Self-ownership, Private Property, and Unconditional Income: a variation on the Georgist proposal for basic income

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The question of what should be included in the tax base for financing a universal and unconditional basic income is undoubtedly the focus of intense debate. Where there seems to be no big disagreement, however, is that ‘pure’ natural resources, i.e. (value of) resources in their ‘unimproved’ state, constitute a source that can be justifiably taxed. It has also been frequently noted that, on this issue, basic income theorists have strong support from a certain strand in the libertarian tradition, represented in the writings of (the early) Herbert Spencer, Henry George, and more recently, Hillel Steiner. Put very briefly, for these writers, in order to secure the rights of each person to equal liberty and self-ownership, the value of raw material resources, i.e. the portion of the value of a product that is due to natural resources, is to be fully taxed. Accordingly, the right of self-ownership, and the entitlement to the fruits of labour that this right entails, is understood to be a right (only) to the portion of value of those products that is attributable to labour. It therefore follows that for these writers ‘the fruits of labour are not taxable; the fruits of nature are’.

This paper attempts to provide a model that adopts the central tenets of the ‘left-libertarian’ tradition mentioned above. It must hence be immediately remarked that the tax-raising capabilities of the proposed model will seem limited to a basic income theorist. Whether or not this is so (and this point will be picked up below), the arguments offered here seem to have implications that will be of importance.

We can start by noting that while this paper embraces the left-libertarian inheritance, what will be suggested below differs in a number of ways from the Spencerian and Georgist proposals. The main difference lies in the way that the model that will be put forward here, i.e. the ‘purchase model’, offers a way of appropriating/privatising

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1 See, for example, the recent exchange between White and Van Parijs. White, ‘Liberal Equality, Exploitation, and the Case for an Unconditional Basic Income’; Van Parijs, ‘Reciprocity and the Justification of an Unconditional Basic Income. Reply to Stuart White’.
3 Steiner, ‘Three Just Taxes’, p. 82.
resources\textsuperscript{4} while ensuring the equal freedom and self-ownership of all. In order to respect the principle of equal freedom, (the early) Herbert Spencer advocated a 'system of land tenure' in which individuals bid for the lease of land titles, and consequently private ownership of land is ruled out.\textsuperscript{5} Equally, under the Georgist scheme titles to sites (i.e. spatial locations upon, above or below the earth’s surface) amount to leaseholds: in this way the scheme continuously taxes the ‘rental’ value of resources while leaving untaxed what is added by labour. The Georgist proposal limits land ownership to leaseholds, and so takes the ‘kernel’ and leaves the ‘shell’: in this scheme there is no full private ownership of land (or, more correctly, of sites).\textsuperscript{6} By contrast, the alternative offered here, i.e. the purchase model, aims to provide a way of allowing for acquisition and full private ownership of resources.

Clearly, in a world of successive generations, the main objection to full private ownership of resources is that a newcomer coming into a fully owned world will be, to quote Spencer, ‘portionless’. This in turn will be a violation of the left-libertarian principle of giving each person the equal right to the use of the earth. What the purchase model suggests therefore is this: each person acquiring and privatising a resource will pay the current value of that resource, and what is paid will go into a common fund only the (real) interest on which is distributed among the members of the society. It is the fact that the proceeds from the sale of resources is never distributed that ensures that under the purchase model the equal rights of everyone (and this includes the members of future generations) is secured.

A number of points about the purchase model are worth noting here, before we go on to a detailed discussion. First of all, the purchase model, by requiring each individual to pay an amount equal to the value of what she appropriates, clearly presents a system where ‘fruits of nature’ are fully taxed. Following from this, by favouring only the taxation of the ‘fruits of nature’, the purchase model escapes objections of

\textsuperscript{4} Throughout this paper, ‘resources’ are understood to be external, material natural resources. One attempt by left-libertarianism to deal with ‘internal’ natural resources will be mentioned below.

