

Critics of Henry George: An Appraisal of Their Strictures on Progress and Poverty

Author(s): Robert V. Andelson

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Studies in Economic Reform and Social Justice

CRITICS OF HENRY GEORGE
AN APPRAISAL OF THEIR
STRICTURES ON PROGRESS
AND POVERTY

Edited by

Robert V. Andelson

Second Edition, Revised and Enlarged

Published in two volumes

Annual Supplement to Volume 62

The American Journal of Economics and Sociology



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**Robert V. Andelson at his retirement party from the Auburn University
on May 21, 1992. Courtesy of Bonny Johnson Andelson**

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Supplement

Critics of Henry George: An Appraisal of Their Strictures
on *Progress and Poverty*, edited by Robert V. Andelson,
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Preface and Acknowledgments to the Second Edition

The first edition of this book was published in 1979, to coincide with the centenary of *Progress and Poverty*. It filled an obvious gap, and met with a gratifying reception. A quarter of a century has passed, and it is now out of print.

Rather than simply issue a reprint edition, the decision was made to expand and revise the work:

1. Because of the importance of John Bates Clark in spearheading the movement to collapse land into capital in economic theory, I decided that an entire chapter should be devoted to him, instead of his being covered, as in the first edition, in a combined chapter also devoted to Simon Nelson Patten. The new chapter is the work of Kris Feder, whose doctoral research focused on the land-capital issue.

2. The material on Patten was rewritten by its author, Charles Collier, to form a separate chapter of its own.

3. Mason Gaffney has contributed a chapter that addresses a well-placed pragmatic objection by Edwin Cannan.

4. The first edition did not contain a separate chapter on Frank Knight, because his critique of George consisted mainly of one relatively brief article; instead, he was covered in a chapter devoted mainly to Murray Rothbard. However, the influence of that article has been such that I came to believe that a chapter on Knight would be justified.* Happily, Nicolaus Tideman (who earned his Ph.D. at Knight's department at Chicago, although after the latter's retirement) and Florenz Plassmann agreed to write it.

*A celebrated literary and talk-show figure who styles himself a "closet Georgist" once told me why he is not more active and open in espousing the philosophy: It seems that, upon his asking Henry Hazlitt what he thought of Georgism, Hazlitt had responded with severe disapproval, citing negative arguments from Knight. The celebrity in question (who is not ordinarily known for diffidence) was afraid that he might prove inadequate if called upon to counter these arguments in a public forum.

5. In the first edition, Spencer Heath was also treated briefly in the chapter devoted primarily to Rothbard. Fred Foldvary, whose publications have been largely focused on the proprietary community concept of which Heath was a seminal exponent, has contributed a separate chapter on him.

6. Because he devoted more space to criticizing George than did any other academic economist since Clark, Rothbard, I came to realize, warranted a free-standing chapter of his own. However, I did not wish to impose the tedious burden of disentangling him from Knight and Heath upon the venerable author of the combined chapter, C. Lowell Harriss. Fortunately, I was able to prevail upon Harold Kyriazi, who had already come to grips with Rothbard's criticisms in his admirable little book, *Libertarian Party at Sea on Land*, to undertake it.

7. F. A. Hayek's objection to the Single Tax is expressed in a mere paragraph, yet it is subtle and original, and the prestige of his name makes it important. I became aware of this during the question period after a lecture I delivered in Zürich in 1993, and addressed it in an article that the *American Journal of Economics and Sociology* has kindly permitted me to reprint in this book. It may be viewed as a sort of *mea culpa* on my part, inasmuch as my treatment of Hayek's objection, in the concluding chapter of the first edition, was inaccurate, having been based upon a common but superficial reading of it.

8. Except for a few scattered references, one looks in vain for explicit mention of George and his ideas in the copious writings of Garrett Hardin. Yet his much-reprinted essay, "The Tragedy of the Commons," is widely interpreted as directed against Georgism. In "Commons Without Tragedy," title chapter of a book I edited in 1971, I demonstrate that Hardin has been misconstrued in this respect—a judgment with which Hardin himself agrees. It has been abridged for inclusion in the present edition.

9. Like Rothbard, the charismatic Robert LeFevre was a potent influence in the development of the libertarian movement. Damon Gross, himself a libertarian, examines his critique of Georgism.

10. Finally, Mary M. Cleveland looks at the treatment of George by Mark Blaug, a respected historian of economic thought whose most

important work on the subject did not appear until after the publication of the first edition.

Needless to say, my concluding chapter has been revised to reflect some of the new material, as well as changes that have taken place over the past quarter century. It incorporates some passages from my Editor's Introduction to the third edition of *Land-Value Taxation Around the World* (the maiden volume in this series), which appeared in 2000.

This new edition, like the first, is not an anthology but rather the joint effort of a team assembled, assigned, cajoled, and coordinated by myself. Except for the passages just mentioned and four essays of my own that initially appeared elsewhere, all the chapters were expressly written either for this volume or for its predecessor.

My technological inadequacies would have proved insurmountable had it not been for the computer assistance of my kind friends, Alan Blackwood, Beverley Childress, Rod Jordan, and Tom Petee. I thank them for their generous contribution of time and knowledge. I also thank Steve Yates, without whose intelligent help the manuscript would not have met the publisher's deadline, and Laurence S. Moss, the series editor, who was understanding and supportive throughout. Pat Aller's extraordinary work in preparing the Index cannot be overpraised.

I wish to acknowledge a special debt to the late Louis Wasserman: It was the chapter on the Single Tax in his book, *Modern Political Philosophies and What They Mean* (first published in 1941), that introduced me, when a seventh-grader, to the thought of George. How appropriate that his final publication should be "The Essential Henry George," a key chapter in both editions of the present work!

R. V. Andelson
September, 2003

Acknowledgments to the First Edition

The decision to undertake the labors of which this book is the fruition would never have been made had it not been for the encouragement of my friend, colleague, and department head, Professor Delos B. McKown, who was unfailingly supportive at each step of its development.

Funds that made its publication possible were generously provided by the Robert Schalkenbach Foundation of New York, and Basic Economic Education, Inc., of San Diego. Mr. P. I. Prentice, president of Schalkenbach, and Miss V. G. Peterson, its longtime executive secretary until her recent retirement, deserve special mention in this regard, as does Mr. Everett J. Seeley, chairman of the board of B.E.E.

Auburn University released me from my classroom obligations so that I could devote the spring quarter of 1977 solely to the project, and made available a grant for secretarial and research assistance. Dr. Taylor D. Littleton, vice-president for academic affairs, and Dr. Chester C. Carroll, vice-president for research, were particularly helpful in facilitating these favors.

The authors all took time from busy and demanding schedules to prepare their chapters, contributing their efforts gratuitously, patiently suffering my sometimes importunate demands, and graciously acquiescing in revisions that they may privately have considered brash.

Professors Alexander R. Posniak and José A. Madrigal of the Auburn department of foreign languages kindly donated many hours of assistance with translation, and the staff of Ralph Brown Draughon Library at the university was helpful beyond the call of duty. I wish to note in particular the extraordinary efforts of Mrs. Frances Honour and Mr. David N. King, both of whom have since moved on to new locations and pursuits.

The preparation of the typescript was primarily the work of Mrs. Anne C. Clark, whose dedication and efficiency cannot be overpraised. Mrs. Hildegaard Wolverton also gave able and conscientious service to this task when her departmental responsibilities permitted.

I have had the benefit of valuable comments (and, in several cases, other courtesies) from the following persons who read portions of

the manuscript: Messrs. Victor H. Blundell and Richard Grinham of the Economic and Social Science Research Association (London); Mr. Weld S. Carter, executive secretary of the Committee on Taxation, Resources and Economic Development; Mr. Robert Clancy, president of the Henry George Institute, and acting president of the International Union for Land Value Taxation and Free Trade; Professors Robert B. Ekelund, Jr., Richard Higgins, Stephen O. Morrell, and Richard Saba of the Economics Department at Auburn; Professor James E. Green of the Economics Department at the University of Georgia; Mr. Gordon Hoover of Los Angeles; Professor Carl McGuire of the Economics Department at the University of Colorado; Professor Raj Mohan of the Sociology Department at Auburn, editor of the *International Journal of Contemporary Sociology*; Miss Peterson of Schalkenbach, whom I have already mentioned in another connection; Mr. Harry Pollard, president of the Henry George School of Los Angeles; Mr. William O. Ranky of Chicago; Miss Frances Soriero of Schalkenbach; and Professor Bruce Yandle of the Economics Department at Clemson University. Some of my literary contributors, notably Professors Gaffney, Hébert, and Schwartzman, also provided useful advice or other help. Of course, culpability for the defects of the volume rests ultimately with me.

Mr. Julien Yoseloff, president of Associated University Presses, Inc., extended himself in many ways to be accommodating.

Finally, these acknowledgments would be sadly incomplete if they omitted reference to my lady, who accepted the husbandry neglect that was an inevitable aspect of my more than four years of intense involvement with this volume. Were it possible to report honestly that she did so uncomplainingly, I should have reason to be apprehensive.

R. V. A.
July 1978

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PART I

Prolegomena

1

Introduction

By ROBERT V. ANDELSON

Purpose and Scope of the Book

“People do not argue with the teaching of George, they simply do not know it.” This sentiment, expressed by Tolstoy in 1905,¹ had a degree of validity even then. The writers of economics textbooks in particular, when deigning to mention George at all, have tended to dismiss his contribution with a few patronizing sentences that, more often than not, display a lamentable absence of real acquaintance with his thought.²

Henry George was one of a long succession of political economists—including Adam Smith, Malthus, the two Mills, Ricardo, Chalmers, Sidgwick, and Marx—with no official training in the discipline. Like that of most of the other members of this line, moreover, his pursuit of the subject was merely a particularization of broader social and even metaphysical concerns. It was his misfortune, however, to have launched his theory just as economics was becoming a specialized profession, as signaled by the founding of the American Economic Association in 1885 by scholars, many of whom had done postgraduate study in Germany. Henceforth, at least in the United States, he who presumed to write on economic theory without having first armed himself with advanced degrees in the field would run the risk of being disparaged as an amateur in academic circles. And George held no degrees at all—advanced or otherwise! His response to the coolness elicited by his ideas in these circles was scarcely calculated to dispel it. It was perhaps both understandable and inevitable that this self-taught reformer, who believed with passionate sincerity in the unassailability of his logic and the imperative necessity of his social program, should impute motives of intellectual cowardice to his scholarly detractors. “George’s unwarranted suspicion, even contempt, for the academic world, an attitude duplicated by many of his followers, undoubtedly created much antagonism for

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him among the very people whose endorsement he desperately needed."³ And this antagonism all too often manifested itself in contemptuous silence or peremptory dismissal.

Yet there have been those who, Tolstoy to the contrary notwithstanding, *have* argued with the teaching of George. Not all of their arguments have been sketchy, crude, or ill-informed; several have been detailed, closely reasoned, and based upon a careful study of his works. Had most of his disciples in this century taken Tolstoy's assertion (justifiably a commonplace among them) less literally, they might have discovered not a few criticisms worthy of their analysis and possible refutation, together with some areas in which the master's legacy could profit from judicious modification or supplementation.

I do not, of course, wish to impart the impression that George's thought met with only hostile or indifferent response among the literati. A formidable list of testimonials, ranging from Tolstoy and Sun Yat-sen to Nicholas Murray Butler and John Dewey, could be cited to show the opposite.⁴ The list would, in fact, contain statements from some prominent economists, although not many have accorded unqualified approval to the Georgist doctrine. Even George's most dedicated opponents have, almost without exception, paid tribute to the eloquence of his literary style and the luminous nobility of his intentions, and some have credited him with calling needed attention to abuses, with awakening their interest in economic problems, and with performing yeoman service in exposing certain hoary fallacies.⁵ Joseph Schumpeter, to mention but one recent economist of great distinction, spoke appreciatively of George in no uncertain terms in his last book, *History of Economic Analysis*, posthumously published.*

*It may be instructive to quote Schumpeter's remarks, especially insofar as they relate to the question of George's technical competence:

He was a self-taught economist, but he *was* an economist. In the course of his life, he acquired most of the knowledge and of the ability to handle an economic argument that he could have acquired by academic training as it then was. In this he differed to his advantage from most men who proffered panaceas. Barring his panacea (the Single Tax) and the phraseology connected with it, he was a very orthodox economist and extremely conservative as to methods. They were those of the English "classics," A. Smith being his particular favorite. Marshall and Böhm-Bawerk he failed to understand. But up to and including Mill's treatise, he was thoroughly at home in scientific economics; and he shared none of the current misunderstandings or prejudices concerning it. Even the panacea—nationalization not of land but of the rent of

My purpose here, however, is not to rehearse encomia; that task may be left to the various periodicals of the Georgist movement without fear that they will be in the least delinquent in fulfilling it. Rather, I am convinced that the highest tribute we can pay his memory, and the one that he himself would cherish most, is to present as fairly as possible the arguments of his most significant critics, and to weigh them in the scales both of abstract reason and of empirical evidence.

Heretofore this has not been done in any comprehensive way. During George's lifetime he published rejoinders to a few of his critics, notably Herbert Spencer, the Duke of Argyll, and Edward Atkinson;⁶ and Thomas Shearman attempted to refute several animadversions in a brief article, and later in the last part of his *Natural Taxation*.⁷ Max Hirsch's *Democracy and Socialism* contains chapters that deal with the objections of Atkinson and Francis A. Walker, and shorter discussions that address those of Lord Bramwell, J. C. Spence, W. E. H. Lecky, Thomas H. Huxley, H. M. Hyndman, John A. Hobson, and an anonymous Fabian pamphleteer.⁸ As far as the number of critics covered is concerned, by far the most ambitious effort along these lines is Steven B. Cord's *Henry George: Dreamer or Realist?*, but it is more of an evaluative survey than an analysis in depth, and is limited to the treatment of George by American economists and historians up through the early 1960s. Otherwise, to my knowledge, examination and appraisal of George's critics have been confined to incidental passages and to articles occasioned by individual attacks.

This book does not, of course, purport to be exhaustive. In view

land by a confiscatory tax—benefited by his competence as an economist, for he was careful to frame his "remedy" in such a manner as to cause the minimum injury to the efficiency of the private-enterprise economy. Professional economists who focused attention on the single-tax proposal and condemned Henry George's teaching, root and branch, were hardly just to him. The proposal itself, one of the many descendants of Quesnay's *impôt unique*, though vitiated by association with the untenable theory that the phenomenon of poverty is entirely due to the absorption of all surpluses by the rent of land, is not *economically* unsound, except that it involves an unwarranted optimism concerning the yield of such a tax. In any case, it should not be put down as nonsense. If Ricardo's vision of economic evolution had been correct, it would even have been obvious wisdom. And obvious wisdom is in fact what George said in *Progress and Poverty* (ch. 1, Book ix) about the economic effects to be expected from a removal of fiscal burdens—if such a removal were possible. [Joseph A. Schumpeter, *History of Economic Analysis*, ed. Elizabeth Boody Schumpeter (New York: Oxford University Press, 1954), p. 865.]

of the vast bulk of the literature on George, such would be neither feasible nor desirable. It does strive, however, to cover all of the most significant critiques, except for those by Spencer and Argyll. To these latter, George's replies, both of them substantial, are readily available.⁹ Although I have attempted to research the entire literature in English and the other major European tongues except for Russian, some works were not available to me, while others may well have escaped my notice.

Critiques that Have Been Omitted

I have used an editor's discretion in deciding what constitutes a "significant" critique, and my judgments in this respect may to some students appear arbitrary in various instances. They have been guided by such criteria as originality, subtlety, influence, brilliance of organization and expression, and, in at least one case (Alcázar), sheer length. Of necessity there will be a certain amount of overlapping, because many of the same arguments, or approximations thereof, have been employed by more than one critic. When an argument was first advanced in germinal form by a writer who did not essay a sustained critique of George, I have tried to see to it that it is presented and evaluated in its most developed manifestation, with indication given as to its original source.

There are a number of critiques that might, for one reason or another, have arguably justified consideration in these pages, but that I have not included. Let me mention some of these, together with my reasons for their omission.

In 1881 and 1882 *Progress and Poverty* was the subject of review in three learned German periodicals by Adolf Wagner (*Zeitschrift für die Gesammte Staatswissenschaft* [Tübingen] 37 [1881]: 619–24), E. Heitz (*Jahrbucher für Nationalökonomie und Statistik* [Jena] 4 [1882]: 120–26), and Gustav Schmoller (*Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft* [Leipzig] 6 [1882]: 354–59), respectively. Wagner and Schmoller, in particular, were famous and influential scholars, but each review is but six pages in length, and their strictures were more fully developed by later authors.

Viewed solely from the standpoint of their author's eminence, the

essays by William Graham Sumner that appeared in *Harper's Weekly* during the early months of 1883, and that were gathered and reprinted under the title *What Social Classes Owe to Each Other*, would surely warrant treatment. Yet it is only in the loosest sense that they may be considered a critique of George, for although a few passages suggest that Sumner bore *Progress and Poverty* in mind, the essays deal sweepingly with broad social issues, touching in only the most general way upon some elementary premises of George's system without ever naming him or any of his writings. (Two years earlier Sumner had specifically reviewed *Progress and Poverty* in an unsigned editorial in *Scribner's Monthly*, but it was only a page in length and consisted wholly of unsupported ridicule.) Although this series gave rise to a rival one by George in *Frank Leslie's Illustrated Newspaper* (collected and republished with additional material as *Social Problems*), it was, as Barker puts it, "a competitive venture, not a controversy."¹⁰

The pamphlet review of *Progress and Poverty* by that "fine old crusted Tory" Lord Bramwell¹¹ went into seven editions from 1883 through 1895, hence one may assume that the Liberty and Property Defense League, under whose imprint it appeared, must have considered it an unusually effective attack. But, although vigorously written, it is a relatively trivial piece of work; its pages often focus mainly upon a small number of passages in isolation from their context, and demonstrate a decidedly less than perfect understanding of George's argument.

Altogether different in tone is the thirty-page scholarly discussion devoted chiefly to George's theory by the distinguished French economist Charles Gide.¹² So fairly and even persuasively does he elucidate the strengths of George's thesis that one almost expects him to conclude with an unequivocal endorsement. Yet he rejects it, for reasons that he states in a surprisingly cursory, almost offhand fashion, recommending instead a trial of the scheme of land reform advocated by the Belgian socialist, Baron de Colins. Gide concedes on the one hand that land is an especially appropriate subject for taxation, yet claims on the other that the problem of separating land values from improvement values is insoluble—a contention denied by many experts, Kenneth Back being a relatively recent example.¹³

To Gide probably belongs the dubious honor of having been the first to argue that if the state were to confiscate through taxation the unearned increment of land, it would be unjust if it did not also indemnify landowners when land decreased in value. Commenting on the same objection as put by other critics, Charles F. Collier remarks that under the existing system, although the tax liability of one who suffers financial reverses may decrease, "there is no tax which *reimburses* people for loss of income. . . . It is surely misleading, if not unfair, to single out one tax for criticism based on a property shared by all alternative taxes."¹⁴

The two lectures on George given in 1883 at St. Andrews Hall, London, by Arnold Toynbee, Oxford economist and eponymous uncle of the noted historian, represented Toynbee's last intellectual effort. In the words of one who heard them, they betrayed "unmistakeable signs of nervous exhaustion and physical collapse";¹⁵ a few weeks after their delivery the speaker died at the early age of thirty-one, without having had an opportunity to check or revise the shorthand transcript of them. Their criticisms, which are complicated and difficult to follow, center upon alleged inconsistencies in George's wage theory. According to Philip Wicksteed, who was also present, Toynbee's concessions were "large and significant."¹⁶ His objections are subjected to friendly but unfavorable analysis by H. Llewelyn Davies in an article¹⁷ that appeared soon after the republication (as an appendix to the 1894 edition of Toynbee's famous *Lectures on the Industrial Revolution*) of the transcript.

Arthur Crump, in a thirty-two-page onslaught ominously entitled *An Exposure of the Pretensions of Mr. Henry George*,¹⁸ upon examining the first three books of *Progress and Poverty*, finds them such a "confused mass of inconsistencies, contradictions, fallacies, and absurdities" that he concludes that it would be a waste of time to bother with the other seven. This effusion is utterly splenetic, and the reliability of its interpretation of George may be judged by the fact that it upbraids him for "preaching against capitalists," which, of course, he never did.

In 1884, the same year as Crump's attack, Isaac B. Cooke published *Progress and Poverty: A Reply to Mr. George*.¹⁹ This twenty-two-page pamphlet is characterized by a courteous, dignified tenor that con-

trasts pleasantly with Crump's shrillness. Cooke begins by accepting George's contention that poverty has accompanied progress, and calls the problem "one of surpassing importance, worthy of our deepest study." Yet the last half of his work is almost wholly devoted to denying the existence of the problem that he had earlier declared to be so vital. Some of his arguments are complacent in the highest degree. For example, he holds that "the simple difference between those who habitually spend less than and those who habitually spend all that they earn, will account for most of the discrepancy between luxury and squalor"; that insofar as the increase of wealth in Britain did not diminish pauperism, it was because of the free choice of the people, who, though they "had the opportunity of improvement, . . . preferred the increase of numbers to improvement in condition"; and that laborers need only "raise themselves to the rank of capitalists" in order to be "enabled to form eligible terms of co-partnership in the undertakings in which they obtain employment. . . ." He also holds that even if the entire yield of all production came to landlords in the form of rent, most of it, being perishable, could not be stored indefinitely and would have to be distributed in exchange for labor, and that, in fact, "in ordinary circumstances, the shares appropriated to rent and interest are eventually distributed almost wholly as wages." He misconceives George as defining wages only as the share of production received by the agricultural laborer, so that "the mechanics and artisan classes are left without provision"—a notion that has no basis in any of George's writings. Cooke does venture two more promising lines of criticism: The first is that human labor can create nothing, but can only modify natural materials. Hence George's doctrine, strictly interpreted, cannot justify the ownership of *anything*. (Curiously, Murray Rothbard uses essentially the same argument to justify the ownership of *everything* to which labor has been applied, including land.²⁰) The second is that land ownership is not properly stigmatized as monopolistic so long as land is available for purchase in the open market. These ideas, however, are merely thrown out in passing. Had they been adequately developed, Cooke's critique might have been of genuine importance.

More worthy of consideration, if for no other reason than that its author eventually came to occupy the highest office in the British

government, is a little-known paper by Arthur J. Balfour, then a mere M.P., presented at the London Industrial Remuneration Conference of 1885, and carried in the report of its proceedings published the same year. Entitled "Land, Land Reformers, and the Nation," this work includes nine pages of scathing attack on George's reasoning, some important subtleties of which, however, Balfour appears to have overlooked (perhaps deliberately for forensic reasons). Thus he scores George for inconsistency in holding that the return given by nature to capital over and above that which accrues to the labor expended in its use or exchange may be with justice privately appropriated, while that given to land may not—a reproach that ignores the key points: (a) that capital, unlike land, is produced by labor; (b) that the private appropriation of its yield does not represent a toll upon access to natural opportunity; and (c) that, according to George, the added return arising from the active powers of nature in certain modes of production is equalized to capital in all modes. One of Balfour's most sarcastic arguments is that the full application of George's principles would extinguish any right to property acquired by the sale of land. "The receiver of stolen goods clearly should not be allowed to retain the wealth which he enjoys only through having passed on those goods to somebody else." He evidently did not know that four years previously George had anticipated and rebutted this attempt at *reductio ad absurdum* in "The Great-Great Grandson of Captain Kidd," a chapter of *The Irish Land Question*.

Also included in the annals of the conference is "Social Remedies," a paper by Frederic Harrison,* a prolific *littérateur* and leader of the London Society of Positivists. In 1908 it was reprinted by Macmillan of New York in *National and Social Problems*, a collection of Harrison's essays. While expressing strong appreciation of George's powers as a critic of the status quo, and while sympathetic to the idea of taxing land values more heavily, the author rejects George's "pretended panacea" as "chimerical and futile." As with Balfour's argument just cited, much of his gravamen was anticipated and dealt with in "The Great-Great Grandson of Captain Kidd." Otherwise his main objection seems to be either that George contemplated the confisca-

*Not to be confused with Fred Harrison, the contributor to this volume.

tion of improved and not just “prairie” land values, or that the prairie value of land, at least in Britain, would be seriously inadequate as a basis for taxation. His illustrations are limited to farms, and he evidently assumes that all improvements that “merge with the soil” are attributable to landowners’ outlays.

In 1884 George’s own British publisher, Kegan Paul, brought out *The Nationalisation of Land*, an expanded version of a twenty-three-page article in the *Contemporary Review* the previous year by Samuel Smith. Because of the misconception signaled by the title, much of Smith’s criticism has little bearing on what George actually proposed. Somewhat incongruously, after roundly condemning what he takes to be George’s program, this Liberal M.P. concedes that “property in land ought not to be as absolute as property in chattels,” and deplors the granting away of vast tracts to speculators in the New World, and the garnering of unearned increments by suburban landowners in the Old.

Next to be noted is *Progress and Robbery*,²¹ an elaborate (seventy-page) but superficial assault by J. Bleeker Miller, consisting largely of three speeches delivered on behalf of the Tammany opposition during George’s New York mayoralty campaign of 1886. It accuses George of having borrowed, without attribution, his ideas from Considérant and his phraseology from Proudhon, and labels him a “demi-communist,” while (one observes with amazement) paying respectful compliments to Lassalle and Marx. Small wonder that of this work Barker remarks that “there is little, indeed, to be said about quality.”²²

In 1887 Charles H. Kerr & Company, the Chicago firm that has since come to be identified with Marxist publications, brought out *Progress from Poverty: Review and Criticism of Henry George’s “Progress and Poverty” and “Protection or Free Trade”*, a work that, far from being Marxist, was not even reformist in character. The author was one Giles Badger Stebbins, and it ran to sixty-four pages, but they were of less than duodecimo size. This book contains numerous misrepresentations, holding, for example, that George advocated land nationalization, denied property rights in improvements, excluded brainwork from his definition of labor, apologized for chattel slavery, and sought “to make the laborer the master and monarch over the capitalist.” It also advances the erroneous idea that taxes on land are shifted to the

tenant. For the rest, it consists mainly of paraphrases and extracts from other critics, especially George Basil Dixwell.

The same year saw the publication by Hill and Harvey, a Baltimore firm, of a rambling indictment of the “socialism” of Henry George and Herbert Spencer(!)—*Ownership and Natural Right*, by R. P. I. Holaind, S.J., a professor at Woodstock College. This feeble work of 176 pages, prefaced by an effusive letter of commendation from Archbishop Corrigan of New York (George’s adversary in the McGlynn affair) amounts to little more than a pastiche of extracts from Roman and canon law as well as from more modern sources—in some cases (e.g., Locke) selected in such a way as to give a distorted impression. It is worth mentioning here only because it was, for some reason I cannot fathom, regarded as sufficiently important to warrant a French edition, *Le Socialisme américain. La Propriété et le droit naturel* (Paris and Brussels, 1900), which is the only edition listed in most catalogues. Interestingly, although French was Holaind’s native tongue, the translation was done by one Edmond J. P. Buron.

Alluring Absurdities: Fallacies of Henry George was the work of M. W. Meagher, published by the American News Company, New York, in 1889. One hundred and ninety-three pages in length, this book is devoted largely to a minute critical analysis of selected passages by George, and manages to score a number of debater’s points against him, which is scarcely surprising since its author was founder of the National Debating Association, with offices at Cooper Union. These points are, however, for the most part fairly trivial, and some even puerile in their superficiality. Meagher delights in exposing petty contradictions and imperfect analogies (often taken out of context), but nowhere does he really come to grips with George’s central arguments. The book exhibits some of the more unpleasant characteristics of the forensic approach: captious logic-chopping and a tone of arrogant pomposity.

The March 1892 issue of the *Annals of the American Academy of Political and Social Science* carried “The Basis of Interest: A Criticism of the Solution Offered by Mr. Henry George.” It was the product of Dwight M. Lowrey, who found George’s doctrine of interest “little more than a tissue of fallacies,” while acclaiming George as “*facile princeps* among all American economists” in almost every other area

of economic analysis. Were it not for the restricted nature of its topic and for the fact that it undertakes to overthrow a theory that few have ventured to defend, this keenly argued paper would warrant more than a mere notice here.

An unlikely parallel is drawn by Arthur Kitson in his "Criticism of Henry George's Single Tax Theory" (*American Journal of Politics*, October 1894) between George and the arch-protectionist, William McKinley, on the grounds that both advocated the use of taxation (quite apart from the revenue produced therefrom) to effect "social-istic" remedies for economic ills. Like R. C. Rutherford (to whose more sizable attack Collier has devoted chapter 15 in the present work), Kitson cites chapter and verse of *Progress and Poverty* to try to show that it is self-refuting. His chief argument is that if a man has, as George contends, a right to the full product of his labor, it is just as unjust for him to have to pay rent to the community for the use of land as to a private owner. Kitson was answered by three writers in the course of the following year. The first, Isaac Feinberg, admitted inconsistencies in George, but claimed that they did not invalidate the merits of the single-tax idea. The second, R. W. Joslyn, agreed with many of Kitson's criticisms, but applauded the single tax (perhaps with tongue in cheek) because he imagined that it would do away with all sale and rental of lands. The last, George Bernard, defended George against Kitson's charge of inconsistency, citing a passage in *Progress and Poverty*²³ to demonstrate that George had anticipated and disposed of the principal chain of reasoning on which the charge was based.²⁴

Fred Harrison, in a note to his chapter 14 on Marxist critics of George in the present book, expresses chagrin that he was unable to examine and discuss Algie M. Simons's *Single Tax vs. Socialism* (Chicago: Charles H. Kerr & Company, 1899), for it is considered by Geiger to be among the most effective presentations of the Marxist position on the subject. (Simons was editor of the *International Socialist Review*.) After protracted searching, I finally located (at the Walter Reuther Library at Wayne State University) a copy of this scarce work sturdy enough to allow duplication. Perusal of it left me mystified as to the basis for Geiger's evaluation, and convinced that Harrison need have wasted no regrets over the book's unavailability

to him. Save for its plain language and clear organization, this twenty-nine-page screed has little to commend it, for almost its whole argument rests upon such Marxist dogmas as the dialectic and the class struggle, which are simply asserted without so much as an attempt at proof. Simons ridicules the Georgist "landophobia," as he calls it, holding that inasmuch as land has been long since surpassed by capital as the dominant factor in production, "to insist on again raising it to prominence is to advocate the relapse to barbarism." The coming fundamental social change, he pronounces, will be the seizure of capital by the workers when, in the fullness of time, the capitalist system has ripened to the point of rottenness. Unfortunately for the cogency of this thesis, Marxism has never yet come to power in an advanced capitalist society (other than through external imposition), but only in places where the paramount feature of the economy was the concentration of land ownership in the hands of a small segment of the population.

In 1900 there appeared *Taxation of Land Values and the Single Tax* (Glasgow: James MacLehose and Sons, 1900), a slim book by that British popularizer of the Austrian school of economics, William Smart, professor of political economy at the University of Glasgow. As admitted in the preface, this work "does not profess to be a contribution to economic science," and only the last twenty-seven pages of it deal specifically with George's doctrine. The rest is primarily taken up with the hostile evaluation of two concrete proposals for legislation (the London County Council Resolutions, and the Glasgow Land Value Assessment Bill), Smart's analyses of which have to do largely with complicated peculiarities of English and Scottish land tenure. The author speaks from the standpoint of the "equal sacrifice" theory of taxation and condemns George's proposal as confiscatory.

"The Economics of Henry George's 'Progress and Poverty,'" by Edgar H. Johnson, was published in the *Journal of Political Economy*, November 1910. After twenty pages of highly technical analysis accusing George of inconsistency, special pleading, and inattention to empirical facts, this critic concludes by acknowledging the truth of three of the most salient Georgist principles: that land is the gift of nature rather than the product of human toil; that its value is owing

to the activities of the community rather than of the owner; and that a tax upon it is not, generally speaking, a burden on industry.

In 1912 one E. B. Silvers brought out in Kansas City a 105-page broadside, *Single Tax A Fallacy: a Refutation of the Theory of Single Taxation as Announced by Henry George*. It was evidently published by himself. Most of its criticisms are the standard ones, but it deserves a reference because of its ingenious argument that since, according to George, wages and interest are determined at the margin, the single tax, by leaving the landowner only that portion of his product classifiable as wages and interest, would condemn him to a marginal existence. Thus he would have no inducement to make his land produce more than a bare living. For all his recurrent emphasis upon the margin, Silvers does not seem to understand its functional role in George's system, or to take account of any of the qualifications or subtleties in George's treatment of it. He simply introduces it mechanically, oblivious to context, whenever he feels inclined to deal a particularly devastating blow.

A ripple of attention was attracted by Alvin S. Johnson's "The Case Against the Single Tax," which appeared in the *Atlantic Monthly* of January 1914 as one in a series of three articles on the subject of the Henry George plan. Johnson contended that the lure of unearned increment is essential to development (a notion readily susceptible of empirical refutation), and that the main burden of the plan would fall upon the middle class (as if, even if this were so, the same is not notoriously true of our existing system). Although ably formulated and thus not without surface plausibility, the piece is far too slight (ten pages) to constitute a very thoroughgoing critique. Several pages are devoted to the refutation of Johnson's article by Charles B. Fillebrown in *The Principles of Natural Taxation*.²⁵

The first decade and a half of this century witnessed a series of unsuccessful campaigns in Washington and Oregon to introduce by ballot various approaches to the single tax. A Seattle newspaper editor, Charles H. Shields, rose to the fore as leader of the opposition. By 1914 his *Single Tax Exposed* (published by The Trade Register, Inc., Seattle) had gone into seven editions and reached 190 pages. Forcefully written but surprisingly free of ad hominem, this polemic had great impact in bringing about the defeat of Georgist

measures in 1912 and 1914. However, its argument rests to a large extent upon the false assumptions that the single tax would destroy *all*, not merely speculative, land values; that George anticipated that under his system land titles would revert to the government; and that land monopoly is a problem peculiar only to agrarian society. The latter part of the book is devoted to showing that the spectacular development of Western Canada immediately after 1910, which Georgist propaganda had attributed to the exemption of improvements from taxation, was really owing to other causes, and had, in any case, come to a halt. While Shields was correct in faulting single taxers for having used the Western Canadian boom to illustrate the efficacy of their program, by the same token, the recession that followed it cannot be cited to demonstrate the program's failure. For, as he himself observes, although improvements were indeed exempted, land-value taxes were kept even lower than in most cities below the border.

The Fallacies of Henry George, reprinted from *The Malthusian* by the Malthusian League, London, around 1922, and written by its president, Dr. C. V. Drysdale, represents the sort of tendentious approach that one might expect from such a source. Drysdale seeks not only to refute George's attack upon Malthusianism, but also to resuscitate, long after its abandonment by John Stuart Mill, the theory of the wages-fund, erroneously assuming that George, because of his opposition to this theory, regarded the capitalist as an exploiter of labor. Drysdale's argument (which runs to forty-two pages) is persuasively expressed, but contains little that had not been said before.

The year 1922 also saw Mario de Tezanos Pinto issue his 351-page volume *El impuesto unico y la exención de impuesto a las mejoras: Exposición y critica del georgismo y de las doctrinal que lo fundamentan*, brought out by Pedro García of Buenos Aires. This massive work is sympathetic to several aspects of Georgism, especially the untaxing of improvements, and advocates a substantially higher tax on land values. But the author (who held a doctorate in law and social sciences) takes issue with many of George's arguments. Most of his criticisms, however, are secondhand. Part of the book is devoted to problems of applicability in Argentina, and particularly in

Buenos Aires Province, where a Georgist political party was then campaigning with considerable temporary success.

Hugh Wheeler Sanford, a Knoxville ironworks owner, devoted part of the first volume of his book *The Business of Life: Economics for Business Men* (New York: Oxford University Press, 1924) to an unfavorable examination of George's theory of rent. Because Sanford used nonstandard terminology, his critique gives the appearance of being more original than it actually was; one of his main arguments goes back at least as far as Isaac Cooke.

Influential economists such as Henry Fawcett, Frank Fetter, M. Slade Kendrick, Henry Rogers Seager, Frank Taussig, and many others gave brief critical attention to George, often in textbooks; their comments are succinctly reviewed in Steven Cord's useful *Henry George: Dreamer or Realist?*

There are numerous other works that could be included in this catalogue if space permitted.

Miscellaneous Preliminary Comments

In the eighteen years of life remaining to George after the completion of *Progress and Poverty*, he delivered himself of seven other substantial literary efforts: *The Irish Land Question* (1881), *Social Problems* (1883), "The 'Reduction to Iniquity'" (which first appeared as an article in *The Nineteenth Century* in 1884), *Protection or Free Trade* (1886), *The Condition of Labor, an Open Letter to Pope Leo XIII* (1891), *A Perplexed Philosopher* (1892), and the unfinished *Science of Political Economy* (posthumously published in 1898). In these other works the ideas of *Progress and Poverty* are supplemented, approached from somewhat different angles, and accorded varying emphases, but never appreciably altered.²⁶ It remains his chef d'oeuvre. In it, Geiger remarks, his economic thoughts "reached their highest development,"²⁷ and in it his philosophy finds its most complete and systematic expression. According to Jacob Oser it "probably had the greatest circulation of any non-fiction book in the English language before 1900 except for the Bible."²⁸ Understandably, therefore, it is upon this work that most of the critiques of George's

doctrine are focused, the more so inasmuch as it was through it that the doctrine first gained worldwide notice and attracted critical comment.

Few, if any, of George's ideas had not been advanced by earlier thinkers, although he arrived at his fundamental thesis independently.²⁹ He disclaimed novelty for his beliefs, averring that "social truth never is, never can be new. . . ."³⁰ Never before, however, had these beliefs been brought together in such a powerful synthesis or stated so impressively. In the words of one of his more enlightened critics, "The sublimity his transformations impart to the commonest doctrines remind one that the accusation of plagiarism was brought against Handel,"³¹ a comment endorsed by Geiger as "probably the best statement of this whole matter of the precise degree of George's originality."³²

Without being dogmatic "true believers," the authors of the ensuing chapters are all sympathetic, more or less, to George's contribution. No apology need be made for this; since his most ardent recent antagonist has acknowledged "great respect for many aspects of Henry George,"³³ it would be today a singularly narrow and ignorant commentator who could not find something to appreciate in the sweep and richness of his thought. No attempt has been made to impose uniformity of viewpoint upon the contributors to this volume, and the attentive reader will descry some points of disagreement among them. They have approached their topics in the spirit that George himself commended when, at the outset of his great essay, he declared: "I propose to beg no question, to shrink from no conclusion, but to follow truth wherever it may lead."³⁴ Neither has there been any effort to impose uniformity of style. For example, the British spellings (e.g. "Georgeist") of Douglas and Harrison have been retained.

A few words in defense of the format of this volume may be in order. Had the study been intended simply as a topological analysis of the various possible arguments against George, it would have lent itself to topical arrangement. But since it was meant to be an evaluative review of arguments that have, in fact, been historically advanced by specific critics, a topical arrangement would have had the disadvantage of failing to convey the structural pattern of each

writer's overall critique. Feeling that understanding often suffers when an argument is lifted from its matrix in a person's thought, I decided to eschew the topical approach as prone, in this context, to be artificial and misleading. Attempts to organize the chapters under ideological headings fell foul of the fact that some critics overlap ideological categories while others argue on technical grounds that do not admit of ideological classification. It therefore seemed advisable to adopt the chronological-geographical format revealed in the table of contents. If the reader is disconcerted to find Hyndman, Marx, and Engels discussed in a chapter listed under the heading of "American Critics," the answer is that it was logical to treat them in connection with Gronlund, whose two tracts against George represent the most considerable Marxist effort to refute him. (Although Danish-born, Gronlund was a naturalized citizen of the United States, and his attack was deliberately geared to distinctively American considerations.) As for authors such as Seligman, whose criticisms of George continued well into the twentieth century, and Ely and Davenport, whose began in the nineteenth, their placement has been determined mainly by the dates of their most extensive writings on the subject.

The concluding chapter is not meant to be a summary, but is rather an expression of my own views as to the necessary modifications, current relevance, and future prospects of the doctrine that is the subject of this work. Although it in some measure reflects the judgments of my contributors, it does not presume to speak for them, and any faults it contains are my responsibility alone.

Notes

1. Count Leo Tolstoy, "A Great Iniquity," *The Public* (Chicago), 19 August 1905, p. 18. Reprinted from the *London Times*, 1 August 1905.

2. This assertion is documented in a painstaking survey by Steven B. Cord, *Henry George; Dreamer or Realist?* (Philadelphia: University of Pennsylvania Press, 1965). See especially pp. 171–80 and 186–91.

3. *Ibid.*, p. 243.

4. For Tolstoy, see above, n. 1. For Sun Yat-sen, see his interview with American journalists as reported in *The Public* (Chicago), 12 April 1912, p. 349, in which he is quoted as saying: "The teachings of your single-taxer, Henry George, will be the basis of our program of reform." For Nicholas

Murray Butler, see his 1931 commencement address at Columbia University, printed under the auspices of the office of the secretary of the university (New York, 1931). For John Dewey, see the following statement from his "An Appreciation of Henry George," the introduction to *Significant Paragraphs from Progress and Poverty*, edited by Harry Gunnison Brown (New York: Robert Schalkenbach Foundation, 1929): "His is one of the great names among the world's social philosophers. It would require less than the fingers of the two hands to enumerate those who from Plato down rank with him. . . . No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker."

5. The word *almost* should be noted. J. Bleeker Miller and Arthur Crump (whose works are briefly characterized later in this introduction) make George out to be a plagiarist and a charlatan, respectively. The charge of plagiarism is also brought by George's disgruntled associate, James L. Sullivan, in "Ideo-Kleptomania, the Case of Henry George," *Twentieth Century*, 10 October 1889, and by Alexander del Mar in his *Science of Money* (London: G. Bell and Sons, 1885), pp. 98–99n.

For tributes from four of George's unequivocal opponents, see Edward Atkinson, "A Single Tax on Land," *Nineteenth Century*, July 1890, p. 394; John Bates Clark, *Distribution of Wealth* (New York: Macmillan, 1899), p. viii; Richard T. Ely, *The Labor Movement in America* (New York: Macmillan, 1886), p. 126; and Francis A. Walker, "The Tide of Economic Thought," *Publications of the American Economic Association* 6 (1891): 20.

6. George's work on Spencer, *A Perplexed Philosopher*, first published in 1892, runs to 276 pages in the Robert Schalkenbach Foundation edition of 1946. His reply to the Duke of Argyll, "The Reduction to Iniquity," originally appeared in *Nineteenth Century*, July 1884. It is included, together with the Duke's arraignment and two other essays by George, in *The Land Question [and Other Essays]* (New York: Robert Schalkenbach Foundation, 1953). His reply to Atkinson was carried, along with Atkinson's fullest critique, in *Century Illustrated Monthly Magazine* 40 (July 1890): 385–403.

7. Thomas Shearman's article, "Henry George's Mistakes," *Forum* 8 (1889): 40–52, dealt with criticisms advanced by the Duke of Argyll, W. H. Mallock, Abram Hewitt, Edward Atkinson, and W. T. Harris. The objections of E. R. A. Seligman are among those treated in Shearman's *Natural Taxation* (New York: Doubleday and McClure, 1888).

8. Max Hirsch, *Democracy versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1948). The chapters on Atkinson and Walker are pt. 5, chaps. 6 and 7, respectively. The shorter discussions are found in pt. 5, chaps. 2, 4, and 5. *Democracy versus Socialism* first appeared in 1901.

9. See n. 6.

10. Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), p. 426.

11. George William Wilshere, 1st Baron Bramwell, *Nationalisation of Land: A Review of Mr. Henry George's "Progress & Poverty"* (London).

12. Charles Gide, "De quelques nouvelles doctrines sur la propriété foncière," *Journal des Économistes*, 4th ser., 22 (1883): 169–99.

13. Kenneth Back, "Land Value Taxation in Light of Current Assessment Theory and Practice," in D. M. Holland, ed., *The Assessment of Land Value* (Madison, Wis.: University of Wisconsin Press, 1970).

14. Charles F. Collier, "Henry George's System of Economics: Analysis and Criticism," Ph.D. Dissertation, Duke University, 1976, p. 215. Collier is here directly addressing a statement by Thames Williamson, but he mentions it as typical of a line of argument also set forth by Francis A. Walker, Henry Fawcett, Robert Flint, Arthur T. Hadley, Roland R. Renne, and Richard T. Ely (with George R. Wicker).

