A Short Perspective on Land and Social Evolution

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What do we think about when thinking about "land"? The answer may seem obvious. But it is not. In the early 18th century, when most people were subsistence farmers, meeting most of their needs by their own effort and having little traffic with the then still rudimentary market process, we thought of land as a tillable field or possibly a site for mining various natural resources. It gained value as we built up or imported richer soil or discovered minerals in it, and lost value as we exhausted the soil or the minerals in it. The French Physiocrat economists of the eighteenth century wrote of land as the source of all wealth. It was thought of as physical, the solid part of the earth's surface and, as such, necessarily limited in amount.

Then the market process began to evolve rapidly and to an extent unprecedented in human experience. By specializing their activities and exchanging products and services, people found their wealth increasing exponentially. But with specialization, land uses were no longer uniform. Instead of each family tilling the soil much as their neighbors did, land uses became increasingly diverse. Now it became important how a person located his activities relative to other land uses. Each wanted proximity to his specialized suppliers and markets, and so we had a booming growth in cities, as people crowded in and jockeyed for the most strategic position vis-à-vis others. Fertility of soil ceased to be a major consideration for most. What mattered more was access to surrounding land uses and natural features, which is to say, the unique environment to which each site offered access. Whereas a French Physiocrat might have quipped that "three things give land its value: fertility, fertility, and fertility," today's realtor says, "location, location, and location."

The agriculturist envisioned land as some part of the solid surface of the earth because that was his universe; it was where he dwelt, it was what he knew. But a newer view, and a more useful one for economics, is that land is not physical, nor is it limited to the earth. In this more technical sense, "land" is intangible; it is simply a location in the universe differentiated from all others by its three-dimensional position in space. To be useful and hence to have value, it must be strategically located for someone's purpose vis-à-vis human activities, present or prospective. Hence the value of a particular parcel of land depends on its *economic location*, which is to say its location relative to human activities. That value is independent of any resource or activity on the parcel, except as they might influence change in surrounding activities and these then react back upon and affect the original value. Economic location and, with it, land value, is ever changing, continually being destroyed and created, constantly in flux as human plans and activities change.

So now we are talking about “land” in two quite different senses, the earliest having to do with the solid part of the earth’s surface, and the more recent reflecting the growing specialization of land usage that for three centuries has developed apace with the evolving market process. Failure to recognize this historic change can cause us grief.

The ‘Land Question’

John Locke in the seventeenth century theorized that land, not being something that anyone creates, since it is pre-existent, is not an appropriate subject for property as most people conceive of that term.[*] Postulating a labor theory of ownership, he held that the only way property can come into being is by someone expending labor in making it. Moreover, since land as he thought of it was limited in extent and yet was the source of man’s subsistence, for anyone to claim absolute ownership over it would be immoral; for in theory, at least, the landed class might then deprive others of their very subsistence by excluding them from land when there was no place else to go. One should only claim the usufruct of land, therefore, and then only so far as there remains “as much and as good” for others. This becomes problematic, however, the moment someone claims scarcity. Locke suggested no solution to this. Presumably, it would be up to legislatures and courts to determine the fairness of individual land holdings and reassign them accordingly.

Influenced by Locke’s labor theory and his moralizing bent, later writers, notably Karl Marx and Henry George, concluded that property in land was a usurpation, not a part of the order of nature, but an artificial monopoly enforced by the state for the benefit of the landed interests. Marx therefore made the abolition of property in land the first plank of the Communist Manifesto of 1848, and George wrote a monumental work, *Progress and Poverty*, arguing for nationalizing property in land or making it the sole subject of taxation. Towards the

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[*] It seems odd that Locke nevertheless does continue to use the term “property” with reference to land. For example, he writes in *Two Treatises of Government* (Second Treatise, Section 32, in Chapter 5), “*As much Land* as Man Tills, Plants, Improves, Cultivates and can use the Product of, so much is his *Property*.” But then it would follow that, should a man cease to till, plant, improve, cultivate, and use the product of land, it would cease to be his property. This is not consistent with the most ordinary usage of the term “property,” which denotes things that one can leave alone for long periods of time, if not indefinitely, without their reverting to the public domain. Property can be let to others with its time or use delimited, and that tenure is also property, subject only to its contractually agreed upon limitations (and the limitation common to all property that its use not trespass on the property rights of others). The reversionary interest continues without time limitation.

end of the nineteenth century and the beginning of the twentieth he "land question" was hotly debated. But the protagonists on both sides, unable to make headway in their arguments, gradually bogged down, and the subject of land has been largely ignored in economic literature since that time.

Spencer Heath in the mid-twentieth century suggested, as an alternative to Locke's labor theory, a different and perhaps more productive way of conceiving of property in general. He looked upon property not normatively or judgmentally, but descriptively, as anything that can become the subject matter of contract. This enabled him to describe for the first time the social function of property in land. While his conclusions hold for land ownership in pre-industrial society, they have particular relevance for an advanced market economy.