exploitation. Since the fund is made up only of the proceeds from the sale of (external, material) resources (which are not initially owned by anyone), and since every person has a right to her (equal) share of the interest earned by the fund, the purchase model is not vulnerable to the criticism that in it certain people live off the labour of others. Secondly, by allowing individuals to purchase resources, the model provides for people the opportunity to act on ‘calculated’ gambles and insights. This means (as will be explained in greater detail) sanctioning results of ‘option luck’, something which some (and most Lockean) theories of justice aim to do. Thirdly, even if a resource has been depleted or misused by the members of the present generation, the fact that those acquiring that resource paid its value (at the time of the acquisition) means that the (original) value of that resource has been preserved for the newcomers. The original value of what has (later) been depleted has gone into the fund, and the newcomers are entitled to their share of the interest earned by the fund. Fourthly, following from its aim to better enable individuals to incur the benefits/costs of their activities, the model favours a system in which individuals receive a one-off payment, rather than the ‘mildly paternalistic’ one where there is an indefinite sequence of small payments. Fifthly, the model advocates an unconditional income that is universal. Since it is accepted that natural resources are not (initially) owned by any one person or group of persons, each (adult) member of the community of human beings, regardless of where she is born, is entitled to her share of the total interest earned by the fund.

II

We can begin by trying to see how the purchase model would deal with the central left-libertarian question: ‘How can the liberty and self-ownership of each be made

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8 For the concepts of ‘option luck’ and ‘brute luck’, see Dworkin, ‘What is Equality?’, p.293. Also see Vallentyne ‘Self-Ownership and Equality’, esp. pp. 329-34.  
9 Van Parijs, *Real Freedom for All*, p. 47.
compossible with the liberty and self-ownership of the rest?’. For our proposed model, which, unlike its Spencerian and Georgist alternatives, allows for private ownership, the answer to this question is of great importance. Since the private ownership of a resource excludes the use of that resource by others, what is the way to legitimize the acquisition of a resource, not forgetting that the resource is not (initially) owned by anybody? The short answer here is to require everyone appropriating a resource to pay for its current value (say, at an auction). By purchasing a resource, a person can be said to do ‘as good as take nothing at all’. Therefore if, to quote Nozick, in a discussion of just acquisition ‘the crucial point is whether an appropriation of an unowned object worsens the situation of others’, the purchase system satisfies not only this proviso suggested by Nozick but even a stronger one. It in fact seems to satisfy a very stringent interpretation of the Lockean ‘enough and as good’ proviso. Taking this stringent interpretation to be, following Cohen, that ‘one must leave for others enough and as good to use and/or appropriate as they had before one appropriated’, the fact that the appropriator pays for the value of the natural object she acquires seems to satisfy (certainly the spirit if not the letter of) this proviso. By matching the value of what she takes, the appropriator can be said to satisfy a proviso that is satisfied by, for example, someone who takes water from a superabundant river.

Now, in the purchase model, once a natural object (e.g. a plot of land) is paid for and appropriated, it goes into (permanent) full private ownership. Yet it was noted above that what led the left-libertarian thinkers such as the early Herbert Spencer and Henry George to effectively rule out private ownership of land was that it would violate the principle of equal freedom. Spencer pointed out that once individuals are allowed to privately own ‘portions of the earth’s surface’, there will come a time when the earth will be fully owned, and those newcomers who own no property will be ‘trespassers’.

10 Steiner, ‘Three Just Taxes’, p. 82.
11 Locke, Two Treatises of Government, paragraph 33. See also Cohen, Self-Ownership, Freedom, and Equality, p. 77.
12 Nozick, Anarchy, State and Utopia, p. 175.
So when X and others come to own all of the land, Y, who newly appears on the
scene, will have no room even ‘for the soles of [his] feet’, which means that he will
not be ‘equally free with those others’. Without going into great detail here, let us
note that the purchase model would escape this objection since it allows only the
interest earned by the fund (which is made up of the total proceeds from the sale of
natural resources) to be distributed. If the ‘capital’ part of the fund were to be
distributed among the current members of a society, this would effectively mean that
members of that society privatize resources and take something to which (or, more
correctly, to the interest on the value of which) the future members of the society are
titled. It is clear that if this were case, then the Spencerian objection would hold. By
avoiding this situation, i.e. by not distributing the ‘capital’ part of the fund but only
the interest earned by it, the purchase model ensures that the equal rights of the
members of future generations are secured.