15. H. Llewelyn Davies, "Arnold Toynbee and Henry George," *Free Review* (London) 4 (1895): 34. The lectures of George were first published by K. Paul, Trench & Co., 1883.

16. Philip Wicksteed in a letter to Henry George, 4 February 1883. Cited by Barker, *Henry George*, p. 392.

17. See n. 15.

18. Arthur Crump, *An Exposure of the Pretensions of Mr. Henry George, as Set Forth in his Book "Progress and Poverty"* (London: Effingham Wilson, 1884).

19. Isaac B. Cooke, *Progress and Poverty: A Reply to Mr. George* (Liverpool: Young, 1884).

20. See Murray Rothbard, *For a New Liberty* (New York: Macmillan, 1973), p. 34.

21. J. Bleeker Miller, *Progress and Robbery and Progress and Justice. An Answer to Henry George the Demi-Communist* (New York: Baker & Taylor, 1887).

22. Barker, *Henry George*, p. 554.

23. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 343.

24. The replies by Feinberg, Joslyn, and Bernard appeared in 6: 1–12 and 312–16, and 7: 425–39, respectively, of the *American Magazine of Civics*, successor to the *American Journal of Politics*.

25. Charles B. Fillebrown, *The Principles of Natural Taxation* (Chicago: A. C. McClurg, 1917), pp. 201–07.

26. See Henry George, *The Science of Political Economy* (1897; reprint ed. New York: Robert Schalkenbach Foundation, 1962), p. 203.

27. George Raymond Geiger, *The Philosophy of Henry George* (New York: Macmillan, 1933), p. 81 n.

28. Jacob Oser, *Henry George* (New York: Twayne Publishers, 1974), p. 68.

29. See Samuel Milliken, "Forerunners of Henry George," *Single Tax Year Book*, Joseph Dana Miller, ed. (New York: Single Tax Review Publishing Co., 1917), pp. 306–43; Arthur Nichols Young, *The Single Tax Movement in the United States* (Princeton, N.J.: Princeton University Press, 1916), chap. 1; and Geiger, *The Philosophy of Henry George*, chap. 4.

30. In his reply to an oral criticism at Oxford by Alfred Marshall. See Anna George de Mille, *Henry George: Citizen of the World*, Don C. Shoemaker, ed. (Chapel Hill, N.C.: University of North Carolina Press, 1950), p. 130.

31. Robert Scott Moffat, *Mr. Henry George the "Orthodox"* (London: Remington & Co., 1885), p. 5.

32. Geiger, *The Philosophy of Henry George*, p. 213 n.

33. Murray N. Rothbard, *A Reply to Georgist Criticisms* (Irving/On-the-Hudson, N.Y.: Foundation for Economic Education, July 1957), p. 3.

34. George, *Progress and Poverty*, p. 13.

2

The Essential Henry George

By LOUIS WASSERMAN

I agreed to undertake this assignment from motives practical and pedagogical, though not entirely without a touch of sentiment. There was an occasion in my undergraduate days when my academic progress depended upon a forty-minute report concerning an American philosopher. Through one of those fortuities that illumine the paths of even the dull-witted, I stumbled upon Henry George. Thereupon, as I remember, lights shone and bells rang. I proceeded to make myself the advocate of the single tax, and—since no one in class had heard of it before—my report was a resounding success. That was in the 1930s, and I have learned since how to temper my enthusiasms and moderate my aims. But such moments of discovery are to be treasured; they come far too seldom in academic life. Perhaps, then, the following summary of *Progress and Poverty* may serve to shine a light or to ring a bell for some student of this present generation.

It was the role of land in society that constituted the massive pre-occupation of Henry George, and the fact that the publication of his major work in 1879 generated sympathetic rumblings throughout much of the world indicated that he had touched upon a fundamental theme of political economy. It is strange, then, that the subject of land economics, particularly in its theoretical aspects, receives such scant attention at present. Perhaps this is because of the inertia that attends upon a long-institutionalized social arrangement, as differentiated from the otherwise fluid elements of an industrial economy. But it may also be that economists have simply neglected that which seemed to George of such paramount concern: the relationship of land rent to fiscal policy and the impact of both upon industrial development, income distribution, urban growth, and the like.

The land, according to both Genesis and geology, preceded the advent of man into the world, and there is no doubt that landed wealth has enjoyed a more persistent history than any other form.

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Even today, when a sophisticated economics has transmuted every kind of wealth into some variety of liquid capital, the land has continued to play its unique role. It is the very assumption upon which human existence is based, and the taken-for-granted foundation of all productive activity; it can be modified by man, but not created or destroyed except in tiny patches, and its essential qualities are impervious to either boom or depression.

If—as the dictum prescribes—a book should be so written that its message can be presented in a single sentence, the argument of *Progress and Poverty* might be stated thus: that the natural land ought everywhere to be regarded as a community, rather than as a private, resource and that its rental value should accordingly be recaptured as public revenue by the community, thereby eliminating the need of any taxes upon productive enterprise.

It is by no means adventitious that this statement combines an ethical proposition with an economic prescription. Henry George was primarily a social philosopher (the greatest this country has had, according to John Dewey) rather than a professional economist. But it was precisely the core of his conviction that the two realms of man's life, the moral and the material, must be brought into harmony. If men are degraded by the conditions of their labor, if their wages can buy no more than animal existence, or if some part of their effort is appropriated by nonproducers, then how, George asks, can such an economic system accord with either natural or human justice? He is confident that it is possible to find rational, and therefore just, principles that can be made to govern the production and distribution of wealth in society.

It is the search for such economic principles that George undertakes in his *Progress and Poverty*. In the course of nearly 600 pages he makes an exhaustive analysis of the principal economic categories of his time: wealth, value, labor, capital, interest, and land. His writing, it may be observed, shows evidence not only of an immense erudition but of an uncommon capacity for inductive observation and creative synthesis. His emphasis on the role of land resources in wealth production was not original—it had been formulated often since biblical days—but he gave to that theme perhaps its definitive statement. It would be difficult to discuss any aspect of

land and its treatment today without touching upon the issues he raised.

The “sovereign remedy” that George proposed as the way to end poverty was to shift the entire burden of taxation from the products of labor and capital to the socially created rental value of land. Such a simplistic scheme was bound to repel many sober minds, and this fact doubtless contributed to consigning George’s writings to near oblivion in economic circles. If so, it was an untimely fate. The full single tax is not a serious fiscal proposal today, if only because there are no political prospects for its adoption anywhere on a national scale. But George’s central principle—that the incidence of taxation should bear on the value of land rather than upon productive enterprise and improvements—remains a lively issue of fiscal reform. Under the generic title of “land-value taxation” this principle has received wide application in such forms as the following: taxation of the land at a higher rate than the improvements thereon; full or partial exemption of improvements, the lost revenue being made up by an increased levy on the land; a surtax on absentee land-ownership; and, in the effort to reduce speculation, a high rate of tax on the profits derived from land sales. Such practices are common in Australia and New Zealand, with scattered local applications to be found in Western Canada, the Union of South Africa, and elsewhere. Denmark provides generous exemptions on improvements, offsetting this by both a higher rate on the land and a national tax on the increment of land values.¹

In the United States the common practice is to include a tax on the raw land as a component of the general property tax, which otherwise bears most heavily on improvements. Beyond this there is a scattering of “single-tax” enclaves in Delaware, New Jersey, and Alabama, and in the irrigation districts of California, as well as the graded tax plans of several cities in Pennsylvania.* A series of campaigns to enact land-value measures in several states of the Union during the first two decades of the twentieth century failed of success. Yet the movement

*The Alaska Permanent Fund, derived from oil revenue, represents another application of the principle that the value of natural resources should be captured by the public. (ed.)

to effect tax reform along some such lines continues to show an enduring vitality—nourished, at bottom, by the twin irritants of rising land costs and onerous taxes on production. What is typically sought by land-value taxers today is a modest advance along Georgist lines, such as the enactment of local option laws, which would enable municipalities to free from taxation some or all of the value of improvements by transferring the tax to the unimproved value of the land.

The statement of George's doctrine that follows will focus primarily upon that which distinguishes his work and that remains of contemporary interest—that is, his contribution to land economics and fiscal policy. Those sections of *Progress and Poverty* that treat at length of classical economic theories now outmoded or of little relevance will, accordingly, be touched upon but briefly.

The Problem

George's economic analysis is set in the context of America's industrial development of the late nineteenth century. The "paradox" of that development, as he saw it, lay in the persistence of widespread poverty in the face of an unparalleled increase of wealth. The use of machine technology had expanded production, cheapened costs, and multiplied gross income; for the first time in human history the prospect of material well-being for all had come within the range of possibility. But the actual consequence, wherever industry flourished, was to enhance the contrast between rich and poor: a small class lived in ostentatious luxury while the working class survived in wretched poverty. Despite long hours of work and rising productivity, the wages of labor rose little or not at all, and it was, unaccountably, in the oldest centers of manufacturing that the worst conditions prevailed. Industrial booms periodically gave way to industrial collapse, with workers and enterprisers alike suffering from the breakdown. Was it possible that poverty must inevitably accompany technical progress, or did the explanation lie in man's faulty provisions for the production and distribution of wealth?

George examined the prevailing economic doctrines of his day, in particular the wages-fund theory and the Malthusian thesis, but he found in them no satisfactory explanation of the problem. As opposed

to the former, he contended that wages are produced, not out of a preexisting fund of capital, but by the labor for which they are paid. As opposed to the latter, he sought to demonstrate that there is no warrant, either in experience or analogy, for the assumption that there is any natural tendency in population to increase faster than subsistence. Moreover, he rejected entirely the argument that there existed an inherent conflict between labor and capital, or that either the growth of industrial monopoly or an excess of competition was responsible for the persistence of poverty.

The Rewards of Production

Following the pattern laid down by the classical economists, George proceeded to identify three factors of production: the land and its resources (as natural opportunity); labor (as every form of human effort, mental as well as physical); and capital (as wealth used to produce more wealth). Among these he found labor to be the primary active force; from its application to the resources of the land comes all that is tangibly produced, processed, and transported by man. Capital, though it may be identified as a separate factor of production, is actually the product of previously accomplished labor that has not been directly consumed but is stored up for further use. The forms assumed by capital are various—machinery, stocks of merchandise, warehouses, railway terminals, investment funds, and the like—but all are simply at one or more remove the products of prior human labor.

The production of goods and services, then, is wholly accomplished by the combination of labor and capital working on the land. But this third factor, the land, while it is indispensable to all human effort, is itself wholly a passive agent. The site upon which labor is performed does not engage in the process of production; it is rather the physical surface upon which human effort is enabled to move, build, mine, drill, fabricate, and harvest its products.

But what is the situation when the rewards of production come to be distributed? Although only labor and capital participate in the process, the income therefrom must be apportioned into three shares: as wages to labor, as interest to capital, and as rent to the landowner.

Yet, as George repeatedly points out, the landowner, simply as owner, contributes no effort to the product; he is paid for possession alone. Just as he did not, in the first instance, create the land to which he holds title, so he takes no part in that which the farmer, enterpriser, or laborer produces upon that site. Nevertheless, under existing conditions, it is the landowner who controls access to the physical basis of production, and it is only after his claim to ground rent has been satisfied that the remainder of what has been produced goes to labor and capital.

As the cost of land rises, moreover, the tribute paid to the landowner increases, thus serving to reduce the gains that labor and capital might expect through improved technology and productivity, "... hence, no matter what be the increase in productive power, if the increase in rent keeps pace with it, neither wages nor interest can increase."² Put alternatively: only to the extent that the rate of technical progress succeeds in outstripping the rise in land values will labor and capital be able to benefit from their increased productivity.

In summary, then, George finds the clue to the persistence of poverty in the improper distribution of production income; the fault, his analysis reveals, lies in the privilege granted to landowners to share in the rewards of production without themselves having contributed to that process.

The Special Character of Land as a Factor of Production

George defines the term *land* broadly to embrace the whole of man's natural physical environment: it includes not only the cultivable soil but the solid earth everywhere, fertile or infertile; all building sites, residential, commercial, and industrial; the natural resources of the earth, including minerals, petroleum, forests, and wildlife; the waterfronts with their natural beaches and harbors; the oceans, lakes, and rivers and all the natural goods therein; and even air space and air waves.³ (It is in this broadly conceived sense that the term *land* will accordingly be used.)

All this, as George perceives it, is the gratuitous gift of nature to mankind, and the common endowment of the community that

occupies it. In its natural state the land embodies no human labor and no capital investment. Rather, it represents economic and social opportunity, the indispensable condition upon which human beings are enabled to live, to build, to manufacture the needs of life—and beyond that, to create the amenities of their civilization. George's concept of the land is ecological in character; he views it as the natural milieu in which communities exist in interrelationship with the surrounding environment, animate and inanimate. The atmosphere, sunlight, and water—alike the gifts of nature—are contributing elements.

It is of the essence of George's argument to distinguish clearly between (a) the raw land, the physical endowment described above, and (b) the works of man that have been wrought upon the face of the earth. The first, be it repeated, is the common heritage, antecedent to man and provided for his benefit. But the works of man are, by contrast, the things of his own creation: the crops he has cultivated; the houses, barns, shops, theaters, office buildings, and industrial plants he has built; the railroads, mine shafts, piers, refineries, and the multitude of other goods with which he has adorned his civilization. All these products and "improvements" are the fruit of human labor, of man's mind and muscle, exerted individually or in cooperation with his fellow men. George summarizes thus the critical distinction he makes between human production and the raw land:

The essential character of the one class of things [man-made products] is that they embody labor, are brought into being by human exertion, their existence or non-existence, their increase or diminution, depending on man. The essential character of the other class of things [land] is that they do not embody labor, exist irrespective of human exertion and irrespective of man; they are the field or environment in which man finds himself, the storehouse from which his needs must be supplied, the raw material upon which and the forces with which alone his labor can act.⁴

Further, whereas human productivity is potentially unlimited, subject only to man's creative efforts, the amount of land, except for minor changes, is fixed and nonreproducible. (Technically, according to George, "made land" is not really land but wealth—and usually that form of wealth defined as capital.)

Land Value as a Social Creation

What is it that gives value to a piece of natural land? It is, George asserts, the result of the growth and development of the aggregate community. Without a population to occupy an area, to cultivate and build upon it or to utilize its products, there is no value in land; an isolated cultivator can do no more than wrest a subsistence from it. But as the community grows and prospers, as it diversifies its functions, augments its output, widens its markets, and expands its public services, the value of the land within its jurisdiction increases. A growing population means an enhanced demand for property, whether for homes, offices, markets, oil wells, or manufacturing—thus causing land prices to rise and marginal areas to be brought into profitable use. An acre in a remote farming district might be valued at only \$200, but a plot of equal size in more populous centers would show a scale of comparative values something like this: in a nearby town, \$5,000; in an urban residential section \$20–50,000; in the same city's business center, perhaps \$100,000 to \$1 million. The wide range of site costs within a community's borders derives from such special factors as location, use, zoning provisions, available utilities, street improvements, transportation facilities, growth expectations, and the like—but these are all aspects of the community at large, the level of its population, and the opportunities it presents for residence and livelihood.

“The value of land,” George asserts, “expresses in exact and tangible form the right of the community in land held by an individual.”⁵ It is the collective product of the community, to which all its constituent members have jointly contributed. The landowner, simply as legal title holder, has no control over the process of land-value creation—the acreage he owns will find its price level as surely when he is physically absent as present. (He may, of course, by speculative withholding, help to give his land an artificial value.) If he is a worker or enterpriser as well, however, he contributes to production in the same manner as other individuals, and like them deserves to receive the full yield of his efforts.

The Nature of Land Rent

George employs the term *rent* in a precise and explicit sense, to designate only that portion of income that accrues to landowners by virtue of their title to the raw land (or, if the site yields no income, what they would have to pay another for its use if they did not hold title to it).⁶ He is at pains here to distinguish clearly between two kinds of payments that, in popular parlance, are usually combined. When an apartment-house tenant, for example, speaks of paying \$200 a month “rent” to his landlord, he is in reality making two distinct payments at once: one part, say \$140, is for use of the apartment itself, which is the “improvement” erected on the land; the remaining \$60 is payment for the use of raw land, the ground site, and this alone is what George refers to by the term *rent*. If the apartment-house owner happens to own the land as well, he will retain the entire \$200; if he does not, he must remit the \$60 portion to the landowner as part of his payment for leasing the land. In either event it is possible to ascertain the share of the ground rent alone by determining what return the land site, if it were not built upon, would yield when leased to the highest bidder.

The only kind of rent George is concerned with, then, is ground rent, that which derives from the land alone. How does such rental value come about? George gives his full endorsement to the formulation expressed by the economist Ricardo: “The rent of land is determined by the excess of its produce over that which the same application [of labor and/or capital] can secure from the least productive land in use.”⁷ Production use is, of course, not limited to agriculture; every commercial and industrial activity must be performed upon some land site, for the use of which a ground rental must be paid its owner. Since the supply of land is limited and nonreproducible, this rental value depends upon what its users are required to pay for it in relation to marginal areas.

Land rent, accordingly, is established entirely by demand, irrespective of its inherent qualities. “Wherever land has an exchange value there is rent in the economic meaning of the term.”⁸ If the demand for a particular piece of land increases, its rent will increase.

(George notes that this is not always the case with goods that are produced by labor: commodity prices may sometimes go down as well as up, depending upon the conditions of supply coupled with an elastic demand.)

George elaborates three principal factors that conduce to rent increase. The most important is that of population growth, which not only exerts demand pressure upon central and marginal areas but also carries with it a qualitative enrichment of community life. A second factor is the continuous improvement of industrial techniques, whose effect is to expand the production of wealth, to broaden the potential markets for goods and services, and thus to enhance the value of available land sites. Finally, there is the artificially induced factor of land speculation, the withholding of land from use in the expectation of higher sale price. This, George was convinced, was the principal cause of the disastrous boom-and-depression cycles that afflicted the economy:

Given a progressive community, in which population is increasing and one improvement succeeds another . . . land must constantly increase in value. This steady increase naturally leads to speculation in which future increase is anticipated, and land values are carried beyond the point at which, under the existing conditions of production, their accustomed returns would be left to labor and capital. Production, therefore, begins to stop . . . owing to the failure of new increments of labor and capital to find employment at the accustomed rates.⁹

In brief, the practice of land speculation serves to compound the existing injustice: to the share already extracted by the landowner from the produce of labor and capital is added a bonus that discounts the rewards of future production. The effect of land speculation is that of enforcing "a lockout of labor and capital by landowners."¹⁰

The Sources of Taxation

It is notably in the field of fiscal policy, George contends, that the private appropriation of land rent is seen in its most mischievous form. Public revenue must somehow be obtained to support government services, but it is of the utmost consequence that the burden be assessed with equity and with the least detriment to the economy.

Yet existing tax systems, George finds, perversely impose the heaviest burdens upon those who labor to produce, while at the same time bearing lightly upon the nonproducing landowners.

When workers and enterprisers combine their skills, savings, and inventiveness to produce goods and services, these are precisely the efforts that are penalized by current fiscal policies. If new machinery is obtained to speed production, or a swamp drained to build upon, or a house modernized to make it more livable, the tax collector levies upon the improvement as if it were a public nuisance. The result is that enterprise is discouraged, workers denied employment, improvements postponed, and land often debarred from its highest use. Symbolically as well as actually, the tenement appears a more attractive investment than a new structure.

By contrast, the landowner is treated with undeserved solicitude. He adds nothing to production, yet is taxed but lightly on the ground rent that the community has generated for him. And if he chooses to withhold his land from use, he is abetted in this by a lighter assessment.

George's strictures upon landlordism, however, do not indicate his primary concern. The thrust of his argument is that each man should receive the full reward of his individual production, however that share is competitively determined, and that no part of what he has produced should be taken from him in the form of taxation. The obverse of this is that no individual has the right to appropriate privately that which is the product of the collective community—namely, the rental value and increment of the land. Placing the two principles in conjunction, George concludes that the only tax that will not penalize individual effort and that will bear equitably upon all is a full (or nearly full) recapture tax on the common product of community development, the value of its land.

The Single-Tax Remedy

He puts the matter concisely thus: "What I, therefore, propose . . . is—to appropriate rent by taxation. . . [and] To abolish all taxation save that upon land values."¹¹ There is no need, George declares, to nationalize the land; it would neither be purchased nor expropriated

by the state. Private titles would remain undisturbed, no owner or tenant would be dispossessed, and no limit would be put upon the amount of land that could be held by anyone.

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. . . . *It is not necessary to confiscate land; it is only necessary to confiscate rent.*¹²

The machinery of property assessment and taxation, George points out, is already everywhere at hand. In those states where the value of land is now assessed separately from its improvements, no further preparation is needed; elsewhere, a separate assessment would be undertaken as the first step. Then, in accordance with the enacted legislation, the tax rate on the raw land would be increased by stages until, on completion of the program, approximately the full annual ground rent would thus be recaptured as public revenue. (In order to minimize the administrative costs and dislocation that might accompany the new system, George suggests a practical expedient: that the landowners retain title to their land, and in return for their collection services be given “a percentage of rent which would probably be less than the cost and loss involved in attempting to rent lands through State agency. . . .”¹³) Coordinately with each stage, other existing taxes—those on improvements, personal property, commodities and services, private and corporate income, and so on—would be commensurately reduced until they were eliminated entirely.

The Canons of Taxation

George proceeds to test the validity of his proposal against four accepted “canons of taxation.” Any measure that seeks to raise public revenue, he asserts, should conform as closely as may be feasible to these requirements: (1) that the tax fall as lightly as possible upon productivity; (2) that it be simply and inexpensively collected; (3) that it be certain in its incidence; and (4) that it bear equally upon all. He finds the tax on ground rent confirmed in each case.

With respect to (1): it would not only put no burden on production but also serve to remove those burdens presently imposed by other taxes:

Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.¹⁴

Land value, which is itself a reflection of community development, neither increases nor decreases the rate of production. Consequently, since a tax on land value cannot be shifted but must be absorbed by the owner, it can be imposed up to the point of the land's annual rental return without penalizing either wages or capital. Indeed, the imposition of the tax will act to create added opportunities for productive enterprise by making unimproved land available for use.

(2) Ease and cheapness of collection would be assured. The machinery of land assessment and tax collection being already a part of every fiscal system, it would be no more difficult to collect the full revenue of the land than just a portion of it as at present. Moreover, as other tax-gathering agencies were eliminated, the community would benefit from large savings in the costs of administration.

(3) Certainty of collection could be expected "with a definiteness that partakes of the immovable and unconcealable character of the land itself."¹⁵ Periodic assessments of the land would be based on the ground rental value of each site, and the tax would be collected from the registered owner or—if the land is held by the community—from the lessee. The land tax is also more certain, George declares, because (since land cannot be moved away or hidden) it is less subject to the iniquities that accompany other forms of taxation, such as evasion, fraud, smuggling, and the bribery of officials.

(4) Finally, the land tax would bear equally upon all members of the community, since it would be drawn from the social product to which all had contributed in common. This condition, George asserts, is true only of land values. All other taxes bear unequally, either because they cannot be apportioned to the actual social benefits of those who pay them, or because they lack precision in

discriminating between the rewards of productive effort and those of unearned appropriation.

Anticipated Benefits of the Land-Value Tax

The remedy he proposed was simple but its favorable effects, George was confident, would reach into every sector of the economy. No longer would industrial enterprise be forced to undergo the chain reaction set up by heavy taxes on production—the sequence of increased costs that led to lessened demand, reduced output, and fewer jobs with lower wages for labor. Production would at last be free to respond with its full resources to the burgeoning needs of the population. The prices of goods and services could be expected to fall to the extent that the taxes upon them were removed, thus leading to an increase in purchasing power. Labor and capital alike would receive the full reward of their contribution to production, minus only that share that would be deducted by government in the form of land tax—and this share would be returned to all in the form of public services.

Since there would be little or no profit to be had through land speculation, this major cause of economic imbalance would be removed. House builders and businessmen would no longer need to invest heavy outlays of capital to purchase land, since secure possession and use could be managed simply by payment of the annual land tax. Capital thus liberated would be available to build upon a wide range of land sites, including those that speculators no longer found it profitable to hold out of use. A marked upswing in building construction could therefore be anticipated. New housing and other improvements, free of taxation, would tend to replace the tenements and other outmoded structures that now persist only because of their low tax liability.

But George expected even more than these tangible economic results—and here it is necessary to venture into the wider reaches of his social philosophy. The “progress” he was concerned with in his long search was not simply economic growth, much less mere fiscal reform.¹⁶ What he was seeking was rather the means by which the human being could best realize his intellectual and moral capacities.

It was this that led him inescapably to the realm of economics. Man can fulfill himself as a human being, George believed, only within the context of his social and material life—it is first necessary to live, before one can aspire to live well. In a condition of poverty not only is man deprived of his opportunity to develop, but also he must use up so much of his energy in the sheer struggle for existence that little of it remains to express his higher potentialities.

An economic system can be successful only when it does justice to human incentives and capabilities. This requires that opportunities to produce shall be equally available to all, that each worker receives the full return of his work, and that no one profits from special privilege. But each of these conditions George found to be violated through the private appropriation of land rent.

The socialization of rent would therefore finally bring about a harmony of economic development and human progress. Free of both the tax collector and the land monopolist, each man would be able to labor to his capacity and to reap the full reward of his effort. The community, in its turn, having created its own value in the form of ground rent, would collect that income and use it for community needs. In such a situation no individual is any longer penalized and none is unjustly enriched. Ethical rightness becomes merged with economic efficiency, to their mutual benefit and support. Upon such a firm base, George concludes, human beings will be able to exercise their highest moral and intellectual capacities.

Effect upon Particular Groups

What effect would the proposed socialization of ground rent have upon particular income groups of the community?

Clearly, the overall consequence would be that all who received rental income from landholdings would henceforth lose all but a small percentage of that income. Therefore the land would cease to have speculative value. It would, however, retain use value, reflected in its rent, which would go almost entirely to the community. Legal title would not be affected: the owner would retain his title as long as he paid his land-tax.

A. THE HOME OWNER, POSSESSING HIS HOUSE AND LOT: in market terms,

the selling value of his lot would diminish, like that of every other plot of land. But his possession and use, or sale, of his property, would remain unaltered. In exchange for the annual tax on the value of his lot, he would be free from taxation on his house, personal property, private earnings, and other tax levies. If he should wish to buy or build another dwelling he could, of course, expect to receive relatively little from the sale of his original lot apart from its improvements; but he would not have to invest a large sum in a new lot, since land could be purchased cheaply by anyone willing to pay most of its ground rent to the community.

B. THE FARMER: at present he carries a disproportionately heavy burden, George believes, because of the high ratio of visible property upon which he is taxed—his crops, dwellings, barns, livestock, machinery, and the like. All that makes his production possible is now levied upon, directly and indirectly. When he improves his land he is taxed more heavily for it, even while high-priced but unimproved land in the towns is assessed at a minimum. The farmer would benefit under George's proposal in two principal ways: first, by being liberated from the oppressive levies upon his production and improvements; and second, because his land would normally be assessed at a low rental value, being on the margin of the demand area. Moreover, since the purchase of the land he works would no longer require a large investment, he could engage in farming with much less capital and use his earnings to improve his (tax-free) buildings, equipment, and livestock.

C. THE LARGE PROPORTION OF THE POPULATION WHO POSSESS NO LAND AT ALL: they would have no taxes to pay directly. They would, however, absorb, in the price of the goods and services they buy, that share of production costs that represents the ground rent of the producing enterprise. But two changes would have taken place: first, the ground rent would have become public revenue instead of landowners' income, and would, accordingly, be utilized to pay for the costs of government; second, the price of goods and services would no longer be burdened with the multitude of taxes upon production that were hitherto passed on to consumers.

D. THE GROUP OF LARGE LANDOWNERS WHOSE INCOMES ARE DERIVED SOLELY OR PREDOMINANTLY FROM THEIR HOLDINGS OF LAND AND SUCH NATURAL

RESOURCES AS MINERAL OR PETROLEUM DEPOSITS: would thus bear the major loss resulting from the transition. Their deprivation would be measured roughly by the extent to which their rent income is a greater share than the other elements of their total income. The capital value of their landed investments would be wholly, or almost wholly, forfeited. However, as George contends, all landowners, great and small, would benefit directly from the abolition of taxes on improvements, personal income, investments in productive enterprise, and the like. He asserts that even the largest landowners, though they will suffer immediate loss of ground rent, will profit in common with all other groups in the long-run advantages of the reform.

Despite this, the question is raised, on ethical as well as material grounds, whether landowners should not be compensated for the loss of their investment in land. George recognizes not only that the practice of private landownership has long enjoyed legal and social sanction, but also that present owners have in numerous cases purchased their holdings with capital acquired by acceptable means. But he answers to this that "if landowners are to lose nothing of their special privileges, the people at large can gain nothing," and that "to buy up individual property rights would merely be to give the landholders in another form a claim of the same kind and amount that their possession of land now gives them."¹⁷ The practical difficulties involved in such a proceeding would likewise be formidable, chiefly because the market value of land generally incorporates a factor of projected future increment.

But the issue as George sees it is much more fundamental. If taken on an ethical basis, the private appropriation of land values constituted from the beginning an unnatural and pernicious act against the community. Private land ownership itself, George reminds us, originated in force, fraud, and conquest, and it was perpetuated by those who inherited or acquired this private power to exact rent as tribute from others. Many of the greatest fortunes in America, as elsewhere, trace their roots to the alienation of the public domain by predatory seizures, doubtful grants of title, and subsequent political connivance in such acts.¹⁸ Even though ownership today has been acquired by appropriate payment, there is still no ethical right to its earnings. The community creates land value and the whole community should reap

its benefits. The fact that private appropriation has been long sanctioned by society is no more final, George argues, than that chattel slavery was for many generations an approved practice. When an established social institution is found to be morally injurious, it is the duty as well as the right of society to correct it.

Furthermore, if the matter be considered on practical grounds, it will be seen that the effect of private appropriation has been to enrich nonproducers, to deny labor its rightful earnings, and to hold back normal economic growth. It is possible to regard every form of tax as a partial confiscation of the income upon which it is imposed. The tax that is now levied everywhere upon the raw land, whatever its rate, reduces the capital value of that land to some extent. An increase in rate would utilize the same principle, except that a correspondingly larger part of the capital value would revert from the landowner to the community. In such an event, George believes, the most appropriate form of compensation would be the benefit that all of society would obtain from the reform.

George's Replies to Certain Objections

OBJECTION: that ground rental and increased land values are not the only form of "unearned income" in our economy; why then single out the land and landowners exclusively?

George concedes that it may be possible to identify other elements of unearned income, but he insists that, even if this is so, the increment of land value remains a unique phenomenon. Each form of investment capital, even if inherited rather than earned, is engaged in producing reproducible things or services by means of human labor and equipment; thereby it earns a return, large or small, reflecting the economic decisions of producers and consumers. But the natural land, unlike capital, does not constitute either immediate or stored-up labor; it is not a manufactured product; it is not reproducible; and its unimproved value does not depend in any way upon the decisions of the owner. The value of landed property derives from the socially created opportunities it affords for production and residence. As such, the return it yields represents social, rather than private, increment. Accordingly, even if it were possible to isolate other forms of capital

income as unearned, this might provide a case for suitable fiscal measures, but it would in no way lessen the propriety of recapturing land values.

OBJECTION: that it is often difficult, if not impossible, to separate the value of the raw land from the improvements made upon it.

George denies that this presents any untoward difficulties. Many states already provide separate assessments of the land and its improvements, even though the two are often merged for imposition of a uniform tax rate. The cost of buildings and other man-made additions is generally known; the balance of the assessed value of the property is that which represents the bare land.

It is, of course, recognized that certain modifications of the land itself, such as swamp drainage, hill terracing, and the like, become eventually indistinguishable from the original site. Improvements of this sort, effected by human effort and capital, would be exempted for an interval of time from taxation; ultimately they would be considered as having fused into the site of the land itself.

OBJECTION: that the increased tax on land would simply be shifted to tenants or consumers in the form of higher rents or commodity prices.

George replies that this would not occur, because land is not a man-made product subject to greater or lesser output. The amount of land available is fixed in extent; hence the effect of an added tax is to decrease the net rental retained by the landowner. To support his position, George cites the then (and now) prevailing view of economists that a land tax (unlike other taxes) cannot be shifted by the owner, that he must absorb the increase himself.

OBJECTION: that an exclusive tax upon land would be too inelastic to provide for the changing requirements of public revenue, particularly in the light of extraordinary expenditures for defense and welfare purposes.

At the time he wrote, George calculated that a single tax on land values would yield a sufficient revenue for all the purposes of government, local, state, and national.¹⁹ He contended, moreover, that the land tax was inherently elastic because its amount would increase

directly with the growth of population and the concomitant enhancement of land values. He was confident, as well, that his remedy would so strongly stimulate business, employment, and real income that the heavy welfare costs of government would be sharply diminished or eliminated.

OBJECTION: that the full land tax would, in effect, put an end to the individual ownership of land, erase the sense of security that comes from such possession, and thus destroy the incentive to care for the land and put it to its best use.

George reiterates that neither the title nor the use of the land would be disturbed as long as the annual land-value tax was paid. The situation would remain unchanged except that all but a fraction of the rental income would flow from either the owner or user to the community, instead of to the landowner. The user of the land is always motivated to put the property to its best use, since that is the surest way to make it profitable for himself; this is less the case with the landowner who, if his tax rate is low, may choose to keep his property unimproved until it will fetch a higher price.

The security and incentive that people really want, George concludes, is the assurance that what they cultivate and build and earn by their own efforts will not be taken from them. This the land-value tax would effectuate through the removal of all other taxes.

Forty years after my first encounter with *Progress and Poverty* I continue to find its message enduringly sane and timely. During that period taxes have multiplied, the public debt has grown inexorably, and proud states have approached the edge of insolvency—yet with little or no effort made to correct that most palpable of inequities, the indulgence of landownership at the expense of production. The thought occurs: what if one of the newly emergent nations of our time had had the foresight to install the single tax on land as its public revenue source—how would its people have responded? Would their opportunity and enterprise have been encouraged thereby? Would their tax-free crops and industries have burgeoned? their arts and sciences have flourished? their rewards made commensurate to their efforts? land speculation quashed? the government and bureaucracy confined to their income?

Henry George would have been confident of the result. And how instructive such an example would be to his critics and advocates alike!

Notes

1. For a detailed survey of this topic, see R. V. Andelson, ed., *Land-Value Taxation Around the World* (3rd edition, Malden, MA and Oxford, UK: Blackwell Publishers, 2000). (ed.)

2. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 171.

3. *Ibid.*, p. 38.

4. *Ibid.*, pp. 337–38.

5. *Ibid.*, p. 344.

6. *Ibid.*, pp. 165–66.

7. *Ibid.*, p. 168.

8. *Ibid.*, p. 166.

9. *Ibid.*, p. 264.

10. *Ibid.*, p. 270.

11. *Ibid.*, pp. 405–06. Some have made the point that what George proposes is not a tax at all in the traditional sense, and that it should rather be construed as a process by which the community would collect annually the social increment that it alone is capable of producing and would use to defray its own expenses. This, it is contended, involves no levy at all upon the productive powers of labor.

12. George, *Progress and Poverty*, p. 405.

13. *Ibid.*

14. *Ibid.*, p. 414.

15. *Ibid.*, p. 418.

16. This concern, central to George's philosophy, is developed at length in bk. 10 of *Progress and Poverty*.

17. George, *Progress and Poverty*, p. 360.

18. George deals with this issue at some length in bk. 7, chap. 4, "Property in Land Historically Considered," and chap. 5, "Of Property in Land in the United States."

19. George, *Progress and Poverty*, p. 406. Some Georgists today are prepared to approve inheritance and income taxes as supplementary sources of revenue in the event the land tax is inadequate for legitimate and necessary purposes. George himself said nothing about this.

PART II

Nineteenth-Century British and Continental Critics

3

Laveleye: A Critic Ripe for Conversion

By ROY DOUGLAS

Émile de Laveleye (1822–1892), professor of political economy at the University of Liège, and later Baron de Laveleye, was a Belgian scholar and publicist, whose observations on Henry George first appeared in a brief article published in January 1880 in the *Revue scientifique de la France et de l'étranger*.¹ Later he wrote a much longer commentary that appeared in the London *Contemporary Review* of 1882.²

Laveleye's first article adopts a somewhat ambivalent position in relation to George. The beginning and the end are highly laudatory: "il m'a instruit et m'a fait réfléchir," he writes of *Progress and Poverty* near the beginning, while toward the end he waxes enthusiastic for the "single tax" doctrine: "Elle est si simple et d'une si grande portée pour l'avenir, qu'elle aurait chance d'être accueillie." Indeed, in his very last sentence Laveleye claims to have justified and developed the idea himself in an earlier work, to which I shall have need to refer later.

Yet there is a passage in the middle that appears more critical. George is taken to task for not considering the burden of military expenditure and of other government exactions upon labour: this ignores such sections as book 9, chapter 4. There is a part of the article, moreover, which is distinctly socialistic in its tendency, and to this too I shall later return.

Laveleye's second article is also by no means hostile, although it contains certain undeniably critical passages. As C. A. Barker noted in his biography of George, "Except for a private communication which this reviewer presently sent the author, it would be hard to say to which side his judgment leaned. But he assured George that in his net opinion *Progress and Poverty* was a book to be admired, and he offered compliments on the huge success of the English editions."³

Laveleye's arguments fall under several heads. He commences by making some interesting comments on the nature of economics as a science, and its connexion with morality. He then raises criticisms of

George that relate to the Malthusian and “wage fund” theories. These criticisms are largely similar to those raised more fully by later writers, but introduce a few points of Laveleye’s own. George, he argues, “is wrong in stating that this increase [i.e., the increase in rent] is the sole cause of the inequality of conditions,” contending that the “constant increase of capital [is] no less important.”⁴ Finally, Laveleye moves from the posture of a negative critic to advocate a position of his own, for he was the author of important works on historical analysis and social theory, whose conclusions he contrasts with those of George. It is convenient to examine the “wage fund” arguments in the chapter that is mainly concerned with the views of W. H. Mallock, while the other points will be discussed here.

Laveleye’s discussion of the nature of economics as a study is perhaps least vital to the argument, since it is quite possible to agree with his views in toto without dissenting from any important conclusions drawn by Henry George. Nevertheless, the topic has some fascination. George is taken to task for the proposition that economics is “as much a science as geometry.”⁵ The parallel may be closer than either George or Laveleye realised. Euclidian geometry and most of George’s economics turn on a priori reasoning. The geometer discusses the properties of (say) lines and triangles, although there is no such thing in the whole order of nature as a line or a triangle as he defines those terms. George’s a priori approach to economics contrasts sharply with the a posteriori approach that is now so common in the social sciences.

The Nature of Economics

The a priori approach common to George and the geometer has much to commend it. Suppose, for example, that the modern economist with his a posteriori reasoning wishes to study the relationship between inflation rates and economic growth. He may examine societies with different inflation rates, and compare their economic growth. Yet the relationship that he claims to have established will almost certainly be criticised by another economist who argues that the effect was really due in part or whole to something else: different technological inputs; the discovery of fuel reserves; the fiscal

policy of another country. In contrast with the condition in most natural sciences, controlled experiments cannot be applied to determine the matter. Such difficulties by no means destroy the value of a posteriori investigations in economics, but they render the method a good deal less convincing than in a science like chemistry.

The a priori approach—whether of George or of the geometer—does not operate in a vacuum. The proposition that the angles of a triangle always add up to 180 degrees is accepted not merely because it is based on an elegant and intellectually satisfying theorem, but because it helps engineers to design bridges. The attraction of George's economics is not just the lucidity of his reasoning, but the fact that observed economic effects are consistent with his arguments.

Laveleye comes very close to George when he comments: "Political economy . . . treats of the production of riches—that is to say, of the things that satisfy men's wants; and men's wants, and their working activity, vary in accordance with the ideas of happiness and duty, or concerning their destiny in this life and the next. . . . Consequently Mr. George is by no means wrong when he gives great importance to the religious element in his study of social questions."⁶ The product of man's activities, in other words, will be determined in part by what sort of thing man considers valuable, and this will not be conditioned exclusively by considerations of wealth, whether of an individual or of a community. Although economics as a science takes no cognisance of morality, the decision as to what economic results are desirable is a profoundly moral one.

The Remuneration of Capital

The second criticism advanced by Laveleye that calls for discussion here is of a different kind. He does not deny George's contention that increasing the rent that passes to a landowner tends to produce inequality, but he argues that increase of capital (or rather in the remuneration of capital) operates in a similar fashion.

It is true, the workman gains somewhat by industrial progress, for as the use of machinery lowers the price of many wares he is better provided for than formerly; but the forestalments absorbed by capital are far more rapid. When corn was ground by hand, as in olden times, nearly the full

value of the grinding was paid in wages. If, to grind by steam, only one-third of the hands previously employed are necessary, their wages will absorb but one-third of the profit of the operation of the grinding; the other two-thirds will become the remuneration of realized capital.⁷

In his earlier article, Laveleye gives what is perhaps an even clearer illustration.⁸ To carry a hundred tons in Africa required 2,000 porters and no capital; to carry the same load in Belgium required two men and a very expensive train, consisting of a locomotive and ten wagons. In the first case, no interest was paid on capital; in the second a great deal of interest was paid.

Laveleye's development of the same argument, however, hints at its own weakness: "The immense fortunes amassed so rapidly in the United States, like those of Mr. Gould and Mr. Vanderbilt, now proverbial, were the results of railway speculation, and not the greater revenue or value of land."⁹

What, may we ask, was the nature of the transactions entered by Messrs. Gould and Vanderbilt? In the first instance they acquired long strips of land, on which they were authorised to build railroads. Second, they acquired a de facto state monopoly not merely of those particular strips of land, but of other land connecting the settlements that the railroads joined, so that others could not construct rival railroads. The vast profits of the great railway entrepreneurs could be secured only because the organs of government granted those two monopolies. As the communities linked by the railroads grew in size and economic importance, the land on which the railroads were built became exceedingly valuable. Let us suppose that all of the capital of one of the railroads was suddenly destroyed: the railway lines, the station buildings, the rolling stock, and so on; but Mr. Gould or Mr. Vanderbilt retained ownership of the long strips of land, and also retained the state monopoly of building rail communications between the towns in question. Would that radically have diminished the fortunes of the railroad kings? Surely not. They would have replaced the capital in a very short time, and at a cost that represented only a small proportion of their fortunes. These fortunes were mainly built, not on the value of capital, but on the value of land, and the value of state monopoly.

The example drawn by Laveleye in his earlier work brings this point

out. Railway engines and wagons are capital. They were made by the labour of men who won iron ore and coal; who turned the coal into coke; who smelted the ore; who fashioned the crude ingots of metal into engines; and so on. The man who demands remuneration for the use of rolling stock is making a wholly reasonable claim for recompense in respect of the labour expended in its manufacture. His position differs not in degree but in kind from that of the landlord, under whose possession the coal and iron ore originally lay. Neither that landlord nor his predecessors contributed anything to the minerals. The value received by the landlord derives from the accident that minerals happen to lie under his land.

The steam-grinding example is not wildly different. Laveleye supposes that workers would continue to work in the steam mills at roughly the same rate of remuneration as they had originally secured as independent hand-grinders. This is the paradox that George sets at the beginning of his inquiry: "that discovery upon discovery, and invention after invention, have neither lessened the toil of those who most need respite, nor brought plenty to the poor." Today, for reasons that the present author discusses in chapter 6 below, this proposition (which to George was self-evident) can no longer be maintained without qualification; yet it clearly retains considerable force. The phenomenon is far older than capitalism, and it is difficult to see how the capitalist could by himself bring about the impoverishment of labour even if he so desired.

Here we come close to the fundamental fallacy of socialist analysis. Socialists have correctly perceived the contrast between the wealth of many capitalists and the poverty of many workmen, and have pointed out that this disparity is incomparably greater than any disparity of their contributions to the general good of the community might justify. From this observation they have jumped to the conclusion that it is something in the nature of capitalism that brings about this disparity of wealth. They have failed to ask sufficiently closely by what *mechanism* capitalists become rich and labourers poor.

Insofar as those whom we call "capitalists" are truly deriving their wealth from the use of capital, they are claiming a just recompense for some value that they have created that is beneficial to labour. Often, however, as the example of Mr. Vanderbilt so clearly shows,

an individual who is loosely called a “capitalist” performs two or more quite different functions. He acts as a true capitalist, for which he derives a just remuneration, but he also acts as a landlord or as a monopolist. The first kind of remuneration very likely sets him in better circumstances than most of his fellows, and deservedly so, but it is the second and third kinds of remuneration that make him rich beyond the dreams of avarice—and impoverish many other people in the process.

