

## The Theory of Property

Léon Walras

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*Léon Walras (1834-1910), a French-born economist working in Switzerland, was one of the founders of mathematical economics (and of marginal utility theory and equilibrium analysis in particular). He here defends self-ownership and collective ownership of the rent from natural resources.*

[To appear at the bottom of the first page] Reprint, with permission of Editions Juridiques Associées, of Section 5 and first part of Section 6 of Léon Walras's article "Théorie de la propriété", originally published in *Revue Socialiste* (Tome XXIII, N° 138, 15 Juin 1896, pp. 668-681 and Tome XXIV, N° 139, 15 Juillet 1896, pp. 23-35), and included in Part II of *Études d'Économie Sociale* (Lausanne: F. Rouche et Cie, Paris: R. Pichon et R. Durand-Auzias, 2<sup>nd</sup> edition, 1936, pp. 205-239). Translated by Guido Erreygers, Marylène Pastides, and Peter Vallentyne. Translation copyright © 2001 by Guido Erreygers, Marylène Pastides, and Peter Vallentyne.

THEOREM I. - *PERSONAL CAPACITIES are, by natural law, the property of the INDIVIDUAL.*

In other words, each person owns himself, because each person—that is, each creature that is rational and free—has the right and the duty to pursue his own ends and to achieve his

own destiny, and is responsible for this pursuit and achievement. Here the principle of unequal positions applies which requires that we benefit in proportion to our efforts.

While introducing here the notions of person, right and duty that are the concern of social morality, I must note that I relate them, not to a metaphysical conception of liberty, but to a scientific observation of human nature (an observation which is not only psychological or subjective, but also historical or objective). Comparing animals and humans, I observe that the former generally live in isolation, in families, in family-societies, or at most in primitive societies (a kind of life for which instinct suffices), while the second subsist thanks to the division of labor, and live in economic and moral societies (a kind of life for which sympathy, aesthetic sense, understanding and reason, conscience, and self-ownership are necessary). The aptitude for the division of labor, sympathetic and aesthetic love, reason, and free and conscious will are capacities that assert themselves and develop with industry, art, science and mores, and which invoke and reinforce each other. The moral person is born and grows up in society, and for the purposes of the theory of the ideal society, I define him, not as he is, but as he can and should be. So defined, he has the right and duty to pursue his ends and is responsible for this pursuit.

Now, from an economic point of view, to say that humans are moral persons, having the right and obligation to pursue their ends, is to say that personal capacities belong to the individual. Moreover, being the owner of his personal capacities, the individual is the owner of his labor (Lemma I)<sup>1</sup>, and the owner of his salary as well as of the products, consumable revenues, or new capital, acquired by him with his salary (Lemma II)<sup>2</sup>. He will work when and as he pleases, subsisting well or poorly depending on whether he was able to earn a higher or lower salary, and becoming more or less rich depending how much he saved and capitalized.

Such is strict *justice*. Justice is not the only principle governing human relations, but it is the first, since it is an *obligatory* principle and a *reciprocal* or *bilateral* principle. Each duty of

justice corresponds to a correlative right; each juridical right entails a correlative duty. I loaned a man a sum of money; I have the right to get it back from him, and he has the duty to pay it back to me at the maturity date. If he had loaned me the money, he would have the right that I do and I would have the duty that he does. These are the kinds of rights and duties that the law defines and sanctions.

But, beyond the relations resulting from their economic and social destiny, humans also stand in relations resulting from their moral and individual destiny. A second principle arising here is that of *association* and *insurance*. We can say very exactly that society, strictly understood, is a natural association, and that association is an artificial society: and from this definition follow the characteristics of this last principle. It will be *reciprocal* (like justice), but *optional* and no longer obligatory. I have the option of associating or not, and of insuring myself or not, depending on whether or not it is in my interest and my convenience. For example, once associated or insured, I am on completely equal footing with my coassociates and my coinsureds. We have formed an association for consumption or credit: I have the right, like all other members of the association, to buy and borrow under the specified conditions. My house burns; the fire insurance company owes me an indemnity proportional to the amount of the premium that I paid. I am struck with sickness or unemployment; the mutual-aid society owes me compensation because of the contribution that I paid. It is easy to see the full importance of this principle: it addresses a wide range of possibilities for which pure and simple justice could not provide. Economists have always been particularly stubborn in their refusal to understand and admit this principle (although it is true that socialists have sometimes mistakenly claimed to implement it in the place of justice, which is a major error). The right and the duty of association and insurance are a right and a duty that my will creates. Surely, once created, this right and this duty become part of the ordinary conditions of justice; nonetheless, society, which cannot

depend on my will, cannot be based on such a principle.

