

# What is Property?

by Joseph Jespersen

**In 1840** the Frenchman Pierre Joseph Proudhon wrote a book entitled *What Is Property?* In its opening sentence he answers his own question with the pronouncement "Property is theft." Most people would question so sweeping an indictment. Still, many feel that somehow an element of injustice lurks in the processes by which property is distributed. Property, Proudhon says, is used to extract wealth and privilege through exclusive ownership. He expresses bitter opposition to property because he considers it the root of injustice. France was at that time mainly an agricultural country. When Proudhon speaks of property he is apparently thinking mainly of land. Elsewhere in the book he characterizes land as the source of all wealth. He holds that all inequalities in the circumstances of individuals arise because of the ownership of private property.



Proudhon

Proudhon proposes a system of guaranteed rights to occupation of land subject to actual productive use of it. His system includes the right of the peasant to pass the land on to his heirs, provided they are in a position to carry on its cultivation. He felt that under such conditions the higgling of a really free market would secure to each person the equivalent of the value he produced. He held that land should not be held out of use by individuals for their own profit. In Proudhon's scheme of things the productive use

of landed property would be a social return, and no longer a monopoly which makes theft possible.

### **Things which may be owned?**

Modern dictionaries present an imposing number of definitions of property. Most of them may be summarized in the phrase "things which may be owned." It is common usage to include as property things as diverse as land, buildings, commodities, stocks, bonds, mortgages, water rights, royalties and other things. Confusion arises from the failure to recognize that these things, while all legally subject to ownership, have very different economic functions. To avoid confusion a distinction must be made between the products of labor and the gifts of nature. Land, as economists define it, includes all natural resources — not only the surface of the ground, but minerals in the ground, water rights, the sea and the air, the fish in the sea, the birds that fly, all wildlife and virgin forests. These things are gifts of nature. No individual produced them. They should not be recognized as the property of individuals. Land should no more be owned than the air or the ocean.

Thomas Jefferson again and again pointed out that each generation of mankind has equal right to the earth and its resources. Today's increasing attention to concerns such as ecology, renewable energy, climate change and environmental pollution shows that we are beginning to realize our responsibility. Each generation of human beings is but a tenant here for a moment in time. This principle, that each generation has equal right to the earth and its resources, is the common denominator of our problems in both ecology and economics; it is of vital importance and should underlie all our institutions and legislation.



Jefferson

In 1972 the "Human Manifesto" declared, "The world belongs to the people who inhabit it." Does it? Our laws say the land belongs to the heirs and assigns of a small number of our ancestors, and in order to obtain access to the land we must come to terms with these heirs and assigns.

But the land did not really belong to our ancestors. All land titles originate in force or fraud. Land titles in and around New York City stem from 17th-century grants by the King of England and the Duke of York.

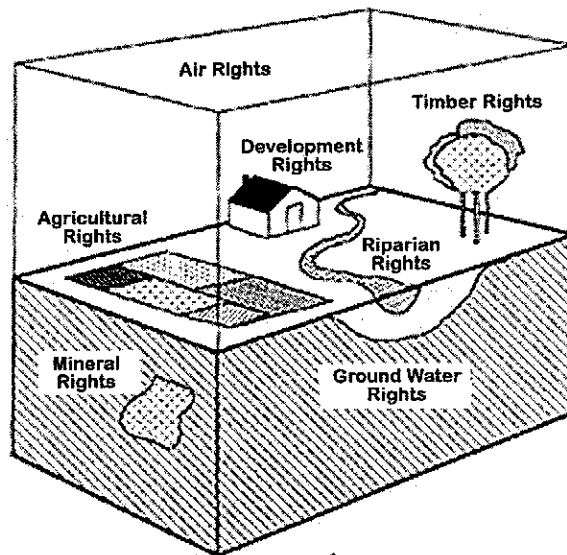
Land in Manhattan that little more than a century ago was farm land is now fabulously valuable. Its value is given, not by anything done by past or present title holders, but by the growth of the city. In order to use any part of this land, the present generation must pay to the title holders an enormous rent, a rent that keeps increasing as the city grows. This system fails to recognize that each generation, including our own, has equal right to the earth.

In our use of the word property, the distinction between land and wealth is to some extent recognized. Among things which may be owned, we do not include the air or the ocean, or the fish in the sea. On the other hand, among things generally regarded as property are some things not made by man — such as land, minerals in the ground, water rights. Insofar as these can be said to belong to anybody, they should belong to all the people. They should be used for the benefit of the community as a whole.

The failure to recognize this is the underlying cause of economic injustice. We observe that the very large fortunes acquired by individuals almost all come from land — the Rockefellers from oil, the Mellons from aluminum, the Guggenheims from copper, the Astors from New York City real estate. A tremendous portion of the value of corporations traded on the world's stock exchanges is actually that of land and natural resources. It is extremely difficult to become really rich unless one can somehow monopolize some land.

