

**AN ARISTOTELIAN CONSTRUCTION OF THE  
SOCIAL ECONOMY OF LAND**

**By**

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CERTIFICATE

I certify that this thesis has not already been submitted for any degree and is not being submitted as part of candidature for any other degree.

I also certify that the thesis has been written by me and that any help that I have received in preparing this thesis, and all sources used, have been acknowledged in this thesis

.....

Garrick R. Small

To Bonaventure and Anthony who  
considered these things long before I did *ad  
majoram Dei gloriam.*

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## CONTENTS

|   |       |
|---|-------|
| Chapter 1.....  | ..... |
| 1.1 Background .....  | 1     |
| 1.2 Statement of the Problem.....                               | 9     |
| 1.3 Formal Object .....   | 13    |
| 1.4 Objectives.....   | 14    |
| 1.5 Hypotheses .....  | 14    |
| 1.6 Scope .....   | 15    |
| 1.7 Focus .....   | 16    |
| 1.8 Delimits .....  | 17    |
| 1.9 Research Framework.....                                     | 20    |
| 1.9.1 Methodology .....   | 21    |
| 1.9.2 Literature Survey.....                                    | 21    |
| 1.9.3 Topic Treatment .....                                     | 21    |
| 1.9.4 Empirical Validation .....                                | 22    |
| 1.20 Applications, Policy Recommendations .....                 | 24    |
| 1.21 Definition of Terms.....                                   | 25    |
| Chapter 2   |       |
| Literature Survey.....  | 29    |
| 2.1 Methodology .....   | 29    |
| 2.2 Ethics and Economics .....                                  | 30    |
| 2.3 Social Economy .....  | 39    |
| 2.4 Property rights.....  | 39    |
| 2.5 Cost Theory and the Just Price.....                         | 41    |
| 2.5.1 Eigen Values .....  | 42    |
| 2.5.2 Philosophy and Price.....                                 | 43    |
| 2.5.4 Thomistic Just Price .....                                | 43    |
| 2.5.5 Just Price and Capitalism .....                           | 46    |
| 2.5.6 Economics and Value.....                                  | 46    |
| 2.5.7 Marginal Theory of Market Value .....                     | 52    |
| 2.5.8 Price Theory .....  | 53    |
| 2.5.9 Practicalities of Demand Based Pricing.....               | 57    |
| 2.5.10 Demand as Basis for Price .....                          | 58    |
| 2.6 Economic Distribution and the Rate of Profit and Price..... | 58    |
| 2.6.1 The Nature of Supply and Demand.....                      | 63    |
| 2.7 The concept of Social Economy .....                         | 65    |
| 2.8 The Nature of ownership.....                                | 67    |
| 2.9 Land Ownership .....  | 68    |
| 2.10 Land and Society.....                                      | 68    |
| 2.10.1 Land Tax .....   | 71    |
| 2.10.2 Economic Theory and Vested Interests.....                | 73    |
| 2.11 Land as a Factor of Production .....                       | 73    |
| 2.12 Competition & Self-Interest.....                           | 75    |
| 2.13 Wealth Distribution & the Market .....                     | 76    |
| 2.14 Money, Debt and Inflation .....                            | 77    |
| 2.15 Money Supply .....   | 78    |
| 2.15.1 Inflation as Tax.....                                    | 79    |
| 2.16 Debt.....  | 79    |
| 2.17 Interest Theory .....                                      | 81    |
| 2.18 Property and Business Cycles .....                         | 82    |
| 2.18.1 Kondratieff .....  | 82    |

