seems to be no

valid reason why a person who has a secure perpetual tenure with the right of sale or bequest and a right to the value of the improvements, should not truly be called an owner, and the holding regarded as private ownership, even though it does not include ownership of the land rent. It seems unwarranted to refuse to call a person the owner of land simply because the ownership does not include ownership of the land rent. It would have sufficed, for George's purpose, to have advocated the public ownership of the land rent and the private ownership of the land itself. Rather than describe his ideal social set-up as one of private possession of land but not private ownership, he could have simply referred to a conditional, modified, or restricted private ownership, i.e., private ownership of land in the full sense in which that word is currently used, with one exception—the land rent would be publicly owned.

When one prescribes a system of private ownership that is subject to certain exceptions or limitations, there is obviously a point beyond which the exceptions and limitations become the rule, and the system ceases to be one of private ownership.² The difficulty is to determine which features constitute the essence of private ownership and which are merely accidental. George himself referred to delusions that can result from confounding the accidental with the essential. If he had made a systematic attempt to expound the essence of ownership, private or public, he might have considered the possibility that the private ownership of land rent does not constitute the essence of private ownership of land.

The right of private ownership of land should be defined not in terms of one, and only one, right, but as a basket of rights. It would be beyond the scope of this paper to attempt to provide a comprehensive list of all the rights that might conceivably be held in this basket. But the list would presumably include the right to use the land in question; the right to exclude others from use of the land; the right to dispose of the land by way of sale, gift, or bequest, etc. Now, in practice, these rights are often subject to restrictions. For example, one's right to use one's land might be modified by public health and town planning regulations. Your right to bequeath it to whomsoever you wish might be challenged by persons who feel they have been unfairly disinherited. And your assumed right to retain any increments in its value might be limited by government taxation.

III

Abolition or Restriction of Private Ownership

THE QUESTION THEREFORE BECOMES: At what point do these restrictions amount to a negation of the right of private ownership, to its transformation into public ownership, and to its replacement by private possession? If we take out of the basket the right to use your suburban block of land as a piggery, have we in fact abolished your right of private ownership, or merely modified it? If the law states that parents must bequeath their land equally amongst their children, has their right of private ownership been destroyed or just infringed? What are the *essential* elements of private ownership, and what elements are merely *accidents*, in the sense that they can be limited or even removed entirely, without changing the essence? In the case of George's policy of land rent taxation, we are confronted with the problem of establishing a distinction between a thing and its value, and in asking whether exchange value is intrinsic to the essence of the thing or merely an external accidental quality. When the state takes away some or all of land rent, does it effect a change of ownership of the land itself, or does it merely remove one of the contingent accidental qualities of the land without altering its status as private ownership?

It could be argued that George misunderstood the nature of private ownership in land, and wrongly believed that the taxing away of the rent of land would destroy private ownership. On grounds of both logic and expediency, he could have presented his reform proposal without resorting to the distinction between private possession of land and private ownership in land. On logical grounds, he would have been quite justified in describing his policy as a restriction on private ownership rather than as the abolition of private ownership.³

IV

Political Implications

WITHOUT BEING PRIVY to George's subconscious, we may never know his reasons for choosing to describe his proposal as the abolition of private ownership of land and its replacement by private possession, even though he could have described it simply as a modified or restricted version of private ownership. It is possible that he was motivated in in-

roducing this nomenclature by political expediency.⁴ He observed that in America in general and in California in particular the tenancy rate (i.e., the proportion of non-landowners to landowners) was high, with many people living as tenants or lessees of houses and farms, rather than as owner-occupiers or mortgagor-occupiers. George's aim was not merely to have his ideas accepted at an intellectual or academic level, but to see them implemented as practical policies; and he possibly thought that by describing his reform as the abolition of private ownership of land it would have greater popular appeal—and with a widening of the franchise, greater electoral force.

But here he appears to have badly misjudged the temper of the times. His attack on private ownership of land might have appealed to some more radically minded propertyless members of society who would find comfort in a program destined to destroy all private ownership of land; but would not have appealed to those propertyless who hanker after private ownership, especially of land, which has almost universally been regarded (rightly or wrongly) as a sign and guarantee of security, individuality, and fortune. If George had been content to express his ideas in less extreme language and to put forward his scheme in terms of a restriction of the rights of private ownership, instead of the abolition of private ownership, his policy might have been much more acceptable at the time. His unfortunate choice of terminology possibly served to alienate a considerable body of opinion that might have otherwise rallied to his cause.

If he were alive today and putting forward the same reform proposal in the same terminology, he would find that his distinction between private possession of land and private ownership of land, and his call for the abolition of the latter, would prove to be even more politically inexpedient than when he first put it forward. The desire to own land has shown no signs of abating over the last 100 years. There will always be some who rent because they prefer to rent than to buy, and others who rent because, although they prefer to buy, they cannot afford to. But by comparison with the late 19th century the tenancy rate today in America (and in England, Australia, and elsewhere) appears to have fallen. Increased affluence has provided the opportunity for many of the "propertyless proletariat" to become owner-occupiers (or at least mortgagor-occupiers) with a vested interest in the institu-

tion of private ownership of land. Would any land reform proposal win their support if it is described by its proponents as the abolition of private ownership of land?

George realised the advisability of introducing reforms with a minimum of upset to the existing order.