Labour with access to land may create new capital in what are for all practical purposes limitless quantities. If the remuneration of capital is high, then it would seem natural for labourers to purchase—or to hire—capital. Yet in practice this apparently simple expedient is frequently impossible.

Parallels with this situation are surely very ancient. In innumerable societies—long before the advent of *capitalism* as we usually understand the term—moneylenders grew rich and other people grew poor. This often led people to murder moneylenders, or to drive them out of business by legislation. These expedients, however, did not abate poverty: indeed, if anything, they tended to increase poverty. When people who had got rid of the old moneylenders fell upon bad times, or when they sought capital to improve their productiveness, then either the capital could not be secured at all because no one had sufficient incentive to lend it—or else the loan of capital acquired a large element of risk, and therefore capital commanded a very high rate of interest.

Capital, by itself, cannot exploit labour. Let us assume that a capitalist, however wealthy, is operating in a society where land is of free access, and where the state refuses privileges like the grant of tariffs against foreign competitors—or the exclusive power to build railroads between human settlements. The only means by which that capitalist can secure the services of labour is by offering people more attractive conditions than they had enjoyed before he came. If the interest rate seems high, then others will set up in business in competition with him, and speedily bring it down by that competition. What exploits labour is not capital, but monopoly in land, or some other privilege.

Primitive Property

Most of Laveleye's criticisms of George are either fallacious, or else have little effect on the main thesis, even should we concede their validity. In one direction, however, he makes a real contribution to the whole discussion: for in the review he reminds us of his own extremely important book, *Primitive Property*, which George cites extensively in *Progress and Poverty*.¹⁰

Laveleye's work, originally issued in French, ran into several editions, including an English translation published in 1878. The author investigates the "land question" in many different societies, and perceives common patterns of development. This sociohistorical approach is clearly important. If George was right in arguing that the land question is absolutely crucial to an understanding of the causes of poverty, then surely there should be abundant historical evidence corroborative of that fact. The argument on which Laveleye's book turns is encapsulated in a passage that deserves to be quoted *in extenso*.

So long as primitive man lived by the chase, by fishing or gathering wild fruits, he never thought of appropriating the soil; and considered nothing as his own but what he had taken or contrived with his own hands. Under the pastoral system, the notion of property in soil begins to spring up. It is, however, always limited to the portion of land which the herds of each tribe are accustomed to graze on, and frequent quarrels break out with regard to the limits of these pastures. The idea that a single individual could claim a part of the soil as exclusively his own never yet occurs to any one; the conditions of pastoral life are in direct opposition to it.

Gradually, a portion of the soil was put temporarily under cultivation, and the agricultural system was established; but the territory which the clan or tribe occupies, remains its undivided property. . . . Subsequently the cultivated land is divided into parcels, which are distributed by lot among the several families, a mere temporary right of occupation being thus allowed to the individual. This is the system still in force in the Russian commune; and was, in the time of Tacitus, that of the German tribe.

By a new step of individualization, the parcels remain in the hands of groups of patriarchal families dwelling in the same house and working together for the benefit of the association, as in Italy or France in the middle ages, and in Servia at the present time.

Finally, individual property appears. It is, however, still tied down by the thousand fetters of seignoral rights, *fideicommissa*, *retraits-lignages*, hereditary leases, *Flurzwang* or compulsory system of rotation, etc. It is not until after a last evolution, sometimes very long in taking effect, that it is definitely constituted and becomes the absolute, sovereign, personal right, which is defined by the Civil Code, and which alone is familiar to us in the present day.¹¹

Laveleye proceeds to discuss the mechanism by which this drastic and final change was effected. In some countries—like France and England and Italy—there were invasions that resulted in foreigners establishing themselves as a land-owning aristocracy. This experience, however, was not universal, and in particular it did not apply in Germany. “Originally we see in Germany a society of equal and independent peasants, like the inhabitants of Uri, Schwitz and Unterwalden (cantons of Switzerland) at the present day. At the close of the middle ages we find in the same country a feudal aristocracy resting more heavily on the soil and a rustic population more completely enslaved than in England, Italy or France.”¹² He argues that various historical mechanisms operated to produce this effect. When new land was won from forest, it passed absolutely to the man who first cultivated it. When land was bequeathed to the Church, the Church took it free from the ordinary obligations owed by secular occupiers toward the local commune. When particular individuals contrived by various means to get others to cultivate their lands for them, those individuals acquired the leisure necessary to develop into a warrior aristocracy, which could thereafter enforce its privileges by force of arms. Thus may we perceive a complex process, spread over centuries, developing at different speeds in different countries, with infinite local variations, by which the concept of land shifted from the original idea of something *publici juris* to the later view of land as a freely alienable and heritable entity, essentially similar to moveable property.

Peasant Proprietorship

So very far does the analysis of Laveleye seem to conform with the picture that a Georgeist might expect, that it may seem astonishing

to discover Laveleye baulking at George's conclusions. He hints at rather than develops the points that lay at issue between them: "The Universities of Oxford and Cambridge, as corporate bodies, are in possession of large plots of land, the revenue of which is devoted to the public good. Generalize this system, and the plan of Mr. George is accomplished. The State owns the Saarbruck collieries in Germany, and in Belgium the railways. Ownership in both these cases present many more difficulties than the mere possession of the soil."¹³ Private land ownership may operate to the public good; state ownership of land is likely to present great difficulties.

It is useful to examine Laveleye's second point first. The term *land nationalization* was still being used by the advocates of George's proposals and in at least one place¹⁴ by George himself. It was all too easy to associate this idea with "nationalization" of entities like mines or railways—things that contain an element of land but also an element of capital. "Nationalization" of these things, as commonly understood, involves state control of their operations. Experience, whether in Bismarckian Germany or in twentieth-century Britain, suggests that the state is often exceedingly inefficient in its management of commercial enterprises. Even the term *land nationalization* was (and is) often used to mean state control of the use of land as well as state acquisition of the economic rent. Laveleye here does not so much disagree with George as misunderstand what George sought to do. He was certainly not the last man to make that mistake.

The other point at which Laveleye detects a difference from George is one where their analyses are truly different. "In my opinion," the critic declares, "there is but one true cure for the social evil; it is individual property generalized and assured to all."¹⁵ If by *property* Laveleye confined himself to personalty, then it might be difficult to dissent from his proposition, but it appears from the context that he envisages the maxim applying to land as well. He appears to look toward some kind of system that in its rural form would be called "peasant-proprietorship."

Laveleye certainly had no sympathy for the system of minute peasant tenancies that then existed in parts of Europe. George himself was fully conscious of that fact: "M. de Laveleye . . . states in his paper on the Land Systems of Belgium and Holland, printed by the Cobden

Club, that the condition of the laborer is worse under this system . . . than it is in England; while the tenant farmers . . . are rack-rented with a mercilessness unknown in England and even in Ireland . . .”¹⁶ What he evidently favoured, however, was a system in which the peasants would be owners of their holdings, without obligation toward either landlord or state.

In Ireland, where the ideas of Henry George made great initial headway, there was always a dichotomy between those land reformers like Davitt who saw land as a public thing, and those like Parnell who visualised its division into separate and absolute holdings.¹⁷ This dispute was to a large extent obscured because the disparate land reformers were overwhelmingly conscious of the need to cooperate against the British Government and Anglo-Irish landlords. Yet the issue remained, and in the end it was the “peasant proprietors” who won, and whose ideas were enshrined in a series of legislative measures culminating in Wyndham’s great Land Purchase Act of 1903.

“Peasant proprietorship” appears so similar to the ideas of Henry George that many hardly perceived the difference. Yet in fact that difference is fundamental. In the first place, peasant proprietorship does not by itself provide any guarantee against the later concentration of land into fewer hands, and still less does it prevent the peasant landowner who happens to live close to some industrial or urban development from arrogating publicly created land values to the detriment of his neighbours. In the second place, it makes no provision for the man who happens to have no land. In 1880 there was probably very little economic difference between the rack-rented Irish tenant farmer and the landless labourer. Yet a succession of Land Acts and Land Purchase Acts made the difference fundamental. The man who acquired ownership of his peasant holdings became a prosperous farmer. Even the peasant with a tiny, uneconomic holding in one of the “Congested Districts” of the West was enabled to receive a share of those *latifundia*, the cattle ranches, while the man who had had no land at all received nothing, and became a pauper.

Thus in place of the old system where the social division lay between a small, wealthy landlord class and a vast mass of impoverished peasants and labourers, a new system appeared. The landholders could now be numbered by the hundred thousand, but so

also could landless men. It was relatively easy for the mass of the nation to struggle against a small class of great landowners; it was impossible for the landless men to struggle against a vast class of peasant-proprietors. Thus the ingenious measures by which the old landlords were bought out did not suffice to remove poverty from Ireland, or to abate the manifold social and political ills that have flowed, and continue to flow, from that poverty. Modern Dublin still shows much that is redolent of the 1930s; modern Belfast is still torn by feuds in which frustrated labourers wreak their anger upon each other. In that sense, Laveleye's vision of peasant proprietorship may prove even more damaging and persistent than the system that preceded it.

Perhaps the real basis of Laveleye's criticism lies in a matter that George's latter-day followers have not always been willing to acknowledge. Although Henry George deals at considerable length with the principle of land-value taxation in *Progress and Poverty*, the bulk of the book is concerned more (as the title suggests) with showing the relationship between land ownership and poverty, and how this persists despite technological and other advances. A very large part of *Progress and Poverty* was therefore wholly acceptable to people who concurred with George's destructive analysis, but were groping toward completely different proposals for remedies. In many minds, ideas like peasant proprietorship, the taxation of land values, and land nationalization had not been sharply differentiated. In the pages of that remarkable periodical of the 1880s, the *Christian Socialist*, we may trace the gradual appreciation by socialists of the gulf that lay between George and themselves;¹⁸ in the dialogue between George and H. M. Hyndman we may trace a similar—and simultaneous—realisation by two leading individuals.¹⁹ In the very early 1880s, it was easy for a man who perceived the inequity and social folly of land ownership in its crudest form to fail to appreciate the complete incompatibility between different remedies proposed. George himself (as we have seen) writes in at least one place about "land nationalization," meaning thereby what he and his followers later called "nationalization of rent" or "land value taxation"; Alfred Russel Wallace uses the same term, *land nationalization*, to mean state control as well as ownership of land.²⁰ When Davitt spoke of

the land of Ireland reverting to the people of Ireland he thought of something like George's proposals; when Parnell used practically the same language he thought of peasant proprietorship. Even as the differences gradually became clear to the thoughtful, publicists whose overriding concern was to draw attention to the iniquities of the current land system were not always eager to emphasise their differences from others who made similar destructive criticisms of the status quo, but advocated profoundly different remedies. In politics, it is often very difficult to decide on both moral and practical grounds how far log-rolling is a legitimate activity.

Laveleye's attack on George must therefore be seen in its historical context. *Progress and Poverty* made a "splash" even greater than that of George's later works. In *Progress and Poverty* George was particularly concerned to show the inherent importance of the land question; in the later works he found it necessary to bring out in sharper relief the difference between his remedies and those of others. Perhaps if those works had been available to Laveleye, he would have discovered that his own ideas could be reconciled with those of George on some matters where he took issue, while on others he might well have come to prefer George's views to his own earlier doctrines. Laveleye's value as a trailblazer for historical analysis of the land question is incomparable, and there is little doubt that he will be remembered as the author of *Primitive Property* rather than as the somewhat hesitant critic of Henry George.

Notes

1. Émile de Laveleye, "La Propriété terrienne et le pauperisms," *Revue scientifique de la France et de l'étranger*, no. 30, 24 January 1880, pp. 708–10.

2. E. de Laveleye, "'Progress and Poverty.' A Criticism," *Contemporary Review*, November 1882, pp. 786–806. (Hereinafter referred to as *C.R.*).

3. C. A. Barker, *Henry George* (New York: Oxford University Press, 1953), p. 385.

4. *C.R.*, p. 795.

5. *Ibid.*, p. 788.

6. *Ibid.*, pp. 788–89.

7. *Ibid.*, p. 795.

8. "La Propriété terrienne," p. 709.

9. *C.R.*, p. 796.

10. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), pp. 371–74.
11. Émile de Laveleye, *Primitive Property*, trans. G. R. L. Marriott (London: Macmillan, 1878), pp. 3–4.
12. *Ibid.*, p. 222.
13. *C.R.*, p. 799.
14. Henry George, *The Land Question* [and Other Essays] (New York: Robert Schalkenbach Foundation, 1965), p. 64. “The Land Question” was first published in the early part of 1881, under the title of “The Irish Land Question.”
15. *C.R.*, p. 804.
16. *Progress and Poverty*, pp. 325–26.
17. See T. W. Moody, “Michael Davitt and the British Labour Movement,” *Transactions of the Royal Historical Society* 5th ser. (1952–53): 58–60; F. S. L. Lyons, “The Economic Ideas of Parnell,” *Historical Studies* 2 (1959): 64; also discussion by Roy Douglas in *Land, People and Politics* (London: Allison & Busby; New York: St. Martin’s Press, 1976), pp. 43 ff.
18. See in particular *Christian Socialist*, August 1883, p. 38 and January 1884, p. 114.
19. See E. P. Lawrence, *Henry George in the British Isles* (East Lansing: Michigan State University Press, 1957), *passim*.
20. See, e.g., A. R. Wallace, *Land Nationalization: Its Necessity and Its Aims* (1882); *My Life* (1908); pamphlets of the Land Nationalization Society, 1881 et seq.

Marshall: A Professional Economist Guards the Purity of His Discipline

By ROBERT F. HÉBERT

In 1883 the name of Henry George was more familiar on both sides of the Atlantic than that of Alfred Marshall. Marshall was to achieve lasting recognition a decade later as the foremost British economist of his day, but George's *Progress and Poverty* had already achieved an unusual measure of success for a work in political economy. Sales of that volume reached 100,000 in the British Isles a few years after its appearance in a separate English edition. This popularity (in a period when "best sellers" were less well received than now) was undoubtedly one measure of the British sentiment for land reform—a sentiment that had been carefully nurtured for several decades, especially by John Stuart Mill and Alfred R. Wallace. Additional sympathy for George and his ideas was also stirred by his controversial arrests in Ireland in 1882.¹

Most economists of the late nineteenth century paid little attention to the lively subject of land reform, but Marshall was an exception. Intellectually, he was akin to John Stuart Mill—both were simultaneously attracted and repelled by socialist doctrine. Marshall admitted a youthful "tendency to socialism," which he later rejected as unrealistic and perverse in its effect on economic incentives and human character. His early writings, however, clearly identify him as a champion of the working class. Marshall cultivated this reputation in his correspondence, and he continued to take socialism seriously, even after his "flirtation" with it ended.

In the winter of 1883 Marshall gave a series of public lectures at Bristol on "Henry George's subject of Progress and Poverty." These lectures have only recently become accessible to American readers.³ In retrospect they appear to be Marshall's first deliberate attempt to renounce his socialist "ties," such as they were. Still, Marshall was a reluctant critic—a fact seemingly denied by his open antagonism

to George, but affirmed by his personal correspondence. Urged by a colleague, Henry Foxwell, to publish the George lectures, Marshall politely replied:

As general propositions I maintain that it is more important to establish truth than to confute error; & that controversy should be left to people with sound digestions.

It seems to me infinitely more important that I should solve difficulties which still perplex me than that I should tilt at a successful rhetorician. The one thing that he [George] says which is important, I think, is that economists are—to outward appearance at least—at loggerheads with one another. I would rather put in one brick just where it should be in the slowly rising economic edifice than plant a hundred brickbats with the utmost dexterity between the eyes of Mr. George.

Still the book has had so many buyers (though I doubt whether one in fifty of them has read to the end) that I almost determined to publish something about him. My weak point was that I did not know what to attack: a book as large as his own would be wanted to refute all his fallacies. But I hope[d] that I should find out in the course of my lectures at Bristol, which of his fallacies had stuck. I failed utterly. Trying to refute George in Bristol was like throwing oneself against a door that is not fastened. There was no resistance anywhere. There was plenty of enthusiasm for nationalization of the land: if I had gone on fighting against that, I could have had opposition for ever. But there was no opposition to my attacks on George; & I practically had to leave him entirely out of the argument. . . .

When I go to Oxford⁴ I shall hold out to my pupils there the same challenge that I held out to my pupils at Bristol. I shall defy them to shew me anything in George that is new & true; also to shew me any attack of his on Mill's doctrines that is even verbally valid against that rendering of Mill's doctrines that is to be found in the [E]conomics of [I]ndustry. (It seems to me that very few even of George's false sayings are less than fifty years old). . . .

Well, by this means I shall find out which of George's fallacies are worth attacking, & if I find that the book is not already fast losing its hold (which I expect) I shall probably write a review article or two at Xmas or Easter.⁵

The review articles alluded to never came, probably because Marshall was busy with his new duties at Oxford, and because he soon resumed work on his *Principles of Economics*.⁶ However, Marshall's move to Oxford afforded a chance for a personal confrontation between himself and George. The occasion was a public

lecture given by George at the Clarendon Hotel, Oxford, on the eve of 14 March 1884. In an audience consisting mainly of university students and faculty unsympathetic to George, Marshall led the questioning from the floor. In his initial foray, Marshall made so many points that George complained he was “piling them a little too thick.” Marshall protested George’s neglect of productivity and thrift; his failure to see the interdependence between land and other forms of property, to “prove his proofs,” and to understand the authors he had undertaken to criticize. George was irresponsible, said Marshall, and he had “instilled poison” in the minds of his listeners. After Marshall rephrased a single question concerning thrift and productivity, George answered that thrift alone would be rendered ineffective by the monopoly privilege of land ownership, which would drive wages down to subsistence. Repeated attempts by Marshall to establish the competitive nature of the supply of land elicited no appreciation from George of the theoretical issues involved. Thereafter Marshall relinquished the floor. In all likelihood neither antagonist was especially pleased with the outcome of the confrontation. Nevertheless, the event clearly demonstrated George’s ability to arouse passionate controversy. George was rudely treated by the audience, and the meeting, which became increasingly disorderly as the evening wore on, was adjourned early.⁷

The intellectual cleavage between Henry George and Alfred Marshall is revealing in several respects, not the least of which is the ambivalence of Marshall toward questions of land tenure. This study seeks to analyze the essence of the intellectual differences between these two antagonists, relegating to a minor place any personality traits that may have intruded on the “debate” (if it can be called that). Properly understood, the disagreement, as perceived by Marshall, was over the scope and logical method of economic science.

Georgist Lemmas and Marshallian Criticism

As he indicated in his letter to Foxwell, Marshall did not attempt in his lectures on *Progress and Poverty* to refute every detected fallacy in George’s system. He declared his intention to address George’s “subject,” and to test for resistance to his specific criticisms of

George. This section concentrates on four basic propositions found in George's *Progress and Poverty*, and analyzes Marshall's criticisms of each.

Lemma 1: Progress Causes Poverty

In *Progress and Poverty* George argued that the lowest class of society did not generally share the fruits of economic and technical progress. There is a meaningful sense in which Marshall shared George's concern for this pauper class, although the tenor of Marshall's comments in his first Bristol lecture was calculated to deflate George's argument. Citing increases in real wages, Marshall argued that living conditions had improved among the British working class during the eighteenth and nineteenth centuries. "On the whole," he calculated, "a shilling now [1883] will purchase nearly as much of the labourers' necessaries, comforts, and luxuries of life as two shillings would then [1803]."⁸ Marshall cited national income statistics to the effect that labor's relative share of total income had also increased, from roughly one-fourth of total income in 1688 to over one-third of total income in 1883.⁹ These facts do not literally contradict George's argument, but Marshall insisted that they placed the problem of poverty in better perspective. He concluded:

Mr. George says that progress drives a wedge into the middle of society, raising those that are above it but lowering those that are below it. If this is true at all, I think it is clear that the great body of the working classes are above the wedge, and that progress is pushing them upwards, though unfortunately at a very slow rate. If there are any whom the wedge of progress is pushing down, it is the lowest stratum of all. The existence of a large pauper class is a disgrace to the age; but there is no use in making even this evil appear greater than it is. Pauperism is the product of freedom. No sensible man gives insufficient food to his horses, and slaves are managed on exactly the same principles as horses.¹⁰

Changes in labor's share of total output over long periods are difficult to measure because of virtually insurmountable statistical problems involved in identifying functional shares of national income.¹¹ Therefore, over time, economic history has often focused on the behavior of real wages. Much of the "evidence" on this issue remains

in the realm of unsupported assertion. However, studies employing the more sophisticated econometric techniques seem to support Marshall's claim that real wages were increasing during the eighteenth and nineteenth centuries.¹² Since modern Georgists have generally conceded the weak empirical foundations of George's premise, the issue retains little more than historical interest. Nevertheless, Alfred Marshall was an economist who had a reputation for "getting his facts right," and his opinion of other economists was undoubtedly colored by whether or not they did the same.

Lemma 2: High Rents Cause Low Wages and Interest

The *theory* of income distribution—as against the historical change in relative shares—affords a more substantive issue on which to compare George and Marshall. George's criticism of the wages-fund doctrine was extensive and cannot concern us here in all its detail. Much of it was "empty" in the sense that George's rendering of the doctrine simply does not stand up to a careful reading of the classical economic literature. Still, almost from its inception the doctrine was subject to much confusion—a situation greatly exacerbated by John Stuart Mill's eleventh-hour "recantation" in 1869.¹³ Taussig captured the significance of George's role in the lengthy controversy when he wrote:

As to the wages fund doctrine, George's attacks are chiefly significant of the ease with which the old statements could be shaken, and of their failure to put in any clear light the basis of truth and fact on which the doctrine might rest.¹⁴

The basis of truth and fact on which the doctrine rested concerns the following propositions: (1) in advanced, capitalist economies, production is not instantaneous, so that a stock of produced goods must exist at any point of time in order to enable future production to be carried on; (2) the amount of such goods available for the support of labor provides a rough-and-ready measure of the aggregate demand for workers' services; and (3) the "average wage" in the economy will depend on the relationship of the aggregate demand for labor to its aggregate supply (the classical economists used population as a proxy for the latter).

George's criticisms of the *popular* notion of the doctrine were timely and in many respects justified by the failure of economists to clarify the issues involved. However, his reaction was to throw out the (analytical) baby with the bathwater. In other connections, George at least paid lip service to demand and supply. But in this case he ignored the crudely formulated demand/supply framework of the wages fund and made the determination of wages (as a functional share) depend entirely on the behavior of land rents (another functional share). This raises a host of analytical questions. If the determination of one functional share depends on the prior determination of another, which is determined first, and how? George had no problem supplying an answer to these questions because of the primacy of land in his system. Marshall, however, opted for a general analytical framework that would allow all functional shares to be determined on the same principles and more or less simultaneously. He found this framework in the demand/supply apparatus of the received wages-fund doctrine.¹⁵ Marshall's acquaintance with, and respect for, the "ancients" served him well in this regard, and his conviction that analytical progress in economics is the consequence of an evolutionary process is demonstrated in his passionate defense of the intellectual tradition of classical political economy. Still, Marshall did not treat George fairly. He maintained on more than one occasion that there was nothing new and true in George's writings. What he overlooked in George's criticisms of the wages fund was the American's valuable insight that production is a continuous, value-added process rather than the point-input, point-output process assumed by the classical economists. Even though the rigid "yearly harvest" notion of classical economics is not a logically necessary requirement of the wages fund, George may well have been the first writer to explicitly suggest a continuous production function.¹⁶ The ramifications of this notion cannot be fully explored here, but it has proved useful in certain neoclassical developments in economics, notably in the theory of capital.

The analytical differences between George and Marshall are placed in bold relief when one considers the effects of population growth. Given an increase in population, George's theory reasons that the margin of cultivation will be extended (to meet the increased demand

for food), thereupon land rents will rise and average wages will fall. In a related argument, George also asserted that the increased settlement accompanying population growth will further drive rents up and wages down. Without the rudder of a supply-demand apparatus to guide it, George's analytical ship literally runs aground. The primacy of land is complete and total. For George, changes in the nonland shares of income derived from prior changes in the value of land, falling as land values rise and rising as land values fall.

Marshall's reaction was that this theory confused cause and effect. While lower average wages may accompany economic progress, they are not caused by prior changes in land values. Rather, wage changes are explained by the theory of competitive markets: an increase (decrease) in demand for labor will raise (lower) wages, *ceteris paribus*; an increase (decrease) in supply of labor will lower (raise) wages, *ceteris paribus*. It was in his *Principles of Economics* (1890) that Marshall gave the fullest expression to the theory of competitive markets, but the outline of this theory was already present in his lectures on *Progress and Poverty*. Thus Marshall wrote:

the great law of distribution is that the more useful one factor of production is, and the scarcer it is, the higher will be the rate at which its services are paid. . . . if the numbers of unskilled labourers were to diminish sufficiently, then those who did unskilled work would have to be paid good wages.¹⁷

The theory of competitive markets is more general and heuristically more appealing than George's land-based theory, and Marshall used it to expose some of the economic fallacies in George's analysis, such as George's general "law" that interest and wages are always high together and low together.¹⁸ Marshall argued, correctly, that like the wage rate, the interest rate is determined by the supply of capital relative to the other factors, so that "whenever population is plentiful and capital scarce, interest is high and wages low."¹⁹

Once such analytical differences between George and Marshall are exposed, their policy differences take on new perspective. Since George saw higher land rents essentially crowding out labor's share of income, he derived a policy to eliminate those differential advantages of land that produced higher rents. For his part, Marshall emphasized policies that would have the effect of raising the demand for

labor or of reducing its supply. The hope of the poor, he felt, lay in increasing their productivity as workers or in restricting their numbers relative to the other factors of production. In a general sense, Marshall seemed to believe that poverty could be “educated” out of existence.²⁰

Lemma 3: Land Rent Is a Monopoly Price

Even though most economists no longer hold the notion that land rent is a monopoly price, there is established precedent in the history of economic thought for doing so. The idea was conveniently stated by Adam Smith, whose conclusion that “the rent of land . . . is naturally a monopoly price”²¹ was based on an observed conflict between his own theory of competitive markets and the actual existence of ground rents. The theory of competitive markets asserted that the long-run equilibrium price of each good and each economic resource was determined by its average cost of production. In its natural state, however, land was regarded as a free gift, namely, a resource provided by nature having literally zero costs of production. By Smith’s value theory, therefore, the rent of land should have been zero. Since this contradicted experience, Smith concluded that land must be supplied under conditions other than those of competition. That is, rent must be a monopoly price. He went on to infer that as a monopoly price, rent was not a payment necessary for production to occur. In this way, classical rent theory made land rent eminently suitable for taxation.

Ricardo advanced the classical theory of rent by adding the principle of diminishing returns. But he also recognized that the value of land does not depend on the amount of labor expended on it, and to reconcile this fact with his empirical labor theory of value,²² he regarded land as a special agent of production. Subsequent treatments of value in classical economics generally deferred to Smith or Ricardo, thus reinforcing the notion that land is a unique factor of production, and that payment for it is not an economic cost.

This classical view of land rent ceased to be dominant once it was generally recognized that land commonly has alternative uses. For then a payment (in the form of opportunity costs) must be forth-

coming in order to secure land for a particular use, and this payment is a necessary economic cost of production. George did not seem fully aware of the analytical subtleties involved here: he clung to the classical conclusion that land rent is not a necessary cost, while simultaneously discarding the classical assumption that land has no alternative uses. Yet his two positions are mutually exclusive, as demonstrated by the logical structure of economic theory.

There is another sense in which George exceeded the limits of classical rent theory: he rooted his own doctrine of rent in ethics rather than in economics. Undoubtedly a large measure of George's popular appeal, in his day as well as our own, stems from his knack for combining economic analysis with moral outrage. But George's ethics often intruded on his economics, leaving certain strictly economic issues muddled in a wake of passionate declamation. One example of this concerns the very issue of land rent as a monopoly price. In *Progress and Poverty*, George asserted:

The value of land does not express the reward of production. . . . It expresses the exchange value of monopoly. And the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation. That is to say, while the value of a railroad or telegraph line, the price of gas or of a patent medicine, may express the price of monopoly, it also expresses the exertion of labor and capital; but the value of land, or economic rent, . . . is in no part made up of these factors, and expresses nothing but the advantage of appropriation.²³

There are really two separate issues in this passage that deserve consideration. The first is the strictly moral issue of land ownership and its legitimacy. Because George's position on this topic is discussed in a later section of this paper, let us pass over it for the moment. The second issue concerns the question of whether or not land is supplied under conditions of monopoly. From an economic standpoint, George used the term *monopoly* loosely, as did most thinkers in the classical tradition. He did not bother to distinguish between monopoly and ownership, so that his writings frequently gave the impression that exclusive ownership is a necessary *and* a sufficient condition for monopoly. Yet the difference between monopoly and ownership is one of substance. Monopoly is a *market* phenomenon. It refers to the absence of actual or potential rivalry in the sale of

goods. Ownership is a *legal* phenomenon that refers to the right to use (or not use) resources. Ownership can be absolute—which means that the owner's choice of how a particular right will be exercised dominates the decision process that governs actual use. But even absolute ownership does not necessarily imply monopoly. Absolute ownership can be diffuse or concentrated. Diffuse ownership is conducive to competition, whereas concentrated ownership is conducive to monopoly. The reason concentrated ownership conveys monopoly power in the marketplace is that it enables the owner to restrict the number of substitutes for the monopolized resource. Thus, if individual A owns one square block of French Quarter land in New Orleans and there are forty-nine other blocks of French Quarter land owned by forty-nine other owners, A can exclude others from using his block, but there is no meaningful sense in which he has a land monopoly, since there are forty-nine reasonably good substitutes for his block. If, on the other hand, A owned all fifty blocks of French Quarter property, he would have an effective monopoly to the extent that only imperfect substitutes exist for the said property.

George was not sympathetic to this view because he tended to define land in terms of location instead of in terms of use. The reason he could argue that taxation of economic rent cannot diminish production is that he held the supply of land to be perfectly inelastic. This view is correct only insofar as land is defined in terms of location. Given the fixed location of individual parcels of land, there can be no real supply response to changes in the price (i.e., rent) of each parcel. But if land is defined in terms of its *use*, higher rents will call forth additional supply as long as each plot of land has alternative uses. Marshall seemed to be aware of this last point and he therefore saw a degree of competition in the supply of land that George would not admit, possibly because George insisted in classifying every product or resource not according to its economic function but according to whether or not it was the product of labor and capital. In their Oxford confrontation, Marshall attempted to get George to see that as long as land has alternative uses and many owners it comes to be supplied under conditions approaching competition. That is, a number of available, but not perfect, substitutes exist for each plot of land in a specific use, so that the buyer of land is not

at the mercy of any one seller. However, the argument was lost on George. He continued to assert that land rent is a monopoly price, citing Adam Smith as his authority.²⁴

In his *Principles*, Marshall raised other objections, although indirectly, to George's characterization of land rent as a monopoly return. Marshall admitted that land rent was monopolistic to the extent that it represented a return to the uniqueness of location or fertility. But the observed value of land commonly includes the reward to foresight and, since foresight comes under the broad rubric of entrepreneurial talents, its reward may be economically justified. The difficulty of separating that portion of rent that represents the return to foresight from that which represents the return to uniqueness appeared insurmountable to Marshall, and he felt that George had overstated his case by identifying rent purely and simply as a monopoly return. He was either unaware of, or chose not to recognize, George's proposal to allow landowners to retain part of their annual rent as a sort of "agency fee."²⁵

Lemma 4: Land-Value Taxes Stimulate Production

The exclusive ownership of land raised another Georgian bugbear: land speculation. George's attack on land speculation was two-pronged. First, he based his theory of business cycles on the proposition that the speculative advance of rents that accompanies economic development drives down the earnings of labor and capital, thus producing industrial depressions. Second, speculators generally hold land out of use, thereby curtailing production. The first conclusion is based on a questionable theory of income distribution, which Marshall made an earlier point of attack. As we have seen, Marshall argued that high or low ground rents do not of themselves cause income fluctuations; instead, these fluctuations are the outcome of changes in the demand and/or supply conditions of the agents of production.

George's second argument was of more concern, and in his *Principles* Marshall admitted that "antisocial" forms of speculation posed a potential threat to economic progress. Yet he saw a side to speculation that George never acknowledged:

It has been well observed that a speculator, who, without manipulating prices by false intelligence or otherwise, anticipates the future correctly; and who makes his gains by shrewd purchases and sales . . . generally renders a public service by pushing forward production where it is wanted, and repressing it where it is not: but that a speculator in land in an old country can render no such public service, because the stock of land is fixed. At the best he can prevent a site with great possibilities from being devoted to inferior uses in consequences of the haste, ignorance, or impecuniosity of those in control of it.²⁶

Marshall thus shared George's distrust of speculators, but unlike George, he was not willing to condemn all land speculation out of hand. In fact, he thought that great harm usually came from "hasty attempts to control speculation by simple enactments."²⁷

In any event, Marshall never regarded land speculation as a main issue of George's analysis. More fundamental was the question of whether a Georgist program would stimulate production and economic growth or merely redistribute income. George defended the first proposition; Marshall the latter. Marshall noted:

I do not say that the working classes would not be better off if those who had become owners of land would distribute its rent among the rest. What I say is that this would not make much difference. The diminishing productiveness of the free soil has a greater influence in lowering wages than the payment of rent fees. But even this has not a very important influence. So long as the population is not excessively thick, it is counterbalanced by the advantages for manufacturing and other purposes arising from the closeness of population. It need not make wages fall if the efficiency of the population can be kept up.²⁸

Marshall followed this with numerical estimates of national income, showing that in the year 1883 the transfer of taxes from labor and capital to land would have amounted to a per capita saving for workers of "less than a penny in the shilling on their income."²⁹ On the other hand, he estimated the social costs to be enormous:

For the sake of this [meager gain] Mr. George is willing to pour contempt on all the plans by which working men have striven to benefit themselves; he is willing arbitrarily to bring to ruin numberless poor widows and others who have invested their little all in land; he is willing to convulse society and run the dangers of civil war; and he is willing to run the risk of driving away capital and business ability so that their aid in production cannot be got by labour except on most onerous terms.³⁰

Possibly these remarks were calculated to strike terror in the hearts of the laborers to whom Marshall was speaking and who were, in his view, most susceptible to George's arguments. Nevertheless, they do not represent Marshall at his best. He did not bother to explain why George's tax program would have the above consequences, and in this respect he did not measure up to John Stuart Mill, who signaled the adverse allocative effects to be expected from a restructuring of property rights.³¹ We must recall, however, that Marshall did not choose to publish these lectures—probably because he recognized his performance therein as in many respects mediocre.

Ultimately, the question of whether or not a general land-value tax will lead to an increase in production remains problematical. It is not, however, crucial to a defensible neo-Georgist position on taxation. Given existing property rights, a sufficiently strong argument in favor of a land-value tax is the analytically sound proposition that such a tax does not disturb production and consumption as much as other kinds of taxes. Marshall himself continued to affirm this proposition throughout his professional career.³²

Land Tenure, Property Rights, and the Nature of Rent

George explicitly grounded his theory of taxation in the ethics of ownership. He argued that ownership is legitimate only if the property claimed as one's own was the product of human labor. The uniqueness of land, for George, is that it is *not* the product of human exertion, and therefore its value should accrue to the community. The labor theory of ownership thus provided the ethical foundation of George's single tax. It should be noted, however, that among land reformers, George was one of the most conservative. In order to secure the ownership of capital improvements already in place, and so as not to discourage future improvements, he would preserve, pro forma, existing property rights in land. The *benefits* of private property would nevertheless be transferred from individuals to the community.

Marshall's ethical presuppositions were much less obtrusive. Nevertheless, his explicit statements on property rights present some clues to his attitude. In the following passage, for example, Marshall almost seemed to have George in mind:

The rights of property, as such, have not been venerated by those master minds who have built up economic science; but the authority of the science has been wrongly assumed by some who have pushed the claims of vested rights to extreme and antisocial uses. It may be well therefore to note that the tendency of careful economic study is to base the rights of private property not on any abstract principle, but on the observation that in the past they have been inseparable from solid progress; and that therefore it is the part of responsible men to proceed cautiously and tentatively in abrogating or modifying even such rights as may seem to be inappropriate to the ideal conditions of human life.³³

This passage betrays Marshall's conviction that sudden economic and social change is suspect, but it does not provide much in the way of an ethical theory of property. This was undoubtedly intentional on Marshall's part, for where George was concerned he wished to focus attention on the economic rather than the ethical aspects of land tenure.

On strict economic grounds, the differences between George and Marshall on this subject were mainly taxonomic. The incidence of a land-value tax was treated by Marshall in much the same way as George had done. Moreover, Marshall's discussion of rent was bifurcated in a way that George might have found congenial if he had fully understood it. Rent is a surplus, Marshall argued, but land rent is merely one form of a more general genus. All economic surpluses are explained by either scarcity or differential advantages. There is dissimilarity between land and the other agents of production insofar as land is a permanent and fixed stock—at least in old countries. But there is similarity, Marshall maintained, insofar as some of the other agents of production cannot be produced quickly, so that in the short run their stock is practically fixed. The short-run payments to nonland factors of production (Marshall's "quasi-rent") therefore stand in the same relation to the value of the products they produce as does land rent to the value of the products produced by land.³⁴ On the other hand, differential advantages may persist in the long run, and such advantages of situation or fertility are often the result of the growth and dispersion of population or of industrial development. Marshall termed this part of the annual value of land (the result of human action, but not of the individual landholder) its "public value," and he argued correctly that this rent could be taxed away without adverse effects on production or consumption.³⁵

In recognizing land's public value and in insisting that land is unique among the factors of production, Marshall stood closer to George than he does to modern neoclassical economists. However, Marshall was careful to set forth certain *obiter dicta*. He made the helpful distinction between the supply of land in the aggregate and the supply of land for a particular use; and he investigated the effects of a land-based tax on each. While the aggregate supply of land is (perfectly) inelastic, the output from land (e.g., living units) is not, even though it is subject to diminishing returns. The effects of a tax on land therefore depends on whether it is a tax on the general capabilities of land or a tax on a particular use. Marshall argued that a tax on the value of output from land may have the effect of deterring improvements. He wrote:

If an improved method of cultivation develops latent resources of the soil so as to yield an increased return much in excess of what is required to remunerate the outlay with a good rate of profits; this excess of net return above normal profits belongs properly to true rent: and yet, if it is known, or even expected, that a very heavy special tax on true rent will be made to apply to this excess income, that expectation may deter the owner from making the improvement.³⁶

This argument does not necessarily undermine George's tax proposal, but it does place a heavy burden on the technical expertise required to separate, administratively, "true rent" from aggregate rent payments, and the "public value" of land from its "private value." Marshall reserved the latter term for the part of rent that can be traced to the work and outlay of individual landholders.

For his part, George argued that the whole of true rent is a community value. He recognized what Marshall called the "private value" of land, but he insisted that this be classified under interest rather than under rent. He further concluded that after long periods of time this "private value" becomes "public." His examples are of swamps drained or of hills terraced by the ancient Romans.³⁷

This taxonomic difference regarding the nature of rent led to an impasse between George and Marshall on the matter of compensation. George was adamant that compensation be denied, since to allow it would be a violation of the labor theory of ownership. Marshall meanwhile insisted that landowners be compensated in the amount of the private value of land.³⁸ The compensation issue thus

presents a curious example of how debates over taxonomy and terminology (however necessary in the development of science) sometimes serve to impede mutual understanding, and possibly even the pace of analytical progress.

It should be emphasized that Marshall often spoke in favor of land-value taxation and changes in land tenure. The most startling revelation in this regard is found in his lectures on *Progress and Poverty*. There he qualifiedly endorsed a plan whereby all land would become the property of the state after one hundred years. Under this plan the state would sell the usufruct of the land for one hundred years, thereafter taking it for public use, or again selling the usufruct with any new contractual conditions deemed desirable by the public. The advantage, Marshall noted, was that the plan would enable adopting countries "to dispense with the tax-gatherer."³⁹ This endorsement presents a genuine puzzle for the Marshallian scholar. It provides for a more explicit restructuring of property rights than even George proposed, while revealing none of Mill's awareness of the dangers to economic incentives inherent in such a plan.⁴⁰ Marshall must have thought better of the idea, for he never returned to it at a later date. But the fact that he entertained the notion in 1883 shows how far he was willing to accept change in land tenure even while simultaneously denouncing George's program.

Marshall was more guarded when he wrote for the record, but he held out the prospect of land reform again in his *Principles*. There he wrote:

From the economic and from the ethical point of view, land must everywhere and always be classed as a thing by itself. If from the first the State had retained true rents in its own hands, the vigour of industry and accumulation need not have been impaired, though in a very few cases the settlement of new countries might have been delayed a little. Nothing at all like this can be said of the incomes derived from property made by man.⁴¹

Finally, Marshall supported Lloyd George's budget of 1909, with its proposals for taxing land values. In a letter to the *Times* (16 November 1909), Marshall wrote:

In so far as the Budget proposes to check the appropriation of what is really public property by private persons, and in so far as it proposes to

bring under taxation some income, which has escaped taxation merely because it does not appear above the surface in money form, I regard it as sound finance.⁴²

It would appear, therefore, that not only did Marshall follow with interest the lively subject of land reform; he seemed never to have lost hope that meaningful land reform would be accomplished. The question of what reform meant to Marshall is, however, ambiguous. To Mill it meant stronger land tenure, namely, the widest possible distribution of property rights. By contrast, Marshall at least flirted with the idea of state ownership of land.

Conclusion

Despite the fact that he regarded sudden change pernicious, Alfred Marshall was not opposed to land-value taxation on economic or ethical grounds. What he attacked most vehemently was the Georgist notion that under nineteenth-century systems of land tenure, poverty was the inevitable result of progress. For Marshall, history and sound logic denied this proposition, as it did other crucial points in George's advancement of "reforms" under the aegis of economics, which in the more "scientific" state to which Marshall was seeking to raise it, did not support George's conclusions. Marshall's complaint against George can therefore be best appreciated as the defense of a professional economist against attacks on the integrity of his discipline. Marshall made this plain enough in his lectures on *Progress and Poverty*, although his remarks have usually been dismissed as mere intellectual snobbery. He called George "a poet, not a scientific thinker," amplifying his meaning a bit later by declaring that George "was not a man of science because he said erroneous things."⁴³ While these remarks could just as easily be overemphasized as underemphasized, I submit that they reveal Marshall's candid evaluation of George. There is, of course, no reason why Marshall should have felt personally threatened by George or his popularity, and I do not think that he did feel so threatened. George's shortcomings as an economist were obvious to Marshall, and he considered them serious. In Marshall's eyes, George argued from weak or invalid empirical

premises; he stumbled badly at several points in his analytical structure; he was insensitive to the long-run implications of economic change; and most important, he did not seem mentally equipped to handle the theory of competitive markets, which was to Marshall the essence of economic analysis.

Recent investigations of Marshall's social thought have focused on Marshall's personal traits as the source of his aggressiveness toward George. Anastasios Petridis has underlined Marshall's personal sensitivity to criticism of economics (which George freely supplied); his abhorrence of controversy; and his strong distaste for socialism (with which he associated George).⁴⁴ Rita Tullberg has cited Marshall's "obsessive fear of change"⁴⁵ as a source of resistance. There is no doubt that Marshall was hostile, and that each of these claims has some degree of validity, but nevertheless they both seem to miss the essence of the entire Marshall-George episode in the history of economic thought. I believe that the explanation offered here accords more with Marshall's accepted stature in that history. For while historians of every stripe may be more prone than others to hero-worship, the *choice* of heroes is not a random process. Marshall has received a higher place than George in the common list of heroes simply because in the minds of the "faithful" in the discipline, he was a better economist.