|   |     |
|---|-----|
| 2.18.2 Jevons .....   | 84  |
| 2.18.3 The (Real) Property Cycle .....                          | 87  |
| 2.19 Finance as Behaviour .....                                 | 88  |
| 2.20 Literature Gaps.....                                       | 90  |
| 2.21 Problems arising from the literature                       |     |
| Chapter 3   |     |
| Methodology .....   | 92  |
| 3.1 The object of economics .....                               | 93  |
| 3.2 Metaphysical foundations. ....                              | 94  |
| 3.2.1 Rationale for selection.....                              | 98  |
| 3.2.2 Natures .....   | 104 |
| 3.2.3 Aristotelian causality.....                               | 105 |
| 3.3 The interrelationship between the Sciences.....             | 106 |
| 3.4 Moral Philosophy .....                                      | 109 |
| 3.4.1 Sophist Morality.....                                     | 110 |
| 3.4.2 Aristotelian Morality .....                               | 111 |
| 3.4.3 Modern Moral Systems .....                                | 114 |
| 3.4.4 Kant's Categorical Imperative .....                       | 115 |
| 3.4.5 Utilitarianism.....                                       | 117 |
| 3.4.6 Twentieth Century Moral Thought .....                     | 121 |
| 3.4.7 Selection of a Moral System .....                         | 122 |
| 3.4.8 Virtus Stat in Media .....                                | 124 |
| 3.4.9 Justice .....   | 124 |
| 3.4.10 Economics and Morals .....                               | 125 |
| 3.4.11 Laws in Moral Thought.....                               | 126 |
| 3.4.12 Laws and Intellectual Virtues.....                       | 128 |
| 3.5 Realist Epistemology .....                                  | 134 |
| 3.6 Empirical Investigation .....                               | 137 |
| 3.6.1 Survey of Attitudes to Demand.....                        | 138 |
| 3.6.2 Experimental testing of Ricardo's theory of rent.....     | 139 |
| 3.7 Conclusion .....  | 140 |
| Chapter 4   |     |
| An Economic Analysis of Cultural Variations in Land Tenure..... | 142 |
| 4.1 Background .....  | 143 |
| 4.2 The Essentials of Indigenous Tenure .....                   | 144 |
| 4.3 Social and Economic Inequality .....                        | 151 |
| 4.4 Access to land in various societies.....                    | 153 |
| 4.5 Ancient Western Land Tenure systems .....                   | 154 |
| 4.5.1 Greeks.....   | 154 |
| 4.5.2 Romans.....   | 155 |
| 4.5.3 Ancient Germans.....                                      | 157 |
| 4.5.6 Islam .....   | 159 |
| 4.6 European Medieval Feudal Tenure .....                       | 160 |
| 4.7 Other Feudal Style Systems .....                            | 163 |
| 4.8 Freehold versus Collective Tenures .....                    | 166 |
| 4.9 Socialism? .....  | 167 |
| 4.10 Sociological Interpretation.....                           | 170 |
| 4.10.1 Progress .....   | 170 |
| 4.10.2 Cultural Universals.....                                 | 172 |
| 4.11 Conclusion .....   | 175 |
| 4.12 Contribution to the Support of the Thesis Hypotheses ..... | 176 |

|   |     |
|---|-----|
| Chapter 5   |     |
| The Concept of Property .....   | 177 |
| 5.1 Plato .....   | 177 |
| 5.2 Aristotle and Real Property .....   | 180 |
| 5.3 Aristotle and Private Property .....  | 181 |
| 5.4 Medieval Scholastic Property Theory .....   | 181 |
| 5.5 Islamic property theory .....   | 184 |
| 5.6 Modern Property Theory .....  | 186 |
| 5.7 Marx and Property .....   | 190 |
| 5.8 Conclusion .....  | 191 |
| 5.9 Contribution to the Support of the Thesis Hypotheses .....  | 193 |
| Chapter 6   |     |
| A review of contemporary market theory and its moral and positive<br>reference points .....               | 194 |
| 6.1 Market Behaviour .....  | 195 |
| 6.2 Economic Theory and Causal Explanation .....  | 196 |
| 6.3 Perfect Competition and its Moral Assumptions .....   | 202 |
| 6.4 Capitalisation and the Rate of Profit .....   | 214 |
| 6.5 Conclusion .....  | 222 |
| 6.6 Contribution to the Support of the Thesis Hypotheses .....  | 223 |
| Chapter 7   |     |
| Survey Design and Procedure for a study of community attitudes<br>regarding price setting practices ..... | 224 |
| 7.1 Introduction .....  | 224 |
| 7.2 Aim .....   | 225 |
| 7.3 Hypothesis .....  | 226 |
| 7.4 Methodology .....   | 226 |
| 7.5 Method .....  | 227 |
| 7.6 Subjects .....  | 230 |
| 7.7 The Questionnaire .....   | 231 |
| 7.8 Timing .....  | 233 |
| 7.9 Summary of Survey Procedure .....   | 233 |
| Chapter 8   |     |
| Results and Discussion for a study of community attitudes regarding<br>price setting practices .....      | 234 |
| 8.1 Results .....   | 234 |
| 8.2 Discussion .....  | 236 |
| 8.3 Factor Analysis .....   | 258 |
| 8.4 Conclusion .....  | 259 |
| Chapter 9   |     |
| An Aristotelian Construction of Exchange and Property. ....   | 261 |
| 9.1 Factors of Production .....   | 266 |
| 9.1.1 Land .....  | 268 |
| 9.1.2 Labour .....  | 269 |
| 9.1.3 Capital .....   | 269 |
| 9.2 The basis of exchange .....   | 270 |
| 9.3 Just price .....  | 273 |
| 9.3.1 Natural Exchange .....  | 274 |
| 9.3.2 Unnatural Exchange .....  | 275 |
| 9.3.3 Basis for Price .....   | 277 |
| 9.3.4 The Demand Function .....   | 279 |