Social Role of Property in Land

Ownership is a social consensus having little or nothing to do with legislated law, as evidenced by the elaborate development of systems of property in stateless societies. Owning things enables those things to be bought and sold and traded, and hence a free market to develop. The virtue of a free market in land is that in an advanced society it enables people to move about freely, positioning their own specialized activities to best advantage relative to those of other people. Thus property rights in land can be understood as positioning rights, and the buying and selling of land as the buying and selling of positioning rights with respect to the increasingly specialized location uses of others. Without freedom to barter and sell positioning rights with respect to one another in society, both mobility and tenure would be precarious, subject to vicissitudes of force and favor. Practicing or not practicing ownership of land is the difference between being guided by established game rules or merely by expedience in the moment, which is to say the dictates of politics, whence the title, *Politics versus Proprietorship*, chosen by Spencer Heath for his first collection of essays on the subject in 1936.

Heath went on to describe how land, privately owned, is increasingly administered in an advanced economy as productive capital. He defined capital in a way that highlights its function in the free-market process. Capital, he said, is any wealth in a market economy that is dedicated, directly or indirectly, to the use of others. Thus Robinson Crusoe, as long as he was alone on his island, had no capital and never would or could, for there was no exchange system. He might have tools, but these were not capital because they were serving only himself. Heath used the illustration of the tobacconist: his cigars on display are capital, but when he takes one out and puts it in his vest pocket intending to smoke it at lunch, it is no longer capital. Deciding not to smoke it after all and putting it back in the display case, it becomes capital again. Any land owner who, instead of using a site for himself for a residence, say, or a subsistence farm, lets its use out to others, enters into the contractual, free-market process by administering that property as capital. As this becomes common practice in an advanced, free-market economy, it has some unexpected and quite intriguing social implications.

The Manufacture and Marketing of Environment

An owner who lets or sells anything to another naturally wants it to be serviceable for his customer so that his customer will be able to serve and continue serving him in turn. More than that, if he is entrepreneurial, he looks for ways to improve whatever it is that he has to offer. In the case of land that he has let out to another, how can he do that? *He can improve a location by tailoring its environment to the customer's needs*. Thus a land owner who wants to improve the worth of a piece of land he has leased out puts his attention not on the land itself, but inevitably on its *environment*.

By way of illustration, the owner of a shopping mall customizes the individual locations within the mall by a complex orchestration of the whole. He is alert to everything on the mall that has environmental significance for the individual leased sites. Beyond providing adequate parking and attractive landscaping, he studies the placement of stores and common areas/facilities for their optimal effect on each merchant's location. He strives for an optimal selection of types of merchants to create the maximum draw from the market area collectively served by them. He wants, moreover, for every merchant to find himself a part of a vibrant community of merchants who together make an effective retailing team, each ready to cooperate in a hundred different ways such as participating in joint promotions, referring customers, maintaining a good appearance, keeping regular hours, or alerting one another promptly in security matters. Every team needs a coach, and the owner or mall manager is positioned to fill that role. He can provide effective leadership because the merchants recognize that he is not partisan but is interested in the success of the whole mall as such. The presence of someone who is interested and yet impartial is the final environmental feature—the catalyst—that helps all of this to happen. All of this results from the owner administering location as productive capital by putting it to the service of others.

But as the environment of the leased sites is not constrained by property lines but continues ever outward, so the mall owner's environmental concern extends well beyond the bounds of the mall. He wants to promote all of the more obvious things in the surrounding community that affect the merchants collectively, such as convenient freeways and other transportation to and from the market area they serve. But more than that, he wants the surrounding community to be affluent, since that means a prosperous customer base for his merchants. The level of affluence in the host community is determined by many of the same things that give leased sites within the mall their utility, such as provision and maintenance of parks and well-placed streets, water and power and other utilities, sewerage, security, justice services, to name a few. The owner, therefore, is concerned with quality of management in the surrounding community as he is within the mall itself, which is to say that he is interested in the quality of local government. He is concerned that municipal services be performed well and with the least burden of taxes, whether that means monitoring, informally supervising, subsidizing, or actually providing the services, alone or in collaboration with other owners. Although attenuated with increasing distance, his non-partisan interest in sound public administration extends beyond the host community to the county, the state, and the nation.