George was a social reformer whose commitment to economics seemed to his critics to be of smaller consequence than his zeal for reform. By contrast, not even the severest of Marshall's critics questioned his commitment to economics. Marshall saw economics as a powerful tool for effecting meaningful and lasting improvements in the quality of life. In many respects, his zeal for social reform matched George's, and his own economic thought pushed him toward much the same kind of policy that George advocated. Therein lies the irony of the Marshall-George episode in the history of economic thought. For Marshall refused to accept George's organon. Marshall insisted that to be truly and lastingly useful, economics must be built on rigorously thoughtful theoretical foundations. George, he felt, had moved too hurriedly, and had consequently built on sand. For his part, George (and others) interpreted Marshall's hostility as intellectual snobbery, and responded predictably. But to Marshall the issue

cut much deeper. Against George, he spoke out in defense of scientific method and professional integrity.⁴⁶

George's influence was nevertheless wide ranging. On the one hand, he was claimed as a champion by the Fabian Socialists (the kind of influence Marshall should have welcomed). His pregnant suggestion of a continuous production function seems to have been ignored, but the idea resurfaced in later economic literature. F. W. Taussig, a frequent critic of George, wrote that "the stimulating effect of his writings on economic discussion during the last twenty years is too obvious to need mention."⁴⁷

It has not been the purpose of this chapter to defend either Marshall or George in a debate that is now a century old. The chief aim of this inquiry has been to shed light on the nature and essence of the disagreement between the two. There was no real debate between them in any meaningful sense. Marshall's lectures on *Progress and Poverty* were not published during his lifetime nor during George's. Obviously, therefore, George could not "respond," and the attack remained somewhat one-sided. But the nature of the disagreement between the two antagonists, however late revealed, raises questions concerning the scope and method of economics that are still alive to controversy. The reader will have to decide for himself whether or not George and his analytical system fit the mold in which they were cast by Marshall. He must decide, too, the import of Marshall's criticisms. He would do well, however, to reflect on the historical record. George stirred the emotions of the general public in his day and was very popular with a certain segment of the population. At the same time, Marshall's influence impacted with great force upon the appointed guardians of the "new" science of economics. Marshall had perhaps as little impact in George's sphere of influence as George had in Marshall's. Possibly this reveals much about the stuff of which heroes are made, and about the people who make heroes of particular individuals.

Notes

1. E. P. Lawrence, *Henry George in the British Isles* (East Lansing: Michigan State University Press, 1957), p. 8.

2. Alfred Marshall, *Industry and Trade* (London: Macmillan, 1919), p. vii; also Rita McWilliams-Tullberg, "Marshall's 'Tendency to Socialism,'" *History of Political Economy* 7 (Spring 1975): 75–111; also Talcott Parsons, "Wants and Activities in Marshall," *Quarterly Journal of Economics* 46 (November 1931): 101–40.

3. See [Ronald Coase], "Three Lectures on Progress and Poverty by Alfred Marshall," *Journal of Law and Economics* 12 (April 1969): 184–226.

4. Upon Arnold Toynbee's sudden demise in 1883, Marshall left Bristol College to assume the historian's duties at Oxford, which included a lectureship to the Indian Civil Service Probationers at Balliol.

5. Alfred Marshall to Henry Foxwell, 22 July 1883. Reprinted in J. K. Whitaker, *The Early Economic Writings of Alfred Marshall, 1867–90* (New York: The Free Press, 1975), 1: 24–25.

6. Three weeks after his last public lecture on George, Marshall enthusiastically wrote to Foxwell: "I am looking forward to nearly 6 months almost uninterrupted work on my book. I shall not spare the time that would be wanted for publishing my lectures on Progress & Poverty." Whitaker, *Early Economic Writings*, 1: 86.

7. As reported in [Coase], "Three Lectures," pp. 217 ff.

8. *Ibid.*, p. 188.

9. *Ibid.*, p. 187.

10. *Ibid.*, p. 188.

11. For a review of economic research in this area and a discussion of some of the statistical problems involved in measuring functional shares of national income, see Irving B. Kravis, "Income Distribution: Functional Shares," *International Encyclopedia of the Social Sciences*, ed. D. L. Sills, 8: 132–43.

12. See E. H. Phelps Brown and S. V. Hopkins, "Seven Centuries of the Prices of Consumables, Compared With Builders' Wage Rates," *Economica*, n.s., 23 (November 1956): 296–314.

13. J. S. Mill, "Thornton on Labour and Its Claims," *Fortnightly Review* 29 (1 May 1869). For a perceptive analysis of the issues and substance of the doctrine as well as Mill's role in its formulation, see R. B. Ekelund, Jr., "A Short-Run Classical Model of Capital and Wages: Mill's Recantation of the Wages-Fund," *Oxford Economic Papers* 28 (March 1976): 66–85.

14. F. W. Taussig, *Wages and Capital* (1896; reprint ed. New York: Augustus M. Kelley, 1968), p. 289.

15. Marshall criticized Mill for "putting his main theory of wages before his account of supply and demand, . . . [thus] cut[ting] himself off from all chance of treating that theory in a satisfactory way" (Alfred Marshall, *Principles of Economics*, 8th ed. [London: Macmillan, 1964], p. 678). Charles Collier (Henry George's System of Economics: Analysis and Criticism, Ph.D. dissertation, Duke University, 1976, p. 185), has recently complained that Marshall

emphasized supply factors to the exclusion of demand. Strictly speaking, this charge is inaccurate, although in his lectures on George, Marshall was preoccupied with the supply side. In this he was trying to restore balance to the classical doctrine of the wages fund, which, he felt, "laid excessive stress on the side of demand for labour, to the neglect of the causes which govern its supply" (*Principles*, p. 452).

16. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), pp. 65, 74. I am indebted to R. B. Ekelund, Jr. for directing my attention to this aspect of George's writings.

17. [Coase], "Three Lectures," p. 193.

18. George, *Progress and Poverty*, p. 223.

19. [Coase], "Three Lectures," p. 195.

20. *Ibid.*

21. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937), p. 145.

22. This phrase is George Stigler's. See "Ricardo and the 93% Labor Theory of Value," *American Economic Review* 48 (June 1958): 357–67.

23. George, *Progress and Poverty*, pp. 412–13.

24. [Coase], "Three Lectures," Appendix, pp. 223 ff.

25. George himself did not emphasize this proposal in *Progress and Poverty*, but he does provide for landowners "a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency . . ." (p. 405). Given the context of his remarks it seems that what George had in mind was not a payment to entrepreneurial skill but rather a small incentive payment to prevent abandonment of the land by existing owners.

26. Marshall, *Principles*, p. 359 n. Also see the perspicacious discussion of "constructive speculation" in Marshall's *Industry and Trade*, pp. 250–68.

27. Marshall, *Principles*, p. 598.

28. [Coase], "Three Lectures," p. 196.

29. *Ibid.*, p. 208.

30. *Ibid.*

31. See J. S. Mill, "The Claims of Labour," *Edinburgh Review* 81 (April 1845): 498–525.

32. See Marshall, *Principles*, p. 360; *idem*, *Industry and Trade* p. 825.

33. Marshall, *Principles*, p. 40.

34. *Ibid.*, p. 358.

35. *Ibid.*, p. 360.

36. *Ibid.*

37. George, *Progress and Poverty*, pp. 343, 426.

38. This seems to be the gist of the combined statements in Marshall's *Principles* (pp. 130, 134, 360) and in his earlier lectures on *Progress and Poverty* ([Coase], "Three Lectures," p. 205).

39. [Coase], "Three Lectures," p. 205.
40. See n. 31 above.
41. Marshall, *Principles*, p. 661.
42. Cited in T. W. Hutchison, "Economists and Economic Policy in Britain After 1870," *History of Political Economy* 1 (Fall 1969): 248–49.
43. [Coase], "Three Lectures," pp. 186, 199.
44. Anastasios Petridis, "Alfred Marshall's Attitudes to the Economic Analysis of Trade Unions: A Case of Anomalies in a Competitive System," *History of Political Economy* 5 (Spring 1973): 170.
45. Tullburg, "Marshall's 'Tendency to Socialism,'" pp. 89, 97.
46. On Marshall's assessment of the rewards to integrity in science, see "Some Aspects of Competition" (1890), reprinted in *Memorials of Alfred Marshall*, ed. A. C. Pigou (London: Macmillan, 1956), p. 264. The duties and responsibilities of economists and economics are discussed in "The Old Generation of Economists and the New" (1897), in *ibid.*, pp. 295–311. On the scope and method of economics, see Marshall's *Principles*, bk. 2, chap. 4 and Appendix C.
47. Taussig, *Wages and Capital*, p. 283 n.

5

Longe and Wrightson: Conservative Critics of George's Wage Theory

By FRED HARRISON

The wage-fund theory was one of the orthodox theories of political economy taught during the nineteenth century. It sought to explain the source of wages and the principles by which these were distributed. John Stuart Mill embodied a definitive statement of it in his influential *Principles of Political Economy*. Henry George knew that, if he was to offer an explanation of the cause of poverty in industrial society that both challenged the conventional wisdom and stimulated reform, he would have to destroy the theory. This was an aim of the opening chapters of *Progress and Poverty*.

The formula with which we are concerned is this: $W = K/L$. For the classical economists, this explained how wages were settled in a competitive market economy. Wages (W) were a function of the ratio between the size of the labouring population (L) and the portion of circulating capital (K) that was set aside by capitalists to pay out as wages. If, therefore, population rose at a faster rate than capital, the ratio turned against the workers; more of them would be competing against each other for money, and so ruling wage rates would come down.

This was an intensely conservative theory. For Henry George, the most outrageous feature was the way in which it shifted responsibility for poverty onto the sexual proclivities of working men and women. The latter, wrote Mill, "obey a common propensity, in laying the blame of their misfortunes, and the responsibility of providing remedies, on any shoulders but their own."¹ Their reproductive habits and shortsightedness, rather than institutional factors, were the cause of hunger, poor shelter, bad education—the whole gamut of deprivation. In Mill's revealing phrase, labourers may momentarily enjoy a higher living standard, but they tended to "people down to their

old scale of living.”² From this it followed that poor living standards were built into the framework of the economy. For, given a growing population, today’s workforce relied on the capital created by yesterday’s labour: “a stock, previously accumulated, of the products of former labour,” wrote Mill.³ Since yesterday’s workforce (which created the capital out of which today’s wages are paid) was smaller than today’s workforce, it followed that the rate of growth of the labouring workforce was normally ahead of the growth of the wage fund. Ergo, the tendency to beat down wages in the long run, unless people were wise enough to learn that they were their own worst enemies. Capitalist and landowner were absolved of responsibility. Economic reforms that reduced the cost of living were of little use if marriages and fertility were not prudently controlled.⁴

Pursuing a Malthusian chain of reasoning, Mill argued that the labouring class tended to deploy increased wealth not in enjoying higher per capita living standards, but in having more children.⁵ Thus, only by restraining births would this class improve its condition, “and every scheme for their benefit, which does not proceed on this as its foundation, is, for all permanent purposes, a delusion.”⁶ The real choice was a simple one: “Wherever population is not kept down by the prudence either of individuals or of the state, it is kept down by starvation or disease.”⁷

Henry George was one of those whom Mill would have counted among “the enemies of the population principle.”⁸ For by a painstaking description of the productive process, he showed that wage earners did not rely on a previously accumulated wage fund for their income. In fact, they created their own wages as they laboured. Employees were paid out of current production. They were sometimes paid at the end of the day, or the week, or the month; but while the time scale varied, the principle did not: they were paid only if they demonstrated that they had contributed to the process of wealth creation. Workers, therefore, did not rely on the goodwill of capitalists and their fictitious wage fund. They manufactured their own wages. But if this was correct, George had to account for low living standards and involuntary unemployment. For if people financed their own day-to-day living, why was it that a technologically progressive economy was associated with poverty? At least Mill was free to argue,

with some degree of superficial plausibility, that poverty was the result of an increasing population competing for a share in a wage fund that lagged behind in its growth. What competing thesis could George advance to explain how men created their own wages and yet account for the apparent paradox of involuntary poverty?

George argued that Mill failed to integrate his law of wages with those laws that determined the size and distribution of rent and interest, thus producing a fatal incoherence. The American therefore embarked on a lengthy process of defining economic concepts, describing capitalist production, and accounting for those discontinuities in the productive process that created unemployment, low wages, and human misery. His central thesis was that land monopoly was the fundamental cause of poverty and that the margin of cultivation established the base rate for wages.⁹ A free man would not agree to switch to wage labour unless his income was going to equal what he could earn at the margin of cultivation, where he could apply his labour without paying rent. Employers, on the other hand, under the pressure of competition, would not offer wages higher than those that were just sufficient to attract labour away from self-employment on the land and into manufacturing and commerce.

George's two key propositions, therefore, were these:

(1) Wages depend upon the margin of production, or upon the produce that labour can obtain at the highest point of natural productiveness open to it without the payment of rent.

(2) Where natural opportunities are monopolized, wages may be forced by the competition among labourers to the minimum at which they can reproduce.

Two Britishers, Francis D. Longe and Francis Wrightson, lost little time in publishing what they thought were refutations of this alternative theory of the wage determination process. Longe, an Oxford-educated barrister, occupied various minor governmental posts. He had been the author of two prior economic monographs, and later wrote on other subjects. No information about Wrightson seems to be available, apart from his claim to have had "practical experience of land" in both Britain and California, and the fact that "Ph.D." appears after his name on the title page of his critique.

Longe*1. The Wage Fund*

Francis Longe coupled his attack on Henry George with a restatement of his objections to Mill's wage-fund theory.¹⁰ He had earlier expressed these objections in his *Refutation of the Wage-Fund Theory of Modern Political Economy* (London, 1886). Yet his critique of the wage-fund theory is far less radical than was that of George or even that of Walker; despite his "refutation" of the theory, he continued to accept so many of its assumptions that he may be regarded, for all practical purposes, as a representative of it in the context of his assault on George.

Longe apparently believed the following:

(1) *Labour is dependent on capital for employment.* While labour may originally have fashioned the first pieces of capital equipment, when it comes to "material progress, or the increase of wealth and population, the factor that plays the first part is capital";¹¹ indeed, "it is the capitalist who provides the materials on which alone the labourer can exert his labour. It is, accordingly, the capitalist, and not the labourer, who commences the process by which wealth is increased."¹² He did not see any possibility of realising Henry George's hypothetical proposition that "where land is free and labour is assisted by capital, wages will consist of the whole produce, less that part necessary to induce the storing up of labour as capital."¹³ Longe had evidently not considered either the circumstances under which farmers worked on marginal land, or the conditions under which migrants worked in the early stages of the colonization of Australia or North America.

(2) *Wage rates are determined by the increase of population.* George's thesis that wage rates were heavily influenced by income earned at the margin was unacceptable to Longe, who held that "it is labourers who are out of employment, not labourers who are actually employed, whose competition lowers wages."¹⁴ If anything, Longe's Malthusianism was stronger than Mill's, for the latter allowed for the possibility that education could enable people to appreciate

that lower fertility rates meant higher living standards. For Longe, however, "the tendency of population is to exceed the means of subsistence"; in the long run there was a permanent "excess of candidates for employment."¹⁵ Responsibility, then, lay with the fecund disposition of the labouring class, "and to attribute the whole responsibility to employers or landowners, or some vague abstraction such as the 'social maladjustments that in the midst of wealth condemn men to want,' is, to say the least, a one-sided and misleading representation of the matter."¹⁶ It was, he pronounced, "fruitless to combat, and pernicious to disguise" the laws of wages and population.¹⁷

(3) *Labourers depend on capital for their wages.* This third proposition may at first appear controversial. In his analysis of Mill's theory, Longe specifically stated that "if labourers are not paid until after they have done the work for which they are paid, they are certainly not maintained on their employers' capital during the performance of that work."¹⁸ Whence, then, wages? We have seen that Longe ascribed primacy to the role of capital. He reinforced that claim several times. "It may be assumed that *so long as* an increasing amount of wealth can be employed so as to bring to the employer that minimum of profit which Mr. George allows the capitalist, so long will an increasing population find a subsistence in productive trade."¹⁹ If we are not to interpret this as meaning that wages came out of capital, or the profits of capital, his assertion that population can only increase in line with increases in capital accumulation²⁰ is less ambiguous. But one of the clearest statements is contained in a passage about peasants who had been dispossessed of their land. "While capital buys up the land, or occupies it in large firms, *capital buys off the poor man by wages* which offer him a better living than he can obtain without its assistance." He continued: "For these classes to complain of being excluded from the land by capital, would be to complain of *the very conditions which brought them into existence and supplied them with a means of subsistence which the land could never have given*; and for them to destroy the conditions on which capital lives and thrives would be to destroy *the only condition* on which they can themselves exist."²¹ Longe actually believed that a distinct wages fund existed, which consisted of circulating capital.²² In this he was following Adam Smith, who stated: "That part of the capital of the

farmer which is employed in the instruments of agriculture is a fixed, that part which is employed in the wages and maintenance of his labouring servants is a circulating capital."²³ We have seen enough to appreciate that, conceptually, he was very close to Mill, and ipso facto far removed from Henry George. We now turn to the criticisms that he advanced against the American.

2. Marginalism

Because of George's general law of wages, he was led—argued Longe—to “the grand fallacy which underlies his entire argument. This fallacy consists in identifying ‘product of labour’ with ‘labour.’”²⁴ Product of labour, Longe pointed out, was the thing produced, not the labour or work employed in producing it. Longe did not cite evidence for charging George with this confusion. George was meticulous—often to a fault—in defining his terms. Longe's mistaken criticism sheds light on the level of his theoretical reasoning. He asserted that the labourer “does not make or produce the wealth which he receives in wages, any more than the seller of a pig makes the money, or wealth, which the purchaser gives in exchange for the pig,” although the self-employed labourer did produce the wealth “with which he is supposed by Mr. George to pay the wages of his own labour.”²⁵ In an exchange economy, it is obvious that a labourer does not receive in wages that which he has produced, and George was well aware of this elementary fact. Why, then, did Longe erroneously perceive a fallacy underlying George's theory? An examination of this point yields some interesting insights into the history of the theory of wages, and so I shall conjecture an answer.

It is wrong, as Longe stated, to confuse “product of labour” with labour itself. But is there no connection at all? George's theory that the lowest wages were determined at the margin of cultivation related units of labour with the physical product that marginal land would yield to the cash wage that a labourer would demand of an employer if he agreed to change his employment. If one week's work yielded one cwt. of wheat that could be sold for £20, the self-employed farmer was not likely to accept less than £20 in wages to work for someone else. The component parts of this equation

are *equivalent* in terms of their value: 40 hours' work = 1 cwt. weight = £20. Now, this theoretical reasoning anticipated the marginalist revolution in economic theory, which is commonly associated with neoclassical economists like Alfred Marshall. Wage theory today still relies on the concept of marginal productivity, but there has been a shift in the perspective. George approached the problem from the supply side: how much a free labourer who had access to marginal land would require in wages before giving up his self-employed status. Today, theorists focus on the demand side: how many workers would be hired by employers at ruling wage rates. But the basic equation remains as George defined it: equilibrium is that point where the marginal *physical* product of labour = marginal revenue to the firm = the marginal wage. Longe simply failed to understand this relationship.

The marginal-productivity theory has been criticised as unrealistic: it relies on the assumption of competition, whereas economies are today disfigured by monopolistic encumbrances. This does not undermine the value of the working model into which one can build modifications for the purpose of deriving predictions. Marginal-productivity theory can be modified to take account, for example, of dominant firms wielding oligopolistic power in the labour market, or trade unions that can intervene in wage bargaining to influence settlements or restrict the productive process by practices designed to protect those already employed in a firm or industry.

Likewise, Henry George appreciated that the theory viewed from his perspective had to be adjusted; land monopoly meant that labour was not, in fact, free—did not enjoy unrestricted access to rent-free land at the margin of cultivation—and was therefore “captive” in the factor market. Dramatically, he characterised wages in those conditions as being no better than those in a society based on slavery.²⁶ As evidence, I can briefly note the workings of the most complicated wage structure to be found anywhere: society transforming from an economy based on slavery to a reliance on wage labour, within the framework of private property in land. Cuba between the 1840s and 1870s is an example. The cheapest and most suitable form of labour for sugar plantations was the African slave. As the supply of slaves began to dry up, wages of Creole and European workers rose²⁷—but

not as high as they would have been had the easily cultivated land been freely available to immigrant farmers. Aimes, in his study of the Cuban slave economy, noted that a proposal advanced in 1865 to reform the tax system (which had until then relied on customs duties) would have a beneficial effect: "a direct property tax would help in the problem of immigration because immense tracts of land were held by people who would not develop them nor sell them, because it cost nothing to hold unproductive property, and there seemed to be a difficulty in getting the land into the hands of small owners. A direct tax was ordered by Real Decreto, February 12, 1867, and the collection of this tax in the eastern part of the island directly caused the war of 1868."²⁸ But the availability of free land (or of fruit for the picking) created a problem for plantation owners. Aimes recorded that an unhampered supply of African labour would have resulted, by 1860, in all the arable land being owned and cultivated; and this, as George would have pointed out, would have resulted in a captive labour market. Aimes would not only have agreed, but would also have approved. For, he said, "One of the great obstacles to Cuba's tranquillity was that the settled parts of the island adjoined a great backwoods; consequently, society did not react against itself. The great open interior caused a constant evaporation of the labourer class. . . ." Ames did not like the way free men of all breeds exercised their right to avoid the back-breaking work at ruling wage rates on the sugar plantations. "There was always a great plenty of very fertile lands on which an easy living could be obtained. This kind of a life was far more attractive to the ordinary negro, mulatto, and low white than hard steady work in sugar ingenios, and they worked in them enough to get a small amount only of wages, with which to buy a few articles which they could not produce themselves."²⁹ The easy access to food on this tropical island meant that Negroes and mulattoes were able to enjoy a relatively free and easy life. This led Aimes to express a value judgment: "The free negro or mulatto was generally a parasite. They refused to apply themselves any more than was absolutely necessary to gain sufficient to live on." Clearly, a group of people in Cuba—uninhibited by European cultural constraints—felt disposed to maximise their leisure. This caused problems for the plantation owners, who wanted a hard-working—but cheap—labour

force; the absence of such a supply of workers was a brake on their plans for expansion. But they did, of course, have a solution in their hands (or rather, pockets): they could have paid wages that were so attractively high that the workers would have been lured from the back streets of Havana or the highlands of Scotland. But this, of course, would have cut the returns to the landowners.

Such are the complications that a theory of wages needs to encompass. While George's use of marginalism with respect to wages predated its use and development by the neoclassical school, his approach was the richer. For he explained the process of wage determination in full, whereas the later version was simply a theory of the demand for labour.³⁰ Marginalism has held the centre of the stage since George's time. Longe's rejection of George's theory exposed him as anachronistic; this conclusion supports my attempt to draw a strong parallel between him and the classical economists with whom he thought he disagreed.

3. Speculation

Longe believed that there was no intersectoral link in the wage-determination process.³¹ This objection to George will be discussed in the section on Wrightson. Here we shall consider Longe's emphasis on what he called the "natural price" of agricultural labour.³² This was arrived at, he said, through "the unrestrained influence of competition among themselves."³³ This was an unexceptionable statement with which George would not have argued; but by itself it said little. We need to know the economic framework within which this competition operated; how, for instance, the rights to natural resources were distributed, and how these were used (or misused) by those who had access to the resources. If land was monopolized by a relatively few people and access to it restricted, the consequences would be wholly different from a regime in which there were fiscal penalties on people who chose to limit access to land for speculative purposes. Longe felt that such considerations did not affect the principle of "unrestrained influence of competition" among agricultural labourers: "This principle, which attributes the reduction of wages to a minimum to the competition of labourers rather than to any action

on the part of the wealth-owner, whether employers or landowners, cannot be excluded from any theory of social science, however reluctant the theorist may be to admit a principle which must to a great extent relieve the rich of responsibility for the existence of poverty, even in their midst."³⁴ Thus landowners were once again absolved of any responsibility for the level of wages. But this was a curious conclusion, for Longe appreciated that in land-abundant colonies wages were high.³⁵ How did he account for this? Not in terms of the strong bargaining power that labour enjoyed when it had free access to fertile land; for he insisted that "it is the law of the increase of population which underlies the law of natural wages."³⁶ And so Longe explained these high wages as owing to a high accumulation of capital. Eventually, however, the natural increase of population would drag down these high wages, for "there is at least some truth in the doctrine which asserts that the tendency of population is to exceed the means of subsistence."³⁷ This Malthusianism may appear plausible when we look at the number of poor people in third-world countries. But it begged an important question: When was poverty experienced *solely* because of ecological insufficiency in relation to demographic growth? It also fails to explain why, in industrial countries, falling birth rates have not removed poverty! In the end, as George repeatedly stressed, poverty was largely a distributional problem, and one could not overlook the institutional framework within which landlords and capitalists operated.

And yet, in the same way that he is difficult to disentangle from Mill's wage-fund theory, so Longe's declamations against George have to be qualified by certain of his admissions, which—if they had been pressed to their logical conclusions—would have brought him round to the Georgist thesis. But Longe avoided logical conclusions by introducing special pleading to justify the status quo. I shall note two examples. The first was embodied in the following damaging admission: "Undoubtedly Progress tends to exclude the poor man from the ownership and even occupation of land as a means of living, but if that is an evil who are the sufferers? If that is a grievance on whose behalf is it to be raised? Certainly not on behalf of those industrial classes whom Progress brings into existence, and supplies, on the whole, with a much better living and more means of enjoyment than

a poor peasantry can obtain.”³⁸ So here we have it; the “poor”—whether many or few, we are not told—were to be sacrificed in the name of progress. But what did Longe mean by *progress*, which he absolved of blame for poverty?³⁹ If he meant technological innovations, or improved organization to facilitate mass production, Henry George never held that these were, in and of themselves, responsible for poverty. Yet Longe did not mean this. And in referring to the poverty in Chicago, St. Louis, and San Francisco, Longe concluded that it was owing to “the presence and operation of other causes besides increase of population and rent.”⁴⁰ But what were these causes? Longe could not resist blaming the unemployed for their plight: “the indolent and ne’er-do-wells, the professional beggar and pauper, who hang about wealth as moths round a lamp, and seek to pick up the crumbs which fall from the rich man’s table.”⁴¹ And yet—and here we come to the second piece of special pleading—Longe felt obliged to take into account the effects of land speculation: “Mr. George has, probably, good ground for attributing the exclusion of the poor population of the thriving American towns from gaining a livelihood as settlers on lands near these towns, to the ‘speculation in land values’ and the acquisition by the capitalist of the more fertile and best situated land.”⁴² In admitting this, Longe was conceding defeat. Yet he would not finally throw in the towel. For, he responded, “this action on the part of speculative capitalists appears to be fully recognised as an evil by the politicians of these young communities, and laws restraining it are very general.”⁴³ Historically, this is not correct. But even if it were, Longe was not interested in thoroughgoing reform to remove the evil of idle land going a’begging while beggars went a’wanting. For, he said, “it is clear that the cause of this evil is the ‘possessory right’ which enables the speculators to exclude others, not rent.”⁴⁴ Rent, then, is exculpated from responsibility—as if it were unrelated to “possessory rights”!

Longe tentatively suggested a solution (one applicable only, apparently, to “young communities”): “If rent be the object of this practice of engrossing land, the condition of society in these young communities is peculiarly one in which any restriction required by the interests of the community at large might be placed on the powers of the landowners to raise rents, without interfering with vested rights or

long-established institutions.”⁴⁵ Thus, he was willing to ameliorate the evil to the extent of preventing further increases in rent, but would not entertain a radical reform that would have removed altogether the cause of the problems under consideration: vested interests had to be protected.

In a revealing conclusion to what he thought was an attack on Henry George’s proposal for land-value taxation, the British writer argued that the institution of private property in land was one that had been adopted in the United States because of its “intrinsic merit.” For, he asked, would it otherwise have been acceptable to the wise founding fathers? Would they really have imported an evil institution from Europe?

Certainly no young society can undertake the task of settling the fundamental laws on which the property under its dominion is to be held or occupied with stronger grounds for prejudice against the institution of private property in land, than a society composed largely, if not entirely, of emigrants from other lands, who have been compelled to leave them under the force of those very conditions which this institution is charged with aggravating, if not originating. We find, however, *notwithstanding this reasonable ground for prejudice against it*, the right of private property in land adopted by State after State.⁴⁶

Again he repeated the claim that restrictions were generally imposed on the tendency to land speculation. Yet he admitted, without extrapolating the consequences: “But no restrictions are placed on the prospective wealth which Progress will confer on the fortunate Rip Van Winkles from the rent of the lands they purchase.”⁴⁷

In view of his admissions, one is tempted to conclude that Longe had ideological, rather than honest scientific, reasons for opposing Henry George. How else do we explain his attempt to ridicule George’s claim that economic growth arising from technological innovations tended to increase land values? George was quoted as stating that “this being the case, every labour-saving machine, whether it be a steam plough, a telegraph, a perfecting printing press, or a sewing machine, has a tendency to raise rent.”⁴⁸ Longe responded sarcastically: “When an author himself supplies such a forcible *reductio ad absurdum* to his own argument it is needless to take up further time in showing its fallacy.”⁴⁹ And yet, on page 29, he felt obliged to

admit that "the ground rent of land occupied by our factories, iron-works, and shipyards, is undoubtedly raised by the progress of trade." Time and again Longe set up an objection and then destroyed it himself!

One of the sharpest differences between the two economists lay in the emphasis each placed on the importance of land, labour, and capital. For George these were interdependent and equally important in the productive process, and no one component could be understood properly if studied in isolation. For Longe, however, primacy went to capital, which created land values⁵⁰ and brought the industrial classes into existence.⁵¹ Because of his false emphasis on capital, Longe was bound to reject the validity of George's solution: a tax on land values. And this brings us to yet another admission by Longe: "That the condition of the industrial classes who are brought into existence and maintained by capital is fraught with liabilities of which disappointment, poverty, and want are the outcome, no one can dispute."⁵² Yet, said Longe, a tax on land values would multiply and intensify this unhappy situation. For "the industrial classes under his system would be just as much 'slaves' to capital as they are now." He embellished this claim with several assertions that he did not adequately elaborate. For example, employment would be no more certain or regular under land-value taxation than without it.⁵³ To sustain that claim, Longe had to show that the removal of speculation, through a tax on land values, would *not* help to eliminate the economic crises that periodically caused unemployment. He did not even discuss the issue.

He did, however, claim that toiling labourers would have as much reason to feel embittered by the sight of wealth and "the lavish expenditure of the rich" in a Georgist society as under the existing system. Admittedly, no human society could expect to remove all of the base emotions. For instance, in a society that forcibly ensured that everybody received precisely the same income, people capable of contributing more than the average in creative effort would resent the coercion that enforced strict equality; this would embitter some of them toward less capable people who received more than they contributed. But in the system advocated by Henry George, inequalities of wealth would only represent the differential contributions of

individual people to the wealth-creating process through the exercise of physical or mental effort or entrepreneurial skills. No one would enjoy the benefits of unearned income from land. Longe could not perceive this, and so his objections to land-value taxation failed to allow for the transformation of public attitudes arising from a reform of the economic system. In fact, he would have considered the attitudinal effect of income redistribution irrelevant. For he argued that the accumulation of wealth in the hands of capitalists and landowners was not at the expense of the portion going to labourers, who therefore had no justifiable right to feel aggrieved. This was a consistent conclusion for the wage-fund theorist, but one that produced all kinds of confusions and no logical solutions to economic problems like the presence of poverty in the midst of plenty.

Wrightson

1. The Theory of Rent

Francis Wrightson wrote that after reading *Progress and Poverty* twice he suspected that there was something wrong, “but could not lay [his] finger on the spot.” The third time lucky, he discovered “a palpable falsehood masquerading as truth.”⁵⁴ On this discovery hung his attempted refutation of Henry George’s book. The falsehood, however, lay with Wrightson. His mistake perhaps lay in his initial overconfidence:

That I have arrived, starting from the same principles and adopting the same theory so far as it was applicable, at the contrary conclusion to that of Henry George, viz.—that *Poverty and low wages are NOT caused by landowners taking all the surplus wealth*, is due perhaps to the fact, that I have had the advantage both of scientific training and of some practical experience of land, both in this country, and in the frequently referred to country of California—of which experience there is internal evidence in George’s book to show he has had none.⁵⁵

So the “prophet of San Francisco” who spent so many of his formative years in California was wrong. And what verities did the British critic offer the world? Precisely none! “I am not so rash; I do not believe in the existence of any law with regard to rent,” he declared.⁵⁶

And in the penultimate of his thirty-six pages he confessed abjectly: "The evil of the unequal distribution is still to be solved." The powers of this scientific training, it would appear, were limited, and this revealed itself in his critique of Henry George.

Wrightson argued that George made two fundamental errors. The first was in generalising a theory of rent that was relevant only to the agricultural sector. The second was in explaining wages as being determined at the margin of cultivation. We shall first consider the law of rent, which was so crucial to *Progress and Poverty*.

Wrightson rested his critique on the assertion that the element that determined rent was soil fertility, "the *inherent* and *permanent* property of *fertility* in *the soil*, for if this were temporary or accidental, easily lost or diminished, no fixed rent would be possible."⁵⁷ He cited Ricardo and J. S. Mill as his authorities.

Wrightson did not quibble with George's initial definition of the rent of land as being "determined by the excess of its produce, over that which the same application (of labour and capital) can secure from the least productive land in use rent free."^{*} His central objection was George's claim that the law also operated in the urban, industrialized sector.⁵⁸ George was under the impression that the law of rent per se was not a controversial one. "Mr. George is obviously wrong in this," wrote Wrightson, "as Ricardo *strictly* limits the rent law, or 'margin of cultivation' to agriculture; to the 'inherent indestructible powers of the soil,' of its varying fertility. And I think Mr. George can quote no writer who extends the law as he has done."⁵⁹ Wrightson was mistaken. Fertility was no doubt the defining characteristic of the law of rent that an economist in a largely agrarian economy would single out for prominence and repetition, but *location* was also crucially important. Transport costs were part of the cost of production; they therefore helped to determine the amount that a landowner could claim as being "surplus" to the total costs of an enterprise, whether agricultural, commercial, or industrial. A plot of land, therefore, whatever its use—rural or urban—had ascribed to

^{*}Wrightson gratuitously added "rent free" to George's definition in bk. 3, chap. 2 of *Progress and Poverty*. Actually, George equated the least productive land in use with the *most* productive rent-free land.

it a value depending on whether it was close to, or far from, the markets or places of employment.

Nor was Wrightson correct in claiming that his authorities employed only his narrow definition. Mill, in noting the high quality of land used in the United States, said this was so “except sometimes in the immediate vicinity of towns, where a bad quality is compensated by a good situation.”⁶⁰ This was a throwaway observation, in parenthesis, so that we might forgive Wrightson for overlooking it. But his failure to take account of Ricardo’s analysis of the importance of location in determining rent is not so easily tolerated. Ricardo said that if all land was of equal fertility, in theory there would be no rent; but that since some land would be further away from the markets and was therefore burdened with the costs of carriage, rent would be a measure of locational advantage.⁶¹ Marginal land would be the least advantageously situated land that the demands of a community required to be brought into use. Ricardo, admittedly, was not always comprehensive in his definitions. For example, he stated that “whenever I speak of the rent of land, I wish to be understood as speaking of that compensation, which is paid to the owner of land for the use of its original and indestructible powers.” He did not include the locational element here. Nonetheless, Ricardo soon extended his definition and theory in the following clear terms: “If all land had the same properties, if it were unlimited in quantity, and uniform in quality, no charge could be made for its use, *unless where it possessed peculiar advantages* of situation. It is only, then, because land is not unlimited in quantity and uniform in quality, and because, in the progress of population, land of an inferior quality, *or less advantageously situated*, is called into cultivation, that rent is ever paid for the use of it.”⁶² From that point on there was no reason why Wrightson should have overlooked location in the theory of rent. Ironically, however, he did indirectly admit that location was relevant, for in dealing with international competition he referred to “the smaller expense of placing [produce] in the English markets,” which had an effect on production costs and therefore on rents!⁶³

Since Wrightson rejected the relevance of the law of rent in the nonagricultural sector, how did he explain the payment of rent for urban land? This, he declared, was compensation to the landowner

for destroying the agricultural value of the land, and for "putting a dirty, smoky factory thereon."⁶⁴ There was no competition for land on which to erect buildings for manufacturing or any other purpose but agriculture, he asserted. "In fact, one has only to observe the notice boards all round the suburbs of towns to see that it is building land which goes a begging for tenants, and the landowner who should try to stipulate for even a one hundredth part of the 'surplus produce' on the faith of George's theory, would simply be laughed at as a lunatic!"⁶⁵ In this sentence, Wrightson added, in parenthesis, a damaging admission. The unused plots, he said, were "frequently not held for speculation." Perhaps so; but he was conceding that, in some cases, speculation *was* the motive! What advantage was there in speculatively holding land idle if the owner could expect compensation only for damage done through pollution? There are other problems with Wrightson's eccentric theory. The difference between urban and rural rents could not be accounted for in terms of the loss of the agricultural use of an acre of land in, say, New York's Broadway or London's Mayfair. Nor could Wrightson explain why two plots of urban land of equivalent size, with identical disfigurements upon them (say, two-storey detached houses of similar appearance), yield different rents. The difference, of course, must be ascribed to location, which landowners exploit because of their monopoly power.

2. *Intersectoral Competition*

We now return to the problem of wage determination. Soil fertility, and cultivation at the margin, may determine agricultural wages, said Wrightson.⁶⁶ But these had nothing to do with the wage of the industrial worker, for whom "competition there may be, between himself and his skilled fellow artisans, but it will be independent of 'the margin of cultivation,' and can have no relation thereto; therefore the general law of wages, as stated by Mr. George, is as fallacious as the general law of rent."⁶⁷

At the base of the labour force was what Henry George called "the lower and wider strata" of workers whose wages were the lowest. These wages were at, or above, subsistence levels, depending on

whether the ruling land-tenure system was a rational one, working for the benefit of the whole community, or an irrational one, working for the good of the relatively few monopolists. These wages were determined in the following manner:

Now, the primary and fundamental occupations, upon which, so to speak, all others are built up, are evidently those which procure wealth directly from nature; hence the law of wages in them must be the general law of wages. And, as wages in such occupations clearly depend upon what labor can produce at the lowest point of natural productiveness to which it is habitually applied; therefore, wages generally depend upon the margin of cultivation, or, to put it more exactly, upon the highest point of natural productiveness to which labor is free to apply itself without the payment of rent.⁶⁸

Wrightson considered this proposition of doubtful validity.⁶⁹ Yet today's agricultural workers, in all European countries, as a group receive the lowest wages. Firms seeking unskilled workers are hardly likely to offer wages greatly in excess of what they needed to pay to attract labour from the farming sector. Just how much these would have to be depends upon the various factors that George outlined, and taking into account the obstacles to mobility (such as the availability of housing, which to an important extent is a function of the way property rights in land are exercised).

But Henry George was referring to workers in all of the primary industries, not just the agricultural sector, and the wages of British miners are higher than for many in the manufacturing sector. This presents no problem to George's theory. It can be explained in terms of monopoly power. The mines having been nationalized under one employer (the government, ultimately), the workers simply had to organise themselves into a single powerful union to be able to exercise reciprocal power. So strong has the National Union of Mine-workers become that they were able to challenge and topple the Conservative government in 1974, and successfully negotiate a high wage claim under the incoming Labour government as an allegedly "special case." Agricultural workers, on the other hand, are so scattered as to be unable to wield the same kind of power; for them, wage bargaining has to operate within the context of the imperfectly free market.

But the kind of exception exemplified by the British miners does not invalidate the underlying tendencies that George isolated into economic laws. To see how his theory of wages operates, we can take a look at the relationship between peasants and artisans vis-à-vis landlords and urban employers following the Black Death in the fourteenth century.

The plague decimated the working population of Europe, and this left large tracts of land vacant. What happened? Not surprisingly, we learn from historians that the custom of searching for better working conditions became more common after the Black Death. Peasants who remained in the agricultural sector moved to better land yielding them higher returns. The revenue of landlords declined, for their bargaining strength weakened in favour of the peasants. Landlords who wanted to repopulate their land had to agree to pay higher wages or (what amounts to the same thing) agree to lower rents. As a result, bondage almost totally disappeared in Western Europe.⁷⁰

The movement of workers and wages in rural areas affected urban employment. Labour mobility equalised wages between the two sectors. Trout Rader states that “there is no reason to believe there were any significant wage differentials between town and country—except possibly to account for cost of living.”⁷¹ Landlords had no doubts that workers could influence wage rates, which was why the Statutes of Labourers were passed in Britain—to try and restrict the mobility of labour, and so diminish the need to compete with other employers in the labour market.

3. *National Income*

Having failed to perceive any connection between agricultural wages and those paid in the industrial sector, and having no alternative theoretical framework to offer, Wrightson tried to win his argument by being scathing. He drew isolated sentences from *Progress and Poverty* and relied on sarcasm to try to win his points. George had been led to the “utterly false conclusion, that *all* wealth is going into the pockets of landowners,” he observed.⁷² George had “levelled all wages down to what a man could earn at [the] margin.”⁷³ George had drawn the general conclusion that “*all* the surplus wealth over the

bare 'margin of cultivation' goes to swell the plethoric pockets of the landowners; while all labour is ground down to starvation point," and "neither increase of population, nor improvements in the arts and sciences, can increase wages or diminish poverty."⁷⁴ Wrightson had no difficulty in contradicting *this* account with evidence that rents had declined in the face of international competition,⁷⁵ and that there had been an increase in the income of a nonlandlord class (he did not make clear whether he was referring to workers or capitalists).

Whether this distortion arose out of maliciousness, or whether Wrightson had simply misread the published material (which he had done with Ricardo and Mill) we cannot determine, though so crude was his representation of the contents of *Progress and Poverty* that we are strongly inclined to believe that he deliberately sought to be mischievous. W. H. Mallock, whom Wrightson cited in verification of his arguments,⁷⁶ must be placed in the same category. Before digressing to look at Mallock's interpretation of George's theory, we need to clarify terminology used by the American that could give rise to confusion if not considered carefully.

George occasionally failed to make clear, in his discussions on the production of wealth and distribution of income, whether he was referring to individual productive enterprises on specific plots of land, or to the economy as a whole. Both, for example, are wrapped up in the following sentence: "Thus, increase of population, as it operates to extend production to lower natural levels, operates to *increase rent and reduce wages as a proportion*, and may or may not reduce wages as a quantity; while it seldom can, and probably never does, reduce the *aggregate production of wealth* as compared with the aggregate expenditure of labor, but on the contrary, increases, and frequently largely increases it."⁷⁷ In the first half of this sentence George drew attention to the effects on wages and rents at the micro-economic level as a result of the operation of the economic laws, which he defined, at the margin of production. In the second half of the sentence he alluded to total income in the economy. Mistakes arise if these two are confused. I illustrate the point in the following way.

Let us assume a two-factor (land and labour) economy, in which a plot of marginal land yields no rent. Then, following George, let us

assume an increase of population that extends to new marginal land. Because of the lower returns, owing to poorer soil fertility or higher transportation costs, the income of the labourer is reduced to what we can hold to be the minimum subsistence level. This, *ceteris paribus*, drags down the *level* of wages on all other land and raises rent. This was what Henry George emphasised, and it is the only economic effect that would matter to people at the bottom end of the wage-earning scale (who would not care about aggregate wages). Mallock chose to take this as representing the whole of George's theory, rather than just the beginning (albeit a vital beginning) to his exposition. By limiting himself to this one proposition, Mallock deduced, and attributed to Henry George, the conclusion that landowners took a growing proportion of *aggregate* income.

But George's example showing how the general rate of wages coincided with the margin of production, falling as it fell and rising as it rose, contained no reference to aggregate wages in the country. His references were to the general rate of wages; wages (rates) as a proportion to rent in specific locations; and wages as a quantity received by the industrial labourer. With an extension of the margin because of increased population and an increase in the arts of production, the aggregate wage bill of a country might rise or fall as a proportion of the total produce of the country or rise or fall in relation to rent, but none of this is relevant to George's thesis. Thus, even if it could be shown that the aggregate wages of a community had increased in quantity and/or as a proportion of total output, it would not destroy George's argument.

In 1884, the year before Wrightson published his tract, Mallock drew up a chart of national income⁷⁸ showing the proportion going to landlords if Henry George's theory—as he interpreted it—was correct. Given a gross income of £1,200 million, Mallock revealed that the theory contained in *Progress and Poverty* was such that large landed proprietors ought to be receiving £900 million, and the rest of the nation £200 million. In fact, one of the "truths" that he offered was this: "The rental of the landed aristocracy, instead of being, as Mr. George and various agitators imagine, something over 900 millions, is in reality under 45 millions."