|  |     |
|--|-----|
| 9.3.5 The Supply Function .....  | 282 |
| 9.3.6 Cost Based Pricing .....   | 287 |
| 9.4 Causal Origin of Property .....  | 292 |
| 9.4.1 Material and Formal Causes Natural Property .....  | 298 |
| 9.4.2 The Material Cause Conventional Property .....   | 301 |
| 9.5 Conclusion .....   | 306 |
| 9.6 Contribution to the Support of the Thesis Hypotheses .....   | 307 |
| Chapter 10   |     |
| Ricardo's Theory of Rent .....   | 308 |
| 10.1 History.....  | 308 |
| 10.2 Fundamentals of Ricardo's theory of rent .....  | 312 |
| 10.3 Rents in the presence of a frontier .....   | 314 |
| 10.3.1 Spatial rental gradients with improved infrastructure.....  | 316 |
| 10.3.2 Effects of population increase.....   | 322 |
| 10.4 Rents in the Absence of a Frontier.....   | 325 |
| 10.5 Productivity Increases within a closed frontier.....  | 327 |
| 10.6 Practical Criticisms of Ricardo's Rent Theory.....  | 333 |
| 10.7 Conclusion .....  | 336 |
| 10.8 Contribution to the Support of the Thesis Hypotheses .....  | 337 |
| Chapter 11   |     |
| Design and Procedure for an experimental study of price and rental<br>formation in an efficient land market.....   | 338 |
| 11.1 Introduction.....   | 338 |
| 11.2 Aim   |     |
| 11.3 Objectives  |     |
| 11.4 Hypotheses  |     |
| 11.5 Methodology .....   | 340 |
| 11.6 Procedure .....   | 342 |
| 11.6.1 General description of the experimental activity .....  | 342 |
| 11.6.2 General Procedure.....  | 342 |
| 11.6.3 Specific details of the experimental situation .....  | 344 |
| 11.6.4 Subjects  |     |
| 11.7 Timing.....   | 346 |
| 11.8 Summary .....   | 346 |
| Chapter 12.  |     |
| Results and discussion for an experimental study of price and rental<br>formation in an efficient land market..... | 348 |
| 12.1 Introduction.....   | 348 |
| 12.2 Results.....  | 348 |
| 12.3 Discussion .....  | 349 |
| 12.3.1 Rental Market, Years One to Four .....  | 351 |
| 12.3.2 Rental Market Following Year Four.....  | 356 |
| 12.3.3 Pricing .....   | 358 |
| 12.4 Conclusion .....  | 364 |
| 12.5 Contribution to the Support of the Thesis Hypotheses .....  | 365 |
| Chapter 13   |     |
| Subsistence wages, economic rents, savings and taxation.....   | 366 |
| 13.1 Subsistence and Natural Wages .....   | 366 |
| 13.2 Other Sources of Economic Rents .....   | 374 |
| 13.2.1 Economic Rents Accruing to Labour Productivity .....  | 375 |