We tried to show why the purchase model, despite the private ownership of resources
that it allows, will not be vulnerable to the Spencerian objection (this objection is of
course also echoed in George). Yet what are the reasons for claiming that the
purchase model is preferable to its left-libertarian alternatives? With the help of in
particular a comparison with the Georgist scheme, we will argue that the purchase
model better embraces the (Lockean) values that underlie the theory of justice that all
three models (i.e. the Spencer, the Georgist, and the purchase system) subscribe to.
More specifically, it will be claimed that the purchase model is superior to its
alternatives because it (i) does not ‘pool’ the consequences of ‘option luck’, and (ii)
does not take away (as the Georgist tax would do) some of the value that is created by
(especially) certain groups of people.

Spencer, *Social Statics*, p. 132. It must be stressed here that this Spencerian objection applies only in a
world of successive generations. Spencer holds that, ‘[o]ut of many starting with like fields of activity’, one
may obtain ‘by his greater strength, greater ingenuity, or greater application, more gratification and sources
of gratification than the rest’. In a one-generation world, therefore, it is not impossible that some would
come to own the whole of the earth’s surface, this without constituting an injustice for Spencer.
A

Following Richard Dworkin, let us define an instance of ‘option luck’ as the case where a person takes an isolated risk that she ‘might have declined’, and makes a ‘calculated’ and ‘deliberate’ gamble.\(^\text{15}\) That an individual incur the consequences of such a gamble, consequences which may also be said to be the result of ‘choice’, is accepted by many theories of justice.\(^\text{16}\) This is especially true for arguments, such as the (left) libertarian ones, that are based on the view that ‘what is just – what is owed to individuals by right – is inextricably bound up with what they have done’.\(^\text{17}\) So if, to follow Steiner, the incurred consequences of option luck ‘are not items which justice requires us to pool’\(^\text{18}\), then the purchase model ought to be preferred to its alternatives. What will therefore be argued below is that the Georgist scheme, with its continuous taxation of the ‘rent’ value of natural resources, fails to enable individuals to incur the consequences of option luck, while the purchase system does not.

Consider the case of the entrepreneurially alert X, who is the first person to realise that a resource may be used in a new way. X decides to purchase a big plot of land away from the city centre and build houses, thinking that some people will prefer to live in an area that is, say, less polluted and quieter. X is the first person to spot the possibility that a resource, i.e. that plot of land, can be used thus and so. Let us assume that X’s deployment of her insight turns out to be a successful one. As X’s insight is shared and acted upon by others, it is safe to argue that the price of land on which X built the houses, along with similar unoccupied plots of land, will go up. The increase in the value of the land that X owns can be said to have two components. One part of the increase is due to the value added by X’s building of houses: this is the value added by the alterations brought about by X. The other part of the increase is due to the higher demand for X’s and similar (as yet unused) plots of land when people come to realise the advantages of living in quiet and nice surroundings.

\(^\text{15}\) Dworkin, ‘What is Equality?’, p.293.
\(^\text{17}\) Steiner, ‘The Natural Right to the Means of Production’, p. 44.
It is clear that both the purchase model and the Georgist scheme ensure that X gets the value added by her to the land: value created as a result of X’s transformation of the land (such as building houses on it) is rightfully hers. What about the second part of the increase in the value of the land, i.e. the part that is due to increased demand following X’s deployment of her insight? As was pointed out, the Georgist scheme advocates the confiscation of the ‘rent’ value of the land, and proposes to carry this out by fully taxing the part of the value of a resource that is not due to modifications brought about by labour. Now as we saw, following the change in demand, the value of the land on which X built houses, along with similar plots of land in the countryside, will increase. Since this increase is not, by definition, attributable to anybody’s (physical) labour, the Georgist tax on all such plots (including X’s) will rise by an amount equal to the increase. To put it differently, land ownership being limited to leaseholds in the Georgist system, when the current leases of the plots expire, the new price for the leaseholds will be higher by an amount equal to the increase just mentioned. Yet while there is clearly a case for arguing for the increased tax (in the form of a higher price for leasehold) on those similar plots of land, should the same apply in the case of X’s land? By ‘buying’ the plot of land in line with her insight about its new use, X took a ‘calculated’ and ‘deliberate’ gamble. The deployment of her insight proved to be successful, and the increase in the value of her newly acquired land is the consequence of her ‘option luck’. If the consequences of option luck ‘are not items which justice require us to pool’, then it follows that X should be able to keep the increase in the value of her land: X’s situation is different from someone else who, by ‘brute luck’, happens to have her land valued by others.\(^{19}\) So by allowing X to buy the full title to that plot of land, rather than only the leasehold (as in the Georgist scheme), the purchase model ensures that X receives the benefits (or perhaps in other cases the losses) following from her decision.