It is an axiom of statesmanship . . . that great changes can best be brought about under old forms. . . . It is the natural method. When nature would make a higher type, she takes a lower one and develops it. (1956, pp. 404–05)

For this reason he considered Herbert Spencer's proposal for declaring all land public property and leasing it to the highest bidders to be far too radical; it "would involve a needless shock to present customs and habits of thought—which is to be avoided" (1956, p. 404).

He could have further avoided shocking public standards if he had described his policy as one of modifying private ownership of land—which I believe it is—rather than one of abolishing private ownership of land—which I believe it is not.

V

Land Taxation or Land Nationalisation

SO FAR, I HAVE ASSUMED George's land reform proposal to be the one described above as the modified proposal—the taxation of land rent—rather than the original one (to "make land common property"). But there remains a fundamental and difficult problem of textual exegesis. Of the two proposals (the original land nationalisation or the modified land rent taxation), which did he really prefer? His followers differ in their interpretations. Some say that as his practical policy recommendation was land taxation, he should be seen as a land taxer not a land nationaliser. But others argue that his main concern was to nationalise land, and that the taxing of land rent was only an alternative put forward to circumvent an established prejudice against state ownership, people being more willing to accept taxation by the state than ownership by the state. According to this contention, land taxation is merely land nationalisation in disguise, a clever device used by George to implement nationalisation under the cloak of fiscal policy.

Henry George's own words lend some credence to this interpreta-

tion. Asking how we could secure our equal rights to the land, he stated:

The ideal way . . . in a new country would be to treat the land as the property of the whole, to allow individuals to possess it and use it, paying to the whole a proper rent for any superiority in the price of land they were using . . . In an old country, there is a very great advantage in calling the rent a tax. People are used to the payment of taxes. They are not used to the formal ownership of land by the community and to the letting of it out in that way. Therefore, as society is now constituted, and in our communities as they now exist, we propose to move towards an ideal along the line of taxation. (1889, pp. 4–5)

It is not surprising then that some should interpret him as an advocate of land nationalisation. For example, a 1910 Labour Party pamphlet by G. N. Brown began: “Henry George . . . was a land nationaliser, who yet objected to the term” (1910, p. 1), and John Rae regarded George as a partial or agrarian socialist, despite the fact that George denied the label and had socialists expelled from the United Labour Party in America in 1887.

The question will probably never be solved to everyone’s satisfaction. Those supporters of George who have anti-socialist leanings will continue to interpret George as an anti-socialist land taxer; and those who have socialist tendencies will continue to adopt George into their fold as a land nationaliser.

VI

Summary

THIS PAPER HAS ATTEMPTED to argue that George’s description of his reform program as the abolition of private ownership of land, and its replacement by private possession, was based on a misunderstanding of the concept of private ownership. It contends that George’s reform program is not logically inconsistent with the institution of private ownership of land. It also argues that his adoption of that terminology has impeded the acceptance of his reform proposal—and will continue to do so to the extent that present-day Georgists maintain that strict terminological tradition. The result has been, and will be, to distract attention from the major contributions he made to the evolution of

economic thought on the land question. In my view his three major contributions were:

1. By insisting that "equality" means not only political equality and equality before the law, but also equality in the use of natural resources, he has given a great impetus to the egalitarian movement and must be regarded as one of its leading figures.
2. He was one of the earliest writers to see *how* equality of land ownership could be effected without actually dividing up land into small and equal pieces, and without destroying the security of tenure necessary for long-term improvements, viz., by equality in the ownership of land value.
3. His system was a genuine attempt to find a middle way between the two extremes of private and public ownership of land. Unfortunately, he described his middle way as the abolition of private ownership of land and its replacement by private possession, whereas in my view his middle way could be more correctly described as modified, restricted, or conditional private ownership. He aimed to abolish the evils of withholding and monopoly of land, and at the same time avoid the dangers of bureaucracy, corruption, and dictatorship potentially inherent in state ownership. This was perhaps the most important aspect of his work, and one that is still relevant today.

Notes

1. For the purpose of this paper, the terms "ownership" and "property" are taken as synonymous. George made use of both terms, but (except in quotations) the former will be preferred in this paper, being the term more commonly used in such discussions today.

2. The question of whether, and at what point, town planning restrictions on private ownership amount to expropriation, was considered in great detail in the *Report of the Select Committee on Compensation and Betterment* (The Uthwatt Report), Great Britain, 1942.

3. This was the position taken, for example, by the Commission of Inquiry into Land Tenures (Chairman, Justice R. Else-Mitchell), Canberra, Australia 1976, where it was recommended that, while commercial and industrial land should ideally be held under leasehold tenure from the Crown, residential land should remain as freehold tenure, but with its future development value reserved to the Crown. In other words, the Commission accepted that a resi-

dential lot could remain in "private ownership" in the usual sense of that expression even though it no longer included a right to increments in land rent.

4. His decision to describe his reform as the abolition of private ownership of land might also have been based on rhetorical considerations. Did he deliberately adopt this revolutionary form of words, not because he really meant that private ownership of land should be abolished, but because he wished to issue a strong challenge to orthodox thinking and to attract publicity for his cause? As a skilled orator, he would have been well aware of the importance of rhetorical devices. I am indebted to a referee for this suggestion.

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