|   |     |
|---|-----|
| 13.2.2 Economic rents from technology (Technology-related economic rents) ..... | 378 |
| 13.2.4 Economic Rents from random market opportunities .....                    | 387 |
| 13.2.5 Economic Rents from Systematic Market Opportunities (Monopoly).....      | 390 |
| 13.2.6 Economic Rents Accruing from Spatial Anomalies .....                     | 394 |
| 13.2.7 Economic Rents from Spatial/Political Wage Anomalies.....                | 394 |
| 13.2.8 Economic Rents from Political Inter-occupational Wage Anomalies .....    | 396 |
| 13.2.9 Economic Rents Accruing from Financial Efficiency .....                  | 397 |
| 13.2.10 Economic Rents Accruing from Temporal Anomalies .....                   | 398 |
| 13.3 Combined operation of economic rents .....                                 | 400 |
| 13.4 Comparison of various economic rents.....                                  | 402 |
| 13.5 Participants in Land Rent.....   | 404 |
| 13.5.1 Super-normal Profits .....   | 405 |
| 13.5.2 Taxation.....  | 408 |
| 13.5.3 Infrastructure funding.....  | 411 |
| 13.5.4 Foreign investment and savings .....                                     | 413 |
| 13.5.5 Money and rent.....  | 421 |
| 13.5.6 Apparent taxation and savings out of wages.....                          | 423 |
| 13.6 Conclusion .....   | 425 |
| 13.7 Contribution to the Support of the Thesis Hypotheses .....                 | 426 |
| Chapter 14.....   | 427 |
| 14.1 Summary of Support for Thesis Hypotheses .....                             |     |
| 14.2 Summary of conclusions to this point.....                                  | 428 |
| 14.3 Self-restraint.....  | 429 |
| 14.4 The Just Wage.....   | 433 |
| 14.5 Distribution in Practice .....   | 435 |
| 14.6 The Wage Threshold Problem .....   | 438 |
| 14.7 Review of some practical strategies for the social economy of land.....    | 440 |
| 14.7.1 Land Tax .....   | 441 |
| 14.7.2 Minimum Wage levels .....  | 442 |
| 14.7.3 Probate Taxes .....  | 443 |
| 14.7.4 Customary Title.....   | 445 |
| 14.7.5 Feudalism .....  | 445 |
| 14.7.6 Voluntary contribution .....   | 446 |
| 14.7.7 State Leasehold land title .....   | 446 |
| 14.7.8 Wide distribution of property.....                                       | 447 |
| 14.7.9 Owner occupation of property.....  | 448 |
| 14.7.10 Corporate Restructure .....   | 448 |
| 14.8 Conclusion .....   | 449 |
| Appendix 1 Rental Market Simulation Experiment Facilitator's Notes .....        | 451 |
| Appendix 2 Rent Experiment Subject Briefing Notes.....                          | 453 |
| Appendix 3 Rental Experiment Record Forms.....                                  | 458 |
| Appendix 4 Rental Market Simulation Experiment Results by Run.....              | 461 |
| Appendix 5 Publications by the Author Related this Thesis .....                 | 466 |
| Reference List.....   | 467 |

**LIST OF EXHIBITS**

|  |     |
|--|-----|
| Exhibit 2.1 Analysis of Labour Commanded Theory of Value .....               | 50  |
| Exhibit 2.2 Comparison of Pricing Theories .....                             | 54  |
| Exhibit 4.1 Land Property in Customary Culture .....                         | 146 |
| Exhibit 4.2 Intellectual Virtues as a Theory of Action .....                 | 130 |
| Exhibit 4.3 Realist Scientific Method.....                                   | 137 |
| Exhibit 4.2 Summary of Cultures .....  | 165 |
| Exhibit 6.1 Marginal Price Theory .....                                      | 201 |
| Exhibit 6.2 Market Functions .....   | 203 |
| Exhibit 6.3 Capital Asset Pricing Model .....                                | 217 |
| Exhibit 7.1 Question Sheet .....   | 229 |
| Exhibit 7.2 Data Sheet .....   | 233 |
| Exhibit 8.1 Demand Survey Results by Question.....                           | 235 |
| Exhibit 8.2 Question 1 .....   | 236 |
| Exhibit 8.3 Question 2 .....   | 239 |
| Exhibit 8.4 Question 3 .....   | 240 |
| Exhibit 8.5 Independence test between Q2 & 3.....                            | 241 |
| Exhibit 8.6 Question 4 .....   | 242 |
| Exhibit 8.8 Question 6 .....   | 246 |
| Exhibit 8.9 Question 7 .....   | 248 |
| Exhibit 8.10 Question 8 .....  | 250 |
| Exhibit 8.11 Question 9 .....  | 252 |
| Exhibit 8.13 Analysis of Independence between Questions 9 & 10.....          | 258 |
| Exhibit 8.14 Covariance Table .....  | 259 |
| Exhibit 9.1 Factors of Production .....                                      | 268 |
| Exhibit 9.2 Demand Decision Thresholds .....                                 | 271 |
| Exhibit 9.3 Supply Decision Thresholds .....                                 | 272 |
| Exhibit 9.4 Demand Function .....  | 279 |
| Exhibit 9.5 Supply Function .....  | 283 |
| Exhibit 9.6 Economic Rent from Mixed Thresholds.....                         | 284 |
| Exhibit 9.7 Unnatural Exchange Through Mediated Thresholds .....             | 286 |
| Exhibit 9.8 Consumer Product Title Through Causal Composition.....           | 293 |
| Exhibit 9.9 Property Title to Tools Through Causal Composition.....          | 294 |
| Exhibit 9.9 Intermediate raw material title through causal composition.....  | 295 |
| Exhibit 9.10 Product Price by Property Cause & Title Components.....         | 297 |
| Exhibit 10.1 Ricardo's Rent Theory.....                                      | 310 |
| Exhibit 10.2 Rents with a Frontier.....                                      | 314 |
| Exhibit 10.3 Valuation of Frontier Land .....                                | 315 |
| Exhibit 10.4 Spatial Gradients Resulting from Transport Infrastructure ..... | 317 |
| Exhibit 10.5 Population and Rent with a Frontier .....                       | 323 |
| Exhibit 10.6 Rents as the Frontier Closes.....                               | 326 |
| Exhibit 10.8 Australian Twentieth Century Inflation .....                    | 331 |
| Exhibit 11.1 Land Market.....  | 345 |
| Exhibit 12.1 Parcel Sale Prices .....  | 348 |
| Exhibit 12.2 Group One Average Annual Rentals .....                          | 349 |
| Exhibit 12.3 Group Two Average Annual Rentals.....                           | 349 |
| Exhibit 12.4 Final Run Distribution .....                                    | 350 |
| Exhibit 12.5 Final Run 2 distribution by grade, years 1-4.....               | 349 |
| Exhibit 12.6 Normalised Rental Deviations .....                              | 351 |
| Exhibit 12.7 Normalised Deviation Statistics.....                            | 352 |

