

## LANDOWNERSHIP POLICY

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*Unlike the laws of production, those of distribution are partly of human institution since the manner in which wealth is distributed in any given society depends on the statutes and usages...(6, p. 21).*

Landownership, generally speaking, is a reflection of our policies concerning the distribution of wealth. A clear understanding of landownership and its connection to distribution is essential to an examination of the fairness and equity of the distribution of wealth in land.

### What Is Landownership?

Landownership is a set of interests — rights, duties, liabilities, and privileges — in a unit of land held by a person or entity. A parcel of land may be distributed or redistributed by separating the interests in the land without ever changing its boundaries. Interests may be for less than perpetuity and may be conditional or reversionary as in the case of leasing.

Discussion of landownership should distinguish between landowners and people who own an interest in land. The number of owners may be more or less than the number of persons who own interests in land. For example, many landowners are plural entities such as corporations, trusts, and partnerships, including husband/wife joint ownership. The number of persons who own an interest in land, therefore, may be greater than the number of owners. On the other hand, one person might be several owners. In this sense, the number of owners may be greater than the number of persons owning land. Note: A large number of reports based on a 1978 USDA landownership survey have been produced. To maintain comparability and continuity with the Census of Agriculture, the present paper draws most of its data from that census, using the U.S. Department of Agriculture studies largely for proportions and missing information, especially on non-farmland (5; 2).

Lewis reported that in 1978 owners held an average of 1.6 parcels. He also reported that 45 percent of owners were husband/wife joint

\* Comments by Alex Majchrowicz and George Pavelis are appreciated.

ownership and another 10 percent were other plural entities such as partnerships and corporations (5, pp. 4 & 26). Based on these statistics the number of persons with a direct interest in land appears to exceed the number of owners.

### **Landownership is a Distributive Issue**

Although its economic essence is the distribution of wealth, landownership is also presumed to affect efficiency, productivity, and resource use since the differing abilities and objectives of different owners could affect the use of the land.

...certain landowners may be less responsive to price-cost relationship than others (4, p. 1).

Ownership patterns are often .. the prime determinants of how a community uses its land, what level of productivity (agricultural, industrial, or otherwise) it gets from it ...(7, p. 15).

Landlords who are interested in short run returns on investment usually are not motivated to make long-term soil conservation investments (9, pp. 5–11).

A primary function of property rights is that of guiding incentives to achieve a greater internalization of externalities ... Externality is an ambiguous concept (3, pp. 347–373).

Because ownership is a relation among persons subject to law, its terms and conditions are affected by third parties and by a context of rules and regulations. Therefore, terms and conditions of ownership — regulations, taxes, fractional or conditional rights, status of title, etc. — could be more important than the characteristics of the owner whose decisions would then have little identifiable impact on use or efficiency.

The significance of ownership exists, however, regardless of its secondary effects on efficiency or productivity. Landownership distributes wealth and income of land and that quality alone is sufficient for the attention of economists and policymakers.

### **How is Landownership Distributed?**

Interests in land may be separated into public and private. The major classes of public and private land are shown by major land use in Table 1. About 58 percent of the 2.3 billion acres of land in the United States is privately owned. All but about one percent of cropland is privately held. More than 60 percent of the pasture and range and 40 percent of other land, including timber, are privately owned.

Most of America's landowners are its 60 million homeowners. In their role of homeowners, however, they hold only two percent of privately owned land. By virtue of the ownership of land in farms, less than four million owners hold 70 percent of all privately-owned land.

TABLE 1  
OWNERSHIP AND MAJOR LAND USES, 1978

Owner	Cropland	Pasture Range	Forest Other	Total
		000,000 acres		
Federal	1	150	591	742
State & Other Public	2	41	112	155
Indian	2	32	18	52
Private	466	364	485	1315
Total	471	587	1206	2264

Source: Adapted from: (4, p. 14).

Although there are some overlaps and differences in definitions, the two or three million owners of forest land, combined with the owners of land in farms, number about seven million. These seven million owners hold more than 95 percent of all privately-owned land in the United States. About two to three million owners hold more than 96 percent of private forest land. Extremely small units were excluded from forest landowners to avoid double counting with homeowner and recreational units (1, p. 36).

Farm operators, numbering less than 2.2 million, owned about 674 million acres, 65 percent, of the 1,029 million acres of 1978 land in farms. Non-farmer landlords, numbering about 1.7 million, owned the remaining acres, or about 35 percent of the land in farms. The 3.9 million farmland owners would constitute about two percent of U.S. population or five percent of U.S. households (13, p. 4).

