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Source: *The American Journal of Economics and Sociology*, Apr., 2001, Vol. 60, No. 2 (Apr., 2001), pp. 557-563

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

Stable URL: <https://www.jstor.org/stable/3487934>

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# Henry George on Land Ownership

## *A Comment on Pullen*

By JOHN K. WHITAKER\*

ABSTRACT. Did George alienate many by presenting his reform program as the institution of a new form of restricted land possession rather than as the retention of traditional ownership with a substantial land tax imposed? It seems doubtful, yet the distinction merits further exploration and the peculiar and hard-to-implement nature of the tax and the difficulty of reconciling it with George's distrust of government needs to be stressed. Ideally, George might have preferred complete government ownership of land but his policy proposals were pragmatically adapted to the realities of his own society. The extent of the egalitarianism and aid to the landless implied in his program is questioned.

### I

#### **Introduction**

THAT PEPPERY BRIGADIER-GENERAL Francis Amasa Walker, who was to prove George's most vehement and influential early critic among American economists, described George as wishing to give every person on earth the right "indiscriminately to enter and enjoy at will each and every lot and parcel of land upon the globe, and every building which may have been or may hereafter be erected thereupon" (1883, p. 141). It is a mystery how any careful reader of *Progress and Poverty* could have reached such a conclusion and one suspects that, like Marshall after him, Walker had not made a serious attempt to come to grips with George's views.<sup>1</sup> Despite occasional rhetorical overstatement, it is quite clear from *Progress and Poverty* that what George proposed—at least for long-settled societies—was to institute "private possession" as described by Professor Pullen. I am sympathetic to Pullen's argument that George might have propagated his views more effectively and suc-

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American Journal of Economics and Sociology, Vol. 60, No. 2 (April, 2001).

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cessfully had he chosen to represent his proposed land reform as restricting private ownership rather than replacing it by a qualified right of possession that was vulnerable to the charge of expropriation. But given the uproar and vilification George's book provoked, I find it difficult to believe that such semantic nuances would have helped placate many early critics, although they might have helped undermine such egregious misrepresentations as Walker's. In Britain, where government intrusion was probably less resented than in the United States, modest proposals for land taxation in 1909 helped precipitate a constitutional crisis. For its day, George's supposed land tax must have seemed gigantic. He expected it to finance all government activity, which he envisaged as considerably expanded, other sources of revenue being eliminated. No wonder that those who felt vulnerable to such a drastic fiscal reform lashed out, often unreasonably, to the threat. Describing the scheme as the replacement of ownership by possession, while hardly placating to opponents, did at least provide proponents with a clear and appealing potential rallying cry, although whether it was much used as such is unclear to me.

Pullen is perfectly correct in stressing that ownership is multifaceted and that George was willing to retain many of its incidents. Since George's day, an increasing tendency to restrict freedom in the use of land has increased the attractiveness of a relativistic view of land ownership to those wishing to draw on George's views in modern policy contexts. Nevertheless there remain basic questions about the feasibility of George's proposals, no matter how they are dressed.

## II

### **Ownership Versus Possession**

PROPOSALS FOR TAXING THE SOCIAL ELEMENT in the income from land were an almost inevitable consequence of Ricardian rent theory and were endemic through much of the 19<sup>th</sup> century—one can instance the cases of James and John Stuart Mill.<sup>2</sup> The argument was straightforward. Pure Ricardian rent results from the growth and change of society as a whole, not from the sacrifices of the particular individuals who have occupied the land, and therefore ought to accrue to society as a whole. This was surely the central tenet of George's views. A

compromise reaction to this argument was to propose that the state appropriate only the future “social increment” in land value—that is, the future growth in the value of Ricardian rent—on the grounds that confidence in the security of property should not be shocked. The difficulty with such a proposal is that the expected future growth in the social increment is already capitalized into current land values; those who had bought land in good faith, expecting to benefit from the increment, would suffer an immediate loss. Government compensation for all such losses, while conceivable, would simply require the government to finance an amount equal in present value to the expected future taxes. A net surplus could arise only if individuals had underestimated the future social increment.

George would have no truck with compensation. On the other hand, he did not wish to discourage private investment in the improvement of land or the erection of structures on it. He had a general distrust of governmental management or control of economic activity and a fear of the corruption it could engender. This left him treading a narrow path along which private control and economic incentives might be preserved and yet society could obtain its full due by the complete expropriation of Ricardian rent. If economic efficiency required each piece of land to remain in the same use, this goal might be attained by imposing a lump sum tax on the land in each period, the tax an amount estimated to equal the current level of Ricardian rent. Private incentives would not be affected and the net yield left to the possessor would just give the going rate of return to investments in or on the land, allowing of course for depreciation, obsolescence, and past misjudgments. A more difficult problem arises when socio-economic change makes a shift in use of the land economically appropriate. If the lump sum tax is not altered, the possessor will have every incentive to make the change at the appropriate time. The community, however, will no longer be receiving the full Ricardian rent. But if the occupier knows that the tax will increase to absorb all the benefit of a change in use, the incentive to make the change is eliminated. The resolution of the dilemma is for the tax to be based on the highest valued possible current use rather than the actual current use, thus facing the possessor with the need to either shift use or accept a subnormal return.<sup>3</sup> However, the making of such a hypothetical tax assessment

effectively puts the government in the position of planning and directing the pattern of land usage rather than leaving it to market forces, and it is difficult to see how the government could obtain the necessary information.