|   |     |
|---|-----|
| Exhibit 12.8 Purchase price above rational maximum bid .....                  | 358 |
| Exhibit 12.9 Price Premiums in Pilot Runs .....                               | 359 |
| Exhibit 12.10 Price Discounts on Final Runs .....                             | 361 |
| Exhibit 13.1 Rents of Personal Abilities.....                                 | 377 |
| Exhibit 13.2 Rents on Technology Differentials .....                          | 379 |
| Exhibit 13.3. Rents as Old Technology is Retired.....                         | 381 |
| Exhibit 13.4 Technology Rents and Unemployment.....                           | 382 |
| Exhibit 13.5 Rents from Economies of Scale .....                              | 385 |
| Exhibit 13.6 Profitability by Scale of Operation .....                        | 386 |
| Exhibit 13.8 Stable Rents from Competition Exclusion Thresholds.....          | 391 |
| Exhibit 13.9 Rents from Wage Cost Anomalies.....                              | 395 |
| Exhibit 13.11 Summary of Economic Rents.....                                  | 399 |
| Exhibit 13.10 Supply Function from Composite Rents.....                       | 400 |
| Exhibit 13.12 Factor Costs and Economic Rent .....                            | 406 |
| Exhibit 13.10 Political Effects of Inappropriate Infrastructure Funding ..... | 412 |
| Exhibit 13.14 Consumption versus Income .....                                 | 415 |
| Exhibit 13.14 Source of Real Savings .....                                    | 416 |
| Exhibit 13.15 Savings Schema .....  | 418 |
| Exhibit 13.16 Australian Wealth distribution 1986.....                        | 420 |
| Exhibit 13.17 Non-wage distributions as participations in land rent.....      | 425 |
| Exhibit 14.1 Distribution by wages and rents.....                             | 436 |
| Exhibit 14.2 The extent of natural title to wages.....                        | 438 |

## Abstract

Aristotle's metaphor for economic relations was the household. Although the household is engaged in the material activities of internal production, consumption and exchange which are economic, its fundamental connections are social. Social dynamics, including care, respect, authority, loyalty, charity and self-restraint are the motivations within the household. These are all virtues in Aristotelian terms and can be grouped under the more general social virtue of solidarity which is the intention to act in support and draw closer to the other in relationship in such a way as to become more perfectly human. An economics based on this family metaphor will be socially grounded, it is social economics. A key identifier of social economics is its capacity to realise the common good. This thesis is an examination of the contribution of property in land to the common good leading to the identification of the location of land within social economics.