Whatever value a piece of land may have is given it, not by anything the owner has done, but by the growth of the community. Since the value is created by the community, that value is the natural source of the revenue needed to pay for community services. We do have, all over the United States, some tax on land values, but it does not come anywhere near collecting the full economic rent. We also have taxes on buildings and other improvements; these taxes penalize the owner who does anything to improve the neighborhood and reward the ones who let their buildings deteriorate to become a slum. In addition we have income taxes — sometimes at three levels — and we have sales taxes, excise taxes, tariffs and many hidden taxes of which we are hardly aware. All these taxes place burdens on production and tend to make things cost more. Taxes on land value, however, don't add to prices — because people already pay all for land that the market will bear. Land rent that the community takes is rent that the landowner loses.

In most places, little or no attention is paid to the difference in nature between the land and improvements. Improvements are produced by human labor; when new, their value bears a recognizable relationship to the cost of production.



With the passage of time their value is reduced by depreciation. But land was not created by labor. The value of land is not reduced by depreciation. Usually it is increased by the growth of population. This value rightfully belongs to the community, not to the individual.

The private collection of the rent of land has had a tremendous impact on the distribution of wealth. A thorough study of this impact was made by Henry George. Like Proudhon, George was a printer before he became a writer. His first book, *Progress and Poverty*, was published in 1879. He starts by asking why poverty persists despite the advances in technology which brought great increases in production. Now, after nearly a century of vast technological advances, we have even more reason to ask why poverty persists.



George

### **The greatest monopoly**

Henry George is an apostle of free enterprise. The trouble, he says, is that enterprise as we know it is not free. George opposed private monopolies. There are certain services which by their nature can most efficiently be performed by companies which have at least a local monopoly. To prevent abuses, such companies are subject to regulation. Anti-trust laws, first enacted in George's day, are now universally accepted as necessary. Ironically, a far greater form of monopoly remains entrenched — the land monopoly. Winston Churchill was right when he said, "The land monopoly is not the only monopoly, but it is by far the greatest. It is a continuing monopoly." Henry George emphasizes the continuing nature of the land monopoly. It is bad enough, he says, to suffer an injustice which results from a single act of wrongdoing, but it is infinitely worse to permit an unjust practice to become and to remain a permanent part of our economic system.

Because we have long submitted to it, must we continue to submit forever? Must our children and their descendants be saddled with it?

In a detailed study of our economy and our institutions, George reached the conclusion that the poverty is not due to the niggardlyness of nature, but to maladjustments in our economic system. He sees as the fundamental wrong the fact that certain individuals are allowed to monopolize the land. The injustice, he says, lies not in the private holding of land, but in the private expropriation of land's *value*, which is created by the community. The remedy is for the community to collect the full economic rent of all the land in lieu of all other taxes. Hence, the name "Single Tax" has been applied to George's proposal.

### **No need for "shock treatment"**

The reform that he proposes may be too drastic to be put into effect at once — but it must come, for justice requires it. It is not a panacea; other reforms are needed. However, the correction of the fundamental relationship between human community and the earth, which this reform promises to achieve, will make other vital reforms easier to achieve.

In any case, there certainly should be fewer problems — and opportunities for corruption — with a Single Tax than with the multiplicity and complexity of the taxes we now have. And, many of the social reforms that have been attempted have failed to achieve their purpose. Every reform is intended to in some way improve the community; if it does that, it increases the land value, the rent goes up, and thus the benefit of the reform accrues wholly to the landowners. So this reform must necessarily come before other reforms can become effective.

To facilitate the transition, it has been suggested that the Single Tax be adopted gradually — say over a ten-year period — by each year increasing the tax on the land value by ten percent until it absorbs the full economic rent, while simulta-

neously decreasing all other taxes by an equal amount. This would not disturb the tenure of anyone who is using the land; as the tax on land value went up, other taxes would go down. If the owner was not using the land, the increased tax would be an incentive to put it to use, or to transfer it to someone who would. It would thus discourage speculation — the holding of land out of use in anticipation of future profits. The low taxes we now have on land values encourage speculation in land and the resultant urban sprawl. Such speculation would end if the full economic rent of land were collected in lieu of taxes.

Ideally, the community, like the individual, should spend no more than it produces. Economists do not agree on how much revenue the Single Tax would yield. Some think it would be enough to support our present governmental structure; others think it would not. However, that is really beside the point. Justice requires that the land rent be fully collected for community use, before any other tax is imposed. Since the economic rent of land is the natural source of revenue, the only just source of revenue for governmental bodies, it should be fully collected before a single penny of tax is exacted from any other source. Governments have no right, and should have no power to take any part of the earned income of individuals while it permits certain individuals to appropriate the value created by the community.

What is property? People can justly own only what they have produced. Free enterprise will not be really free until this truth is recognized and is firmly embedded in our economic system.

<sup>s</sup> Joseph Jespersen (1893-1990) taught the Georgist philosophy for over five decades. He was a founding member of the Henry George Institute, and was, in George's words, "one of those sweet and patient souls who in narrow circles live radiant lives."

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