The distribution of landownership among those who own is uneven. Because of different qualities of land, the degree of concentration is greater in terms of acreage than in value. But value, too, is somewhat concentrated. The top three percent of farm operator owners hold 41 percent of the land. The top one percent of landlords own 35 percent of the land. Table 2 and Figures 1 and 2 display the facts of agricultural land ownership concentration.

### Forces of Concentration and Dispersion

The distribution of interests in land among owners is widespread but unequal. The pattern of holdings is the product of markets, customs, and the indirect effect of public policies. Two "natural" forces affecting the holding of land are (1) death or dissolution of owners and (2) territorial acquisitiveness. These offsetting forces are the basic ingredients of our landownership processes.

Table 3 shows how the number of owners of land in farms has remained relatively constant. Reduction in number of farmer owners has been offset by an increase of non-operating landlords.

Institutional forces also play a part in trends toward concentration or dispersion of interests. Laws and regulations may limit the rights

TABLE 2  
CONCENTRATION OF OWNED LAND IN FARMS IN U.S., 1978

Acres of Land Owned	Farm Operators			Landlords		
	Farms	Acres (percent)	Value	Farms	Acres (percent)	Values
less than 50	28	2	7	29	2	6
50 - 59	16	4	6	21	6	10
100 - 179	17	8	9	22	12	19
180 - 259	9	6	7	9	7	11
260 - 499	15	14	20	11	15	18
500 - 999	8	13	19	5	13	12
1000 - 1999	4	12	13	2	10	8
200 +	3	41	18	1	35	14

Source: Bureau of Census. Census of Agriculture 1978, vol. 5, part 6, 1979, Farm Finance Survey 1980, pp. 3, 15.

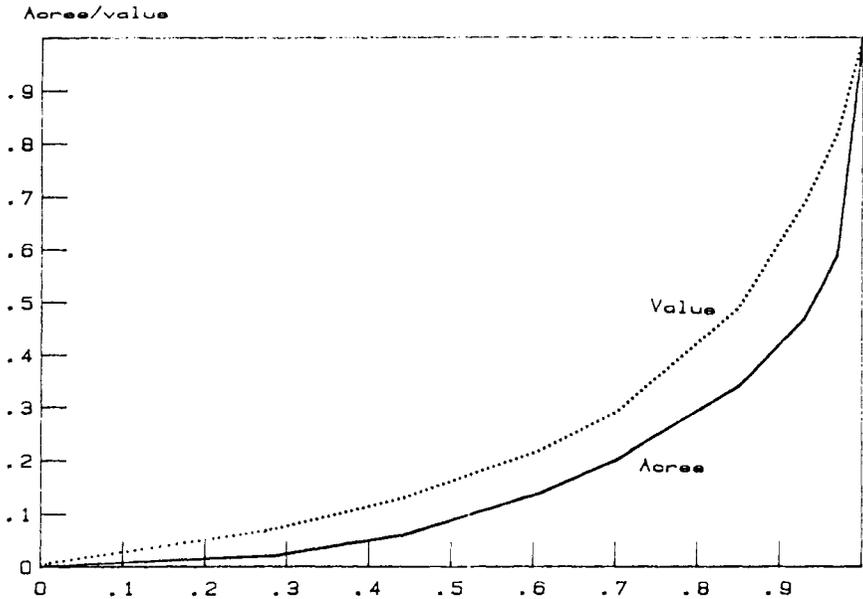


Figure 1. Concentration Of Owned Land in Farms By Operators 1978. U. S.

of certain persons or entities — minors, corporations, foreigners — to hold land. Legal restraints, such as the rule against perpetuities, may regulate inheritance or encourage combination of interests with trusts or partnerships. Some institutions, such as widely held corporations and trusts, transform a concentrated interest in land to a dispersed interest in a legal entity.

Economic forces also influence landownership patterns and trends. The avowed purposes of tax, subsidy, development, monetary, and other