Finally, there is a third principle, also belonging to the order of human relations that results from individual and moral destiny, which is that of *fraternity*, *devotion*, and *charity*. This is the complementary principle for the two others. It is neither obligatory, nor bilateral. Like association, it is *optional*, and furthermore it is *unilateral*. The duties of devotion and of charity are duties for which there is no correlative right: there is no right to devotion, and no right to charity. A person falls into the river in front of my eyes; no written law can obligate me to throw myself into the river and to pull him out, and justice has no role here. Furthermore, if there is no contract of mutual rescue between this person and me, there is also no role for association. Nonetheless, this person is drowning! Which principle should come to his aid? The principle of fraternity, which calls to me from the depths of sensibility, which is not social but individual, and which moreover is eternal as humanity itself. Suppose, if you will, the complete achievement of the social ideal, with justice and order fully reigning; suppose in addition that association and insurance are developed as much as possible, with all calculable risks taken into account. No one has any unmet claims against natural and obligatory society, nor anything to expect from artificial and optional societies; no one is unhappy anymore except through the fault of nature or through his own fault. First, we have not yet reached such a state; and fraternity is necessary for us to reach it. Furthermore, even in this ideal state, there would be ill-fated people: the disabled, to whom we owe our love, and the guilty, to whom we owe our pity. I say that of course we owe them these things according to the moral law (as opposed to the social law), according to our conscience (as opposed to the legal code); for society should be based, no more on fraternity than on association, but only on justice. Justice leaves humans on an equal footing with respect to rights and duties, but fraternity does not—at least not when it takes the form of pecuniary aid. There is no longer equality between the person who extends charity and the one who lives on it,

between the citizen who contributes to public assistance and the one who receives it. You may say that there will always be some rich and some poor people, and that fraternity will always be necessary. So be it! But, if it is necessary to violate justice for fraternity to operate, if it is a matter of keeping some people in society rich and some poor so that the former have the opportunity to extend charity and the latter to receive it, then I protest against the inversion of principles. Will this charity really take place? You will order it when you need it. As soon as you order it, you destroy it. Fraternal communism would remain praiseworthy only if it continued to be voluntary. This is why quite often one hears: "This would be the social system to pursue, if human nature were more perfect." As shown to us by observation, humans are free and responsible to begin with; first, they have to bear in the name of justice the good or bad consequences of their activity or laziness, and of their virtue or vices; second, being capable of love and sympathy, they come in the name of fraternity to the rescue of others. One could hold that humans as we observe them are superior to the ideal sketched above, which is vague and perhaps contradictory; for in the final analysis, the first level of sacrifice of oneself for others would be to accept no sacrifice from others for oneself. But in addition and in any case, in order to identify the human type, we must take humans as they are given to us and not as we wish they were. It is for the typical human being that we organize society. And there we have the moral person and the individual who owns his personal capacities.

*THEOREM II. - LAND is, by natural right, the property of the STATE.*

In other words, land belongs to everyone in common, because all free and rational persons have the same right and the same obligation to pursue their ends themselves and to achieve their destiny themselves; and they are likewise responsible for this pursuit and achievement. Here the principle of equality of condition applies, which requires that we all be

able to gain equally from the resources that nature offers us for the application of our efforts.

Now, from the economic point of view, to say that a human being is a moral person only in and by means of society, that all human beings in society are equally moral persons and must be able to gain equally from the natural resources available to them for the pursuit of their ends and for the achievement of their destiny, is to say that land belongs to the State. As the owner of land, the State will be the owner of the rents (Lemma I) and the owner of the farms as well as of the products, consumable revenues, or new capital that it obtains from its farms (Lemma II). The state will subsist by means of these revenues, without asking anything of individuals in the way of taxes or loans, and moreover it will leave capital assets—not only maintained but also enlarged, accrued, and multiplied—to the future generations, just as the preceding generations will have left capital assets to the State. Land does not belong to all people of one generation; it belongs to humanity, that is, to all generations of humans. If society were a conventional and voluntary entity, the individuals agreeing to its establishment could decide to divide land equally among themselves; but if society is a natural and necessary entity, all alienation of land is contrary to natural right, because it deprives later generations. In juridical terms, humanity is the owner and the current generation is the usufructuary of land.

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<sup>1</sup> Translators' note: Lemma I, introduced in section 3, states: "The owner of a thing owns the services rendered by this thing."

<sup>2</sup> Translators's note: Lemma II, introduced in section 4, states "The owner of a thing owns the price of this thing."