

Christianity & Economics 4

Land and Land Tenure

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T&JIF Biblical principles for social justice: Recap (1)



■ **First principle:**

Principle of Personal Responsibility (PoPR)

- Human beings are, as individuals, created in the image of God.
- Human beings are, as individuals, the moral agents through whom God wants to represent Himself within the created realm.
- Moral agency implies decision making power over oneself:
 - Personal freedom: free exchange, free association.
 - The right to personally own the fruits of one's labour and to freely exchange them for other goods: private property.

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T&JIF Biblical principles for social justice: Recap (2)



■ **Second principle:**

Socialisation of natural resource benefits (mainly land)

- Even distribution of the benefits of a nation's land – controversial part.
- Possibility of land being kept in communal ownership, so as to facilitate free and efficient movement of people over land – uncontroversial part.
- The first part of the second principle (even distribution of land's benefits) is the topic of today's talk
 - More experimental, tentative, and debatable.
 - Feel free to disagree!

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How land is different (1)

- Why should land be treated differently from any other good?
 - Why not evenly distribute the benefits of motorcars, houses or tables? Why land?
- Land is unique among goods in some important ways:
 - Land is not man-made; it is a "gift of nature" or a "gift of God".
 - If a gift, why give more to some than to others?
 - Not quite a free gift: Needs to be defended against foreign aggression. But defence can only be done effectively in community.
 - If everyone shares the "cost" of defence, everyone should share the "benefit" too.
 - Illustration from feudal system.



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How land is different (2)

Ways in which land is unique (cont.)

- Land is in fixed supply.
 - What the one gets more, all the others can get less (example of early Boer republics).
 - So: Involuntary spill-over effects of land ownership (communal decision-making justified)
- Land is the medium on which human beings move (humans as "land animals").
 - Freedom of movement requires some land to be freely accessible to all and, as such, to be publicly owned (communal decision-making justified).



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T&IF Further illustration of the uniqueness of land: land valuation.

- The value of a privately owned land parcel (the naked site, exclusive of buildings or man-made improvements) is determined by:
 - **1. Nature's contribution**
 - agricultural productivity, mineral content, natural beauty, proximity to waterways
 - **2. Proximity to public services**
 - roads, railways, etc.
 - **3. Spill-overs** (positive or negative) from the use of nearby private land
 - proximity to markets (labour or consumer)
 - how large and well-maintained the houses and gardens of the neighbours are
 - proximity to social ills like crime (informal settlements)
- Note that all three are external to the private individual who owns the parcel of land: site values are socially determined.
- If so, it makes sense to socialise site values.

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T&IF Communal quality of land already generally accepted

- In some ways, nations already recognise the communal quality of land:
 - When it comes to land use, the communal interest always prevails over the private interest.
 - For example, when the public interest requires some railway or road to be build, the state has the right to expropriate private landowners (at a reasonable price), so as to be able to build that public infrastructure.



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John Stuart Mill on land

"The principle of private property has never yet had a fair trial in any country... The laws of property have never yet conformed to the principles on which the justification of private property rests. They have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist... [I]f the tendency of legislators had been to favour the diffusion, instead of the concentration of wealth, to encourage the subdivision of the large units, instead of striving to keep them together, the principle of private property would have been found to have no real connection with the physical and social evils which have made so many minds turn eagerly to any prospect of relief, however desperate."

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John Adams on land

"[E]verybody has to own property [in land], but nobody [should] own so much that there was not enough for everybody else."

(John Adams, 2nd president of the US and co-writer of its constitution)



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Digression: Justice of rewards (1)

- Traditional production factors:
 - **Labour:** Does the actual work of putting the products together; rewarded in *wage*.
 - **Capital:** Provides the money tied up in the production process and accepts the risk of not earning back that money; rewarded in *interest*.
 - **Entrepreneurship:** Provides the ideas about selling opportunities and the organisational and managerial effort of turning that opportunity into a profitable reality; rewarded (in part) in *profit*.
 - **Nature (land):** Furnishes the material and energy inputs in production + the land to stand on while producing and consuming; rewarded in *rent*.

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Digression: Justice of Rewards (2)

- But economic science also recognises two "original factors":
 - Nature (land)
 - Labour (human effort & skill)
- Basically: All wealth is created by humans from nature.
- Capital comes from combination of labour and nature.
 - Capital as money must initially have been saved up out of income from labour and nature.
 - Capital as implements (capital goods) is made from labour and nature.
- Entrepreneurship is just a form of labour.



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Digression: Justice of Rewards (3)

- If all wealth is essentially produced by labour and nature, and ...
- ... if it were somehow possible to separate rent income from wage income, and ...
- ... if it were somehow possible to collect rent income and distribute it evenly, then ...
- ... all other incomes earned in the market would be attributable to labour:
 - how hard people work, how skilled and clever they are, and how well they cooperate with each other.
- Accords with PoPR, which requires that ..:
 - .. income is justified in terms of what people *do*, i.e. their labour.

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Digression: Justice of rewards (4)

A free-market system based on

- (a) PoPR, and
- (b) an even distribution of the benefits of natural resources,

can have a JUST DISTRIBUTION OF INCOME, if ...:

- ... justice means that people are rewarded according to skill and effort, with a guaranteed minimum income derived from their share in the benefits of land.



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T&IF How, then, do we distribute the benefits of land? (1)

- The Mosaic option: Just give every private citizen a more or less equal amount of (agricultural) land.
 - Meaningful for a predominantly agricultural society with fairly abundant land supply (Biblical times, early US, early Boer republics).
 - Less meaningful in a densely populated, more advanced industrial society like modern SA.
 - Most valuable land is not agricultural land.
 - Agricultural land units become sub-economically small.
 - Zimbabwe: Land distribution remains equally uneven + zero land productivity.