\(^{19}\) As also stated recently by Vallentyne, ‘[t]he benefits of option luck are attributable to one’s choices, whereas the benefits of brute luck are not’. See his ‘Self-Ownership and Equality’, esp. pp. 329-34.
B
So the first reason why the purchase model is claimed to be superior to its Georgist alternative is that, the purchase model does, while the Georgist scheme does not, enable people the incur the consequences of their option luck. The second reason is that, under the Georgist scheme of leaseholds (and unlike in the purchase model), certain groups of people will not get the whole of the value that is created by them. If that is the case, then the Georgist system can be accused of violating the right of self-ownership of the members of such groups.

In order to discuss the point in greater detail, let us take two locations on earth that are in many ways different: a certain area in the Sheikdom of Dubai and Tokyo. Let us assume, perhaps not very unrealistically, that a plot of land of a given size in Dubai and Tokyo will be of roughly equal value. It follows that, under a Georgist system, the ‘owner’ (i.e. the holder of the leasehold) of each site will pay a similar amount of tax. Yet there is here an issue which seems to be ignored by the Georgists. This is that the reason why a site in (downtown) Tokyo is valued greatly is radically different from that of why a site of similar size in Dubai is equally valuable. The crucial difference is that the high value of a site in Tokyo is due to the efforts of (generations of) residents of Tokyo. The value of a site in Tokyo reflects the amount of labour spent towards turning the city into the financial and economic centre that it is. The high value of a site in Dubai, on the other hand, is essentially due to what lies beneath the surface of such a site, i.e. oil. It is therefore the case that the sense in which a plot in downtown Tokyo is valuable is very different from the one in which a similar plot is valuable in Dubai: there is a great deal of human labour involved in the former case which is lacking in the latter.

It is clear that the value of the improvements, such as erecting the buildings and laying the infrastructure, brought about in Tokyo, or that of the facilities set up in order to extract oil in Dubai, is not taxed in the Georgist system. Yet it also seems clear that the (high) value of an empty plot of land in downtown Tokyo, just as the
land value of a building on the adjacent plot, owes something to the (past and ongoing) activities of the people living there. Looking at the value of a site in Tokyo, there seems to be a part that is not reflected in the improvements made on the land, but that nevertheless is due to human labour (more specifically to the labour of the residents of Tokyo). If (an unused) site in downtown Tokyo is much more valuable than a plot of identical size elsewhere with identical physical properties (i.e. type of soil, what is underneath it etc.), this difference in value is due to human labour, and not to nature (as in the case of the site in Dubai). So our claim is that by taxing the sites in Tokyo and Dubai equally, the Georgist scheme is taking part of the value that is due to the labour of the residents of Tokyo. If this is correct, then the Georgist system will be taxing (a part of) ‘the fruits of labour’: what is taxed is not only the ‘unimproved’ value of the site, but also the (past and present) efforts of people who have made that site as valuable as it is. In this respect, the purchase model fares better than its Georgist alternative, since once a site is fully paid for at the time of the acquisition, and hence privately owned thereafter, there are no further taxes (at any point in time) to be paid by the owner of the title.