The shopping mall illustration had to do with an owner leasing to multiple tenants. A small landlord, leasing or renting to perhaps one tenant, has little hope of improving or rearranging the environment of that small parcel to make it more valuable to the tenant. He is almost as helpless as an individual owner who uses the land directly. He lets it for whatever use and level of use the existing surroundings permit and has little control over how community infrastructure is provided. If he looks for any improvement at all, it is for municipal government to intervene on his behalf. But as he enlarges his holding or combines with others to achieve a holding of more practical size, and acquires multiple tenants, he gains leverage over the environment. He finds first of all that in the very act of leasing to multiple tenants, each becomes a factor in the environment of every other, with a consequent potential for synergy. By careful selection, therefore, he strives to optimize his tenant mix. As his customer base increases, it becomes economically attractive for him to make other and more substantial investments of an environmental nature.

The development of multi-tenant income properties since only the mid-nineteenth century is one of the less known yet more dramatic stories in American land usage. In the last fifty years, more than half of the retail activity of the nation has shifted to shopping centers, and multi-tenant income properties in general have proliferated in number and in kind. The major types, listed here roughly in the order of their appearance, include hotels, apartment buildings, office buildings (dubbed “skyscrapers”), commercial airports, shopping centers, RV parks and camp grounds, mobile-home parks, marinas, science parks, professional parks, medical clinics, theme parks, and integrations and combinations of these into generalized, multi-use developments. Many large hotels today, such as the MGM Grand or the Venetian in Las Vegas, have the complexity of a small city. Residents can fulfill any or all of their normal needs without ever leaving the property. These hotels, with respect to population size, dwarf the city of Boston at the time of the American War for Independence.

Thus in terms of growing complexity and size, we discern a trend in recent history of multi-tenant income properties moving in the direction of becoming what we are accustomed to think of as communities, albeit communities that are privately funded and wholly administered through the free-market process.

Conclusion

Those influenced by the old view and by Locke's labor theory of ownership hold that a "land owner" can be such in name only. He cannot own land because he can't create it, land being pre-existent. Since he doesn't create land, the Lockean-Marxist-Georgist doesn't see that he performs any service. Not performing any service, he is not entitled to any recompense such as sales price or rent. This view misses the mark; for it leaves out of account the most fundamental service that any owner, including an owner of land, performs and for which he is recompensed in the market. Even the small land owner who is unable to do more than passively let or sell a location "as is," without improving it, nevertheless performs a service deserving of its recompense.

The fundamental service performed by an owner of land or anything else is twofold:

First is the stand-by service of holding clear, unchallenged title, which benefits all of society. For this he receives no recompense from any other party except that all members of the cooperating group respect his sole authority over the thing in question, as he does theirs over the things they own. Thus they grant one another what is known in the old language of the common law as "quiet possession," "quiet" here meaning that others respect it. This enables people to hold and productively use resources in society, whether as consumables or as capital.

Second is the service an owner performs when he enters into the exchange system and transfers that quiet possession to another. For this social/psychological, wholly intangible service he does receive a free-market recompense. When such transfer takes place, both parties to the transaction profit and are recompensed according to how they value their property and what they receive in exchange. This transfer of ownership or title—this transfer of quiet possession—is a service *only owners can perform*, and it is the sine-qua-non of civilization. The convention of ownership and exchange is the customary and peaceful means by which people hold and distribute resources in society.[†]

[†] Note that holding land or any other kind of property for speculative gain can be beneficial, though risky. In an exchange system, an owner receives recompense only as he puts his property to the use of others, for market value arises only at the point of exchange, all other value being anticipatory or wishful. Holding property in anticipation of a greater value later can benefit the entire cooperating group—society—by preventing wasteful or premature use of scarce resources. But he who wrongly anticipates the future may receive less than had he offered his property initially. In a free market, happily, he who correctly anticipates society's future needs will find himself in a position to try more of the same.

Environmental enterprise—the administration of land as productive capital—is relatively new in the world. It signifies a new direction in the continuing evolution of the free-market process toward providing not only individual goods and services, which it has given us in great abundance, but community and environmental services as well, which traditionally have been the province of political government. Projected into the future, this suggests that nature's plan, as it were, for human society is that it shall be stateless—that is to say, *wholly consistent internally,* with no institutionalized contravention of property rights.

Broadly, that is the pattern in which human society began. The headman of a local group or clan had influence, but not authority over the person or property of anyone else. The transition from social cooperation within small groups defined by kinship status to a universal cooperation based on contract has been difficult and still is incomplete. As is characteristic of transition phases, it has been a time of instability, accompanied by social upheavals and disturbances due to the breakdown of systems of property rights and the incomplete development of new ones to meet new conditions. In this time of transition, mankind has suffered repeatedly from predations of political powers on their own populations resulting in the twentieth century in hundreds of millions of deaths quite apart from war. Considering the awesome monetary and technological resources in the hands of political rulers, the transition is far from assured. But the recent evolution of commercial real estate is one indication that the free-market process may be moving toward providing for our common and community needs no less than it has for our individual needs. There is light at the end of the tunnel, or so it would seem—and not so far off, if we can survive to reach it.

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