Thus George was exposed as a charlatan, a man seeking to distort

reality for his own ends, a trouble-maker who refused to test his hypotheses against the facts. For an understanding of how Mallock deduced George's "supposed" position, let us turn to a book he published in 1914. *Social Reform*⁷⁹ provided a repeat performance of the statistical exercise, but by now national income had grown to £2,000 million. According to George—declared Mallock—the bulk of the population of Britain and Ireland should have been subsisting on £500 million, while the owners of the unimproved soil should be appropriating £1,500 million. In fact, he triumphantly revealed, the actual rental income, after deducting that portion that was interest on buildings, did not total £80 million, while the great landowners themselves received less than half that sum.⁸⁰ Furthermore, the proportion of national income going to landowners had decreased from 20 percent of £180 million in 1801 to 4 percent of £2,000 million in 1914.⁸¹

Mallock's reading of *Progress and Poverty* was of the same simplistic order as Wrightson's. The core of his understanding of George's work, which underlay his statistics, was this:

in whatever ratio the income of any progressive country increases, the portion of it which is taken by landowners as the rent of crude land, or land-rent as distinct from interest on human improvements, constantly increases in a ratio greater still. If the total income within a given period doubles itself, land-rent will within the same period continue till "the earnings of capital" (as he put it) no less than "the wages of labour" are so far absorbed by land-rent that the landowners appropriate the entire and increasing difference between the total of the national product, no matter how great, and the amount which is *just sufficient to keep the rest of the population alive*.⁸²

I shall note two points that not only render Mallock's debunking exercise null and void, but indicate how unreliable his own figures were. First, he used statistics that represented *income actually received* in the United Kingdom. These were the only figures of interest to the taxation authorities, who worked on the Smithian precept of taxing people according to their ability to pay. But when it came to rent, George was interested in only one figure: the *potential* income and tax yield from all land. Therefore, Mallock's statistics, if they were to be a fair test, would have to be adjusted to include rents imputed

to the owners of freehold land. For landowners either (a) used the land themselves, and therefore theoretically paid themselves rent in their capacity as landowners, or (b) held the land idle, for whatever reason, and so were choosing not to realise potential income. To calculate this "income," a new Domesday Book exercise would need to be instituted.

The second point is this. What if, after completing the valuation of all land in the economy, it was found that Mallock was right—that rent (as defined by Henry George) *was* diminishing as a proportion of national income? This in itself would prove nothing at all, for we can envisage a situation in which a growing population pushes up production by extending cultivation outward; this increases total output in such a way that, while wage *levels* on particular plots may drop, total wages may *increase* as a proportion of national income. Conversely, while rental *levels* increase, the *share* of rent in the economy's total output may decrease. So while the wages bill may have increased as a whole, who could deny that, in per capita terms, the landlords were the better-off class? It may be objected that this relies on an extensive use of land: Is this realistic when dealing with land, which is in finite supply? The objection causes us no difficulty, for George did not rely on an indefinite outward extension of the margin of cultivation. In fact, at the end of book 4, chapter 2, he revealed that he believed that concentration of economic activity on localised centres was by far the most important cause of increases in land values. In his chapter on the law of wages (bk. 3, chap. 6) he noted how rents *and* wages can both rise with "the advance of the arts or the economies that become possible with greater population." He continued: "the relative fall of wages will not be noticeable in any diminution of the necessaries or comforts of the laborer, but only in the increased value of land and the greater incomes and more lavish expenditure of the rent-receiving class." Here he dealt specifically with the rise of rents relative to wages on particular plots of land. We now know from experience that where there have been striking advances in the "arts" of production, and benefits accruing from further growth of population, aggregate wages paid out in the economy can increase enormously (which Mallock thought was fatal to George) while at the same time the growth of the level of rents

outstrips the growth of wage rates (the point that George knew caused problems for many wage earners). It was the failure to distinguish between rates of wages and total wages, and the reciprocal reactions of rent and interest, which misled many of George's critics, like Wrightson, and caused others to appear foolish because—like Mallock—they pushed their satirical criticisms to absurd lengths.

But was there no warrant for saying that everybody other than the landowner would receive an income “which is just sufficient to keep . . . alive?” In the preface to the fourth edition of *Progress and Poverty*, written in 1880, George did briefly outline a model that, if it reflected a real economy, would produce a close approximation to such a result. By holding technical progress constant, and assuming a growing population, the rising demand would push hard against an inelastic supply of land and so “increase the proportion of the aggregate produce which is taken in rent, and reduce that which goes as wages and interest.” But even if we assume, along with Mallock, that this was the situation for the United Kingdom in 1801, it is impossible to envisage a transformation of the share taken by rent over the course of a century from 20 percent to the 75 percent that he attributed to George's theory in 1914: the Malthusian influences favoured by Mill would most certainly have come into play with a vengeance to retard such a shift!

George's hypothesis was a simple theoretical model for testing the relationships and responses between given variables. It was not unrealistic: it was a legitimate construct for the purpose of scientific analysis of real-world problems, where these were limited to the specified variables. He elaborated on the analysis in book 4, chapter 2. Such reasoning, for example, would have enabled one to predict the consequences of the Black Death in the fourteenth century. But George did not intend this hypothesis to be his paradigm of nineteenth-century Europe or North America. Indeed, the very title of his book placed technical progress at the centre of his problematic. In book 3, chapter 6, he accounted for wages and salaries that were above subsistence level. He described the differential structure of income paid to the working class. Wage rates, he wrote—following Adam Smith—adjusted to allow for innate abilities, the disagreeableness of certain occupations, the cost of acquiring special skills, the

Distributive Shares as Percent of Home-Produced National Income: UK Decennial Averages*

	Wages and Salaries	Rent**	Profits
1876–1885	55.7	14.8	29.5
1886–1895	59.4	13.8	26.8
1896–1905	59.2	12.4	28.4
1906–1913	56.5	11.8	31.8
1926–1935	66.9	9.3	23.8
1936–1945	61.7	7.5	30.8

SOURCES: E. H. Phelps Brown and P. E. Hart, "The Share of Wages in National Income," *Economic Journal* (1952); L. C. Hunter and D. J. Robertson, *Economics of Wages and Labour* (New York: Augustus M. Kelley, 1969), p. 348.

*Except for 1906–1913, which is for an eight-year period.

**This category does not represent economic rent. It includes interest payments on capital (e.g., houses and factories) and does not include the rental income that can be imputed to the owners of freehold land.

security of employment, and special factors (such as where an employer had to repose trust in an employee). These considerations pushed up the wages of some people above minimum standards, and the list has not been improved upon by contemporary textbooks on economics.⁸³

Nonetheless, if Wrightson and Mallock were alive today they would point to trends in national income distribution over the one hundred years since *Progress and Poverty* was published and claim that they had been vindicated: that Henry George was wrong in attributing special status to the power of the landowning class in the industrial economy. For the trends apparently show rent declining as a percentage of national income. (See table.)

If we accepted these trends at face value, we could still account for them in a way quite consistent with George's theories: in particular, the rapid capital accumulation, technological innovation, and the empire-building military adventures of European states. The increasing use of capital as a substitute for land has had an enormous effect. Chemicals, for instance, facilitate an increase in the yields of fixed acreages; the rewards for this are paid out as interest on capital,

although land values (and therefore rental income) can be pushed up as a result. For instance, the Green Revolution, which scientists hoped would increase crop yields in Asia and so reduce prices and poverty, also had the effect of pushing up the value of land that was well irrigated and therefore suitable for the new seeds.⁸⁴

European landowners, furthermore, found themselves competing with the new lands as settlers followed the gunboats and opened up the four continents of the world. The nineteenth century was unique for the way in which one part of the globe was able to enjoy access to, and plunder, resources in the rest of the world at very low cost. The economic effect was to severely temper the results of an interaction between rising demand and the relatively inelastic supply of land in Europe. In the twentieth century rental income has been held back for a variety of additional reasons. Institutional controls, for example, such as the freeze on rents during times of war or economic crisis, have held back income to landowners. Technical progress has necessitated fresh capital formation at an ever-faster rate, and a result of this, as J. S. Mill forecasted, was that the "tendency of profits to fall, is from time to time counteracted."⁸⁵ And many workers have raised their wages on the basis of what has been considered to be new socially acceptable minimum living standards, or because of the higher rewards that have to be paid for the higher skills required to operate modern machines in the computer age.⁸⁶

But we would be entitled to reject the trends revealed in existing national income statistics as being neither relevant nor fatal. We have already noted that annual income from land is not fully reflected in the statistics. But even if we restricted ourselves to considering the figures as given, we find that they present us with no embarrassment.

The share going to wages and salaries is shown in the table as having increased by 10 percent; profits, although periodically dropping, ended up at the same level at which they were a century earlier. So the decline in the proportion of rent over one hundred years has been just 10 percent: a small margin indeed. This shift may be explained by a variety of factors. One is that, for most of this period, rents paid by many leaseholders have been below true economic levels (because of undervaluations and the use of long leases with fixed rents). Another reason is the extension of land ownership. For

instance, most British people now own their homes. Owner occupiers have increased from 10 percent before 1914 to about 53 percent in 1977. They do not pay rent; therefore, the rental value of their land is "hidden" from the national income statistics that are collated for taxation purposes.* If all rental income had been taxed (including rents that people qua landlords "paid" themselves for using land that they owned) the decline in the share shown in the rent column would have been either much smaller or wiped out. Indeed, given the astronomical rise in the values of a great deal of land, we might get a rising proportion going to rent!

These national income statistics do not settle a question that Wrightson and Mallock thought was vital: namely, whether a drop in the share going to landowners necessarily meant that workers were receiving higher wages. For although the "decline" in rents is shown as having favoured labour, this does not mean that all workers have necessarily been raised by the economic system above subsistence level. For wages remained at an almost constant rate of 40 percent; the apparent improvement in income distribution was wholly to the advantage of those who received salaries. Wage rates, for many people, have in fact remained at subsistence level.

Conclusion

I shall end this discussion of the problem of wage determination by making three points. The first is located in the past, the second in the present, and the third in the future.

George's critics did not succeed in demolishing his account of how "the rate of wages in one occupation is always dependent on the rate in another, and so on, down, until the lowest and widest stratum is reached, in occupations where the demand is more nearly uniform and in which there is the greatest freedom to engage."⁸⁷ We have only to note the way groups of workers use widening or narrowing differentials in the pay structure to argue for wage increases to see the

*The same shift can be seen in the agricultural sector, where over half of the land in Britain is now owner-occupied. At the start of this century, nearly 90 percent of land under crops and grass was rented; this figure had dropped to 51 percent by 1960.

truth of George's statement. As for those at the lowest end of the wage scales, they have the weakest bargaining hands and so are glad of poorly paid menial jobs. At these levels wages were and often still are at bare subsistence levels. Throughout the industrial world millions of people earn barely enough to meet the minimum requirements of biological, let alone civilized social, living; many millions of them rely on transfers of income from others to supplement their wages and pensions, to ensure that they receive subsistence incomes. Poverty, as Henry George repeatedly emphasized, is the attendant of progress.

This review of the wage-fund theory controversy exemplifies the continual need to critically question conventional wisdom, and especially that which invites people to resign themselves to degradation and exploitation. For inertia is at the centre of those conservative attitudes that justify and propagate human suffering, especially where these are held to be "natural," inevitable, and therefore unalterable. Henry George, if he were alive today, would turn his iconoclastic powers onto the modern version of the wage-fund theory: the belief that the number of jobs is both given and inadequate when divided by the size of the working population. Hence the fatalistic policy prescriptions designed, allegedly, to deal with the troublesome economic events that disrupted the industrial world in the mid-seventies. Economists and politicians preach paternalism, the need to institute job-creating projects financed out of public funds. Social reformers are once again falling back on charity (early retirement, for example, is supposed to leave over some of the work for others to do). Trade unions, not surprisingly, are among the most conservative institutions—among their solutions are the "closed shop," restrictive make-work practices, and opposition to higher-productivity machines that threaten jobs. Political parties have divided themselves into predictable postures. The Left proposes closed economy solutions, such as tariff walls and quota restrictions on imports; and the Right resorts to naked prejudice (immigrants, for example, "take jobs from our own people"). These attitudes reflect a reactionary conservatism and superficial understanding of the industrial economy that makes Henry George's critique (the subtitle of *Progress and Poverty* in part reads

An Inquiry into the Cause of Industrial Depressions) as relevant today as it was 125 years ago.

Finally, let us turn to the use of statistics. These are often used to reinforce prejudices and obscure the theoretical insights that advance knowledge, as we have seen in the cases of Wrightson and Mallock. There is, however, a need for new research in this area, in order to test hypotheses. It is not sufficient to argue that available data do not refute George's theories. In order to press George's prescriptions—a tax on land values with a simultaneous reduction in taxes on earned income, to produce a free and flourishing economic system—we need to strengthen the case by means of quantification. Clearly, no one person or private organisation can hope to finance or carry out a full valuation of all the land within the territorial boundaries of a state: this could only be conducted (quite easily) by the responsible public authorities. Nonetheless, there is a great deal of partial work that can be carried out by individuals. One concern expressed forcibly by George is adequately documented: the degree of poverty associated with a technologically progressive industrial society. But for his other formulations we have had to rely largely on logic and impressionistic evidence. Some work on quantification is available in the existing literature. Take, for instance, the claim that in an advancing economy, while living standards for many workers may rise, and while profits may be high for some firms, landowners enjoy a rate of return rising disproportionately faster than that of the owners of the other factors of production. In their important study of "Accumulation, Productivity and Distribution," Phelps Brown and Weber⁸⁸ disaggregated the rate of return on capital. They confirmed the well-established theory that, in the long run, the rate of return on industrial capital declined. But they found that, for buildings, the rate of return consistently increased between 1870 and the beginning of the Second World War (except for the period of the First World War and its aftermath). This conclusion was reached by calculating the ratio of the total of rents (so far as this was recorded by Schedule A income tax assessments) to a total replacement value reckoned by valuing the physical stock of buildings at current building costs. Now, there is no reason why brick-and-mortar buildings should be more efficient, in terms of

yields, than metal machines. The rising rate of return, then, can be explained only in terms of increasing land values. As wealth is accumulated, so an ever-larger slice is creamed off by the landowners in the form of rising rents.

Regrettably, however, the level and trends in land values are almost totally ignored by governments and those private organizations (universities, policy research centres, and the like) that presume to instruct the rest of us on how to run our lives. The impact of such phenomena as land speculation, therefore, on vital areas—such as the construction industry and the business cycle—is neglected. Is it surprising that industrial economies lurch from one crisis to another?

Notes

1. John Stuart Mill, *Principles of Political Economy*, 3d ed. (1852), bk. 2, chap. 11, sec. 6.

2. *Ibid.*, 7th ed. (1871), bk. 2, chap. 11, sec. 2. All subsequent references to the *Principles* are also to the seventh edition, the last revised by Mill himself.

3. *Ibid.*, bk. 1, chap. 4, sec. 1.

4. Mill wrote: "I cannot, therefore, agree in the importance so often attached to the repeal of the corn laws, considered merely as a labourer's question . . ." (*Ibid.*, bk. 2, chap. 11, sec. 2).

5. *Ibid.*, bk. 4, chap. 3, sec. 4.

6. *Ibid.*, bk. 2, chap. 11, sec. 3.

7. *Ibid.*

8. *Ibid.*, sec. 6.

9. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), bk. 3, chap. 6.

10. Francis D. Longe, *A Critical Examination of Mr. George's 'Progress & Poverty' and Mr. Mill's Theory of Wages* (London: Simpkin & Marshall, 1883). Mill renounced the wage-fund theory in 1869, in an article in the *Fortnightly Review*.

11. *Ibid.*, p. 20.

12. *Ibid.*, p. 21.

13. *Ibid.*, p. 8.

14. *Ibid.*, p. 17.

15. *Ibid.*, p. 18.

16. *Ibid.*, p. 19.

17. *Ibid.*, p. 18.

18. *Ibid.*, p. 45.

19. Ibid., p. 20; emphasis added.
20. Ibid., p. 20.
21. Ibid., p. 32; emphasis added.
22. Ibid., pp. 47, 48.
23. Adam Smith, *The Wealth of Nations*, bk. 2, chap. 1.
24. Longe, *Critical Examination*, p. 6.
25. Ibid.
26. George, *Progress and Poverty*, bk. 7, chap. 2.
27. H. H. S. Aimes, *A History of Slavery in Cuba 1511 to 1868* (New York: Knickerbocker Press, 1907), p. 170.
28. Ibid., p. 218.
29. Ibid., p. 261.
30. L. C. Hunter and D. J. Robertson, *Economics of Wages and Labour* (New York: August M. Kelley, 1969), p. 229.
31. Longe, *Critical Examination*, pp. 14, 27.
32. Ibid., p. 16.
33. Ibid., p. 9.
34. Ibid.
35. Ibid., p. 16.
36. Ibid., p. 17.
37. Ibid., p. 18.
38. Ibid., p. 32.
39. Ibid., p. 35.
40. Ibid.
41. Ibid., p. 36.
42. Ibid.
43. Ibid.
44. Ibid.
45. Ibid, p. 37.
46. Ibid.; emphasis added.
47. Longe, *Critical Examination*, p. 37.
48. George, *Progress and Poverty*, bk. 4, chap. 3.
49. Longe, *Critical Examination*, p. 14.
50. Ibid., p. 32.
51. Ibid., p. 33.
52. Ibid.
53. Ibid.
54. Francis Wrightson, *Henry George's 'Progress and Poverty': The Cause—The Remedy. An Analysis and a Refutation* (Birmingham: Cornish Brothers, 1885), p. 3.
55. Ibid., p. 17; original emphasis.
56. Ibid., p. 33; original emphasis.
57. Ibid., p. 5; original emphasis.

58. *Ibid.*, p. 7.
59. *Ibid.*, p. 20; emphasis added.
60. Mill, *Principles of Political Economy*, 7th ed., bk. 4, chap. 3, sec. 5.
61. David Ricardo, *Principles of Political Economy and Taxation*, in *The Works of David Ricardo*, ed. J. R. McCulloch (London: John Murray, 1888), pp. 35, 36. Johann von Thunen, in *The Isolated State*, published the first scientific treatment of the role of location in the formation of rent.
62. Ricardo, *Principles*, pp. 35, 36; emphasis added. See also chap. 14.
63. Wrightson, *Henry George's 'Progress and Poverty'*, p. 34.
64. *Ibid.*, p. 9.
65. *Ibid.*
66. *Ibid.*, p. 21.
67. *Ibid.*, p. 22.
68. George, *Progress and Poverty*, bk. 2, chap. 6.
69. Wrightson, *Henry George's 'Progress and Poverty'*, pp. 21, 22.
70. See papers by Sylvia Thrupp and Georges Duby in *The Middle Ages*, ed. Carlo M. Cipolla (London: Fontana, 1972), esp. pp. 182, 213, 268. See also Rodney Hilton, *Bond Men Made Free* (London: Methuen, 1977), pp. 153–57, and R. Faith, “Peasant Families and Inheritance Customs,” *Agricultural History Review* (1966).
71. Trout Rader, *The Economics of Feudalism* (New York: Gordon and Breach, 1971), p. 108.
72. Wrightson, *Henry George's 'Progress and Poverty'*, p. 17; emphasis added.
73. *Ibid.*, p. 22.
74. *Ibid.*, p. 25; emphasis added.
75. *Ibid.*, p. 33.
76. *Ibid.*, p. 18.
77. George, *Progress and Poverty*, bk. 4, chap. 2; emphasis added.
78. W. H. Mallock, *The Landlords and the National Income* (London: W. H. Allen & Co., 1884).
79. W. H. Mallock, *Social Reform* (London: John Murray, 1914).
80. *Ibid.*, p. 204.
81. *Ibid.*, p. 203.
82. *Ibid.*, pp. 301–02; emphasis added.
83. E. Nevin, *Textbook of Economic Analysis*, 3d ed. (London: Macmillan, 1967), chap. 15, sec. 4.
84. The conservatism of the landlord class has in the past led it to adopt a reactionary attitude to scientific and technological advances that, they felt, retarded the rise in their incomes. In the seventeenth century, for example, during the time of striking advances in agriculture, the landlords believed that innovations injured their income; agricultural improvements, wrote Sir William Petty, “be grumbled against by landlords, as the way to depress the

price of victuals" (as a result of the increase in the supply of produce). W. Petty, *Political Arithmetick* (London, 1690), pp. 69–70. Their attitude was conditioned by the correct belief that "corn is not high because a rent is paid, but a rent is paid because corn is high" (Ricardo, *Principles*, p. 39). See also Mill, *Principles of Political Economy*, bk. 4, chap. 3, sec. 4.

85. Mill, *Principles of Political Economy*, 7th ed., bk. 4, chap. 3, sec. 3.

86. See the interesting study by Gerhard Bry and Charlotte Boschan, "Secular Trends and Recent Changes in Real Wages and Wage Differentials in Three Western Industrial Countries: The United States, Great Britain and Germany," in *Second International Conference of Economic History*, Aix-en-Provence, 1962 (Paris: Mouton & Co., 1965).

87. George, *Progress and Poverty*, bk. 3, chap. 6.

88. E. H. Phelps Brown and B. Weber, "Accumulation, Productivity and Distribution in the British Economy, 1870–1938," *Economic Journal* (1953).

6

Mallock and the “Most Elaborate Answer”

By ROY DOUGLAS

The publication of *Progress and Poverty* exerted an early and enormous effect upon opinion in the British Isles. One of George's first English theoretical critics was the littérateur and publicist William Hurrell Mallock (1849–1923), whose book *Property and Progress* was based on earlier essays, and published as a complete work in 1884. Mallock's attentions were not directed at George alone, but George was his most serious target. One twentieth-century commentator has gone so far as to describe *Property and Progress* as “the most elaborate answer to Henry George ever written.”¹ Although Mallock's criticisms were essentially destructive in character, he was concerned to reason rather than indulge in empty polemics, and—unlike many of George's critics—genuinely sought to understand the gravamen of George's arguments and in places made important concessions to them. Above all, Mallock refused to accept the almost hysterical and highly personal denunciations that were much in vogue among the more comfortable social classes at the time: “There has been a strong disposition among certain English critics to regard Mr. George as though he were nothing more than a charlatan, and to think, upon that ground, that a passing sneer will dispose of him. In both these views we consider them wholly wrong: but even were the first of them never so well founded, we shall fail to see in it the least support for the second.”² Mallock sought to meet George's principal economic arguments by an implied defence of the status quo.

The Malthusian Argument

The dialogue between George and Mallock was partly, though by no means entirely, concerned with the arguments advanced by T. R. Malthus. “Malthusianism” in its most sweeping form is seldom advanced by serious disputants today; but many people are still prone to adopt attitudes that contain a substantial Malthusian element,

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particularly when they are considering—for example—very poor people or societies.

All creatures, the Malthusian argument runs, tend to increase in geometrical progression. The lives of most wild animals will be terminated by violence, by starvation, or by disease. Man also tends to reproduce at an exponential rate, and the natural forces that keep his reproductive proclivities in check are similar to those that apply to the rest of nature. Whatever technological or economic improvements we make, the great mass of mankind will continue to live at around the level of subsistence. As we find ways of growing more corn, so do more mouths appear to consume it. If the Malthusian view is correct, then any argument—whether of George or anyone else—which turns on the contention that the economic condition of the mass of mankind is susceptible of prolonged improvement, appears to be in vain.

Mallock quoted the apparently devastating reply that George delivered to Malthus:

Of all living things, man is the only one who can give play to the reproductive forces, more powerful than his own, which supply him with food. Both the jay hawk and man eat chickens, but the more jay hawks the fewer chickens, while the more men the more chickens. . . . Within the limits of the United States alone, there are now forty-five millions of men, where there were only a few hundred thousand; and yet there is now within that territory much more food *per capita* for the forty-five millions than there was for the few hundred thousand. It is not the increase of food that has caused the increase of men, but the increase of men that has brought about the increase of food. . . . In short, while all through the animal and vegetable kingdoms the limit of subsistence is independent of the thing subsisted with men the limit of subsistence is, within the final limits of earth, water and sunshine, dependent upon man himself.³

Mallock was compelled to admit the force of much of George's argument. With one small exception, he confessed, "Mr. George is as true as he is lucid." The fault of George's reasoning, in Mallock's view, was a "sin not of commission but of omission."

Mallock suggests that the limits of subsistence may be compared with the bow of Odysseus: a bow that may indeed be drawn, but only with great difficulty and by a man of exceptional strength. "Many men starve in their own country," he declared, "because they love it

too well to leave it, or because they are too weak to make the effort required to do so. Many men starve, not because there is no work to be done, but because they do not know where the work is. . . . In extending the indiarubber rings, some pressure has to be always exerted, and . . . on the average a certain proportion of people are always injured by the pressure before they are able to release it."⁴

Here is something not really very different from the challenge-and-response theory of history, developed so impressively in our own day by Toynbee.

Where, then, are the victims of these population pressures to be seen, in actual experience? Mallock quotes without confutation George's assertion that "the globe may be surveyed and history may be reviewed in vain for any evidence of a considerable country in which want can be fairly attributed to an increasing population."⁵ Yet George is also quoted in his admission that, in some isolated communities—he suggests Pitcairn Island—which are "cut off from communication with the rest of the world," Malthusian pressures may exist. I have examined much evidence that suggests that such pressures did indeed exist in parts of the Scottish Hebrides in the late nineteenth century—in communities where the people suffered from the considerable disadvantages of bad communications with the mainland, an incapacity to speak any language but Gaelic, an intense emotional attachment to a group of beautiful but barren islands, and the ruin of their economy through technological changes elsewhere.

This seems to suggest the kind of limits within which the Malthusian view possesses a degree of validity. There may well be, indeed, there certainly are, some particular areas where conditions of living would be better if the population within that area were smaller. People are deterred from leaving those places and migrating to others for a variety of reasons: sentiment, linguistic difficulties, ignorance, bad or expensive communications, or by action of the organs of government in their own states or others. Even within places where these general disadvantages are absent, there will be isolated examples where poverty contains a certain Malthusian element in a family of exceptional size, or among people with exceptionally low physical or mental capabilities, among people suffering from disease or pathological addictions, and so on. In such cases, an extra child may very

well mean serious economic distress, for an extra child will present a demanding mouth long before the accompanying hands are able to produce food.

Where the Malthusian argument falls down is in its general application. As George argued so cogently, there is no evidence whatever that suggests that human reproduction has outstripped the supply of materials that man requires—or of his capacity to utilise those materials. Indeed, there is much evidence that shows the very reverse: the general effect of increasing the number of human beings has been, and will probably continue to be, to increase the per capita productivity of all. In spite of the anxieties of our own time, there seems no reason to rehabilitate Malthusianism except within the very limited field that George was disposed to leave to it. Yet even if we were inclined to accept Mallock's contention on the Malthusian question as valid, he certainly had in no way demonstrated that it was inherently impossible to introduce great improvements in the condition of the mass of mankind; and perhaps he did not even seek to do so. It is one thing to say that the population pressures may harm some human individuals; it is a very different thing indeed to say that they foredoom to failure all devices for improving the lot of the great mass of mankind.

The Wage-Fund Argument

While Mallock's defence of Malthus is much less than wholehearted, he is disposed to set a good deal more weight on another "pessimistic" economic theory, which is not unrelated to Malthusianism, although either theory may be defended independently of the other. This is the "wage-fund" theory: an idea that seems at first sight rather collateral to George's most important economic contentions, but that is really highly relevant to the question whether public policy may be called into action to deal with poverty.

Mallock summarises the wage-fund theory in the following terms: "Wages [are] fixed by the ratio between (a) the number of labourers and (b) the amount of capital devoted to the employment of labour."⁶

Like Malthusianism, the wage-fund theory will probably find few defenders today; nevertheless discredited economic theories have a

curious habit of reviving themselves later in a new form, and so it is perhaps worth giving the matter some attention.

If the wage-fund theory is correct, then any substantial change in the remuneration of labour can result only from variations in either the number of labourers or the quantity of capital devoted to their employment; therefore, nothing can vary wages except insofar as it varies one or both of those factors. From this Mallock deduced that it would be futile for workers to anticipate any benefit from the application of George's proposals, evidently not realizing (or perhaps refusing to believe) that such application would stimulate investment in productive enterprise. No doubt the validity of that deduction would be challenged today, even if the wage-fund theory were accepted; but it probably would have secured general acceptance in the nineteenth century, when few people envisaged the possibility that the state would deploy either capital or labour on a modern scale. The wage-fund theory is defended not only by Mallock but also by such prominent thinkers of the period as T. H. Huxley, and Émile de Laveleye. Huxley's more strictly "biological" criticisms of George are examined in chapter 9, but it is convenient here to consider the arguments of the three men together insofar as they relate to the wage-fund theory. Huxley introduces some arguments that Mallock did not employ but his most powerful contributions seem to be drawn, directly or indirectly, from what Mallock had to say.

Huxley challenges George's definition of *capital*, while the criticisms by Mallock, and perhaps by Laveleye too, are applicable to *capital* as George understood the term. It is, of course, always futile to argue over definitions; the only essential requirement of a definition is that it should be as clear as possible, and that it should be rigorously adhered to by the disputants. As different usages of the word *capital* exist, however, we need to discover in what sense George used it, in order to perceive the substance of the disagreement between him and his critics.

Capital, as George used the term, is a species of "wealth," which in turn he defines as "natural products that have been . . . modified by human exertion, so as to fit them for the gratification of human desires."⁷ Thus "wealth" excludes natural resources ("land"). George, like other economists, had more difficulty in finding a satisfactory

definition of *capital*, and finally arrived at a double definition. It included wealth used to produce further wealth, and also “wealth in course of exchange, understanding exchange to include not merely the passing from hand to hand, but also such transmutations as occur when the reproductive or transforming forces of nature are utilised for the increase of wealth.”⁸ *Capital*, being a species of wealth, must necessarily contain an element of modification or translocation by human activity.

George recognizes three factors in production: “land” (i.e., nature), “labour” (by which he means all human effort), and “capital.” Huxley’s attack on George is in many places rhetorical, but his most serious argument on that score is that “capital” may sometimes grade into “land.” For this reason Huxley refuses to accept the distinction between the words. An example suggested by Huxley may perhaps be modified somewhat to illustrate this point. Suppose that a stone-age man picks up the nearest pebble, hurls it at an animal, and thereby kills that animal for his dinner. Is the pebble “capital”? When it falls to the ground, it becomes indistinguishable from all the other pebbles lying around, which we should not hesitate—following George—to call “land.” Yet suppose that the man instead flakes the pebble into a stone dart before aiming it at the animal. The dart is certainly “capital” and will remain “capital” after it has struck the animal for it may be used repeatedly for a similar purpose. How many blows, the sophist might ask, are needed to turn a stone from “land” into “capital”? We are back at the ancient question about how many hairs a man must have on his chin in order to possess a beard! It is probably best to give Huxley his point, for what it is worth: that truly marginal cases exist, whose allocation between “land” and “capital” is arbitrary. Such minor concessions, however, certainly do not warrant Huxley’s triumphant assertion: “There really is no fundamental distinction between land and capital.”⁹

In the great majority of cases there can be little doubt into which category a thing should be allocated, just as the existence of a few intersexes does not derogate from the convenience of dividing humans into males and females. To avoid argument over marginal cases—and to avoid discussing the possibility that certain forms of capital do exist that are not used in production—we may give the

word *capital* a somewhat narrower sense than George employed, and—for the purposes of the present discussion only—confine the term to kinds of wealth (as defined above) that are designed for use to facilitate the production of other kinds of wealth. This definition does not cover all the things that George called capital, nor does it meet all the points where Huxley disagreed with George's definition; nevertheless, it is useful so to define capital in order to investigate the substantial questions at issue between George on one side and Mallock, Huxley, and Laveleye on the other.

Huxley seems to add nothing to the understanding of the problem by further taking issue over the definition of *wages*: "As 'child' implies 'mother,' so does 'hire' or 'wages' imply a 'hirer' or 'wage giver.' Therefore, when a man in 'the original state of things' gathered fruit or killed game for his own subsistence, the fruit or the game could be called his wages only in a figurative sense."¹⁰ The word *wages* may, of course, be employed however one wishes; but if we use it in the sense that Huxley requires, then neither George nor the main defenders of the wage fund were talking about *wages*, but about something else. For convenience of discussion it is far better to follow the technical usage of the word that George and most other economists seem to adopt, and comprehend within it all the reward that labour draws from its activity, whether the "wages" be paid by another or directly drawn by the labourer himself.

We may now return to the main point at issue: whether wages are drawn from capital or not. Mallock studies the process of constructing a ship, and Huxley somewhat embellished the same example. Suppose, Mallock argues, the whole operation takes two years, and costs £10,000. Each week, the shipowner is advancing £100 in wages, and it is only right at the end of the whole construction process that the vessel is of the slightest use as a piece of capital—for carrying freight or passengers. Wages, on this argument, are therefore drawn from the shipowner's financial capital before new capital—the ship—is created. If, for some reason, the ship proves unseaworthy at the end a useless vessel may scarcely be said to have been the source of the 70,000 dinners that the workmen have already eaten, which they purchased from their wages. Thus, Mallock contends, wages have been drawn from capital.

This argument requires examination from several angles. In the first place, the capital of the shipowner, in the shape of the new vessel, is in fact developing in value throughout the construction process. While it is true that a half-built ship would not be navigable, it would probably be saleable to another shipowner. If the shipowner died at that stage, his executors would assuredly be required to declare its existence as an asset of the estate for taxation purposes. The labour exerted upon the ship has been adding to the shipowner's capital throughout the process of construction. The labour, in fact, was employed for the sole purpose of adding to his capital. Of course, there is always the possibility that the whole venture will fail: that the shipowner will end by having paid for a lot of dinners, and with only a more or less worthless lump of timber to show for it. To say that is no more than to say that the purpose of any business transaction may be frustrated by some miscalculation.

Another way of looking at the same case is to consider shipbuilding as a process of exchange that is going on daily. The employer, notionally, gives the workman an unshaped plank of wood, and receives in return a plank that has been sawn and nailed. For this augmentation of his capital, the employer might give the workman bread and beer; but instead—for mutual convenience—he gives the workman money, which may then be exchanged for bread and beer. Whether we go with George in his assertion that the payment of wages cannot even temporarily diminish capital, really turns on our exact definition of capital; but in any case it scarcely matters. What does matter is that wages (in the economist's sense of the term) may be earned—and in some societies they assuredly are earned—with the use of little or no capital; that capital, which ultimately derives from the action of labour upon land, tends to increase the productivity of labour, and therefore the wages that labour may draw; and that if labour has access to land it may generate its own capital therefrom.

A rather different form of the wage-fund argument is adduced by Émile de Laveleye (“‘Progress and Poverty,’ A Criticism,” *Contemporary Review* [1882], pp. 790–91):

Even if I pay a workman by giving him a share in the harvest, capital has made the advance to him of the food and nourishment necessary to enable

him to plant and gather it in. If I pay him at the expiration of a week or a fortnight, he has been obliged to live in the meantime, and he has lived either on provisions of his own, or, as is more frequently the case, he has purchased on credit. Either he or the tradesman, therefore, has advanced capital, and the wages paid go to repay the capital advanced. . . . The strength which the worker expends on his work has been drawn from the produce of previous labour; that is to say, from capital.

This argument is apparently more attractive and incisive than Mallock's case of the shipbuilders. Yet, on reflection, it is not really any more satisfactory. Suppose, we may ask, the traders refused to advance credit, and the workers had no capital of their own. Would the whole operation of wage-earning described by Laveleye become impossible? Surely not. The master might be compelled to pay the first instalment of wages after a few hours rather than at the end of a week, and then further instalments at very short intervals. This would be annoying and inconvenient for master and servant alike, but it would not make the operation impossible, as one would expect to be the case if the wage-fund theory were true. The advance of capital to the worker is a convenience to him, for which he may find it worthwhile to pay interest; but it is not essential for the earning of wages.

How, we might ask, were men as intelligent as Mallock, Huxley, and Laveleye led into such an unsatisfactory theory as the wage fund? Perhaps the answer runs like this. If one could imagine a situation in which access to land was unrestricted and taxation nonexistent, then the reward of labour over a short period might be related quite closely to the amount of capital available at the commencement.

Even within this narrow context, though, the wage-fund theory would not really be valid, for labour could secure some wages without using capital at all, and increase of capital beyond a certain point would not increase the productivity of labour. A more fundamental objection to the wage-fund theory, however, is that it fails to account for the power of labour to generate its own capital.

Objectionable as the wage-fund theory appears when we define *capital* and *wages* in terms broadly consistent with those employed and understood by both George and Mallock, we are led into further errors of understanding if we do not stick to a single definition of

capital and *wages* but vacillate between the definitions employed by George and those employed by Huxley. By the verbal sleight-of-hand that uses the word *capital* to include "land," Huxley tries to bring the "landlord"—who assuredly has not created land—on to the same moral and economic footing as the "capitalist," in the usual sense of the term, who *has* created capital—either himself or through a predecessor in title. The labourer, who (by Huxley's astonishing definition) cannot draw "wages" without the assistance of another person, is apparently constrained to be equally grateful to the man who has truly advanced the productive powers of labour, and to the man whose sole contribution to the transaction has been to require labour and capital alike to pay a ransom for access to something that no man produced.

The Purported Downward Tendency of Wages

We now pass to the next limb of Mallock's criticism: directed, oddly enough, to a matter on which (though for utterly different reasons) George and Malthus agree. This is the proposition that most human beings are now, and will remain "unless something is done about it," at a very low level of existence. More precisely, Mallock sees George to be arguing that "as the proportion of wealth increases, the share to the labouring class grows less."¹¹ This matter is examined by Mallock, but it is also discussed—sometimes rather better—by W. E. H. Lecky. It will be convenient here to refer to the arguments of the two men in conjunction.

Lecky summarizes George's views in slightly different terms from those of Mallock:

That all the profits of production of every kind must ultimately centre on the possessors of land (who must in consequence be reaping the most enormous wealth) is a doctrine which belongs more distinctly to Mr. George; but his statements that wages are steadily tending to the minimum of subsistence, the conditions of the working class steadily deteriorating, and society rapidly dividing into the enormously rich and the abjectly poor, have been abundantly made in Europe, and will, no doubt, continue to be repeated, in spite of the clearest demonstrations of their falsehood.¹²

This seems on its face one of the most telling arguments that could possibly be set against George. In Britain, at least, there could be no serious doubt that the general trend of wages was upward during the second half of the nineteenth century, although this progress was by no means uninterrupted. If George's argument led to a contrary view, then this seems to demonstrate a fundamental defect in the proposition that he sought to maintain.

Some of George's assertions may fairly be cited in support of the summaries that Mallock and Lecky recorded. Lecky, for example, was able to draw this extract from *Progress and Poverty*: "Every increase in the productive power of labour but increases rent. . . . All the advantages gained by the march of progress go to the owners of land, and wages do not increase. Wages cannot increase."¹³

Yet when we seek the place in *Progress and Poverty* where this contention is first introduced, we discover the astonishing fact that it is not set forth as a matter of debate at all, but as a proposition that George could expect his readers to take as self-evident from their own experience, and to require no further proof: "The cause which produces poverty in the midst of advancing wealth is evidently the cause which exhibits itself in the tendency, everywhere recognized, of wages to a minimum. Let us, therefore, put our inquiry into this compact form: *Why, in spite of increase in productive power, do wages tend to a minimum that will give but a bare living?*"¹⁴

George and Mallock were both writing books aimed, not at the "faithful," but at unconvinced, and even hostile readers. Why, then, do we find this remarkable disparity on a simple point of fact? The answer is revealing, and will need further consideration later; but for the moment it is important to note the word *tend*.

In economics, as in all social sciences, it is seldom possible to perform the sort of "controlled experiment" that is available in—say—physiology. It is therefore far more difficult in the social sciences to demonstrate convincingly that a particular effect is owing to a certain cause. By the same token, the prophecies that the social scientist may make are far less certain of fulfillment than those of most natural scientists, since innumerable uncontrolled and uncontrollable factors may intervene and destroy or even reverse the anticipated conclusion.

Thus, we might assert, on either a priori or a posteriori grounds, that scarcity of a commodity will tend to produce a rise in its price. Yet, for a variety of reasons, this tendency may be overborne, and the anticipated rise not observed. Perhaps something better has come on to the market. Perhaps a general economic depression has made the people who normally buy that commodity so poor that they have no money left to buy it, and the vendor finds it exceedingly difficult to sell. Perhaps the commodity is put on rations, or its sales are subsidized. Other possible factors may be imagined, almost without limit, which could prevent the anticipated price rise. All economic prophecies must therefore be hedged with the implicit or explicit qualification, "other things remaining unchanged." The economist is a scientist, not a soothsayer.

Still retaining Mallock's and Lecky's criticisms in mind, let us now look at the real point that George was trying to make: a point that he sets down in terms substantially different from the passages to which they take exception:

When land is all monopolised . . . rent must drive wages down to the point at which the poorest paid class will be just able to live and reproduce and thus wages are forced to a minimum fixed by what is called the standard of comfort—that is, the amount of necessaries and comforts which habit leads the working classes to demand as the lowest on which they will consent to maintain their numbers. This being the case, industry, skill, frugality and intelligence can avail the individual only in so far as they are superior to the general level.¹⁵

The difference between that statement and those to which Mallock and Lecky quite reasonably take exception is no mere quibble. On the assumption that our real concern is with the substance of George's message and not with whether he always expressed himself to the best effect, it is better now to concentrate on the passage just quoted, and later to examine the more sweeping statements, mainly to understand why some of his assertions, or prophecies, were proved wrong.

George, in the latest quotation, was avowedly considering the situation that would arise "when all land is monopolised." The supply of land is inelastic. The productivity of a piece of land may be vastly increased; the quantity of land is virtually unalterable. The word

monopolised, however, admits of two possible meanings. In the first sense it may be taken as a synonym for "owned privately," in which case most of the highly productive land certainly is monopolized. The word may also be read in another way. My own motor car is assuredly "monopolized," for I am its absolute owner; but I do not monopolise motor cars. If I seek to sell or hire my car, I am in competition with many other people who are willing to sell or hire theirs, and this sets me in a very different position indeed from that which I should occupy if mine were the only motor car in the world. In that sense, land is not "monopolised," for there is often a great deal of competition between landowners, which necessarily reduces the reward that a particular landowner may secure for the sale or hire of his land. If, for example, a mineral is discovered on one man's land, it is likely that the same mineral will also be found on the land of many other men, and as a result each of them will be able to claim a reward that is far less than he could obtain if he were the sole provider. Again, one urban landlord may indeed "monopolise" the most favoured site in town; but if that landlord makes demands that are too exorbitant, the man who would like to build a shop or an office upon that land will reluctantly turn to another site somewhat less favoured; and the knowledge that this is likely to happen will operate to reduce the rent that the landlord may demand.

It would seem likely (although this is not the place to attempt proof of such a proposition) that the districts where poverty is most severe would correspond closely with those where—for all practical purposes—the labourer has no choice but to hire land from a specific landowner; while wages tend to be much higher in societies where there are many moderate-sized landowners in competition with each other.

George's "standard of comfort" point is also important. During boom conditions—when labour is scarce—the "standard of comfort" will tend to rise; and if economic depression then supervenes, it will not prove possible to depress wages to the level at which they had stood before the boom. The "standard of comfort" will vary from age to age; but, as technology advances, that standard will tend steadily to rise. Not least of the operative considerations here will be the rising education of the workers. Because they are literate, because they have

access to “the media,” they are aware of the standards that other people enjoy, and are unwilling to assume that the order that their own predecessors accepted is fixed immutably for all time. They are conscious of the power that collective organization gives them. All of these factors must tend to raise the “standard of comfort” that workers are prepared to accept—even those workers whose “industry, skill, frugality and intelligence” are not “superior to the general level.”

Education and technological improvement have also produced a further and even more important effect, which evidently comes within the ambit of George’s assertions. Increased industrial sophistication and complexity have increased the demand for specialized skills, and placed a premium upon the services of those possessing them. A nineteenth-century employer who sought (say) a farm labourer, or a factory hand, might well have been free to enroll almost any unhired man in his district to do the job. A modern employer who seeks (say) a research chemist, or a computer operator, will find that only a very small number of the unemployed workers in his area could possibly do the job without weeks, months, or even years of training—if, indeed, they could ever be trained to do the job at all. Even the so-called unskilled jobs would not be within the capacity of all—or even the majority—of the workers who are on the lists at the local Labour Exchange. The activities of trade unions, prescribing both terms of employment and also who may be employed, have reduced the employer’s choice even further. There are indeed places in the world where the recompense of labour is still miserably small; where it often stands at around the subsistence level, in the narrowest sense of that term. These are the places where there is little job specialization; where one worker is interchangeable with any other; where trade union activities are minimal or absent; where the habitual expectation of workers—their “standard of comfort”—is, and always has been, exceedingly low.