An Aristotelian methodology has been adopted for this thesis, following an examination of its component parts and comparison with alternative methodologies. While the defense of the methodology is not exhaustive, it is sufficient to provide reasonable justification of Aristotelian realism and point out some of the shortcomings of competing approaches. Aristotelian realism is accepted as employing an acceptance of essences, the validity of abstraction, and the importance of observation. Contrasted to positivism, Aristotelian realism accepts knowledge that is not simply observation-based, especially the possibility of the knowledge of essences.

Cultural practices in land have been reviewed in order to observe the anthropology of land property. It has been found that the great majority of cultures surveyed have adopted institutional structures with respect to land property that do not privatize income flowing from land assets. The only counter examples, apart from the modern West, were cultures that had flourished but were near the end of their period of cultural dominance. Modern Western land practices have been shown to be no more than about five centuries old, and have been associated with the introduction of unemployment, especially evident in England. The sociological notion of cultural universality has been considered, along with other concepts relevant in the interpretation of the cultural data.

Property theory has been reviewed. This includes ancient positions on property as well as modern. Islamic property theory has been included in the review in order to broaden the cultural base. Ancient Western property theories have been shown to be divided between simple acceptance of the fact of private ownership, especially

evident in Roman law and early modern practice, and a more complex theory of ownership first articulated by Aristotle. Aristotle's theory of ownership was a dual principle of private ownership but common use. The Aristotelian position was developed by St. Thomas Aquinas in the Medieval period. St. Thomas recognised that property in external property was naturally for common use but privately owned by convention. John Locke attempted a labour based theory of absolute private property and Adam Smith returned to the positive fact of possession. The Islamic position straddled the Lockean and Thomistic. Modern property theory is a development of the Smithian identification property as a fact of society.

Apart from the institution of individual private property in land, several other economic institutions mark modern Western economics. The most important of these is the free market. The theoretical foundations of the free market have been examined and have been found to be based on moral foundations. The components of market theory have been reviewed and significant shortcomings have been revealed. The theory of supply has been found to contradict practice and the commonly portrayed market functions that are asserted to depict market behaviour in efficient circumstances have been shown to be in error. Capitalisation has also been reviewed and its dependence on the risk-free real rate of return on money loans has been explored. The moral problem of usury has been introduced and linked to capitalisation, but not taken beyond recognition and defense of the fact that it is a social artifact rather than a product of economic forces.

The critical factor in the operation of the market was shown to be its inclusion of demand in the development of prices. In the absence of theoretical support, the acceptability of the market was tested empirically by surveying attitudes to demand based pricing. Three hundred and forty Sydney home-owners were asked ten questions regarding situations where prices and profits were linked to demand or price. The data was analysed and found to lend support to the hypothesis that demand-based pricing did not have community support.

A general theory of property was constructed from human nature and the nature of land. It was then used to develop an ethical structure for the pricing of wages, land and products. It was argued that property rights in labour were fundamentally different to property rights in land, the former being natural and the latter being conventional. It was also evident that the market was an inappropriate instrument for the determination of wages, but appropriate for the determination of commodity prices. Land was recognised to be the gap between wage price and commodity price.

Ricardo's rent theory was reviewed as a mechanism for pricing land income. Various aspects and implications were considered and it was recognised that in a

closed land market the returns to land competed with the return to labour in a manner that was better explained in political terms than economic. Despite its importance in social economy, the operation of Ricardian rent theory is obscured other mediating factors. It has also been used as the central theory in a protracted political debate over the taxation of land. Both of these issues have contributed to the the marginalisation of interest in rent theory and a degree of suspicion as to its validity.

A behavioural experiment was run to examine the validity of Ricardian rent theory within the confines of its own assumptions, which are basically those of an efficient market and the recognition that land has varying productivity. The results of the experiment lent strong support to the theory but highlighted the conventional nature of the return to labour. One of the shortcomings of Ricardian rent theory is its assertions regarding subsistence wages, and there was evidence in the experiment that did not support this aspect of the theory.

The significance and construction of subsistence wages were specifically reviewed and also other sources of economic rents. An analysis of non-land economic rents revealed that they were either land-like, transient or politically maintained. A theory of supply was developed from a rent base that was argued to be causally accurate and returned a monotonic upward curve consistent with practical observation.

The implications of the political economy of the findings were reviewed. Some major traditions in economics interpreted in terms of the ethical issues revealed. The thesis concluded that many cultural resolutions of the property problem are possible, however they must conform to ethical fundamentals that may be paraphrased in the notion of solidarity. Suggestions for possible corrections or improvements to specific existing practices and policies were developed.