III

We have tried to argue above why a system in which private ownership of natural resources is allowed is better than its Georgist alternative. The two reasons given for the superiority of the purchase model were based on the claim that the latter satisfies better the values that underlie a (left) libertarian approach: the purchase system (i) gives the opportunity to people to fully incur the consequences of their ‘option luck’, and (ii) avoids taxing the value of sites that is due to human efforts. As we saw, because in it land ownership is limited to leaseholds, the Georgist scheme was claimed to have failed to fully embrace the libertarian framework.

Whether or not our arguments in favour of the purchase model hold, it may now be necessary try to see what the implications would be for an argument about basic income. The first point to remember of course is that the model is still in the left-
libertarian tradition, and as such its ability to finance a substantial universal basic income may be doubted. After all, according to the libertarian tradition a just tax is a tax on nature, and Van Parijs, for one, thinks that what can be financed in this way would be no more than 'an extremely meager grant'. What can first of all be pointed out here is that there are differing calculations of what a tax on nature would yield in the form of a basic income. One reason for the differences in calculation seem to be related to the issue of how one defines 'natural resources', or more specifically, of what is considered to be the value that is attributable to natural resources. It must be emphasized here that the tax on natural resources that is advocated by the left-libertarian tradition is a tax that takes away not only the value of resources such as oil etc. but also that part of the value of any object attributable to nature. In the light of this it must be noted that one recent study cited by Hillel Steiner suggests that a tax on natural resources would yield a per capita figure of $4,000 per year. If it is accepted that only adults will be entitled to a basic income, then it can further be claimed that what each adult will receive in the form of a basic income will be higher than the figure just mentioned.

There is one other aspect of the purchase model that will help boost the level of the basic income to be financed out of the available fund. As will be remembered, in the purchase model individuals pay for the current value of the resources that they acquire. This means that even if a resource has been depleted or misused by the owners, the fact that the appropriators of a resource paid for its value (at the time of the acquisition) ensures that the (original) value of that resource is preserved for the newcomers to draw their (interest) benefits from. When a person acquires a resource, the social fund increases by an amount equal to the value of the resource at the time of the acquisition, and in this way it is guaranteed that the appropriator leaves (for future generations) exactly as much as she found when she first arrived. As a result it can be maintained that in the purchase model, the amount in the fund, and hence the share of

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20 Van Parijs, 'Competing Justifications of Basic Income', p. 13. Also see his Real Freedom for All, p. 102.
21 Steiner, 'Three Just Taxes', p. 89. The study that Steiner cites is Anderson, Liberating the American Dream.
the interest that each person is entitled to, will not be adversely affected by the
depletion of resources. How much of a difference would this way of compensating
others for the depleted or wasted resources make for the level of basic income? Van
Parijs again thinks that the difference would not be great.\textsuperscript{22} Whether this is correct,
and if so, whether the above mentioned figure (which needs to be revised upwards in
order to exclude minors and to take into account compensation for depletion) will not
be adequate as a substantial basic income will have to remain an open question for us
here.

In addition to what has been detailed above, would there be other sources of
legitimate taxation that would help increase the level of basic income? In other words,
can the tax on nature that is demanded by the libertarian thought be said to require the
taxation of more than external, material natural resources? Here it is worth outlining
one recent ingenious argument put forward by Hillel Steiner. In his attempt to enable
the left-libertarian approach to take into account differences in ‘internal’ resources,
Steiner argues that differences in the ability levels of individuals are at least in part
due to the genetic endowments of those individuals. The genetic endowments of
persons, so the argument goes, are the products of their parents’ germ-line genetic
information, which in turn is acquired from nature. In this way, when conceiving an
offspring, parents are said to appropriate natural resources. This means that, as
appropriators of natural resources, the parents are to make a payment for the value of
what is appropriated. It follows that the parents of genetically superior children have
appropriated more valuable such resources than others, and consequently owe a
greater payment to the social fund.\textsuperscript{23} This attempt by Steiner to treat persons’ germ-
line genetic information as natural resources and hence to expand the libertarian tax
base is yet to be more fully developed, and it remains to be seen whether the problems
it faces are surmountable.