We are now free to examine the astonishing paradox noted earlier: that George could not only regard any substantial augmentation of real wages as impossible without some kind of radical land reform, but also call his readers to witness that this proposition was confirmed in their own experience; while, with equal confidence, Mallock and

Lecky could affirm the contrary, and also appeal to their readers' experience as the most telling possible evidence.

Lecky provides some hint of how this disparity of experience arose, by reference to what might be called the "prepauperisation" stage in America and other places: "Mr. George . . . thought of the high wages in some new countries. . . . The explanation of those high wages, is, surely, that the labourers are few, and that, if they do not wish to work for an employer, they have other and easy ways of acquiring a comfortable subsistence."¹⁶ The operative point, however, is not that labourers were few (for labourers even then were far more numerous than they had been in pre-Columbian times, yet their remuneration per capita was far greater). The essential difference between the "pioneer" days and the later period of "pauperization" was that land was available for the taking in the first period but not in the second. "Pauperisation" coincided closely with the point where land ceased to be freely available.

George, writing not merely as an American, but as a Californian, at the end of the eighth decade of the nineteenth century, could validly point out that the technological improvements of the previous quarter or half century had not been accompanied by improved wages. This was exactly the result that would be expected on his analysis when on the one hand land was becoming privately owned, while on the other hand labour was undifferentiated and unorganized. Broadly, this was also the experience of other "new" countries, and among undifferentiated working classes, such as the peasantry, in "old" countries at that time.

The British experience, however, was markedly different. In that connection I may note that another book by Mallock, entitled *Social Reform*,¹⁷ which appeared thirty years after *Property and Progress*, devotes several pages to criticisms of George; but these pages are exclusively concerned with one argument: to show that the income of landowners relative to other persons in the United Kingdom had not increased, but had greatly declined; while the income of the poorer members of the community had greatly increased. Mallock contends, for example, that in 1801 the land rent of England and Wales was 20 percent of the total income of £180 millions; while in 1914 the land rent was only 4 percent of a total income of £2,000

millions.¹⁸ In the same period, he declared, the per capita income of the poorer classes had more than doubled.¹⁹ At times it is difficult to trace Mallock's sources, and one suspects that his figures are open to the severest criticism; but even if we take them at face value they prove only that devices appeared that mitigated the exactions of the landlords, not that those exactions were innocuous.

The reason for the striking difference between George's experience and that of Mallock appears therefore to be that British labour differentiation and industrial organization were both exceptionally advanced, particularly in the industrial districts. George may be fairly criticised for not giving as much attention as he should have done to such considerations; although it may be said in extenuation that he did not entirely ignore them, and in any event they lay largely outside his experience.

The most deleterious effect of landlordism may well derive not so much from the quantity of rent that landlords are able to extract from the activities of other people, but from the economic distortion that "landlordism" causes. In nineteenth-century Ireland, for example, it was widely believed that a peasant who improved his holding would be likely to face a demand for more rent. The actual quantity of extra rent extracted by landlords in consequence of tenant improvements was probably quite tiny; yet the knowledge, or even the suspicion, that landlords could behave in that way if they wished had a profoundly deleterious effect on the whole economy of the country, for tenants frequently refrained from making improvements. In the same way, there were doubtless innumerable cases in Britain where—for example—men decided not to make building developments because they were convinced that the landlord would soon soak up most of the benefit through increased rent. The proposition that landlords were not enormously enriched may well be sustained; the proposition that the rest of the community was not impoverished by their presence would be far harder to defend. Another apparent discrepancy between George's argument and actual experience was noted by Lecky, who called him to task for the following passage: "Whenever you may find land relatively low, will you not find wages relatively high? And whenever land is high, will you not find wages low? As land increases in value, poverty deepens and pauperism

appears."²⁰ The historian's retort seemed crushing: "It is obvious that, according to this law, wages must be far lower in London than in Dorsetshire or Connemara; far lower in England and France than in Hungary, or Poland, or Spain!"²¹

This state of affairs manifestly did not apply. Here again the "tendency" of landlordism was not merely overcome but reversed by other processes. In the late nineteenth century, labour was far more differentiated, more sophisticated, and more organized in London than in Dorset or Connemara; more organized and differentiated in England and France than in Hungary, Poland, or Spain.

There remains one further line of argument advanced by Mallock that calls for attention. Henry George had contended that the taxation of land values would produce four benefits:

1. Taxation of labour products could be abolished, thus making living cheaper.
2. A surplus would be produced, over the current requirements of the state, which could be returned in some form or other to the community.
3. It would cease to be profitable to hold land out of use in the expectation of a rise in value, and thus the community would benefit by more land becoming available.
4. Rents would be reduced.

The first two advantages relate to the "single-tax" theory, which was eagerly advanced by George and his supporters in the late nineteenth and early twentieth centuries. At the scale of public expenditure that then existed, a 100 percent land-value tax might well have sufficed to meet all government requirements, and perhaps leave a substantial surplus for distribution. Mallock and the other contemporary critics of George did not confute that assertion.

Mallock's answer to George's first anticipated advantage was that the fall in living costs would prove of only brief benefit; for wages would soon fall as well, and things would revert to their previous condition. If this proposition is to be taken as argument rather than mere assertion, then it seems to be founded on the demonstrably invalid Malthusian or wage-fund theories.

The second point is so unlikely to apply today that it may seem

unnecessary to examine it; nevertheless, for the sake of completeness it may be useful to do so. Mallock replied that the distribution of land-value surplus would take the form of providing either new public amenities—like libraries and museums—or, alternatively, the issue of general largesse. In the former case poverty would not be alleviated, while in the second he feared those baleful results that comparable eleemosynary activities are alleged to have produced on the “city mob” of ancient Rome. To what extent the Romans were truly corrupted by the “corn dole” would be best to leave to today’s social historian of classical antiquity—whose assertions on the subject may perhaps be somewhat less dogmatic than those of his nineteenth-century predecessor. Be that as it may, it appears unlikely that the problem will arise; and if it should do so, there is not likely to be any difficulty in devising useful public works, whose provision would be generally appreciated.

George’s third argument, that land could not be withheld for speculative purposes, is met by Mallock with the somewhat weak reply that this would not benefit people who sought land in a district already fully occupied, or those who were too poor to pay rent at all. There can be few districts of any size where substantially all land is set to productive use—or, indeed, to any use. Mallock does not dispute the argument that a tax on land values would tend to force land into the most productive use, which would presumably redound to the general advantage. As for the second limb of his reply, it depends on the fallacy that the quantity of rent demanded is related to the wealth or poverty of the individual tenant. A poor man is driven on to marginal land; he is not suffered to live on good land at a low rent. George’s proposals would bring unused, or underused, good land into productive use, and would thus make more of it available, which would be of particular benefit to the poor man. The added productivity of other land would also benefit him, as, indeed, it would benefit other people too.

The final argument, that rents would be reduced, is not really met at all, although Mallock does contend that “the State would be harder than the landlords and middlemen would be harder than the State.” A “landlord” usually performs two quite distinct functions: he receives rent for land, and he controls the use of that land. George demanded

that the state should receive rent, but not that it should control land use. The "harshness" or otherwise of the state would therefore apply exclusively in the state's function as *rentier*.

I confess myself quite incapable of understanding why or how the activities of middlemen would be increased. And since the state's capacity as landlord would be limited to its receipt of rent, its "harshness" could scarcely consist in anything other than the insistence that it receive full market value—that is, the refusal to give something for nothing. But such behaviour is normative in economic life; to call it harshness is to indict the market concept and indeed the whole idea of reciprocity upon which that concept rests.

Conclusions

We are now in a position to examine the overall effect of Mallock's arguments upon the thesis that George sought to maintain. I have noted that there are ways in which the bad effects that (George argued) "tended" to follow from landlordism have in fact been reduced. These points are not only sound and valid in themselves; they are also salutary warnings to George's less-critical adherents that little good is done to any cause by repeating assertions that run counter to experience. The followers of Henry George were correct in recognizing and emphasizing the universal relevance of his essential teachings, but they would have served their purpose better if they had shown a clearer understanding of the work of men like Mallock.

Surely the most important contribution that Mallock made to the discussion was to draw attention obliquely to devices that have reduced the adverse tendencies of landlordism. Over the past century devices that performed that function in the late nineteenth century have been enormously multiplied. Proposals designed to deal with poverty that springs ultimately from the land system range from socialism, fascism, and communism to the welfare state, trade union restrictive practices, and state economic planning.

These multitudinous devices function much like analgesic drugs in pharmacy. They reduce the pain suffered by the patient, but do not touch the core of his disease. They frequently produce side effects

that may be even more deleterious than the original affliction. They require frequent and expensive application, and are often addictive.

Where Mallock assuredly failed was in the main task that he set himself. He failed to show that there was any overriding economic law that would make it impossible for workers to secure a great increase in their own rewards through political action. Mallock failed to disprove that the application of George's proposals would be of great benefit to the community as a whole, and to its poorest members in particular. He won some battles, but he lost the war.²²

Notes

1. C. A. Barker, *Henry George* (New York: Oxford University Press, 1955), p. 393.

2. W. H. Mallock, *Property and Progress* (London: John Murray, 1884), p. 1.

3. Henry George, *Progress and Property*, quoted by Mallock, *Property and Progress*, pp. 37–38.

4. Mallock, *Property and Progress*, p. 46.

5. Henry George, *Progress and Poverty*, quoted by Mallock, *Property and Progress*, p. 42.

6. Mallock, *Property and Progress*, p. 23.

7. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), pp. 41–42.

8. *Ibid.*, p. 48.

9. T. H. Huxley, *Collected Essays* (1890; London: Macmillan, 1894), 9: 176.

10. *Ibid.*, p. 180.

11. Mallock, *Property and Progress*, p. 17.

12. W. E. H. Lecky, *Democracy and Liberty* (London: Longman, 1896), 2: 292.

13. *Ibid.*, p. 296.

14. George, *Progress and Poverty*, p. 17.

15. *Ibid.*, p. 304.

16. Lecky, *Democracy and Liberty*, p. 296.

17. W. H. Mallock, *Social Reform as Related to Realities and Delusions* (London: John Murray, 1914).

18. *Ibid.*, p. 203.

19. *Ibid.*, p. 207.

20. George, *Progress and Poverty*, p. 288.

21. Lecky, *Democracy and Liberty*, p. 296.

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Moffat's "Unorthodox" Critique

By GEORGE BABILOT

Although he wrote a number of articles and two important books on political economy, the contributions of Robert Scott Moffat, British author/essayist (1834–1895), are less well known than those of many of his contemporaries. He was a lucid, forceful writer whose works were often at odds with the premises of received economic doctrine. In focusing on the shortcomings of orthodox economics his efforts fell outside the classical mainstream, and perhaps this may have been a factor in his receiving less attention than did other writers of his day.

His first book, titled *The Economy of Consumption*, appeared in 1878, and in it Moffat, in the tradition of earlier critics of similar persuasion (Lauderdale, Chalmers, Malthus, Sismondi), questions the efficacy of the competitive industrial organization in general, and the inherent ability of the system to avoid recurrent episodes of general overproduction in particular. Probably because of its length and the fact that it was a rather difficult book to read, it did not enjoy a very wide audience. Even so, the book's impact was of sufficient importance to provoke T. W. Hutchison into recognizing Moffat as one among the very few nonsocialist writers since Thomas Malthus to question the orthodox formula about the "impossibility of general over-production."¹

The second book, *Mr. Henry George the "Orthodox,"* published in 1885, is a lengthy effort (296 pages) at an "unorthodox" critique of *Progress and Poverty*²—an unorthodox critique because Moffat attempts to integrate his appraisal of the economics of Henry George into his objections to the orthodox economics of David Ricardo and J. S. Mill. He chooses this approach because it enables him to expound further on his own reservations concerning orthodox economics, and at the same time provides him with a convenient reference for analysis of George's work. The book, therefore, is designed to serve more than one purpose: as a vehicle to continue his attack

on certain tenets of orthodoxy on the one hand, and, on the other, as a critical review of *Progress and Poverty*. Because much of Moffat's criticism of Henry George stems, in fact, from his preoccupation and disenchantment with orthodox economics, not surprisingly, he proceeds to reject methodically those parts of *Progress and Poverty* that he perceives as outgrowths of Ricardo-Mill principles, providing detailed commentary and explanations and, in the process, often citing his own *The Economy of Consumption* for support. Those portions that he admits have a certain uniqueness, on the other hand, he more often than not is inclined to dismiss as being rhetorical and scientifically or economically unsound.

This distinctive method of critique does not lack thoroughness. Systematically, and in some detail, Moffat discusses each subject in turn: Population, Wages and Capital, Laws of Distribution, Dynamics, book by book, chapter by chapter through book 4. He gives shorter treatment to the chapters on the Remedy and the Laws of Human Progress found in books 5 through 10, evidently feeling that the nature of the topics warranted only a summary evaluation. In a separate section there are an appraisal of George as an economist, a commentary on the theory of rent, and a reference to two "rival theories" of labor and wages. At only one point does Moffat depart from the order of topics as they are arranged in *Progress and Poverty*. He chooses to discuss the theory of population before discussing the topic of wages, maintaining that "a clear view of the problem of population is indispensable to any useful discussion of the problem of wages." More than neatness is implied by this change. In reversing the order of the first and second books Moffat hopes to reveal an error in George's thinking concerning the sequential relationship between the level of wages and growth in population, the source of the labor supply. Noting that George is "the boldest of the opponents to Malthus," he proceeds initially to examine in great length George's objections to the Malthusian theory and its related doctrine, the wages-fund theory.

The Malthusian Population Doctrine and Related Matters

It is well to keep in mind that Moffat's outlook is thoroughly Malthusian. This is evident not only in his views on population growth—

approximately one-third of the book is on this subject—but also in his views concerning competitive organization of industry and the problem of recurrent overproduction (“gluts”). At only one point does he seriously differ from Malthus, and that is on the meaning of wealth. Unlike Malthus and the Classical School, he does not confine his definition to material commodities alone. He defines wealth as physical well-being that includes services as well as material commodities, and only in this sense would he agree that wealth is the central subject of political economy. Moffat claims classical economics to be in error for defining wealth so narrowly, and in even greater error for failing to tie in the theory of wealth with the theory of population. The broader view of wealth, he believes, makes the theory of population the most fundamental doctrine of political economy. Moreover, he is of the opinion that a theory of wealth not consistent with a theory of population is incapable of providing a scientific political economy.

Moffat is puzzled at the persistent unpopularity of the Malthusian doctrine, particularly since he feels its unpopularity has mistakenly tended to stifle its development in conjunction with other theoretical doctrines. What is even more disconcerting to him is that while the doctrine is recognized by the most respected economists, “the recognition has been accompanied by many practical caveats calculated to stand off the responsibility for a strict application of it to existing circumstances, and so to save the credit of the acceptors without diminishing the odium of its original form. Even of those who have accepted it most unequivocally, most, if not all, have wholly missed its true purport and application.”³ He observes that the doctrine itself is not new—he traces it back through Adam Smith to the time of Plato and Aristotle—but what makes it applicable in contemporary times, according to Moffat, can be ascribed to the transition by civilized societies from war-making to industrial pursuits. Evidently, it was an idea whose time had come: “The period of predominance of industry in civilized society [which] was preceded by a period of predominance of war, marks both the time and the place in which it was natural that the theory of Malthus should appear. . . . As long as men slaughter each other freely, and for the purpose, among others, of appropriating their means of maintenance, there is no need of codes to induce them to restrain the growth of population.”⁴ Claiming that “the

constitution of civilized society is Malthusian," meaning that in peaceful industrial environments population growth needs to be restrained, Moffat apparently chooses to view the appearance of the doctrine as more opportune than novel.

Just as he maintains that the doctrine itself is not new, so he finds George's arguments in opposition to it "old and familiar." He makes a distinction between George's position, which rejects totally the doctrine of population, and the position of those who recognize the doctrine theoretically but practically erode it by believing its consequences to lie in the too remote future to occupy their attention now. To the latter group he offers this admonition: "The doctrine of population does not mean that when the whole surface of the earth is covered with human beings, there will begin to be a danger of overpopulation. It means that such a danger exists now and will continue to exist, in every settled community."⁵ To Henry George he gives dubious credit for a theoretical position diametrically opposite in view: "As far as Malthus can extend the capability of the human species to grow, so far does Mr. George extend the adequacy of the provision for its growth."⁶ By placing George's theory in juxtaposition to Malthus's doctrine, Moffat claims the basic issue involved reduces to whether the actual capacity for development of the human race is finite (Malthus) or infinite (George). More to the point, if a choice had to be made between the two alternatives, which would be the more desirable? For Moffat the choice is not difficult: "If it is one of the conditions of our existence that the number of our race should be unlimited, surely it is not a desirable condition and if we value our own peace of mind we must wish the victory to Malthus."⁷ But this standard for comparison, while understandable from Moffat's point of view, is unfortunate because it is misleading. Not only does it bring to the center matters of only peripheral importance in George's overall thesis, but it also tends to divert attention from George's chief concern about the Malthusian theory, which is simply to show that the theory is not necessarily proved by the reasoning offered in its support.

The alternatives as contrived by Moffat would have to be rejected by George both on the basis of appropriateness and on the basis of

relevance. If issues must be drawn and choices made, George would surely argue for a more appropriate basis to contrast him with Malthus, such as, for example, which is the more desirable: to accept poverty and misery as the immutable results of natural instinct, or to view poverty and misery as the unnecessary products of society's material advance, controllable by humankind? Moffat cites from *Progress and Poverty*, "the earth could maintain a thousand billions of people as easily as a thousand millions," as justification for his inference of a population of infinite size.⁸ The quotation does reveal George's confusion of the returns of scale and the principle of diminishing returns, and on that score deserves criticism.⁹ That granted, the statement as used by Moffat is not along those lines, however, nor is it germane to the alternatives advanced by him, which imply in contrast that George offers a theory that admits to a population so great it is restrained *only* by the limits of space. It is useful to note that the quotation cited is contained in a passage that has as its main point a discussion of the life-sustaining and cycling properties of matter, which George views as an ongoing, endless process, and from which he concludes that the only technical limit to population is the limit of space. It is this remote possibility of the human race's pressing upon space that, according to George, gives to the Malthusian theory its self-evident character. He denies even this remote possibility to the Malthusian doctrine, however, carefully pointing out that, unlike vegetable and animal life, human beings do not have a tendency to press against the limits of space. George, in clear contradiction to Moffat's inference, offers in place of the positive and prudential checks of Malthus a check on population that cannot be disassociated from rising standards of living, intellectual development, and society's overall advancement:

If the real law of population is thus indicated, as I think it must be, then the tendency to increase, instead of being always uniform, is strong where a greater population would give increased comfort, and where the perpetuity of the race is threatened by the mortality induced by adverse conditions; but weakens just as the higher development of the individual becomes possible and the perpetuity of the race is assured. In other words, the law of population accords with and is subordinate to the law of intellectual development, and any danger that human beings may be brought

into a world where they cannot be provided for arises not from the ordinances of nature, but from social maladjustments that in the midst of wealth, condemn men to want.¹⁰

Considering the reasons offered by Moffat for preferring Malthus's theory as an alternative—because it demands “only that in the propagation of our species as in all other things, we shall go about the business, whether of maintaining or increasing population with prudence and moderation”¹¹—by the same standard he might as easily have chosen George's position. Moffat instead accuses George of demagoguery. He thinks that George, in rejecting the Malthusian doctrine, is purposely attempting to win popular favor by trying to show that the depressed millions are depressed from some cause beyond their own control, and by charging their misery to landlords and governments, and thereby implying further that, to remove it, no sacrifice or effort will be needed on their part. This is Moffat's reaction to what he regards as George's implacable stand against the notion of prudential restraint.

George's reference to repressive government activities and the rack-rent practices of absentee landlords, rather than overpopulation as the cause of poverty and misery in India and Ireland, brings forth a not-unexpected divergent response from Moffat. He states that it is a matter of indifference to the country from which rents are received whether the rent is spent in that country or out of the country.¹² Then, claiming that rents in Ireland are lower than in England, he tries to dispose of the matter by posing this question: “If it is asserted that there is an indefinite margin of productiveness for the support of additional population, why is there not margin enough to support a small number of landlords at a moderate rent?”¹³ The first statement, even if it were correct, which, of course, it is not, misses the point. Rent as an unearned claim against the nation's product means that those left with reduced earned incomes owing to the drain of rents are forced to accept a smaller bundle of goods than that bundle that is actually warranted by their productivity. Two comments are in order with respect to the second statement. What is meant by a moderate rent? George estimates that at least a fourth of the net produce from the land of Ireland went to absentee landlords.¹⁴ Elsewhere he also argues that where land is held as a monopoly, the tendency is for

rent to take a larger proportion of net product as productivity increases.¹⁵ Therefore, in the absence of monopolized land holdings, according to George, additions to population theoretically could be sustained by their own productiveness. But Moffat, as before, strays from George's central point, which is that, whether moderate or not, rent is an unearned income and as such represents an unwarranted drain on earned incomes, which are derived from productive activity in contrast to rent, which goes to the landowner simply by virtue of his ownership and not because of his contribution to production.

Moffat's evaluation of George's criticism of Malthusian population doctrine cannot be divorced from his own version of population theory and his own views concerning recurring economic crises. Before we take a look at these, one area he discusses in criticism of George is instructive for it reveals a characteristic pattern of unevenness in his analysis where part is correct and quite perceptive and part is incorrect and fuzzy. The "unlimited resources" argument of George he handles with good perception of the confusion over diminishing returns and returns to scale (without using these terms, of course). At a time when the concept of returns to scale was not well understood, he, by suggesting the notion of "increased organization" as the explanation for George's observation of economies of production and distribution accompanying population growth, was implicitly expounding the principle of increasing returns to scale. In the process of suggesting this he does not deny George's claim that aggregate wealth is greatest in the most civilized and densely peopled countries. "That it is to growth of organization and not to mere increase of numbers that increased productiveness is due, is obvious. . . . Growth of population may contribute to growth of organization; but if it is passed, organization must retrograde. . . . Thus the resources of distribution of labour and of organization will steadily diminish if population grows more rapidly than improvement in industrial art."¹⁶ Two other observations are somewhat less perceptive. Moffat is of the opinion that the benefits of division of labor—in response to George's "the denser the population, the more minute becomes the subdivision of labour, the greater the economies of production and distribution"—are virtually exhausted and the practical limits to this

advantage have been reached. As to the possibilities of technology and inventions causing per capita output to increase by growing at a rate faster than the rate of growth of population, he is pessimistic. He observes, "The physical wealth of modern Europe is due to the most labour-saving appliances, resulting from the great scientific discoveries and mechanical inventions of the last two or three centuries. The effects of these in increasing the productiveness of labour are not yet exhausted; but as each advance is made, population steadily follows in its wake and comes to press upon the limit permitted by the actual organization of industry to each class of the community."¹⁷ Moffat concludes that "if we take our inventions and discoveries in the aggregate, we shall also find that though much still remains to be done fully to utilize them, the prospect of any equally fruitful cycle of improvement in the future, is a faint one."¹⁸ He perceived correctly a limitation on the returns to scale ("increased organization") but failed to sense the importance of technological change on productivity and the possibility of technological change's advancing at a rate more rapid than population growth in certain areas of the world, permitting an ever-rising per capita output. Though George uses a variety of arguments, some more sound than others, to substantiate this, it is this very possibility of rising per capita output that forms the key to his rejection of the Malthusian doctrine.

Moffat is inclined to agree with George that something is apparently amiss with the operation of the economic system. But he charges that George's total rejection of the theory of population blinds him to the true nature of the difficulty. Moffat's own theory of population set forth in *The Economy of Consumption* clearly reflects the influence of Malthus on his thinking.¹⁹ He holds that the fundamental law of population is that population is distributed mainly in accordance with the fertility or natural resources of the region. There are conditions or circumstances that may modify this law: (1) the element of chance, (2) the compensation variable—the natural conditions of life may summon up the maximum human effort when the natural environment demands it, (3) the habits of human nature—the attachment to a locality and its institutions offsets migratory behavior, so that population will expand slower if conditions are poor, or people will suffer all sorts of privations before electing to migrate. Moffat notes that the

effect of competition on the law of population is to encourage increases in the laboring classes to a point beyond which they are no longer productive. Since the wealthy and powerful profit from workers' pressing upon the means of subsistence, they do nothing to discourage population growth or to alleviate the misery and privation it brings in its wake. The inevitable result is one of two things: "If the excess of the numbers is not great enough to force a change of habits on the class, it will be eliminated, as the result of an unequal struggle, by natural agents of destruction; if it is great enough the habits of the class will be changed."²⁰ If custom and conditions of society dictate that the worker should be properly housed and clothed and that his children be educated, "the labourer who cannot comply with these conditions will be warred against by natural forces, and eliminated from the industrial system, as surely as if what he had failed to provide were the barest necessities of life."²¹

In rejecting George's reasons for affluence and luxury existing side by side with poverty and privation, Moffat offers in their place an explanation of his own, one familiarly Malthusian in overtones. Poverty and privation amidst affluence and luxury, he maintains, are the inevitable consequence of the tendency for population to press upon the subsistence level (a level determined by the customs and mores of society) and of the competitive organization of industry, which tends to encourage the process or at least does nothing to restrain it. Moffat also uses the population doctrine and competition in his criticism of George's law of wages, and as the basis for an alternative explanation for why wages tend to a minimum.

The Wage/Capital Relationship

It becomes clearer from his comments on George's treatment of wages and capital why Moffat chose to engage in an extended discussion of population theory beforehand. As suggested earlier, the law of population, or rather its lack, is the issue in much of his criticism of George. This is particularly apparent in his reaction to the reasons George gives for repudiating the wages-fund doctrine, and it is equally apparent in his rejection of George's alternative explanation of why wages tend toward a minimum.

George's disavowal of the wages-fund doctrine—that wages are determined by the ratio between capital and the number of workers—can be traced directly to his objections to the Malthusian population doctrine. He in fact held that the Malthusian doctrine was at the root of the received doctrine of wages, and therefore needed to be dispelled first before the wages-fund notion could be effectively dislodged.²² Moffat does not agree that a relationship necessarily exists between the two. He thinks that “by getting rid of the doctrine of population, it is possible he [George] may get rid of the obnoxious doctrine of wages, but it is also possible that, by establishing the doctrine of population, he might render the amendment of that doctrine imperative.”²³ While Moffat agrees with George that the wages-fund doctrine is unacceptable and factually incorrect, he is less inclined to agree that the doctrine ever held as firm a grip on the public mind as George supposed it did.

He thinks that George's counterprinciple that wages derive from the produce of labor and are not drawn from capital is based on a faulty premise. The faulty premise Moffat alludes to is what George calls the “fundamental truth” of economic organization. It is the thread George uses to relate pristine and modern economies, maintaining that the most advanced economy and the most primitive economy share a common basis. The “fundamental truth” finds its clearest expression in the following:

And so, if we reduce to their lowest terms all the complex operations of modern production, we see that each individual who takes part in this infinitely subdivided and intricate network of production and exchange is really doing what the primeval man did when he climbed the trees for fruit or followed the receding tide for shellfish—endeavoring to obtain from nature by the exertion of his powers the satisfaction of his desires. If we keep this firmly in mind, if we look upon production as a whole—as the co-operation of all embraced in any of its great groups to satisfy the various desires of each, we plainly see that the reward each obtains for his exertions comes as truly and as directly from nature as the result of that exertion, as did that of the first man.²⁴

Moffat labels the “fundamental truth” a “prodigious blunder,” noting that what may be true of a simpler time is not necessarily applicable to a more advanced, complex time. In other words, that primeval man got his food, clothing, and shelter by his own exertions, and there-

fore, that his labor generated his wages, may be accepted as fact; however, expanding the observation to apply to a more complex, interdependent monetary-exchange economy involves a faulty extension of that fact. Moffat puts it this way: "If you have a few factors, you may deduce from them a few elementary principles; and it is true that where these factors remain, these principles will persist. But if you add new factors, you find that along with new combinations, you have new principles of combinations; so that the laws of the original combination do not exclusively control the extended groups." Then, contrary to George, he concludes that "it is because the labourer co-operates with the capitalist that he receives present maintenance, not because his own labour produces it; for as maintenance is not contained in the product of his labour, it cannot be 'drawn' from it."²⁵

George, in offering his alternative principle, no doubt was thinking along lines of a much simpler socioeconomic system than what is generally described as modern industrial capitalism. The system he envisioned was one that most likely would have permitted the individual worker/craftsman to identify more closely with the product of his efforts; one made up of mostly local community markets serviced by local merchants, small scale manufacturers, and modest-size farms. It was not a vision of complex national markets serviced by absentee owners, nor of giant impersonal corporations and bonanza-size corporate-owned farms. Accordingly, what he had in mind probably does have more in common with early primitive economy than with twentieth-century or even late nineteenth-century industrial capitalism. If in a normative sense one can be "right," then George's vision is correct, for it directs attention to what "ought to be." Who could deny that many, if not most, people would, on economical, environmental, or ecological grounds prefer his optimistic vision to what exists today? But while the "fundamental truth" is perhaps more attuned to what "ought to be," it is incorrect as a description of "what is." The principle that wages derive from the produce of labor and are not drawn from capital may be applicable in certain circumstances, but it is not universally applicable. There may be quite a gap in time between the value generated by labor and the transforming of that value into a monetary flow via sale of the finished product.

The validity of Moffat's criticism, therefore, rests implicitly on the recognition that labor is paid for the value it adds to the product, but the payments made to labor in many production processes may precede by many months or even years the monetary flow back to the owners of capital from sale of the finished product.

The repudiation of the population and wages-fund doctrines is a necessary ground-clearing operation preparatory to presenting George's own proposition on why wages tend to a minimum, a proposition that forms an integral part of his overall view of why poverty accompanies progress. Moffat likewise rejects the wages-fund doctrine but contrariwise accepts the population doctrine, since he regards it as crucial to all economic analysis. He is being consistent, therefore, when he rejects George's alternative version of why wages tend to a minimum. He, like George, has his own theory, but in it he disdains a single-cause explanation.

Wages, according to George, are determined by what a worker unassisted by capital could get from unappropriated no-rent land (marginal land). This means that where land is free, the whole produce must go to labor, and if the worker is assisted by capital, then that portion of the product remaining after payment of interest for capital constitutes wages of labor. However, where land is not free and private ownership derives rent payments from the land, wages then are fixed by what workers could earn on no-rent land (marginal land). Hence it follows that where workers are without access to unappropriated land—where, for example, all land is monopolized—competition for employment among workers forces their wages down to the minimum subsistence level.²⁶ That is the substance of George's alternative explanation of why wages tend to a minimum. Since George reasons that the proportion of total produce going to wages and interest is determined by what remains after rent payments are subtracted from total output, then the greater proportion that goes to rent, the smaller the proportion available for wages. As to the poverty that is seen accompanying economic growth, George attributes its cause to landowners' appropriating proportionately greater amounts from each advance in material output, thus rendering an ever-declining percent of total produce available for distribution as wages of labor.

Moffat agrees that there is a downward tendency of wages, although he thinks the evidence available is not uniformly supportive of the idea. Moreover, he thinks that while it may be natural on a priori grounds to assume a single cause, as George does, the facts suggest otherwise. Moffat believes that there are distinct causes for the phenomenon, different in both direction and origin. He cites two in his own theory of why wages tend to a minimum. One cause he regards as evil, the other benign. The benign cause is the operation of the law of population:

As long as labour, whether on the labourer's own account, or on account of an employer, can be made productive of a maintenance, that is, the means of providing for a family, labourers will be found to give that labour. It consequently follows that if labour will always be done that yields only a maintenance, the labour that receives least remuneration will seldom, and that only exceptionally, earn more than a maintenance. This law is not an evil. It simply means that natural resources are fully utilized for the good of man.

The evil cause is the operation of competition:

Competition, taking advantage of the willingness of labourers to work for a maintenance, organizes enterprises in anticipation of the natural growth of industrial development, and which ultimately fail to yield a maintenance to those engaged in them. This is the natural tendency of competition. It constantly pushes its enterprises in advance of normal development, and is only arrested in doing so by the failure of its enterprises, in the form of cessation of profit, and consequent failure of capital. This is an evil to capitalists and labourers alike. It is the great specific evil of the competitive organization of industry.²⁷

Once again, the omission of the doctrines of population and competitive organization is the basis on which Moffat's criticism turns. This time it is directed to George's theory of wages. In addition to citing what appear to him to be errors of omission, he is critical of George's theory in its own right as well. Much of it harks back to remarks cited earlier on the "fundamental truth" and the corollary that wages are not drawn from capital. There are two additional points he makes relative to the "natural" wage—the wage a worker could get by his own efforts on no-rent land. The first is that the product even of no-rent land is the output of both labor and capital combined, not simply labor alone. Moffat argues that workers without

capital would be unable to work the land, and that therefore access to marginal land by workers without capital would not assure to them a wage unless their exertions were assisted by capital. The produce then would have to be recognized as being composed of both wages and interest. The second point is that in situations where it is needed there is no unappropriated land available. Where the land is already owned, therefore, workers cannot freely avail themselves of moving onto land and of applying their efforts to it. The implication is that George's assumption does not conform to reality.

The first point is not necessarily in conflict with George's argument. In effect it reduces to a problem of imputation. As long as what remains after allowance is made for a return to capital is at least equal to a subsistence level, it creates no great difficulty. If it is intended as something more fundamental than that, whatever it is can probably be set in proper perspective by noting that both land and labor must exist before capital goods can exist, and consequently, for analytical purposes both can be treated independently of capital goods. The second point is somewhat puzzling unless what Moffat intends is to separate the basis for the "natural" wage from George's explanation of why wages tend to a bare minimum. In such case he is saying that since there is no unappropriated land available there can be no "natural" wage, or at least it cannot be measured by the method George suggests. But the two cannot logically be separated in George's model. The very fact that land is already appropriated (monopolized, according to George) forces wages to a bare-minimum subsistence. The object of Moffat's criticism—lack of access to land and its produce—is the crux of George's explanation of why wages of labor tend to a minimum.

The Laws of Distribution and the Remedy

Moffat's objection to George's treatment of wages independently of capital is not unrelated to his overall rejection of George's laws of distribution. His criticism is targeted on two areas: (1) the definition of wages, interest, and rent, and (2) the assumed relationship between wages, interest, and rent from which George's laws of distribution emerge. With reference to the former, Moffat maintains that the mean-

ings George attaches to the terms *wages*, *interest*, and *rent* may deny their implied mutual exclusion. According to him, the evidence of overlap would have been readily apparent had George explicitly allowed for a profit return. All elements of profit would have been made manifest, not just the lone element that George recognizes as wages of superintendence. Perhaps not coincidental is that Moffat's notion of profit as he presents it in his *The Economy of Consumption* contains an element of wages in the form of a return for superintendence, an element of interest denoted by the return to capital above replacement, an element for risk-taking, and at times he would include an element of rent.²⁸ Ignoring all elements of profits except wages of superintendence weakens, he claims, George's explanation of why wages tend to a minimum. In other words, by incorporating the return for superintendence into his wages concept George makes less convincing his argument that all wages tend to a minimum. "Profit, though not, in the narrowest sense, distinctively the remuneration of capital, is a remuneration attached to capital, and not a remuneration attached to labour."²⁹ Because of this Moffat contends: "Any deductions Mr. George may draw from his classification, therefore, will not apply to wages as actually distinguished, and as alone capable of being observed. They will not apply to the wages in which he has observed a tendency to a minimum, capable of yielding only a bare subsistence."³⁰ Putting profits into the category of wages as compensation for superintendence, and maintaining in addition that in the matter of distribution wages and interest move in the same direction, creates, according to Moffat, "the absurdity of attempting to account for present poverty by the assumption that it is shared by capitalists, or that they owe their exemption from it to rent."³¹

It seems clear from the above that, while Moffat rejects the wages-fund doctrine as a causative factor in the distribution of wealth (income), he is not ready to abandon totally the notion of an inherent conflict in interests between the owners of capital and those of hired labor. There exists a fundamental difference between his view and George's view of the forces at work influencing distribution. Moffat sees the basic conflict as more likely a conflict between owners of capital and labor rather than, as George sees it, a conflict between labor and owners of capital on one side and owners of land on the

other. Hence it is not unexpected that he should question George's method of arriving at the sums going to wages and interest—the combined residual remaining after rent is subtracted from the total product. Of greater concern to him, however, is the implication of this method that, as the rent share as a proportion of total product rises, the share going to wages and interest as a proportion must necessarily decline. Moffat agrees that mathematically whatever is subtracted from total product yields the amount available to other factors. But what is chosen to be subtracted, according to Moffat, might just as readily be profits from the total product, the remainder going to wages, interest, and rent, or wages and interest could be taken as a subtraction from total product, the remainder going to rent and profit. "If the produce remains constant the fall of rent necessarily means the rise of the other two in the aggregate but not necessarily of both separately, just as the fall of wages means the rise of rent *plus* profit, and the fall of profit the rise of rent *plus* wages."³²

George's method of arriving at the laws of distribution via the subtraction of rent from total product is simply a restatement of his central thesis that the basic conflict in the distribution of income is between the landowner on one side and the capital owner and labor on the other. This, according to George, is also the root cause of depressions and the harbinger of chronic poverty amidst plenty. Contrary to what Moffat appears to suggest, whether or not wages and interest move in the same direction and whether or not rent is a rising proportion of total product as total product increases, are matters that can be resolved only by appeal to empirical evidence and cannot be established on a priori grounds alone.³³ With regard to the apparent omission of a profit return in the relationship, George's explanation for this is quite straightforward. The elements of profit found in the conventional notion are absorbed into the factors identified.

Of the three parts into which profits are divided by political economists—namely, compensation for risk, wages of superintendence, and return for use of capital—the latter falls under the term interest, which includes all the returns for the use of capital, and excludes everything else; wages of superintendence falls under the term wages, which includes all returns for human exertion, and excludes everything else; and compensation for risk has no place whatever, as risk is eliminated when all the transactions of a community are taken together.³⁴

Moffat is not at all comfortable with George's explanation of the source of and rationale for interest, and he is even more disturbed with his unqualified acceptance of the Ricardian rent concept. He believes that George is being inconsistent in his justification for the private receipt of interest while rejecting the same justification when it is applied to the private receipt of rent. What Moffat is alluding to is George's reference to the legitimacy of interest as originating in the inherent powers of nature—the same powers, according to Moffat, that George attributes to land. "Thus interest springs from the power of increase which the reproductive forces of nature, and the in effect analogous capacity for exchange, give to capital. It is not an arbitrary, but natural thing, it is not the result of a particular social organization, but of laws of the universe which underlie society. It is, therefore, just."³⁵ George's "principle of growth or reproduction" explanation for interest brings forth a comment by Moffat not untainted with irony:

This is Mr. George's discovery, and he announces it with the air of a man whose penetration has been profoundly exercised to reach it. . . . Clearly the modesty of a Newton could not have sufficed to announce such a discovery in a less ostentatious way, and we shall find that even the dexterity of Ricardo could not more rapidly have turned a conjecture into a certainty. What is most remarkable about this singular theory is that its one trait of originality lies in its application. Mr. George having no occasion to account for the legitimate existence of rent, which he purposes to deny altogether, takes the physiocratic theory of the source of rent, and converts it to the use of "interest." What is strange is that he does not see that in doing this he transfers to interest the very objection to the legitimacy of rent. It is because the produce due to the natural increase of the soil is supposed to be constituted without the exertions of the landlord that so many theorists have objected to rent; now Mr. George tells us that the source of interest is the reproductive forces of nature. Thus while it is unlawful for a man who pretends to be an owner to appropriate these, it is quite lawful for a man who professes to be a borrower to do so.³⁶

If land were the creation of human effort as capital goods must be, then Moffat's point would not be without merit. However, he was aware of the difference when, in an earlier discussion of the basis for trading between capitalists and labor, he recognized the capitalist's interest in acquiring "labour stored"—capital goods.³⁷ There is a

distinction to be made between the natural resource, land, and the stored-labor notion of capital goods that absolves George from the accusation of inconsistency. Capital goods are the products of human endeavor and as human-made instruments they are clearly designed for the furtherance of production. Land's contribution to production, on the other hand, is independent of human exertion, and in that sense rent, if taken as the measurement of this productivity, must be regarded as an unearned addition to the earned components of personal income.

Moffat's repudiation of Ricardian principles extends, of course, to the Ricardian rent concept. While he claims that George is also Ricardian in other matters—for example, in his methodology and in his acceptance of competitive industrial organization—it is the adaptation of the rent concept that convinces Moffat that George is basically if not totally Ricardian in his approach to economics.³⁸ Though he readily acknowledges the almost universal acceptance of the Ricardian theory of rent, Moffat maintains that “no more insinuating doctrine was ever presented to human reason.”³⁹ He argues at great length against the Ricardian rent concept without offering an alternative theory of his own. He believes that Ricardo and George erred in not recognizing rent as a necessary cost of production. Moffat attributes the error to the logical outcome of Ricardo's principle of equality of profits—the notion that the returns to alternative investments in different industries are equalized throughout the economy on the assumption of the tendency toward a steady state: “Ricardo, in following up this generalization, has committed an oversight singular even for him, and in which he has been followed by Mr. George. He has not only . . . made rent gradually absorb profit and arrest the increase of wages while Mr. George, more consistent than Ricardo, makes it crush out wages also; but both of them having eliminated rent from the cost of production, keep it out of sight to the extent of forgetting it as an element of the wealth of the community.”⁴⁰ The tone and vigor of his remark about Ricardo's principle of equality of profits is indicative of his attitude toward almost anything Ricardian. This is what he has to say: “The theory of equality of profits, as propounded by Ricardo, is not only one of the most stupendous blunders ever committed in systematic economy, prolific as it is

in blunders, but perhaps the most stupendous blunder ever committed in any science."⁴¹

Moffat offers a potpourri of arguments for treating rent as a socially necessary cost of production and as a determinant element of price (value). There is some confusion on Moffat's part between the Ricardian-Georgist social view of rent as an unnecessary cost of production and rent as viewed by the individual producer. The following is representative of his position and of his confusion.

Rent . . . enters as a distinctive element into value. It may either enter as a positive or a negative element. That is to say the relative quantity of produce brought to the market may be diminished by the necessity of contributing something to the support of landlords, or it may be increased by the speculation of landlords to increase rents. Ricardo's standard is a delusion.⁴²

The standard or self-sustaining cost of production includes rent adequate to the maintenance of the capital necessary to the due performance of the functions of the landlords.⁴³

Before the landlord can use land for his amusement, he must live by it, and the more expensively he lives, the more he must get out of it.⁴⁴

The landlord in improving land uses capital and acts as a capitalist.⁴⁵

Agricultural rent . . . is only a share of the gross profit of raw material.⁴⁶

Moffat states that rent is a necessary payment to the landlord to reward him for his functions. But nowhere does he describe these functions in a manner to preclude their adequate compensation via wages, interest, or profits. He claims that rent is a necessary payment to the landlord so as to provide him with adequate capital to make improvements, and as a profit on raw materials. Why should profits and interest be assumed deficient and incapable of accomplishing this? In a similar way he maintains that the landlord must receive a rent to enable him to "use the land for his amusement." But again, why suppose that the wages, interest, and profits accruing to the landlord would be insufficient to support such diversions? Finally, he states that rent is a necessary cost of production determining value, while at the same time recognizing that produce does flow from no-rent (marginal) lands. The price/cost on the market of produce from no-rent lands is by his own definition exclusive of a rent "cost."