George's compromise was to make the occupier a co-partner with the state, receiving a small share of the land's Ricardian rent and retaining full power to control the land's utilization. This would give to the possessor an incentive to use the land so as to maximize its Ricardian rent, although this incentive would be tenuous if the possessor's share of the rent was only miniscule. George also wished to preserve the forms of private ownership, conceding to the possessor of a piece of land the right to give, sell, or lease to others some or all of the possessor's rights, together with any capital sunk in the land. Viewed in this way, George's "private possession" does seem equivalent to private ownership with a substantial land tax. The complicating feature is that the tax on a piece of land is designed to make up a large fraction of the land's Ricardian rent. The government tax assessor must estimate what this is, presumably relying on information collected from the possessor—a task fraught with ambiguity and possibilities for corruption. Indeed, the very concept of Ricardian rent is dubious in practice. Apart from geographic location, the original characteristics of a piece of land may have been irretrievably altered over time by manifold human activities. Which effects are to be counted as the result of past investments that should still be receiving some reward? Even more perplexing, which past depredations (i.e., destruction of original properties of the land) should still call for a charge against the possessor? In practice, assessments could hardly do more than deduct from the total return to land a reasonable return to relatively recent and well-documented investments in improvements.

### III

#### **Government Versus Market**

GEORGE WAS CERTAINLY APPALLED BY THE PROCESS through which large tracts in the American West had been turned over—often corruptly—to private ownership.<sup>4</sup> His 1889 remark quoted by Pullen indicates that he

might have preferred to retain the land in an initially unsettled territory in permanent government ownership, to be rented out on long-term leases to occupiers. Ideally such leases would be auctioned off competitively and would provide tenants with secure terms and compensation at expiry for unexhausted improvements, along the lines gradually evolving in Britain's landlord-tenant law in George's day. There would also need to be fines for unrestored deprivations. Such a scheme might well have come closer to George's desired goal of securing to society its just share of the return to land while minimizing the intrusion of the heavy and often corrupt hand of government into private affairs. The evaluation of Ricardian rent and its future growth would rest with the bidders. In an ideal competitive rental market this would free the government of the need to set the land tax on each piece of land. Of course, in practice, this level of competition might be lacking, posing the need for more government bargaining, while unexpected changes in Ricardian rent would not accrue to the government unless provision were made for awkward readjustments of rent while a lease was ongoing. The important point in all this is to emphasize that *Progress and Poverty* was an unusual combination of arguments from first principles and pragmatic accommodations to the current state of affairs and feeling in the America of George's day. This perhaps helps account for what Pullen sees as George's rhetorical lapse in promoting practical policies.

#### IV

#### **Equity and the Landless**

PROFESSOR PULLEN NOTES that George gave impetus to the egalitarian movement by insisting on "equality in the use of natural resources" (p. 555), and such an idea was certainly prominent in George's rhetoric. Pullen also suggests (p. 552) that George's scheme failed to appeal to the landless, who might have been seen as obvious supporters, since there was in fact a widespread desire among them to acquire land. George's basic proposal was to transfer Ricardian rent to the community, benefiting the landless with lower taxes and improved public facilities. But it is far from clear that the program promulgated in

*Progress and Poverty* provided the landless with improved access to natural resources. The cost of renting land would not seem to be systematically lowered, while the reduction in the cost of acquiring the right of “possession” rather than traditional ownership would be offset by the exclusion of the land’s Ricardian rent from the return to holding the land. Only by increasing the supply of land available for productive use could the landless be given greater access to it.

A prominent role is played in George’s thought by the idea that privately owned land is hoarded and held out of productive use by those who acquired it to speculate on a future increase in its value, which results from general socio-economic changes and reflects in a rise in the notional Ricardian rent. Possibly the landless who were unresponsive to George’s message—especially those in the American West—were themselves anxious to join the ranks of such speculators and hoped to make their fortunes by buying and holding the right piece of land. But perhaps George’s claim that land hoarding, by reducing the supply of natural resources available for production, was a root cause of depressions and low or even falling wages failed to convince. It is certainly one of the weaker elements in his economic theorizing.

### Notes

1. On these matters and for a survey and assessment of George’s views, see Whitaker (1997) where full references are given to *Progress and Poverty* (George 1879).

2. By the term “Ricardian rent” I simply mean to invoke the general idea of a distinct portion of the return to a piece of land—a pure rent—which is due to the intrinsic characteristics of the land and not to any human activities that have taken place on or around it. While I question the universal existence of such a distinction below, George seems to have taken it for granted.

3. Another possibility, but not I think one proposed by George, would be to allow the possessor to retain for some years the benefit of a change in use by analogy to the patent system.

4. See especially George 1871.

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