Acres/value

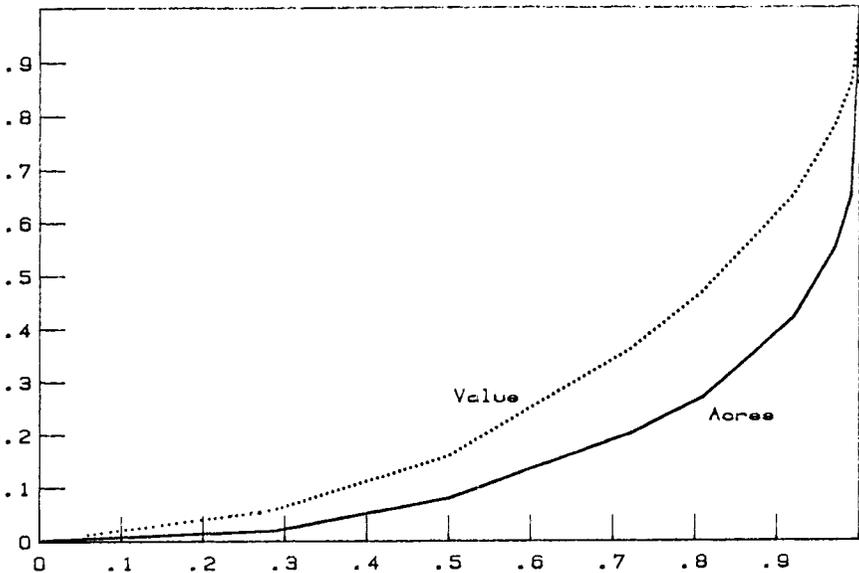


Figure 2. Concentration Of Owned Land in Farms By Landlords 1978. U. S.

TABLE 3  
NUMBER OF OWNERS OF LAND IN FARMS, U.S. 1900-1978  
(000)

	1978 <sup>1/</sup>	1969 <sup>2/</sup>	1945 <sup>3/</sup>	1900 <sup>4/</sup>
Full Owner	1451	1706	3301	3149
Part owner	714	672	660	504
Tenant	9	-	-	-
Landlord	1699	1322	870	737
Millions of owners	3873 (3.9)	3700 (3.7)	4831 (4.8-5.2)	4390 (3.6-4.4)

Sources:

<sup>1</sup> Census of Agriculture, 1978, Vol. I, Part 51, p. 124.

<sup>2</sup> Census of Agriculture, 1969, Vol. II, Chapter 3, p. 28 and Vol. V, Part 11, p. 34. Figures are number of full owners and part-owners and nonfarm landlords.

<sup>3</sup> Census of Agriculture, 1945, Vol. II, Chapter 3, p. 159 and Inman, B. and W. Fippin, Farmland Ownership in the United States, USDA Misc. Pub. 699 (1949) p. 21, which shows operators as 82 percent of owners for total of 4.8 million and p. 1 which estimates number of owners at 5.2 million. The 4.8 appears more likely to be correct.

<sup>4</sup> Census of Agriculture, 1900, Vol. V., Part 1, p. lxxxv, ownership of rented farms, esp. p. lxxxviii, number of farms per owner. The 737,000 is a maximum number of owners assuming none are included among full and part owner operators.

economic policies rarely, if ever, include an ownership purpose. The indirect effect, however, might be significant. High and tax-deductible mortgage interest rates, for example, create a much stronger incentive

for persons of high income than persons of low income to own real estate. As another example, real property tax preferences to maintain agricultural use may indeed encourage a farm family to hold their land while reducing opportunities for others to acquire land.

What then, are the results of these forces over time? Is landownership trending toward greater or less concentration? During most of the expansionist periods of United States, settlement dominated the pattern of landownership. In the 19th century public domain gave way to the giant holding of railroads, speculators, and a few empire builders. The preemption and Homestead acts and the sales of land by the jobbers, speculators, and railroads resulted in diverse sizes of holdings and widespread ownership.

In the post settlement period of the United States, the number of owners of land has been remarkably constant. From what can be inferred from census data, the number of owners of agricultural land in 1900 was a maximum possible of 4.4 million but more likely closer to the minimum possible of 3.6 million. The number of owners of land in farms in 1978 was 3.9 million, in 1969, 3.7 million, and in 1945, 4.8 million. Because so large a portion of the private land is agricultural, the number of owners has changed somewhat in relation to number of farms but with much less intensity.

The proportion of land rented also is remarkably stable. Since 1900, about 35 to 40 percent of land in farms is shown under lease. Statistics do not allow direct comparison, but some ownership of leased land appears to be moving toward non-farmer owners although not at a rate exceeding the overall proportions of farm and nonfarm populations.

In 1978, the latest year for which Census of Agriculture data are available, the farm population was less than four percent of the total population (12; 17, p.14; 11). In 1900, it was about 40 percent of the population. As might be expected, much of the land leased to farm operators was owned by farm operators or persons closely associated with the use of farmland. In the South particularly, the 1900 Census of Agriculture noted, "A large proportion of tenant farms are but parts of larger farms once operated by their owners, who, with advancing years, lease the larger portion of their cultivable land to tenants." (14, p. lxxxii).