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T&IF How to distribute land? (2)

- The communist option: Nationalise all land.
 - The state is often not a productive user of land.
 - Too much concentration of power in the hands of state officials.
 - The betrayal of the Russian and Cuban peasantry.
 - Nonetheless: There is scope for some land being publicly owned to facilitate free movement of people. The state as facilitator of cooperative land use rather than land user itself.



How to distribute land? (3)

- The land-tax option.
 - Henry George, 19th century American economist.
- George suggested that:
 - Land is a communal good: belongs to all citizens.
 - Land can nonetheless be privately owned.
 - Private land owner needs to compensate the community for the right to exclude all others from his/her land by way of an annual tax (a rent).
 - That annual tax should reflect the naked site value of the piece of land concerned, exclusive of man-made improvements.



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How to distribute land? (4)

- George suggested that: (cont.)
 - There should be security of tenure. Nobody can be forced off his or her land, unless:
 - ... for the usual reasons of public infrastructural works; and
 - ... someone fails to pay his land tax or threatens to irreparably damage the land.
 - If the annual rent is correctly set, the naked site-value of land should reduce to zero when land is sold. Selling price of land will then reflect only the value of man-made improvements.

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How to distribute land? (5)

- George suggested that: (cont.)
 - There need not be discouragement of investment in the land, because:
 - ... security of tenure;
 - ... value of man-made land improvements can be recovered in selling price.
 - The state can determine the rent according to changing market circumstances.
 - All other taxes, apart from some user taxes, can be abolished.

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Some history of Georgian land tax

- During the end of the previous century and the beginning of this century, George's ideas were very influential in Scotland as well as in the British Liberal Party. Leading "land taxers" included Joseph Chamberlain and Josiah Wedgwood, plus Lloyd George and Asquith with considerably more reserve and compromise.
- If it was not for the intervention of WW I and the obstructionism of the House of Lords (representing landlord interests), some form of land and tax reform along the lines as suggested by George would probably have been implemented in Britain in the early 1900s. Most countries, including South Africa, still have Henry George societies.

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T&JIF Government as land company (1) Tentative ideas in the tradition of George

- Set up local land companies with whom ultimate title to all local land rests.
 - They can be limited liability corporations, as they deal with the public domain *par excellence*.
 - They can be treated as local/regional government.
- Every citizen gets one share and one voting right in one local land company, according to traditional residence pattern but irrespective of race.
- Every resident of a locality/region pays a monthly/annual land rent to the relevant land company.
- Negative tax (net payout) for those who privately own a below-average share of all the natural resources.
- Aim of land-company-as-government: Maximise annual dividends for shareholder-citizens, which serves as minimum basic income.

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T&JIF Government as land company (2)

- Various local land companies compete with each other for productive land users (e.g. farming talent), which ensures competitive tax levels for land users
- Land companies also responsible for provision of services which affect local land values:
 - law & order
 - infrastructure: roads etc.
 - water, electricity, refuse removal, street cleaning, etc.
 - primary and secondary education (public good because democratic participation requires basic knowledge on the part of all citizens).

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Government as land company (3)

- All other welfare provisions (health, tertiary education, pensions, benefits, etc.), people must finance themselves out of their own dividend pay-outs.
 - People can waste their pay-out but that is their personal responsibility (PoPR).
 - Further advantage: Easier to fine offenders, people always have money.
- Politicians-as-managers of land companies are elected by shareholders as with corporations.
 - Incentive to elect best qualified people: Failure to do so affects dividends (still a place for big-corporation managerial talent).

Government as land company (4)

- Local representative councils (local "parliaments") become like shareholders' meetings.
- Local citizen-shareholders now have vested interest in local commercial farming: Raises rents and thus dividends.
 - Solution to the conflict between land redistribution and commercial farming.
 - Also greater supply of farming talent, because no longer held back by large capital expense of land acquisition (only man-made land improvements paid for).

Government as land company (5)

- Shareholders' meeting can decide not to rent out some land but allocate it to traditional communities for traditional living.



- But the loss of rent on that land must be deducted from the dividend pay-out for individuals in those communities.

- Shareholders' meeting can decide to dedicate land to nature conservation and take the loss in dividend.



- Responsibility which counterbalances the right to land dividends: Willingness to serve in army to defend the land.

- Raises further issue: Cooperation between regions.

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Government as land company (6)

- I would tentatively suggest:
 - Land rights ultimately rest with the local land company, not with the central government: Regions have the right to secession from federal state as central government.
 - Federal state is a voluntary cooperation between various regions to enhance the defendability of the whole state.
 - The deal between regions is as follows: Regional land companies pool their land rents insofar determined by natural factors; then share it between all citizens of the federal state.

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Government as land company (7)

- Recall that land rents are determined by three factors:
 1. Nature
 2. Public services
 3. Spill-overs from adjacent land use
- Because rents determined by 2. and 3. are locally determined, they should not be nationally shared.
- This is the best state I can think of, arguing from biblical principles.

Other aspects of land policy (1)

- Does PoPR legalise vices like prostitution and pornography. Is that left to people's own responsibility?
- Answer: yes and no.
- First the "yes":
 - What adults do in the privacy of their own home is not the concern of the state (though it may be of their church as a voluntary association).
 - Prostitutes and their clients are sinners but not criminals, plus deserve the protection of the state against violence against their person.

Other aspects of land policy (2)

- Then the “no”:
 - When prostitution and pornography spill over into the public arena (the public street and the publicly accessible shop), the state has a right to interfere.
 - I suggest: Let representative councils at the most decentralised level (suburb, burrough) decide on how their public places can be used.
 - Most councils will decide against, some will allow; dissidents can always leave to live somewhere else.
 - Minors should ALWAYS be protected.

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