Given his views for justifying the private receipt of rent, and the

virtues he ascribes to private ownership of land, it is not at all unexpected that Moffat should disavow George's solution to poverty and economic crises, namely, the socialization of rent. Much of Moffat's reaction to George's remedy reflects his contrary view concerning rent, and when this is not the case his statements reduce to forcefully expressed subjective evaluations—assertions wholly lacking in analytical substance. His refusal to regard rent as a surplus, and his unusual views concerning the taxation of rent, in which he apparently assumes that a tax on land can be shifted forward to the tenant or to the consumer and is not, therefore, capitalized, show through in the following sampling of statements on the Remedy:

If one man works on rich land, another on poor, ought their rewards be equalized? If they ought, neither receives "the earnings of his labour," and if all rewards are equalized, what becomes of competition? If, on the other hand, the rewards are not equalized, the land is not made common property.⁴⁷

if everything belongs to everybody, the reward of labour cannot possibly be, as Mr. George asserts, the produce of labour, but can only be some pittance presumed to be consistent with common ownership. . . . After all his elaborate efforts to reconcile it with a free competitive organization, Mr. George's scheme thus relapses, by the retributive harmony of natural logic into the impotence of socialistic communism.⁴⁵

If Mr. George's theory is sound, the man who has produced anything at any time stole the material of which it was made.⁴⁹

whether the rent was fixed or differential they would have power to re-levy it on the community, and no individual would escape his natural share of taxation. The State tenants would simply be proprietors and farmers of the revenue, with an insecure title based on popular caprice.⁵⁰

[The occupiers] with only a rent to pay to the state which they would re-levy from the consumers.⁵¹

in a country where cultivation was protected the landlords would re-levy the whole taxation from the public.⁵²

Then finally in response to George's:

It is the greater that swallow up the less not the less that swallow up the greater,⁵³

as the equitable prescription where some might be harmed by the change, Moffat states:

It is also worse to rob on behalf of the many than of the few, because it is the robbers, and not the robbed, that robbery corrupts and destroys.⁵⁴

These remarks speak for themselves and are sufficiently representative of his intransigent position concerning the Remedy that further elaboration does not seem necessary. However, it is perhaps worthwhile again to point out that his mistaken view of ground rent as a necessary cost of production leads him to the other error—that of assuming a tax levied on ground rent would be shifted from the landowner to the consumer and/or to the tenant through the pricing process.

Moffat's statements concerning the Remedy, although based on a total rejection of the Ricardian theory of rent, stand, nevertheless, as expressions of personal opinion. His inclination was to view the chapters on the Remedy as "rhapsodic rhetoric" and his manner of treatment may simply be a reflection of this. It is evident here, perhaps even more clearly than elsewhere, that the full significance of Henry George's *Progress and Poverty* eluded him. Why this is so can be a matter only for conjecture. Throughout the book his attention is drawn to the critique of orthodox economics, and his thoroughly Malthusian outlook with respect to the Ricardian idea of the inherent ability of the classical system to avoid recurrent episodes of general overproduction adds to his mistrust of anything related to Ricardian principles. Moffat mistakenly sees George as little more than a developer of Ricardian economics. In his eyes George is a more faithful developer of Ricardian economics than even J. S. Mill. No doubt contributing to this misconception of George's work were his own strongly held views concerning the cause of poverty and economic crises, views dramatically different from those of George. The cause, according to him, is to be found in the Malthusian theory of population growth, the competitive organization of industry, the vagaries of consumer demand, and in the classical assumption that human wants are unlimited. His disenchantment with orthodox economics, his overdrawn association of George with Ricardian principles, his rejection of the Ricardian rent concept, his Malthusian frame of reference, and his own views concerning the cause of poverty and economic crises—all tended to divert him. This preoccupation probably

had an influence on his perception, so that when finally his attention was turned to the task of appraising *Progress and Poverty* he could relate only to segmented parts. The whole as an integrated system escaped him, and with it the essence of George's thought.

Notes

1. T. W. Hutchison, *A Review of Economic Doctrines, 1870–1929* (Oxford: Clarendon Press, 1953), p. 356.

2. The full title of this book of Robert Scott Moffat is *Mr. Henry George the "Orthodox": An Examination of Mr. George's Position as a Systematic Economist; And a Review of the Competitive and Socialistic Schools of Economy* (London: Remington & Co., 1885).

3. Moffat, *Mr. Henry George*, p. 16.

4. *Ibid.*, p. 12.

5. *Ibid.*, p. 17.

6. *Ibid.*, p. 18.

7. *Ibid.*, p. 21.

8. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 133.

9. A clear exposition of this is offered in Jacob Oser, *Henry George* (New York: Twayne, 1974), pp. 56–62.

10. George, *Progress and Poverty*, pp. 138–39.

11. Moffat, *Mr. Henry George*, p. 21.

12. *Ibid.*, pp. 44–45.

13. *Ibid.*, p. 45.

14. George, *Progress and Poverty*, p. 128.

15. *Ibid.*, p. 319.

16. Moffat, *Mr. Henry George*, p. 68 n.

17. *Ibid.*, p. 68.

18. *Ibid.*, p. 69.

19. It is interesting to note Moffat's reaction to the way his theory was received: "The first attempt, that I am aware of, to base the theory of wealth directly upon the theory of population was made in my, 'The Economy of Consumption,' published in 1878, which, on this very account, has been subjected to much hostile, and I must add, to much inappreciative and scandalously inaccurate criticism." (*Ibid.*, p. 75.)

20. Moffat, *Mr. Henry George*, pp. 79–80.

21. *Ibid.*, p. 80.

22. George, *Progress and Poverty*, p. 91.

23. Moffat, *Mr. Henry George*, p. 23.

24. George, *Progress and Poverty*, p. 27.

25. Moffat, *Mr. Henry George*, p. 101.
26. George, *Progress and Poverty*, p. 213.
27. Moffat, *Mr. Henry George*, p. 93.
28. *Ibid.*, pp. 142–44.
29. *Ibid.*, p. 144.
30. *Ibid.*
31. *Ibid.*, p. 176.
32. *Ibid.*, p. 175.

33. Appeal to the facts thus far yields mixed results partly because the statistical measurements are confronted with the difficulty of identifying and isolating the factor meaning of interest and rent. Because of the difficulties of imputation, what is actually measured may not always conform to George's definition of these terms. This aside, the empirical evidence does not universally support a declining proportion of total product as going to wages. For example, labor's share in the United States has over time remained a consistently stable percentage of total output. It appears that the share going to labor does not decline in developed and rapidly developing areas. But in environments where land is in fact monopolized—in lesser developed areas—the tendency may be observed for the rent share to rise and the wages share to decline as a proportion of total product. Wages and interest in the early growth of the United States could be observed moving in the same direction. They also moved in the same direction during the depression years of the 1930s, but at other times and in other places the evidence is inconclusive.

34. George, *Progress and Poverty*, pp. 161–62.

35. *Ibid.*, p. 188.

36. Moffat, *Mr. Henry George*, pp. 157–58.

37. *Ibid.*, p. 99.

38. Moffat states: "Again and again I have pointed out how faithfully in his economic reasoning Mr. George follows the method of Ricardo. Now Ricardo, as I have said, is the systematizer of orthodox English economy. For this school, as the reader is already aware I have no high veneration" (*Mr. Henry George*, p. 200). He goes on also to say: "But Mr. George, when his doctrines are reduced, as I have indicated, is not a mere imitator, but he is a developer of Ricardo . . . a far more legitimate developer of Ricardo than John Stuart Mill" (*ibid.*, p. 209).

39. Moffat, *Mr. Henry George*, p. 217.

40. *Ibid.*, p. 242.

41. *Ibid.*, p. 238.

42. *Ibid.*, p. 228.

43. *Ibid.*, p. 222.

44. *Ibid.*, p. 227.

45. *Ibid.*, p. 232.

46. *Ibid.*, p. 242.

47. Ibid., p. 268.
48. Ibid., p. 292.
49. Ibid., p. 272.
50. Ibid., p. 286.
51. Ibid., p. 278.
52. Ibid., p. 287.
53. George, *Progress and Poverty*, p. 343.
54. Moffat, *Mr. Henry George*, p. 272.

Cathrein's Careless Clerical Critique

By ROBERT V. ANDELSON

Perhaps the most influential Continental European critic of Henry George was Father Victor Cathrein (1845–1931), a Swiss-born Jesuit who wrote extensively on ethics, jurisprudence, and political economy, as well as on purely religious themes. His impact may be gauged by the fact that two of his works, *Der Sozialismus* and *Moral-philosophie*, went into twenty or more editions; the great Protestant theologian and social ethicist, Emil Brunner, cites him in *The Divine Imperative* no less than fourteen times as a definitive representative of Roman Catholic thought.

Cathrein's attack on George originally appeared in 1887 as a series of articles in the *Stimmen aus Maria-Laach*, published by the German Fathers of the Society of Jesus. It was preceded in the same journal five years earlier by a series in which Cathrein sought to refute Émile de Laveleye's contention that private ownership of land is a relatively recent and unnatural development. The *New York Freeman's Journal* issued an English translation of both series, from February 18 to April 28, 1888, and the following year they were updated, enlarged, and brought together in a single volume by President J. U. Heinzle, S. J., of Canisius College in Buffalo. It is to this volume, approved by Cathrein and entitled, *The Champions of Agrarian Socialism*, that we shall be referring in the ensuing pages.

With the first chapters of the work we need not concern ourselves, for they deal with Laveleye and his historical research. George, it is true, accepted the conclusions of this research, but, as Cathrein concedes,¹ his chief arguments do not rest upon it.

Cathrein opens his critique of George with an attempt to "give the Devil his due," saying that "in unflinching consistency and in powers of agitation" the author of *Progress and Poverty* "leaves all his predecessors far behind." He credits him with "a clear mind" and "extensive knowledge," with a "luminous" and "eloquent" style, and with having "occupied himself seriously with the study of the questions

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he proposes.”² He then attempts to show in the forty-eight remaining pages that George was muddled, inconsistent, and either ignorant of or oblivious to obvious economic facts.

Arguments from Political Economy

George's main arguments are based upon considerations of political economy, on the one hand, and of ethics, on the other. The arguments from political economy with which Cathrein takes issue are those that hold that with increasing productive progress an ever-increasing portion of a nation's wealth flows to the proprietors of land, to the prejudice of both labor and capital.

The demonstration for this is treated by Cathrein under the form of two proofs, one of them taken from “Ricardo's Law of Rent,” which he recognizes as being accepted as correct by most economists.³ According to this law, the rent of land is determined by the excess of the produce of a given parcel over that which the least productive land will yield with the same application of productive power. Therefore, reasons George, the return of the poorest land in use represents the highest limit of that portion of the product that generally goes to labor and capital even in the best locations. Everything above the limit goes to the landowner as ground rent. As more and more land is utilized due to the growth of population and the increase in economic activity, less and less desirable land is increasingly brought into use, and wages and interest drop accordingly while rent goes up.⁴

Cathrein begins by attempting to show that this account is factually inaccurate. He produces statistics (derived from the second edition of G. Schoenberg's *Handbuch der politischen Oekonomie*) to establish that notwithstanding a vast advance in population and total revenue in Great Britain over the preceding four decades, the share of national wealth going to income from landed property had sharply decreased. (What is true of Britain, he says, may also be asserted of Continental Europe, adducing as evidence the complaints of landed proprietors, both great and small, in Germany and France.)

The reliability of these statistics is open to dispute, for one cannot but question whether they reflect the rent of all land or merely land

devoted mainly to agricultural production. For example, Cathrein separates the income from "houses" (buildings in general) from the income from land alone, but does not specify under which category he subsumes the income from the land upon which the houses stand. Since all of his examples and remarks pertain to husbandry,⁵ and since the discrete valuation of sites and improvements is a practice that did not come into common use until a later date, it is by no means improbable that he (or Schoenberg) made the error of including with income from houses considerable revenue that ought to have been attributed to land.

Cathrein goes on to say that George takes a one-sided view of the case, considering only the causes that raise rent, while almost entirely losing sight of those that make it decline. His discussion here relates exclusively to agricultural lands, and clearly betrays his persistent failure (shared by Father Juan Alcázar Alvarez, another priestly European critic of George dealt with in this volume) to bear in mind that it is not agricultural but rather urban and industrial sites that yield the highest rent. An adequate critique of George on this point would have required that Cathrein demonstrate that rent is subject to forces that cause its diminution in *all* locations, not just in those where it is normally relatively marginal in any case.

Our cleric then turns his attention to George's second proof that rent tends, with progress in production, to swallow up an ever-larger percentage of the national wealth. This is the contention that, in spite of increasing productivity, interest and wages as a relative portion of the total revenue do not increase, and that consequently rent *must* increase.

With respect to interest, Cathrein maintains that if by interest is understood the return to any particular capital investment, the statement may be correct. But if by interest is understood the aggregate return to all existing capital, the statement "taken in its generality" is untrue. He asserts that while the *rate* of interest may decrease because of decreasing risk, the *amount* may increase because of increased capital investment.

Cathrein's reasoning in this passage contains three flaws: First, George, following accepted practice in political economy, explicitly excludes the rewards of risk from his definition of interest.⁶ Second,

if one ignores Cathrein's mistaken explanation for the decrease in the rate of interest, and simply accepts his observation that the rate may decrease while the amount increases, the observation, far from refuting George's argument, merely underscores the fact, emphasized by him, that capital, unlike land, is elastic, and that its return per unit diminishes with enhanced supply. Finally, Cathrein confuses *amount* with *proportion*. George never denied that the total amount of interest may expand with greater capital investment. He was instead concerned to show that the proportion of the total product going to interest decreases relative to that going to rent. In asserting the former idea, Cathrein thinks that he has destroyed an argument that actually he leaves untouched.

Having, as he believes, dispatched George's teaching on the decrease of interest, Cathrein assails his teaching on the decrease of wages as equally unsound. This contention is based solely upon the accusation that George is guilty of an inexcusable confusion of terms when he claims that wages, in spite of the increase in productive power, tend to a minimum that will give but a bare living.⁷ Cathrein holds that in political economy the word *wages* properly refers only to *compensation for hired labor*, whereas George uses it to mean *all earnings of exertion*. Yet it is, in fact, the latter that, as George notes,⁸ is the standard sense in which the term is used by most political economists. Cathrein, who cites Lassalle as his authority,⁹ evidently confounds socialist usage with orthodox usage!

"We would be at a loss," he comments, "to name a political economist who ever dared to affirm that all income from labor falling to manufacturers, merchants, bankers, etc., tends to a minimum which will give the bare necessities of life. They affirm this only of those *working for hire*, especially of operatives in factories."¹⁰ George, in point of fact, does implicitly affirm precisely that which no political economist, to Cathrein's knowledge, dares affirm.¹¹ But to say that all earnings of exertion *tend* to such a minimum is not to say that they all reach or equally approach it. One need but peruse George's discussion of the differences between wages in different occupations to understand why those who engage in certain callings are protected from the full impact of this tendency. As for the wages of superintendence in mercantile pursuits, George remarks that they largely

resemble the prizes in a lottery, in which the great gain of one is made up from the losses of many others—as evidenced by the phenomenon that over 90 percent of the mercantile firms that commence business ultimately fail.¹²

Arguments from Moral Law

But the presumed negation of George's economic arguments is, for Cathrein, mere prologue. He now assumes his more accustomed role of Christian moral philosopher, and essays to challenge George on grounds of natural right. Here the two are at least agreed upon a common point of reference: the belief that there is such a thing as natural right, stemming from the will of a beneficent Creator—a point of reference that does not obtain between George and some of his other critics, Seligman for one.

Private property in land, says the American theorist, not only exercises a baneful influence upon the distribution of wealth, but is contrary to the dictates of justice. True, he holds that, for pragmatic reasons, land titles should be left in private hands, but he would cancel the monopolistic advantage that accrues from their possession by appropriating (without compensation) all but an insignificant fraction of ground rent to the community. No legitimate claims would, he insists, be violated by such appropriation, for the advantage is ethically indefensible.

This proposition he deduces from the principle, enunciated long before by Locke, that the rightful basis of property is "the right of a man to himself, to the use of his own powers, to the enjoyment of the fruits of his own exertions. . . . As a man belongs to himself, so his labor when put in concrete form belongs to him."¹³ George considers that the natural right of an individual to himself and therefore to his labor is the original and exclusive source of legitimate ownership. There can be no other true justification, he avers, because there is no other natural right from which another justification could be derived, and because the recognition of any other justification would be inconsistent with and destructive of this natural right. Since land is not the product of human labor, says George, its private ownership cannot be justified by the right of the individual to the fruits of

his labor. Further, "since the right to the produce of labor cannot be enjoyed without the right to the free use of the opportunities offered by nature, . . . to admit the right of property in these is to deny the right of property in the produce of labor. When non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied."¹⁴

Such is the argument against which Cathrein addresses his forensic efforts, seeking to disprove that labor is either the original or the sole source of ownership. We need not occupy ourselves at length with his comment that because man belongs to God, George errs in affirming that he has a right to himself. The affirmation has to do with temporal relationships, not with man's relationship to his Creator. In this connection it is worthy of note that Locke, in the same work in which he formulates the principle upon which George builds his moral case, flatly proclaims that "men, being all the workmanship of one omnipotent and infinitely wise Maker—all the servants of one sovereign master, sent into the world by his order and about his business—they are his property whose workmanship they are, made to last during his, not one another's pleasure."¹⁵ It is inconceivable that George, whose works are luminous with Christian fervor, did not unreservedly endorse this sentiment.

Labor is not, said Cathrein, the original source of ownership. He grants that all men are divinely endowed at birth with a general right of acquiring property, but this right exists prior to labor, and is not logically restricted to things produced by labor since it is merely a general right that does not apply to the possession of determinate entities.

First occupancy, not labor, Cathrein maintains, constitutes the original title to the permanent possession of determinate goods. He who first appropriates an ownerless good violates by that action nobody's right, but only exercises the right vested in himself of acquiring property. With the death of the first proprietor, the title ceases to be occupancy and becomes hereditary succession. If George wishes to deny the right of inheritance, "he must do so with regard to movable as well as in the case of immovable goods, or at least he must demonstrate why immovables, and not movables, should be inheritable."¹⁶

Cathrein's terminology here reflects a careless reading of *Progress and Poverty*, where George specifically dismisses as unphilosophical the distinction between things movable and immovable, in favor of that between labor products (wealth) and the gratuitous offerings of nature (land).¹⁷ The reason, of course, why George denies the right of inheritance in land as opposed to labor products is simply that he is unwilling to concede that anybody ever had a right to own it in the first place—if ownership be interpreted to include the retention of whatever ground rent it may possess or acquire. First occupancy may justify security of possession, but, as Locke observes,¹⁸ this can hold only where “there is enough and as good left in common for others,”—that is, as long as the land in question has no market value. Once ground rent, the measure of monopolistic advantage, has arisen, security of possession cannot be rightfully retained, according to George, unless that rent be turned over to the community as a compensation for the deprivation thereby sustained by its other members.

George attacks the principle of first occupancy with striking illustrations: “Has the first-comer at a banquet the right to turn back all the chairs and claim that none of the other guests shall partake of the food provided, except as they make terms with him? Does the first man who presents a ticket at the door of a theater and passes in, acquire by his priority the right to shut the doors and have the performance go on for himself alone?”¹⁹

Cathrein tries to answer the objection by discussing the second of these illustrations:

He who appears first in a theatre has not the right to exclude others from the theatre, but he has the right to choose his seat and to hold it against everybody else. Whosoever would remove him from his seat would wrong him. Just so it is with the occupation of this earth. . . . He who makes his appearance on earth first, may choose at pleasure his dwelling place. He may fence in his field and build his house, and call both his own, as long as he lives. Those who come later may likewise choose their dwelling place but they have no right to drive away the first-comer from his house and home.²⁰

This seems plausible enough until one considers that in the theater of the earth some have chosen for their exclusive disposal “seats” capable of accommodating hundreds and even thousands, while

others must pay them scalpers' prices to be permitted any space in the theater at all.

The same right to choose a place, said Cathrein, belongs to the posterity of the first occupants until the theater is full—until the last spot on earth has found an owner. “Such a time, however,” he opines, “is still in the distant future.” Today that future does not seem so distant, particularly if one finds no enchantment in the prospect of settling in the Amazon Basin or the Arctic!

Where population increases greatly, admits Cathrein, ground will not, of course, remain free. But in this world it is not necessary for success that a person be a landowner. The recognition of private property in land is not (as George interprets it as being) equivalent to the contention that some have a better right to exist than others. All men have the same right to live. Yet from this right to live it does not follow that all should have a right to the *actual possession of the same means* of securing their existence. “If it is true that he who calls himself the owner of a piece of ground thereby claims a better right to life, the very same is true of mill-owners, of bankers, of business men.”²¹

What the learned Father seems to have ignored in his comparison is the fact that ultimately production cannot occur without recourse to land (which term, of course, encompasses all natural resources). The industrialist, the financier, the merchant—all perform useful services in the productive process. But they are permitted to perform them only if they pay a tribute to the landowner. What does he do to earn this tribute? He did not produce the land. It existed before him, and his ownership, as such, does nothing to give it economic utility. His sole function, as owner, is to reap the harvest of monopoly.* Thus would George reply to the last argument.

Cathrein, however, has another string to his bow. Confident that he has proved that labor cannot be the *original* title of ownership, he now sets out to demonstrate that it cannot be the *sole* title either.

“If production,” writes George, “gives to the producer the right to exclusive possession and enjoyment, there can rightfully be no exclu-

*See n. 32 to chapter 24 on Msgr. John A. Ryan.

sive possession and enjoyment of anything not the production of labor, and the recognition of private property in land is a wrong. For the right to the produce of labor cannot be enjoyed without the free use of the opportunities offered by nature, and to admit the right of property in these is to deny the right of property in the produce of labor."²²

His assailant seeks to reduce this proposition to absurdity by setting up the following analogy: "The right of a carpenter to the tables he makes cannot exist without the right of freely felling the timber for their manufacture. Hence no one else can have a vested right to a forest."²³ But does this analogy succeed in its objective? After all, the carpenter's cost of producing the tables must include the price of the wood. To the extent that that price includes in turn a payment to the owner of the forest simply in the capacity of owner, is not his right to the tables indeed impaired? Of course, we are assuming here that the timber is not the result of artificial forestation, for in that case it would be a labor product and could not be subsumed under the category of natural opportunity. But if it be virgin, its price, apart from that portion attributable to felling, dressing, and transportation, is clearly an exaction of monopoly.

George, says Cathrein, evidently confounds the right of the produce of labor with the right of producing, that is, of working. Everyone has the right of producing, but if he is not in the possession of any raw material, he must dispose of his labor to another, and then he has the right to wages. "But in this case the produce of his labor belongs not to him, but to the proprietor of the material, who hired him."²⁴

Four years after the original publication of Cathrein's critique of George, much the same reasoning as the above appeared in a historic document signed by his ultimate ecclesiastical superior: Leo XIII's famed encyclical, *Rerum Novarum*. There we read that even though divided among private owners, the earth does not cease to minister to the needs of all, since those who do not possess land can obtain its produce by selling their labor.²⁵ George has a powerful rejoinder to this assertion.

Suppose that to your Holiness as a judge of morals one should put this case of conscience:

"I am one of several children to whom our father left a field abundant for our support. As he assigned no part of it to any one of us in particular, leaving the limits of our separate possessions to be fixed by ourselves, I being the oldest took the whole field in exclusive ownership. But in doing so I have not deprived my brothers of their support from it, for I have let them work for me on it, paying them from the produce as much wages as I would have had to pay strangers. Is there any reason why my conscience should not be clear?"

What would be your answer? Would you not tell him that he was in mortal sin, and that his excuse added to his guilt? Would you not call on him to make restitution and to do penance?²⁶

Proceeding with his polemic against the idea that labor is the sole justification of ownership, Cathrein discusses George's dictum: "When non-producers can claim as rent a portion of the wealth created by producers, the right of producers to the fruits of their labor is to that extent denied."²⁷

"Certainly," he retorts, "*when* this is the case; but it is never the case."²⁸ This astonishing asseveration he bases upon the truism that "the productiveness, or utility of the soil is a decisive factor in the determination of its value or its rent." He thinks that because George says that rent does not arise from the natural capabilities of land, and simply represents the power of securing a part of the results of production, George denies that these natural capabilities have any bearing upon it. "An estate on the Rhine or on the Meuse is much more valuable than one of the same extent in the Eifel or in the Hartz mountains. Why so? To know the reason, one need have made no deep studies in political economy. Any peasant might teach our economist that this fact arises from the greater productiveness of the land watered by the Rhine and the Meuse."²⁹

Yet this caustic sally is to no purpose. For a close reading of the relevant passage makes it evident that George is not claiming that natural utility has no bearing upon rent, but rather that no amount of natural utility can create rent in and of itself. "I may have very rich land, but it will yield no rent and have no value so long as there is other land as good to be had without rent. But when this other land is appropriated, and the best land to be had for nothing is inferior, either in fertility, situation, or other quality, my land will begin to have a value and yield rent."³⁰

But Cathrein is not merely guilty of misreading George; he is also guilty of confusing the productivity of land with that of landowners. Even if George had, as Cathrein imagines, claimed that the utility of land has no bearing upon rent, to refute this claim would not prove that the landowner is responsible for that utility. It is his bare capacity as owner, and nothing that he contributes to productiveness, that gives him the power to extract rent. How much rent he is able to extract will depend upon the land's natural utility as compared to the best free land, but his ability to extract it is wholly the result of his ownership. Thus George writes: "Rent . . . is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase."³¹

Cathrein's next approach is to attempt to show that activities not classed by George as labor also create a valid title to property. He asserts that George interprets the term *labor* to signify only work involved in material production, and accuses him of ignoring the claims of those whose services do not lead to the cultivation or fabrication of material goods. He attributes this restrictive view to the American author for no reason other than that George declines to acknowledge that the exertion (such as it may be) attendant upon mere occupancy creates just title. But surely Cathrein would not classify the exertions of a thief as labor properly so-called, and George considers occupancy at society's expense a form of theft. He is at pains, on the other hand, to make clear that by labor he understands all exertions creative of value, whether material (goods) or nonmaterial (services).³² I am at a loss to explain this curious error on Cathrein's part, for even if George had not explicitly recognized the creation of nonmaterial value as a form of labor, his refusal to accord that dignity to occupancy would scarcely demonstrate a denial of it to intellectual, spiritual, and other nonmaterial efforts. Possibly the Jesuit, overlooking George's insistence upon the interchangeability of goods and services in the market, assumes that since George defines wealth as consisting of material goods, only those whose labor produces material goods are considered by him to have a right to acquire wealth.

Cathrein concludes his assault upon the labor theory by denying that "the amount of a man's temporal possessions ought to depend

on the amount of his labor, either productive or non-productive." Such a principle, he says, demands an impossibility, and therefore cannot be founded on natural right. For "who is to determine how much and how long everybody has worked, or how much each individual's labor is worth or can demand, in order that the distribution of products be just?"³³

George, however, does not think of measuring labor in any such mechanical sense. He is satisfied that the just distribution of products could be achieved by that reciprocal exchange of satisfactions that we call the market, if only the monopoly of natural opportunity were done away with.

According to Cathrein, the alleged impossibility of measuring labor is evidence that the Almighty does not wish equality in earthly possessions. But the labor theory of ownership is not a rationale for equality of possessions. What it calls for is equality of natural opportunity—"a fair field and no favor." It does not seek to level down, or to compensate for differences in genetic endowment; all it asks is the abolition of artificial barriers to the use of the resources supplied by God. Cathrein appears to confuse George with Marx by equating the demand for equality of natural opportunity with the demand for equality of possessions.

Arguments from Theology

His economic and moral arguments complete, the priest moves to strictly theological arguments in the final section of his treatise. However, he begins this section with an excursus on the Irish Question to illustrate his claim that first occupancy gives moral foundation to the permanent proprietorship of land, for he thinks it probable that sympathy with the plight of Ireland had much to do with the formation of George's theory. This conjecture may put the cart before the horse; still, it is not altogether implausible. It was in the context of an editorial on the Irish situation that George, the year before his socioeconomic broodings crystallized in the hills above the eastern shore of San Francisco Bay, first published his belief that every individual has a natural right to land.³⁴

Cathrein does not hesitate to endorse the proposition that the soil of the Emerald Isle has, in great part, been unjustly taken away from the Irish people, and ought to be restored to them. By this, however, he means not that the land should be owned by the Irish as a community, but that the principle of first occupancy gives them the right (usurped by the British) to own it as individual proprietors. "Undoubtedly," he says, "the primitive settlement of the island took place gradually by immigration and propagation. The first families, as soon as they had settled, took possession of a sufficient piece of land as their private property, and those who came after them did the same, until at length the entire island was peopled." Unfortunately for the relevance of this account, historians tell us that Ireland was conquered from its original inhabitants by the Celts beginning around 400 B.C. Most of the modern Irish, therefore, have little better claim to the land on the basis of first occupancy than do the British.

With the Irish Question out of the way, Cathrein devotes his attention in the remaining pages to more narrowly religious considerations. Life on earth, he declares, is but a preparation for the hereafter. Inequality of temporal goods is an important, divinely appointed means for obtaining life eternal. The rich and the poor stand in symbiotic relationship to one another: the existence of each serves to help fit the other for eternity. The rich man needs the poor, not only on account of the services with which their labor provides him, but still more because they afford him occasions for the practice of Christian charity and thus for earning merit toward heaven. The poor man needs the rich to teach him to bow in humility and stretch out his hands for mercy, while his poverty at the same time detaches his heart from earthly things and directs him to the hope of abundance in the life beyond. He who reflects that true piety has to do with motives other than the wish to garner claim-checks on a happy after-life cannot but be spiritually repelled by the low prudentialism of this passage. After reading it, one finds it easy to understand why Marx called religion "the opiate of the people."

Of course, Cathrein protests that he does not mean to plead for pauperism. *Excessive* poverty, he admits, is no less a source of moral corruption than is excessive wealth, and widespread moderate

prosperity is a proper goal of wise social polity. But the complete abolition of involuntary poverty is a foolish because unfeasible enterprise; "the poor you have always with you."

The necessity to work hard for a living, he says, accords with the plan of Divine Providence, and was decreed as a result of Adam's fall. He charges George with wanting to make the masses believe that he has found the means to transform this world into Paradise, fostering useless discontent by misleading them with promises of things impossible.

It must be conceded that George's rhetoric is, in spots, more than slightly overblown. The sober contemporary reader of *Progress and Poverty* would be more comfortable if the program enunciated therein were presented as a method of substantially reducing poverty rather than of wholly extirpating it. And he is not likely to be reassured by the rhapsody in which George identifies the blessings of a triumphant single tax with "the city of God on earth, with its walls of jasper and its gates of pearl!"³⁵ Still, despite this verbiage (which reflects, at least in part, the tastes of the day in which he wrote), George does not promise a utopia where abundance will prevail without toil. On the contrary, he makes exertion the title to ownership—a far more biblical posture than is presented by Cathrein's first-occupancy theory. According to the latter, Adam and Eve should logically, as first occupants, have remained, even after their fall, the proprietors of Eden and its bounty.

Cathrein closes his book with a homily calling for moral and spiritual regeneration as the only basis for social regeneration. "Society must return," he says, "to Christ." Yet how much easier this is for those of its members who are able to affirm with Henry George that God, far from being the author of human misery and want, has provided in the laws of economics, if rightly understood and implemented, the way to a social order marked by justice and freedom of opportunity for all!

Notes

1. Victor Cathrein, *The Champions of Agrarian Socialism: A Refutation of Émile de Laveleye and Henry George* (translated, revised, and enlarged by Rev. J. U. Heinze, S. J.; Buffalo, N.Y.: Peter Paul & Bro., 1889), pp. 82 f.

2. Ibid., p. 77.
3. Ibid., p. 85.
4. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), pp. 171 f. The first edition appeared in 1879.
5. Cathrein, *Champions of Agrarian Socialism*, pp. 79, 85, 88, 89, 91.
6. George, *Progress and Poverty*, p. 194.
7. Ibid., p. 17 and passim.
8. Ibid., pp. 32 f.
9. Cathrein, *Champions of Agrarian Socialism*, p. 95.
10. Ibid.
11. George, *Progress and Poverty*, bk. 3, chap. 6.
12. Ibid., p. 209.
13. Ibid., p. 334.
14. Ibid., p. 336.
15. John Locke, *The Second Treatise of Government*, chap. 2, par. 5. The treatise was originally published in 1690.
16. Cathrein, *Champions of Agrarian Socialism*, p. 106.
17. George, *Progress and Poverty*, p. 337.
18. Locke, *Second Treatise*, chap. 5, par. 27.
19. George, *Progress and Poverty*, pp. 344 f.
20. Cathrein, *Champions of Agrarian Socialism*, p. 107.
21. Ibid., p. 109.
22. George, *Progress and Poverty*, p. 336.
23. Cathrein, *Champions of Agrarian Socialism*, p. 110.
24. Ibid.
25. Leo XIII, *Rerum Novarum*, par. 8.
26. George, "The Condition of Labor: An Open Letter to Pope Leo XIII," pp. 32 f. in *The Land Question* [and Other Essays] (New York: Robert Schalkenbach Foundation, 1953). The pagination in this volume is separate for each essay. George's "Open Letter" first came out in 1881.
27. George, *Progress and Poverty*, p. 336.
28. Cathrein, *Champions of Agrarian Socialism*, p. 111.
29. Ibid.
30. George, *Progress and Poverty*, pp. 166 f.
31. Ibid., p. 167.
32. Ibid., pp. 42, 302 f., and 235–41; George, *The Science of Political Economy* (New York: Robert Schalkenbach Foundation, 1962), p. 325. *The Science of Political Economy*, George's last and slightly unfinished work, was originally published posthumously in 1898.
33. Cathrein, *Champions of Agrarian Socialism*, p. 114.
34. George in the *San Francisco Monitor*, 11 September 1869.
35. George, *Progress and Poverty*, p. 552.

Huxley's Critique from Social Darwinism

By ROY DOUGLAS

The economic doctrines of Henry George attracted the attention of two of the most famous nineteenth-century biologists: Thomas Henry Huxley (1825–1895) and Alfred Russel Wallace. Each of them had played a major part in the development and publicity of Darwinism. Wallace, indeed, had arrived at Darwin's general conclusions quite independently of Darwin. In each case the man's distinction as a biologist guaranteed that his opinions on other subjects would receive serious attention. Wallace was greatly influenced by George, and although his eventual proposals were by no means the same as George's, he held the American's arguments in the highest regard, differing essentially on application rather than principle. Huxley, however, seemed to oppose George almost in toto, and his opposition was based in part on an interpretation or extrapolation of biological evidence—although it was also partly founded on economic, philosophical, or quasi-historical grounds. Some of Huxley's arguments were essentially a repetition, or a development, of the views advanced previously by W. H. Mallock, and these criticisms are examined in the chapter that deals with Mallock.

Biology and Natural Rights

Huxley's biological objections may to a considerable extent be separated from his economic objections; but the former cannot be separated from his attitude to philosophical problems like the existence of "natural rights," or from his criticisms of other authors—notably Jean Jacques Rousseau—who had written about "natural rights" and about land, and whose views on both subjects bore some relationship to those of George. Huxley, indeed, considered that "the doctrine of 'natural rights' is the fulcrum upon which [George], like a good many other political philosophers, during the last 130 years,

rests the lever wherewith the social world is to be lifted away from its present foundations and deposited upon others.”¹

Huxley's disagreement with George is therefore expressed partly in attacks on Rousseau. Some of his objections were advanced in a correspondence with Herbert Spencer in *The Times* of November 1889, while his views were more fully developed in a series of articles that appeared in the *Nineteenth Century* not long afterward and were eventually reprinted in his *Collected Essays*.²

Huxley was a very lucid, but also a very prolix, writer. His essential “biological” arguments could be summed as follows: Men are not in any meaningful sense equal. *Natural rights*, in the ordinary sense of the term, do not exist; the only sense in which a man, or any other creature, possesses a “natural right” is that he has the “natural right” to do whatever he is capable of doing. Therefore, any economic or social theory that is based on the idea either that people are equal or that they possess *natural rights* (as the term is usually employed) is vain. Insofar as the theory of Henry George is based on the contention that all men possess natural and equal rights, it is valueless.

Huxley's essay “On the Natural Inequality of Men” is specifically directed against Rousseau, but also by implication against George and others who advanced “the revived Rousseauism of our day”—which in Huxley's view, “is working sad mischief, leading astray those who have not the time, even when they possess the ability, to go to the root of the superficially plausible doctrines which are disseminated among them.”³ From whose point of view, or on what moral basis, this “revived Rousseauism” was “working sad mischief” was not explained; presumably Huxley meant that it was in some way inimical to the general prosperity, perhaps the physical survival, of the human race. The doctrine that Huxley attacked, and that he claimed to see in Rousseau's *Le Contrat social* and his *Discours*, was as follows:

1. All men are born free, politically equal, and good, and in the “state of nature” remain so; consequently it is their natural right to be free, equal, and (presumably their duty) to be good.
2. None can have any right to encroach on another's equal right. Hence no man can appropriate any part of the common means of subsistence—that is to say, the land, or any thing which land

produces—without the unanimous consent of all other men. Under any other circumstances, property is usurpation, or, in plain terms, robbery.

3. Political rights therefore are based upon contract; the so-called right to conquest is no right, and property which has been acquired by force may rightly be taken away by force.⁴

Part of the foregoing, of course, is no part of George's doctrine, and would probably have been repudiated by George; yet some of the ideas of Rousseau are evidently present in George's teaching.

"What" demanded Huxley, "is the meaning of the famous phrase that 'all men are born free and equal. . . ?'" The only "equality" that newly born babies possess is the "equality of impotence." Furthermore,

In what conceivable state of society is it possible that men should not merely be born but pass through childhood and still remain free? Has a child of fourteen been free to choose its own language and all the connotations with which words become burdened in their use by generation after generation? Has it been free to choose the habits enforced by precept and more surely driven home by example? Has it been free to invent its own standard of right and wrong? Or rather has it not been as much held in bondage by its surroundings and driven hither and thither by the scourge of opinion as a veritable slave?⁵

Like all forms of determinist philosophy, this line of argument seems to lead to the conclusion that the philosopher himself is also determined, and that the conclusions that he reaches are therefore the product of his predetermination and not of the free exercise of his reason. But we must follow Huxley's contentions further.

Not only are people not free, Huxley tells us, but they are also not equal.

Among a body of naked wandering savages . . . there may be no property in things, but the witless man will be poverty-stricken in ideas, the clever man will be a capitalist in the same commodity, which in the long run buys all other commodities; one will miss opportunities, the other will make them and, proclaim human equality as loudly as you will, Witless will serve his brother. So long as men are men and society is society, human equality will be a dream; and the assumption that it does exist is as untrue in fact as it sets the mark of impracticality on every theory of what ought to be, which starts from it.⁶

In this passage, as far as it goes, Huxley is surely on solid ground; for all ordinary experience demonstrates that human capacities and other attributes differ enormously. His criticism, however, is of loose English rather than of loose ideas. The usual sense in which the word *equal* is applied to men is that they are (or should be) equal before some sort of tribunal: that they are, for example, equally important in the eyes of God; or that they should have equal access to a human court of law, which will judge their causes according to precepts that were laid down before their particular claims were formulated.

If Huxley's attack on the "natural right" to "freedom" and "equality" seems to challenge many established notions at their very root, his attack on "natural rights" is pressed elsewhere to even more disturbing lengths. In his essay "Natural Rights and Political Rights," Huxley appears to see men and tigers as part of a common order of nature that is indeed as the poet said, "red in tooth and claw." They are invested with equal rights to destroy, or to inflict pain upon, each other:

If, then, we deny that tigers have a natural right to torment and devour men, we really impeach not the conduct of the tigers, but the order of nature. And if we ourselves, with our notions of right and wrong, are, like tigers, the products of that order, whence comes our competence to deny the existence of their natural rights to those beings who stand upon the same foundation of natural rights as ourselves? To say that a thing exists in nature, and to say that it has a natural right to existence are, in fact, merely two ways of stating the same truth; which is that, in nature, fact and justification of the fact, or, in other words, might and right, are coextensive.⁷

Just as there is no absolute tribunal to which a man and a tiger may appeal, so also is there no absolute tribunal to which two men with conflicting interests may appeal. Suppose, Huxley argues, Robinson Crusoe and another man (whom he calls Will Atkins) have both been shipwrecked on an island, and they happen to be stalking the same goat. They are "in a position identical with two tigers in the jungle slinking after the same Hindoo, so far as the law of nature is concerned. And if each insisted upon exerting the whole of

his natural right, it is clear that there would be nothing for it but to fight for the goat."⁸

This may appear to lead to a totally anarchic condition of affairs, in which every man is constantly at war with every other man: a condition that would clearly not conduce to the survival of the human race. Huxley, however, tries to save us from that situation:

The two men would, in reality, renounce the law of nature, and put themselves under a moral and civil law, replacing natural rights, which have no wrongs, with moral and civil rights, each of which has its correlative wrong. This, I take it, is the root of truth which saves the saying of Paul of Tarsus that "sin came by the law" from being a paradox. The solitary, individual man, living merely under the so-called "law of nature" which cannot be violated and having rights the contradictions of which are not wrongs, cannot sin.⁹

Whether this is really very different from Rousseau's own idea of a "social contract" is perhaps open to doubt. The real problem, however, concerns the question of sanctions. Suppose that Crusoe and Atkins freely agree to some law that will govern the future killing and eating of wild goats on the island, and one of them later violates that agreement. Before what court, and on what ground, should complaint be made? If the offender denies his offence, how may it be proved against him? What remedy should the aggrieved party seek against the other, and how may he enforce it? Huxley's argument seems to imply that, whereas a man may rob or kill another without any turpitude in the absence of contract, yet the establishment of a contract produces a relationship so binding that it is inconceivable that any man should break it.

More difficult still is the situation that arises when a third man lands on the island. Is there any sense in which the Crusoe-Atkins agreement is morally binding on him? Lawyers are usually reluctant to see a *jus tertii* arising out of a contract; yet Huxley seems to imply rights and obligations that will govern all future inhabitants of the island—all springing from the original agreement, and all of such a compelling nature that it is inconceivable that they will be violated.

Thus Huxley's attempt to erect a system of contractual rights in place of "natural rights" must collapse. If his view about the invalidity

of “natural rights” is to be taken seriously, then the moral for those who feel themselves aggrieved by existing arrangements is clear enough. As one of Huxley’s contemporaneous critics very neatly put it: “All these witty similes about the right of the tiger to eat the Hindoo and that of the Hindoo to shoot the tiger are summed up in that simple argument, very natural in the mouth of the great biologist, that the only right is that of the stronger. To avoid all discussion let us accept that proposition and let us ask Mr. Huxley if he contests the natural right of the people to their soil if they are strong enough to take it from the minority which now has got possession of it.”¹⁰

A philosopher would probably say that Huxley’s arguments have not really struck at the notion of “natural rights” at all; what Huxley has done is to show that many writers have used the term loosely and without sufficient thought. The existence or otherwise of “natural rights” is, however, hardly the problem. Unless most people in a society accept, however tacitly, that some sort of “natural rights” exist that must be respected even when they run counter to people’s own interests, then the alternative seems to be a chain of violence extending throughout the whole human future: a future that, on that particular hypothesis, is not likely to be a very long one. It is perhaps useful at this stage to make a substantial digression to see what, if anything, may be done to save mankind from supervening chaos if we follow Huxley in discounting “natural rights” and yet cannot accept the alternative ethical system that he offers.

The bearing of Rousseau upon George is oblique. Rousseau’s ideas of “natural” equality and rights were much in vogue at the time of the American Revolution. Though Jefferson was no slavish follower of Rousseau, there is surely a Rousseauesque flavour in the rhetoric of the Declaration of Independence: “We hold these truths to be self-evident: That all men are created equal, and that they are endowed by their Creator with certain unalienable rights. . . .” This almost took on the character of infallible Holy Writ for patriotic Americans. George, though writing a century later, proudly proclaimed himself a “Jeffersonian Democrat” and stood fully in the tradition of the men of 1776. The religious views of George were far more orthodox than those of either Rousseau or Huxley, and he would probably have seen the source of “natural rights” in the fiat of God. George, and

probably the men who framed the American Constitution, would have meant by the word *equal*, "with souls equally valuable to God." Huxley's criticisms only concerned deductions drawn from secular reasoning. He does not discuss the possibility that the men may be restrained from fighting over the goat because God has implanted in each of them a moral consciousness that—in certain circumstances at least—is powerful enough to hold them from each other's throat. This intellectual position, whether correct or not, is logically unassailable.

Yet, whether a system of natural rights may be derived from a theological basis or not, both Huxley's society and ours contain many people who doubt or deny the validity of that basis. Such a society cannot long survive unless there is some alternative means of persuading people to forgo their own apparent advantage for the benefit of others.