Absenteeism, while more prevalent today than in 1900, is perhaps not out of proportion to the population. Of the 1.9 million landlords estimated by the 1978 Census of Agriculture, more than 40 percent either operate a farm or are retiring from farming. About 25 percent of the landlords are employed, or are self-employed, in business or professions unrelated to agriculture. (15, p.20).

In 1900, 25 percent of landlords lived outside the county in which their rented land was located (14, p. lxxvii). Comparable data are not

available for 1978. However, in 1978, only 20 percent of non-corporate landlords lived 50 or more miles from the land they rented out (15, p.20). Nearly half of the non-corporate landlords live on the rented or another farm. Almost one third of the landlords are related to at least one of their tenants.

Thus, the billion acres of agricultural land in the U.S. has been held by a relatively constant number of owners for most of this century. A large portion of these owners are farmers. Absenteeism in sense of ownership by those disconnected from farm operators has been small in relation to the overall shift from farm to non-farm population. Even a large portion of those not farming land themselves have close geographic or familial ties to farming. Is farmland ownership becoming concentrated? With this question, we see the importance of definition.

Concentration among those who own farmland has increased little, if any. The increase in concentration is with respect to the total population, i.e., the increase in numbers of those who do not own farmland, not the small change in number of those who do.

### **Landownership as an Ethical Issue**

Equity judgments may be value laden and controversial, but they are also unavoidable. (9, p.21). If the numbers of owners of agricultural land tends to be stable over time, the important trend in landownership may be between those who own land and those who do not. The issue is: Who will be and will not be members of the agricultural landownership club? Between 1900 and 1978 the percentage of the households owning some agricultural land declined from 25 to five. (13, p. 4; 16, p. 15). These proportions ignore fractional and common interests. The proportions were calculated as ratios of owners to households rather than population to correct for joint ownership.

As we have seen, an ownership pattern or trend is more result than cause. The policy questions are how does X program or action affect the distribution of landownership? Who may lose or benefit? Who ought to lose or benefit? Who ought to own the land? and, perhaps, then, who ought not own the land? All should be answered for any policy impacting landownership. The same could be said of any policy impacting the distribution of wealth, landownership being only a special case of distribution of wealth.

The first, and perhaps most fundamental, question about landownership is whether anyone or anything should have a separate or private claim to land. This is the public versus private land issue. We acknowledge that land is not exclusively public or private. Even in the most complete public ownership, some rules and priorities will determine who does what, when, and that such rules create particular or individual interests. Access to public land may be absolutely forbidden, open on a nondiscriminatory basis, or open only to certain

classes of persons such as hikers or loggers. Furthermore, the access may be regulated or unregulated.

On the other hand, a totally private land system implies rules of exchange, regulations on use, and taxation specified and enforced by government. The rules of private property may allow landownership to be open to all or may be limited to specific natural persons or legal entities. Furthermore, the access may be discriminatory or nondiscriminatory. Discrimination among natural persons may be in terms, for example, of age, sex, or citizenship. Discrimination of legal form of an owner might be in terms, for example, of location of corporate headquarters or number of corporate stockholders. Presumably, behind discriminatory selections or regulations are some value premises either about desirability of some wealth distribution or about the process within which land is held and transferred.

Policy issues in landownership depend in part upon the distinction between outcomes and processes. Do we wish to institute policies which will bring about certain desired distributions of landownership? Alternatively, might we wish to institute certain practices deemed "fair" and let the outcomes fall where they may? Does equal treatment result in desired outcomes? These fundamental questions arise in terms of most of policy issues in landownership including:

1. What number or proportion of the population should participate in the ownership of land in general or in ownership of agricultural, forest, mineral, or other specific types of land? How widespread should the ownership of land be?

2. Among the owners of land or a specific type of land, how evenly should the ownership be distributed?

3. In analyses or policies pertaining to landownership, should the appropriate measure be area, value, or both?

4. What special entitlements or costs should be assigned to particular classes or individuals in the ownership of land or a specific type of land? Example: Should sons and daughters of farmers be advantaged or disadvantaged, or have their advantages/disadvantages offset, in acquiring land.

These questions represent a beginning point in landownership policy. Clearly the answers will differ among respondents not only because of differences in values but because of differences in perceptions of essential facts.

Policies for landownership, furthermore, should not be limited to economics. Other, perhaps more significant, implications of ownership can be considered. Ownership may enhance personhood, create place identity, or satisfy human needs for responsibility, caring, and stewardship. The intent here was simply to extend the economics of ownership beyond the common mechanics of efficiency to the vital interests of distribution.

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