\textsuperscript{22} Van Parijs, ‘Competing Justifications of Basic Income’, p. 13.
\textsuperscript{23} For the full argument, see Steiner, An Essay on Rights, chapter 7(B) and 8; also see ‘Three Just Taxes’,
pp. 87-8, and ‘Pooling Internal Endowments’.
Despite the arguments detailed above, the general point that must be acknowledged here is that the left-libertarian perspective may not have the tax-raising capabilities that would satisfy a basic income theorist favouring a ‘substantial’ unconditional income. It is true that within the ‘limited’ framework of the (left) libertarian approach there are certain moves that are considered to be illegitimate, an important example of which is the redistribution of non-natural wealth. For example, (the early) Herbert Spencer states that ‘the extra worth which your labour has imparted to [land] is fairly yours’. Similarly, for Henry George, the ‘right to the exclusive ownership of anything of human production is clear’. For a libertarian theory of justice, therefore, there are certain limits as to what can constitute legitimate taxation, and this inevitably poses restrictions on what can be raised in order to finance an unconditional basic income. On the other hand, it can also be accurately said that the justification supplied by libertarianism for the amount that is raised (as well as its equal distribution) is fairly robust. This in turn enables a libertarian theorist to avoid the charge that under the advocated distributive system certain people live off the labour of others. By aiming to respect the equal freedom and self-ownership of all, the libertarian argument does not entitle others to the fruits of one’s labour (‘fruits’ of labour being of course interpreted as the value added by one’s labour).

There is one other aspect of the purchase model that will be of relevance to a discussion about basic income. As will be remembered, one of the grounds on which the purchase model was argued to be superior to its (left libertarian) alternatives was that in it individuals are given the opportunity to fully incur the consequences of their option luck. By purchasing a resource, a person can take a calculated and deliberate gamble based on her entrepreneurial insight: the potential gains and losses that may then occur are the due rewards and penalties of such activity and betoken no

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24 However, even such a move would not be considered to significantly increase the level of basic income by Van Parijs. See his Real Freedom for All, p. 102.
25 See Spencer, Social Statics, p. 137.
26 George, Progress and Poverty, p. 340.
27 This is also recognized by, for example, Van Parijs. See his Real Freedom for All, p. 100; and ‘Competing Justifications of Basic Income’, pp. 15-6.
unfairness. If this is correct, then the aim of the purchase model to better enable individuals to incur the benefits/costs of their activities will also lead one to favour a system where individuals will receive their basic income as a one-off payment, rather than the ‘mildly paternalistic’ one where there is an indefinite sequence of small payments. The latter system will clearly be preferred if it is thought that those who receive their one-off basic income, not being ‘in their right minds’, may lose all of it, hence suffering at a later date as a result of the ‘weakness of their will at younger ages’. Yet it is not clear whether a paternalistic measure of the sort mentioned is consistent with an argument that tries to enable individuals to incur the consequences of their option luck. If it assumed (plausibly) that individuals will receive their universal grant when they reach adulthood, then it seems that they should be left free to take deliberate and calculated gambles with their incomes. By putting emphasis on the idea of option luck, the purchase model leads one to argue that the basic income that individuals receive should be in the form of a single (large) payment, which individuals should be allowed to invest as they see fit.

Finally, let us remark one other characteristic of most left-libertarian arguments that will be of importance for arguments concerning the distribution of basic income. That each person, wherever she happens to be (or have born) in the world, is entitled to an unconditional grant is accepted by most basic income theorists. The left libertarian argument can be claimed to supply a strong support for the argument that justice requires that this grant should be given equally to all. We have argued above that no one (initially) owns natural resources, and that those acquiring them should match the value of what is taken. In this respect, it is worth emphasizing that someone living in, say, India is equally entitled to (the benefit from) the value of a natural resource that has been acquired in Britain. In other words, the equal right of all to natural resources requires that all be compensated equally for what has been appropriated, regardless of where the appropriation takes place. Therefore, if the interest earned on the value of what has been appropriated in Britain is distributed among those living in that

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28 Van Parijs, Real Freedom for All, p. 47.
country, then, whatever the arguments based on feasibility and/or practicality, the fact remains that the equal right of a citizen of, say, India to a part of that interest (or the basic income that the interest finances) is violated.

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