Even before Huxley's critique had been written, another writer, Samuel B. Clarke, sought by a different line of argument to defend the basis to which George appealed:

So many fantastic schemes have been put forward in the name of man's natural rights that there is, undeniably, some excuse for the incredulity with which propositions purporting to have that basis are frequently met. But a little reflection will be apt to lead to a universal admission that the standard of rights to which George appeals is valid. Little children in their play vaguely perceive and roughly act upon it in adjudging some of their fellows fair and others unfair. Our conduct in matters outside the domain of positive law in a social club for instance, is governed by it. In desperate emergencies, as at Cape Sabine, we unflinchingly exact the forfeiture of life itself from the man who will not conform to it.¹¹

No doubt the modern psychologist would look with some suspicion at any evidence about absolute ethics that derives from such sources as those discussed above. The anthropologist would probably go further still, and tell us that there are some societies where a particular act is forbidden, and other societies where precisely the same act is not merely permitted, but is actually regarded as obligatory. Yet, in spite of all these difficulties, the idea of "fairness" and "unfairness" is almost universally held, and the great majority of human beings seem to agree in the great majority of circumstances

as to whether a particular act is fair or not. Huxley himself gives curious and oblique evidence of this, for some of the criticisms he advances against George really amount to the contention that George was morally as well as logically at fault in advancing certain arguments, or advancing them in certain ways: that George, in fact, was being "unfair." At one point Huxley's sense of moral rectitude is so outraged that he can scarcely keep his temper: "The political philosopher who uses his *a priori* lever, knowing that he may stir up social discord, without the most conclusive justification, to my mind comes perilously near the boundary which divides blunders from crimes."¹²

In fact, this wrangle over "natural" rights is of very little significance either to George's case or to Huxley's. It seems strange that Huxley should have bothered to spin out far-fetched and unconvincing myths about marooned mariners and dead goats in order to derive a basis for social behaviour, when a perfectly simple biological explanation lay at his elbow. In man, as in other social animals, individuals frequently exhibit a kind of behaviour that evidently runs counter to the interest of the particular creature concerned, but is of value to the species as a whole. A parent, for example, will often defend its child against a dangerous enemy, at risk to the parent's life, when the parent could easily have made good its own escape by abandoning the child. Often far more complex patterns of "unselfish" behaviour may be observed. Social hymenoptera, for example, will sting an assailant to their hive, even though the particular individual who does the stinging is always likely, and in some species certain, to die as a result. There is every reason to believe that these behaviour patterns are the products of natural selection; they have been preserved because they have proved of advantage to the species, even though of disadvantage to the individual who displays them.

Just as a man is likely himself to practice certain kinds of "unselfish" behaviour, so also does he expect others to conform to the code that he would follow (or thinks he would follow) in comparable circumstances. Whether we call all this a recognition of "natural rights" possessed by others, or whether we call it no more than a common pattern of behaviour preserved by natural selection, is a matter of

vast philosophical significance but singularly little practical importance from the point of view of those who need to pronounce on the organization of society. Mankind, it seems, has been saved from the social collapse that seemed to confront him, not by the philosophy of either George or Huxley, but by his genetic constitution, which disposes him in some ways to cooperate with his fellows.

While Huxley really should have recognized the biological basis of intraspecific cooperation, there is another limb of his "Social Darwinism" that might seem to bring him into conflict with George: his emphasis on the importance of intraspecific competition. This argument is not set out with great clarity by Huxley in the particular works that we are here examining, although it had been put so clearly elsewhere that he might reasonably have assumed that the reader would already be familiar with it. It appears to me, however, that this element of "Social Darwinism" explains, more than anything else, why Huxley took general issue with George. Competition between individuals within a biological species is essential to provide that steady biological "improvement" of the species that is necessary for its numerical increase and even for its continuance. This competition produces what is often tautologically described as *survival of the fittest*—an unfortunate term, for the only test of "fitness" is survival power. We may perhaps avoid the tautology by arguing that intense competition between members of a species (including man) would be likely to result in the selective survival of individuals possessing characteristics like physical strength or intellectual ability; while, *ceteris paribus*, individuals not possessing those characteristics would be less likely to survive and leave progeny. If, however, the "weaker" members of human society were preserved by the mitigation of gross poverty—a condition that George and most other social reformers envisaged—then the eugenic effect would be reduced, or even totally destroyed.

The crude and violent logic of this argument, however, depends on the assumption that "desirable" hereditary characteristics are on the whole possessed by the wealthier members of the society and the "undesirable" hereditary characteristics by the poorer members. Happily, however, there seems singularly little evidence that this is the case in civilized human societies, and we are therefore spared

some highly unpalatable moral dilemmas. In the vast majority of animal species, the parents of a new individual afford it no sort of special protection once it has reached adulthood. By that time, if not long beforehand, the one gift it retains from the parents is its assembly of genes. In man, however, the effect of economic inheritance is that advantages secured in one generation may be retained for many succeeding generations, and give the possessor a much greater chance of surviving and leaving progeny than would otherwise be the case. This condition prevails whether the succeeding generations retain the biologically desirable characteristics or not.

Thus a large proportion of the people who have occupied positions of high social rank seem to have possessed no recognizable characteristics—intellectual or physical—in any way above the ordinary. Indeed, there are various cases where biologically heritable characteristics of a positively harmful nature (such as haemophilia) have been preserved only because their possessors happened to live in cosseted conditions. Conversely, an intellectual genius arising as a mutation in (for example) a peasant community, or a community of nineteenth-century laborers, would be less likely to survive than an individual less well endowed—if for no other reason than because high mental qualities are not usually consistent with a capacity to perform dull and repetitive work that his station in life demanded. This particular interpretation of “Social Darwinism,” in other words, is not only a very unpleasant doctrine from the point of view of those who happen to be its victims, but also one whose justification, even on the most strictly biological grounds, is dubious in the extreme.

Even if the existence of “natural rights” were conceded, Huxley would apparently disagree with those particular “natural rights” that George claims to perceive. *Progress and Poverty* is quoted: “What constitutes the rightful basis of property? What is it that enables a man to say justly of a thing, ‘It is mine’? Is it not primarily the right of a man to himself, to the use of his own powers, to enjoyment of the fruits of his own exertions?”

Huxley argues that a man’s qualities are very largely the product, not of his own efforts, but of the efforts of others.

So that the man’s right to himself and to all his powers and to all the products of his labour, which [George] makes the foundation of his system,

turns out, if we follow another fundamental proposition of the same author to its logical conclusion, to be a right to a mere fraction of himself and to the exercise of the powers which exclusively belong to that fraction. Surely it would take a greater sage than Solomon to settle the respective claims of mankind in general, the mother and the educators, to the ownership of a child, and when these were satisfied what might remain in the shape of a right to himself would be hardly big enough to form a safe basis for anything, let alone property.¹³

This consideration seems to lie at the root of Huxley's confusion between "land" and "capital," which I discuss in the chapter on Mallock. Huxley takes an almost mystical view of "capital," which has been summarized recently by Charles F. Collier:

Huxley's argument was that all life on earth presupposed a prior accumulation of capital. A nursing infant, for instance, was said to "borrow" "capital" from its mother's "savings." In all cases, grass and green plants are the basis of food because, unaided by human labor they produce the basic "work-stuff," the material which provides the energy to do work. "The one thing needful for economic production is the green plant, as the sole provider of vital capital from inorganic bodies." But even green plants need sunlight to grow. That led Huxley to conclude that the sun is "the primordial capitalist as far as we are concerned."¹⁴

Capital, as Huxley uses the term, thus covers a large part of what George and most other economists include in their definition of *land*, and that they distinguish completely from *capital*. Yet ordinary experience suggests that the exertion of labor upon land does produce a thing, "capital," to which the man who exerted the effort possesses a higher title than does the generality of mankind. If a savage cuts a stick, fashions it into a hook, and uses that hook for pulling down wild fruit—then has not that particular savage some moral right of complaint against another man who takes it from him? Is that complaint any less valid because the first savage, the thief, the hook, and (for that matter) the fruit all depend on solar energy for their existence?

Theoretical and Practical Problems of Georgism

To Huxley, the practical problems were no less grave than the moral ones: "It is a necessary condition of social existence that men should

renounce some of their freedom of action; and the question of how much is one that can by no possibility be determined *a priori*. That which it would be tyranny to prevent in some states of society it would be madness to permit in others."¹⁵ Huxley's theoretical and practical objections to George on this score are conveniently considered together.

George, of course, nowhere confutes either the need for some freedoms to be renounced as "a necessary condition of social existence," or the proposition that this necessary quantum will vary widely through time and space. The only serious problem is who should determine the quantum required. Huxley seems to imply that it should be decided by some kind of aristocracy or otherwise privileged individuals. He cites the powers of the Roman *paterfamilias* and the claim that is made by the state for taxes, or for military service, as demonstrations that "society's existence turns on the fact that its members are not exclusive possessors of themselves." Yet Huxley also seems to realize that this line of argument has more dialectical force than real substance: "However, there is no greater mistake than the hasty conclusion that opinions are worthless because they are badly argued. The principle that 'the exertion of labour in production is the only title to exclusive possession' has a great deal to say for itself if we only substitute 'may be usefully considered to be a' for 'is the only.'"¹⁶

No harm will be done to George's essential case if we accept Huxley's rephrasing. The argument that men need to renounce some "rights to themselves" as a condition of living in a society must be used with some caution. The presumption, surely, must be that a man has a right to freedom, and to the possession of those things that he has made himself, or has derived by free agreement from those who have. We must go with Huxley in his contention that these rights may sometimes be displaced; but the *onus probandi* lies heavily on the shoulder of him who disputes that claim to possession, not on the man who seeks to defend it.

Here it is perhaps useful to employ a legal parallel. A man who holds a thing is presumed to have a good title to it; the burden of displacing that title lies on the man who challenges it. Even a thief has some title to a stolen chattel; his title, in fact, is good against

anyone but the rightful owner; and a third person who without authority takes it from the thief is himself guilty of larceny. Likewise, we may well accept that a man's qualities are largely—even mainly—the products of the efforts of other people. This, however, does not even give “society” as a whole, much less some particular individual who professes to embody the claims and interests of society, the right to take that thing away, unless it is possible to show that he who does the taking away has a better title than the possessor. For reasons already considered, the mere occupation of high office in no way raises the presumption even of biological superiority, let alone that the incumbent possesses altruistic concern for others in the society.

Or perhaps the argument might be put another way. Every man, it is true, has derived benefits, and even his personal qualities, from others; but it is also true that each man has given benefits to others, and contributed to their qualities. Because it is impossible to draw up a satisfactory balance-sheet, the most simple and practical device is to presume that everyone is entitled to those things that he has made, unless it can be shown that some other particular individual is better entitled; or unless it can be shown that compelling reasons exist for the view that the general interest of the whole community really does require that the possessor should be deprived of his possession. In any case, it is very important to distinguish sharply between the true interests of the “society,” and the personal convenience—or greed—of those who happen to rule that society.

The tenor of Huxley's argument hereafter is not wholly clear, but he seems to be implying that a priori moral or economic reasoning is so fallible that the best pragmatic rule is to defend as absolute not merely existing titles to things, but also existing powers and privileges. In this he seems to be moved, not so much by any strong conviction that existing arrangements are particularly desirable in themselves, but rather by fear that any deliberate disruption of the existing social order, whether in obedience to George or to anyone else, is likely to present unforeseeable, and probably unpleasant, consequences—not least because it is exceedingly difficult to formulate governing principles for such a society that would be generally accepted. This may well be true. Yet already in Huxley's time, and far more so in our own, large numbers of people have come to

challenge the existing distribution of wealth. That challenge would assuredly have been made without assistance from Rousseau, from George, or (for that matter) from any other thinker whose name we may specify; and, for weal or woe, that challenge will assuredly continue to be made. In one sense, it is more the product of technology and science than of any economic or philosophical thinking. Huxley, as we have seen, angrily assails "the political philosopher who uses his *a priori* lever, knowing that he may stir up social discord"; what he fails to appreciate is that the social discord owes singularly little to George or to any other political philosopher. What led to "social discord" was the visible fact of economic change, in the wake of accelerating industrialism; economic change, which caused men to wonder whether the whole order of society, as well as the production and distribution of goods, might not be susceptible of alteration through conscious human effort. In most preindustrial societies, the passage from one class to another was reserved for a few who combined exceptional capacity with exceptional luck, and the great mass of mankind will readily believe:

The rich man in his castle
The poor man at his gate,
God made them high or lowly
And ordered their estate.

With industrialism, many people found social roles changing rapidly, and began to ask whether those roles could not be changed further.

Yet one is left with the impression that Huxley, in his eagerness as a controversialist, had misunderstood the implications of George's teachings; indeed, if he had understood them better, Huxley might well have found himself in a considerable measure of agreement. If Huxley's "Social Darwinism" meant that the "unfit" should be so ground down in poverty that they, or their progeny, would meet untimely deaths, then it was surely anathema to George's humanitarianism as well as his economics. But if Huxley's "Social Darwinism" was primarily concerned to ensure that those who were possessed of exceptional qualities should be enabled to move speedily up the social scale into positions of leadership, to the advantage of them-

selves, and ultimately of mankind as a whole, then assuredly this was completely on all fours with George's libertarian approach. Not least of the deplorable features of the economy against which George inveighed was the manner in which it preserved the "unfit" in high social positions, and deprived many others of the opportunity to reach positions where their capacities would be fully utilized. The logical development of Huxley's biological approach was not to defend a system that not merely offended against the growing moral consciousness of his time, but was also palpably inviable; rather should he have sought to canalize the forces of change into directions that would preserve and accentuate opportunity and beneficial competitor.

What George surely demonstrated was that the existing land system, by arbitrarily excluding some individuals from those natural resources that are essential to the full exercise of their capacities, acted not merely as an obstacle to them, but also as a hindrance to mankind as a whole. Nor is it necessary, in order to remedy that cause of complaint, that each individual should have personal access to natural resources—provided that those who do have access compensate the remainder by paying into some common fund the market value of the benefit they receive. This demonstration promoted one of George's arguments in repudiation of the *prima facie* presumption in favor of existing titles to land. George, it is important to remember, was in no sense a socialist. He demanded *la carrière ouverte aux talents*; he never preached the disastrous doctrine that social reformers should attempt to establish a dead level of possessions between men whose aptitudes of application were different from each other. *Progress and Poverty* was a book designed to show that certain proposals would dispel poverty, but George's essential arguments could have been directed just as well to people whose principal concern was to ensure the best utilization of human capacities, wherever they might appear, in order to stimulate the advance of all mankind.

Whatever may be said against private ownership of land on the grounds that we have just been considering, the landowner might perhaps be able to defend his title on a different basis, if he could show that land ownership was in all essentials similar to the

ownership of chattels. George, like many land reformers, considered that land, unlike chattels, had been common property in early society; that existing land titles were effectively rooted in ancient theft. To this Huxley retorts: "Almost all parts of the world and almost all societies, have yielded evidence that, in the earliest settled condition we can get at, land was held as private and several property, and not as the property of the public, or general body of the nation."¹⁷ Unfortunately, Huxley does not proceed to adduce examples in support of this striking statement. I at least must confess myself quite mystified as to the source of the substantive information. The Sumerians, for example, seem to have taken the view that land belonged to the tribal gods. The Hebrew Scriptures set in the mouth of the Almighty the unambiguous assertion: "The land shall not be sold for ever, for the land is Mine; for ye are strangers and sojourners with Me."¹⁸

In early Roman law the disposal of *res mancipi*—a category including land, but also certain other things—could take place only by a special process that was not necessary for *res non mancipi*. In English Common Law, ownership of land is still vested only in the Crown. The highest title that a subject may possess—a fee simple—is now for all practical purposes tantamount to ownership, but originally this was not the case, and the subject was required to render services or goods to the Crown in consideration of his title to land. In the Scottish Highlands, the system of runrig, by which grazing land was common, and arable land was periodically reallocated among the clansmen, persisted right into the nineteenth century. Comparable examples may be quoted freely from other societies. Broadly speaking, the further back a country's legal system is traced, the sharper becomes the distinction between land and other kinds of property, and the clearer the recognition that no particular man had a better title to own land than any other, save insofar as he was rendering some special service to the community as a whole in consideration of that title.

When Huxley proceeds to amplify his own views of early landholding, he declares: "The particular method of early landholding of which we have the most widespread traces is that in which each of

a great number of moderate-sized portions of the whole territory occupied by a nation is held in complete and inalienable ownership by the members of a family or a small number of actual or supposed kindred families . . . These circumstances were in the main . . . that there was plenty of land unoccupied; that population was very scanty and increased slowly . . .”¹⁹

If, contrary to present indications, the validity of Huxley's contentions about early landholding be established, it will be observed that the workings of that system turned on there being “plenty of land unoccupied.” In that case it would not be a matter of great importance whether the “complete and inalienable ownership” of cultivated sites was recognized or not, for the landless man could always secure as much land as he wanted for the mere taking; while, conversely, there was no advantage for a family to hold any more land than its own members could work. The evil against which George protested was a system under which some men owned far more land than they could work, and others were almost or completely without land. While the matter on which Huxley and George disagree is of historical interest, they seem both to accept the practical and vital point that within early societies all men had access to as much land as they required.

Yet, while George confutes the morality of the landowner's original title, he does not regard this as good enough reason, in itself, for overriding the claim of the present incumbent. This point is discussed admirably in his second great book, *The Irish Land Question* (1881). If, argues George, I am able to prove that the remote ancestor of another man robbed my own remote ancestor of some money or chattel, this does not give me a reasonable claim against the title of the present holder. Conversely, however, if the profession of the remote ancestor was piracy, it does not give his descendant the right to continue the business, even though the intervening generations have done so. “The past is forever behind us,” wrote George. “We can neither punish nor recompense the dead. But rob a people of the land on which they must live, and the robbery is continuous. It is a fresh robbery of every succeeding generation—a new robbery every year and every day; it is like the robbery which condemns to

slavery the children of the slave. To apply to it the statute of limitations, to acknowledge for it the title of prescription, is not to condone the past; it is to legalize robbery in the present, to justify it in the future . . . ”²⁰

A more serious moral difficulty confronts the land reformer when he comes to face the next question: if the landowner has no moral right to the economic rent of land—then who has? Huxley quotes George’s magisterial declaration: “The Almighty, who created earth for men, and men for the earth, has entailed it upon all the generations of the children of men by a decree written upon the constitution of things—a decree which no human action can bar and no prescription determine.”²¹

Huxley does not so much challenge George’s hypothesis as draw his own conclusions therefrom: “Hence it follows that the London infant has no more title to the Duke of Westminster’s land, and the New York baby no more to Messrs. Astor’s land, than the child of a North American squaw, of a native Australian, or of a Hottentot.”²²

W. E. H. Lecky, in the somewhat later work *Democracy and Liberty*, embellishes and develops Huxley’s point. Referring to the condition in the United States, he observes:

It is at least quite certain that the original owners of the soil whoever they may have been, were not the members of the Anglo-Saxon race. If there is no such thing as prescription in property; if violent dispossession in a remote and even a prehistoric past invalidates all succeeding contracts, the white man has no kind of title, either to an individual or to a joint possession of American soil. The sooner he disappears, the better. Against him, at least, the claim of the Red Indian is invincible.

But in truth the principle of Mr. George may be carried still further. If the land of the world is the inalienable possession of the whole human race, no nation has any right to claim one portion of it to the exclusion of the rest. . . . And what possible right, on the principle of Mr. George, have the younger nations to claim for themselves the exclusive possession of vast tracts of fertile and almost uninhabited land, as against the teeming millions and the over crowded centres of the Old World?²³

Not without force, Huxley points out that many landless Britons, who joyfully acclaimed George’s assertion that they were entitled to a share in the land currently owned by a small indigenous class, would have repudiated with considerable indignation the con-

tention that people of other nationalities had a claim equal to their own.

This line of criticism has been examined in particular by two writers, one a contemporary of Lecky and Huxley, the other modern. Max Hirsch, writing in 1901, declares that: "Admitting that all men, without distinction of race or colour, have equal rights to all the earth, it by no means follows that none of them may take possession of any part of it; what does follow is, that no one of them may take more than his equal share of land, without compensating all others for the special privilege which he assumes."²⁴

Perhaps the purist would challenge the implication that only men with "more than [their] equal share of land" ought to compensate the others, but the general argument is at least consistent with George's proposals insofar as they concern the internal arrangements of states. George does not seek to displace existing landowners from their holdings; he merely asks that they should pay the community for the benefits that they receive, through a tax on land values.

Hirsch goes on to argue that "if all mankind formed one social body, the contention would be true, that this social body must frame regulations safeguarding the equal rights of all men to the use of the whole earth. As long, however as men are associated in several and distinct social bodies, justice is satisfied, if each of these social bodies frames regulations safeguarding the equal rights of all its members to all the land which each of these social bodies controls. As between the members of each social body, justice requires such regulations to be framed, whether they are or are not equally framed by other social bodies."²⁵

Robert V. Andelson, writing in 1971, develops this theme a little further:

While the application of Lecky's argument might give every Mauritanian Bedouin and Albanian peasant a moral share in the wheat-lands of Kansas, it would also give every Swiss banker and Scottish shipbuilder a moral share in the oilfields of Iran. Lecky's objection, however, possesses only *prima facie* validity. That is to say, it would be valid if all mankind were a single covenant community in which respect for rights was everywhere and equally implanted. Since this is not and will not be foreseeably the case, the covenant community, where it exists, can only protect itself from dissolution by insisting upon territorial sovereignty.²⁶

Hirsch used a further argument, which was losing validity even in his own day and has now become even more questionable. The young nations, he suggested, "prefer no claim to . . . exclusive possession, in the only sense in which the term can be legitimately used here; i.e., that they deprive the members of the older nations of the use of such land. Unable, even if they were willing, to bring the land which they control to the inhabitants of the older world, they have no objection to the latter coming to that land; nay, are anxious for them to do so. When, therefore, they have appropriated rent for common purposes, they will have recognised the equal right of all men to their land."²⁷

Andelson, with the baleful record of the intervening seventy years before him, sees this condition as an ideal rather than an actuality: "If the inhabitants of poorer regions are not arbitrarily excluded from immigration, their right is afforded the fullest possible recognition consistent with the geographically-uneven social progress of the race."²⁸

Modern experience had laid much stress on the essentially inequitable distribution of land between nation-states, and the tremendous influence of quite accidental considerations, like the discovery of minerals, on the prosperity not merely of individuals or classes, but of whole communities. Furthermore, nation-states of economic blocs have become less and less willing to accept immigrants from outside during the course of this present century; indeed, they have often set restrictions on the free movement of ethnic groups among their own subjects. In an absolute sense, there can be no convincing defence for the proposition that nation-states are entitled to arrogate the economic rent of land for their own exclusive use—particularly when those nation-states deny outsiders free access to their resources. The argument in favor of the collection of land rent by nation-states is not that it is an ideal arrangement for the whole future of mankind, but that it represents a very great improvement upon the present condition of affairs. Yet it seems to carry the implication that the more fortunate nation-states have some kind of moral obligation toward others who are less well endowed.

Huxley and Mallock's Critiques Compared and Contrasted

The writing of Huxley leaves us with a curious impression of the man, very different indeed from that which we receive of Mallock. Huxley was a controversialist so committed—so bitter, even—that although in one sense he was a sincere and fearless seeker after truth, yet, once he had entered a quarrel he took Polonius's famous advice completely to heart. The winning of that immediate controversy became for him a more important matter even than the furtherance of the ideas that lay at the root of his social thought.

I have written of Mallock that he won some battles against George, but lost the war. The same could be said of Huxley, though in a very different sense. Mallock started from principles irreconcilable with those of George. He lost his war because he was fighting on the wrong side. Huxley lost his war, at least in the biological field, because he took issue with a man who need not have been treated as an enemy at all; because he entered a wholly unnecessary conflict through a mistaken understanding.

Notes

1. T. H. Huxley, "Natural Rights and Political Rights," *Collected Essays* (1890; London: Macmillan, 1894), 1:338.
2. T. H. Huxley and Herbert Spencer correspondence, *The Times*, 7, 11, 12, 15, 18, 19, 21, and 27 November 1889. Huxley, "On the Natural Inequality of Man," *Collected Essays*, 1:290 ff.; "Natural Rights and Political Rights," *ibid.*, pp. 336 ff.; "Capital the Mother of Labour," *Collected Essays*, 9:147 ff.
3. Huxley, "Inequality," *Collected Essays*, 1:295.
4. *Ibid.*, pp. 304–05.
5. *Ibid.*, pp. 305–07.
6. *Ibid.*, p. 309.
7. Huxley, "Natural Rights," *Collected Essays*, 1:345–46.
8. *Ibid.*, p. 354.
9. *Ibid.*, p. 355.
10. Michael Flürscheim, "Professor Huxley's Attacks," *Nineteenth Century* 27 (1890): 639 f. and 648.
11. Samuel B. Clarke, "Criticisms upon Henry George, Reviewed from the Stand-Point of Justice," *Harvard Law Review* 1, no. 6 (1887–1888): 265–93, at 266–67.
12. Huxley, "Natural Rights," *Collected Essays*, 1:362.

13. Ibid., pp. 366–67.
14. Charles F. Collier, “Henry George’s System of Economics: Analysis and Criticism,” Ph.D. dissertation, Duke University, 1975, pp. 127–218.
15. Huxley, “Natural Rights,” *Collected Essays*, 1:356.
16. Ibid., p. 369.
17. Huxley, “Inequality,” *Collected Essays*, 1:323.
18. Leviticus 25:23.
19. Huxley, “Inequality,” *Collected Essays*, 1:324, 327.
20. Henry George, *The Land Question* [and Other Essays] (New York: Robert Schalkenbach Foundation, 1965), p. 51. This work was originally published as *The Irish Land Question*.
21. Huxley, “Natural Rights,” *Collected Essays*, 1:380–81. The quotation is from an early edition of *The Land Question* and corresponds, with minor differences in wording, to a passage on p. 52 of the edition used here.
22. Ibid.
23. W. E. H. Lecky, *Democracy and Liberty* (London: Longmans Green & Co., 1896), 2:293–94.
24. Max Hirsch, *Democracy versus Socialism* (London: Macmillan, 1901), p. 362.
25. Ibid., p. 362.
26. Robert V. Andelson, *Imputed Rights* (Athens, GA: University of Georgia Press, 1971), p. 110.
27. Hirsch, *Democracy versus Socialism*, p. 363.
28. Andelson, *Imputed Rights*, p. 110.

Rae: A Journalist Out of His Depth

By AARON B. FULLER

John Rae (1845–1915) was a successful British journalist and author who is best known to students of economics as Adam Smith's principal biographer.¹ For many years he was associated in an editorial capacity with *The Contemporary Review*, which was one of the leading British journals of fact and opinion. In addition to these activities and dozens of articles in *The Contemporary Review* and the *British Quarterly*, he wrote *Eight Hours for Work* (1894) and *Contemporary Socialism* (1884). It is in this latter work, which was so successful that it went through four editions (1884, 1891, 1901, 1908), that Rae turned his literary talents to describing and criticizing “the two main types of existing social democracy—the Centralist, which is usually known as Communism, Socialism, or Collectivism, and the Anarchist, which—though also Communist, Socialist, or Collectivist—is generally known as Anarchism or Nihilism.”² An entire chapter was devoted to Henry George because “although he is not a socialist, . . . his doctrines are in many respects closely allied with those of socialism, and because he has done more than any other single person to stir and deepen in this country an agitation which, if not socialistic, at least promises to be a mother of socialism.”³ This explanation provides us examples of Rae's great strength as an expositor and social critic and of his great weakness as a theorist. He was precisely correct that the agitation created by George's ideas would stimulate the growth of British socialism, but he was precisely wrong that George's doctrines were allied with socialism. It is characteristic of journalists to be long on social commentary and perception and short on conceptual analysis, and Rae is no exception. It is from the perspective that Rae was a journalist criticizing George an economist that we investigate the substantive contents of Rae's chapter, “The Agrarian Socialism of Henry George” in his book *Contemporary Socialism*.*

*I am, of course, aware that George himself spent most of his professional life in journalism, and that he had no formal training in economics. His *intellectual* life, *American Journal of Economics and Sociology*, Vol. 62, No. 5 (November, 2003).
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Overview

Rae devoted separate chapters to Karl Marx, Ferdinand Lassalle, and Carl Marlo in addition to Henry George, and this provides us with an index of the significance he attached to George's influence. Already in 1884 Marx's ideas were influential enough to require special attention in any survey of the status of contemporary socialism. Lassalle's famous phrase identifying an "iron law of wages" and his pivotal role in the formation of the General Association of German Workers (later to evolve into the German Social Democratic Party), qualify him as a major symbol of practical socialist activism.⁴ Carl Marlo is no longer well known, but in the mid-nineteenth century his writings contributed much to the popular conception of competitive capitalism as an inherently oppressive system of organization, and his political recommendations of industrial nationalization and cooperative corporate organization strikingly resemble the commercial structure of Western Europe in the mid-twentieth century.⁵ Rae's implied elevation of George's influence to an approximate equality with these three socialist standardbearers testifies to the seriousness with which he viewed George as a potential molder of British opinion.

Rae's criticisms of Henry George were uncompromising because he viewed George as a dangerous voice that had to be stilled to preserve the good order of British society. To achieve this purpose, it did not necessarily matter to Rae what the contents of George's theories were; whatever George said had to be refuted because it contributed to popular unrest. Discussing George's self-proclaimed search for an explanation of why poverty accompanies material progress, Rae clearly establishes his categorical rejection of George's reasonings.

however, displayed in his major written works, was spent largely as an economist—an economist whose scientific efforts were inextricably bound up with his intense involvement in questions of ethics and social reform, but an economist nonetheless. (See the judgment expressed in Joseph A. Schumpeter's conclusively authoritative *History of Economic Analysis*, p. 865, that George "was a self-taught economist, but he *was* an economist.") Whatever his limitations in this field, the appellation could scarcely be withheld from one to whose insight John Bates Clark admittedly owed the inspiration that led to his development of marginalism.

He first tormented his brain with imaginary facts, and has then restored it with erroneous theories. His argument is really little better than a prolonged and, we will own, athletic beating of the air; but since both the imaginary facts and the erroneous theories of which it is composed have obtained considerable vogue, it is well to subject it to a critical examination.⁶

Rae's critical examination is divided into three parts. In part one he challenges George on the empirical evidence of advancing poverty, denying that poverty was increasing and arguing that in proportion to population poverty was "considerably less in the more advanced industrial countries than in the less advanced ones."⁷ Reasoning by analogy, Rae described George's view of advancing poverty amidst advancing wealth as like riding on a moving train that is passed by a faster train on a parallel track. The slower train seems to be moving backward only because the faster train is moving farther and farther ahead, but in fact both trains are moving ahead. Rae explained that like the motions of the two trains, the incomes of the poor and wealthy were both moving ahead, but the more rapid progress of the wealthy made it seem as if the poor were losing ground when in fact they were not. Phrased more precisely, Rae agreed with George that real income growth was disproportionate between high- and low-income classes, but disagreed with what he interpreted as George's view that the rate of growth was positive for the rich and negative for the poor.

In part two Rae discounts George's theoretical analyses and mistakenly suggests that George proposed his own version of the Malthusian population theory and "a new wages fund theory." This is Rae at his worst. Not only does he misstate what he offers as the then current contents of economic theory, but he also badly misunderstands the foundations and implications of George's analytics. This failure to capture the theoretical essence of his subject is characteristic of Rae's writing, and it is evidenced perhaps even more sharply in his *Life of Adam Smith* than in his *Contemporary Socialism*. In his biography of his Scottish countryman he spends more than 400 pages reconstructing the intimate details of Smith's life through hundreds of letters and notes, and yet nowhere in the narrative does he provide even the barest analysis of Smith's ideas. Even granting Rae an

unusual restraint not characteristic of biographers, it is difficult to explain how he could write about Adam Smith and not relate the man to his ideas. As an example, to Rae *The Theory of Moral Sentiments* is nothing more than Smith's first great work that brought him "immediate and universal recognition, in the first rank of contemporary writers."⁸ No hint is offered that he understands the significance of the concepts in *The Theory of Moral Sentiments* as the groundwork for what was to come later in *An Inquiry Into the Nature and Causes of the Wealth of Nations*. The best that Rae can manage is that *The Theory of Moral Sentiments* "is an essay supporting and illustrating the doctrine that moral approbation and disapprobation are in the last analysis expressions of sympathy with the feelings of an imaginary and impartial spectator."⁹ Rae entirely misses Smith's identification of passion, not reason, as the means to self-preservation. For Smith reason is the agent of substantive right, and by rejecting reason as the means to advancing self-preservation, Smith rejects the notion that the end of nature is a debatable proposition.¹⁰ Concerning the roles of reason and passion in human affairs, Smith elaborates that the passions direct us to self-preservation whether we seek that end or not, and the proper view of nature is that it is an inner-directed impulsion to survive. The passions will coordinate survival regardless of what we reason, providing us with an appetite both for the end of self-preservation and for the means to bring it about. Relating this to the fundamental propositions in Smith's *Wealth of Nations*, it is clear that even at this fundamental level of human motivations Smith structures his analyses around his advocacy of the unintended results of human action as preferred to the intended results of human design.¹¹ It is an important part of Smith's genius that his system of natural liberty, expressed in the ruling passions in *The Theory of Moral Sentiments* and in commercial economic society in *The Wealth of Nations*, utilizes an explanation of the ideal foundations of human behavior that is posterior to human nature and derivative from society. Had any of this occurred to Rae, he could have understood George's analytical foundations better than he did, because George was an accomplished student of Smith's ideas and much of the character of the analyses in *Progress and Poverty* reflects the character of Smith's conception of commercial economic affairs as the embodiment of

natural liberty. But it did not occur to Rae and it probably could not; if he did not understand the ideas of the man whose biographer he was, it is exceedingly unlikely that he would understand the ideas of a man whose influence on the British people he feared.

In part three Rae rejects George's proposals for land-rent taxation and denies the optimistic results that George claims for their adoption. Rae is more on his own ground here, using his literary talents to counter the rhetorical exaggerations that George attached to his practical policy proposals. But in addition to pouncing on George's hyperbole, Rae attempted some analytical comments on land rent, the nature of land as a unique economic commodity, and property rights, and because these comments are contradictory and inconsistent Rae introduced additional elements of confusion into his critique.

Rae's three-part critical examination of George's ideas is presented much like a set of "even-if" arguments encountered in the formal argumentation of a legal brief. He first rejects George's ideas because they are inconsistent with the empirical evidence—poverty is not increasing with progress. But, he contended, even if poverty were increasing, a second reason to reject George's ideas, independent of the empirical evidence, is George's alleged theoretical error and confusion. Finally, he maintained that even if the empirical evidence and the analytical arguments were on George's side, a third independent reason to reject George is that his solutions to the problems he identifies are either incorrect or inadequate. Such a scattered array of independent arguments is sometimes called the "shotgun" approach to argumentation. Potentially deadly at the close quarters of journalistic and legal persuasion where the form of the argument may be more important than its contents, it is less effective at the longer range of analytical scholarship where logical and factual consistency weigh more heavily than persuasiveness. Rae's journalistic shotgun approach to criticism, composed of scattered independent arguments, did little serious analytical damage to George's analyses. But serious analytical damage may not have been Rae's intent; instead, he may have been trying to persuade his readers that George was a dangerous agitator who, like the socialists discussed elsewhere in *Contemporary Socialism*, threatened to disrupt British institutions.

In what follows we shall examine Rae's specific criticisms of

George's vision of poverty, his economic analysis, and his land taxation proposals.

On George's Perception of Poverty

Rae challenged and denied George's fundamental proposition that poverty increases with progress. He cited empirical evidence that, to him, proved the error of George's claim. There are three assessments that are relevant here: First, was Rae's criticism unique? Second, was Rae correct about the empirical evidence? Third, was Rae's criticism related to George's fundamental proposition? Let us examine each in turn.

Rae's denial of George's proposition that poverty accompanies progress was a commonplace criticism of George during the late nineteenth century. Perhaps the two leading critics among professional economists were Arnold Toynbee and Alfred Marshall. Both denied George's assertion of poverty's accompanying progress as part of their more general denials of the claims of socialists, radicals, and others that growing poverty was an inherent concomitant of expanding industrial capitalism. Marshall began a series of lectures on Henry George in 1883 with the judgment that *Progress and Poverty* "is the last outcome of the feeling that we ought not to be content with our progress as long as there is so much suffering in the world."¹² He admits that "Mr. George's book is the latest outcome of this yearning after a better state of things," but rhetorically asks if "we are sure that with the increase of wealth want has actually increased?"¹³ Citing historical evidence, Marshall answers his own query in the negative. Among his examples to disprove increasing poverty he cites increasing agricultural wages over the prior thirty years, rising per capita income among the working classes, and better food in the diets of the working population.

Toynbee declared that "economists have to answer the question whether it is possible for the mass of the working classes to raise themselves under the present conditions of competition and private property. Ricardo and Henry George have both answered, No." Citing evidence from various sources, including the *Contemporary Review*, of which Rae was an associate editor, Toynbee counters the idea of

increasing poverty by noting that “it is a fact that though the cost of living has undoubtedly increased, wages have risen in a higher ratio,” that there has been “strong proof of a rise in agricultural wages,” and that “the facts make it clear that the working classes can raise their position, though not in the same ratio as the middle classes.”¹⁴

It is almost certain that Rae was aware of these criticisms made by Marshall and Toynbee. Marshall was already a well-known professor and his lectures were published in various newspapers in 1883. Toynbee’s citations of evidence to prove that poverty was not increasing relied heavily on articles appearing in the *Contemporary Review*. In effect, Rae’s challenge to George’s proposition that poverty was increasing with progress amounts to a summary of one of the standard criticisms of George’s ideas readily available to Rae in the accessible literature. Rae’s challenge was not unique.

Unique or not, a separate question asks who was right concerning the empirical evidence. Was poverty in fact increasing or decreasing? The empirical evidence is contradictory, and even today it is impossible to determine with a high degree of certainty whether poverty, expressed as changes in the standard of living and changes in real wages, was increasing or decreasing in the decades immediately prior to the 1880s.¹⁵ Rae claims to have defeated George’s assertion of increasing poverty because George failed to cite the wage and income data familiar to Rae and others like Toynbee and Marshall. But these data were fragmentary and subject to criticism even in the 1880s, so that Rae cannot lay claim to empirical superiority compared to George when the data turn out to be unreliable.

Rae’s reiteration of the idea that George was wrong about increasing poverty’s accompanying progress failed to address the central issue of what George meant by his claimed observation. Rae correctly noted that at times George seemed to refer to absolute income levels and standards of living, while at other times George seemed to refer to relative differences between and among income classes. But Rae reads the mixture of absolute and relative income differences as confusion on George’s part, and does not attempt to analyze the implications of George’s treatment of poverty. In fact, George’s observation of progress’s accompanying poverty may be interpreted as an early assessment of the structural changes that occur when an economy

shifts from dependence on individual self-sufficient landownership to a dependence on interdependent specialized division of labor. In absolute dollar income terms, poverty emerges with progress because progress entails the growing division of labor with its associated dependence of one specialized producer on the products of other specialized producers, and the producers who do not own specialized factors of production like land will not enjoy the increased rents owing to the specialized factors from increased usage. According to George, progress creates poverty that did not exist in nonmarket or limited-market economies because it creates rental premiums for the specialized factors of production like land. Thus, as economies become industrialized and specialized in the name of progress, they evolve a real, absolute difference between those individuals who own specialized factors and those who do not. This is the nature of the "wedge" that is driven between different elements in an economy, a wedge between those who own specialized factors and those who do not.

In relative terms, the emergence of a market economy where individuals are dependent upon one another for varieties of products also signals the growth of human wants. A greater variety of products produces desires by individuals to enjoy the greater variety. These culturally determined wants become real elements in the standard of living, and their satisfaction becomes a measure of how well off an individual is relative to other individuals. Given that the set of culturally determined wants is much larger in a specialized market economy enjoying industrial progress than in a less-specialized pre-market economy without industrial progress, there seems to be little question that relative poverty, that is, relative nonsatisfaction of culturally determined wants, will be greater in the market economy.

Seen in the light of George's vision of industrial progress as a product of market specialization and the division of labor, where culturally determined wants grow dramatically with the specialization and division, both absolute and relative income differences become relevant to an identification of the character of poverty amid progress. Rae failed to understand any of this, and instead chided George for the seemingly simplistic error of confusing absolute income differences with relative differences.

On George's Economic Analysis

Rae attacks George's economic analysis with respect to population theory, the wages-fund theory, and the concept of economic rent. Although Rae claims and attempts to demonstrate that George is confused with respect to Malthusian population theory and its relationship to diminishing returns, and misunderstands Ricardian rent theory, it is in his treatment of the wages-fund theory that Rae assigns the broadest range of analytical failures to George. This is curious and indicative of Rae's own failures analytically, because George's treatment of the wages-fund theory is one of his soundest analytical exercises.

Rae's failure is highlighted first by his mistaken impression that the wages-fund theory was a dead letter. He criticized George for bothering with the theory because it "was refuted by Mr. Thornton in 1869, was almost instantly abandoned by the candid mind of Mr. Mill, and is now rarely met with as a living economic doctrine."¹⁶ Rae is again performing as a journalist faithfully reporting what he has heard or read of others but not bothering to assess for himself the validity of his reporting. It is correct that the wages fund was refuted by Thornton in 1869, refuted in the limited sense that Thornton offered arguments of refutation, but not refuted in the sense of its being shown as false.¹⁷ George correctly judges Thornton's essay as a more formal than real attack upon the wages fund, and he accurately notes that Thornton rejected only one element of the theory, the presumed existence of a predetermined wages fund.¹⁸ George's implication was that Thornton's attack left the wages-fund theory fundamentally intact, and Rae to the contrary, George was correct.¹⁹ Feeling that previous writers, including Thornton, had attacked the wages-fund theory but were unsuccessful in destroying its logic, George set out to do it on his own.

Rae's statement that the wages-fund theory was abandoned by Mill in response to Thornton's strictures is not in every sense correct. Mill, it is true, thought these strictures so persuasive that he acceded to them in his review of the book in which they were advanced.²⁰ Yet he did not delete the theory from the seventh (1871) edition of his *Principles*, the last to appear in his lifetime, although in a footnote to

his preface to that edition, he did direct attention to Thornton's book, his review, and Thornton's reply, without, however, indicating that his review contained a repudiation of the theory. Neither was it deleted from subsequent editions. The active debate over the wages fund had begun in earnest in 1879 with the publication of Henry Sidgwick's "The Wages Fund Theory" in *The Fortnightly Review*, and it continued throughout the 1880s and into the 1890s in the journal articles produced by a host of economists including Walker, Carver, Clark, Commons, Davenport, Hadley, Hollander, Johnson, Laughlin, Macvane, Veblen, Taussig, Edgeworth, Webb, Marshall, and others.²¹ Rae's claim that the wages fund was not to be met as a living economic doctrine is an indictment of his appreciation of the status of the concept when George attacked it in 1879, and provides an explanation of why he thought George was wasting his time on a long-settled issue. Rae himself did not understand that the wages fund was alive and well.

On George's "Remedy"

Rae discussed George's proposal for a tax on land rent in the final section of the chapter. Contrasting George's expansive claims for the effects of such a tax with the dictates of common sense, Rae suggested that George expected too much to flow from the imposition of a tax on land rent. Rae's moderation, with which we can agree, is not carried over into his analysis of the land-rent proposal. In general, Rae misrepresents and misinterprets the implications of a tax on land rent. As an example, he is astounded at George's "scheme" to destroy individual ownership but not individual occupation. What Rae fails to recognize through the veil of the rhetoric is that it is not the property right to utilize a piece of land that George's taxation will change, but the right to acquire the economic rent of the land. There is nothing inconsistent in proposing that physical ownership of land be preserved while the property right to acquire, buy, and sell the expected rental increments is appropriated to a central authority. Given that individuals attempt to make themselves as well off as possible, and do not attempt to make themselves worse off, the removal of the property right to acquire economic rents will encourage land to be

utilized in its highest valued uses, that is, those uses where its contribution to the real product of economic activity is greatest. This is the fundamental basis for George's rhetorical claims of advantage under a system of land-rent taxation.

Concluding Evaluation

John Rae's criticisms of Henry George's ideas are surprisingly unsophisticated for someone who could have been expected to be familiar with Adam Smith's conceptual foundations in *The Theory of Moral Sentiments* and the *Wealth of Nations*. George was a student of Smith's ideas, and much of the structure of the concepts in *Progress and Poverty* as well as George's other works is derived from George's understanding of Adam Smith. The Smithian connection has not been extensively pursued here because Rae did not pursue it, even though we could have expected it of him as Smith's principal biographer. If Rae had understood Smith's conception of commercial society as the embodiment of natural liberty, which is in turn an embodiment of Smith's conception of the passion for self-preservation, he would have had the perspective from which to view George's ideas in their proper context. But Rae was not aware of the fundamental elements of Smith's conceptual foundations, and in turn could not be aware of the elements of George's foundations. Instead, he was caught up in George's rhetorical dash and sought to combat the impact of the rhetoric with rhetoric of his own. This caused him to misread George's doctrines as being closely akin to those of socialism, when in fact George was a thoroughgoing free-market advocate.

Notes

1. John Rae, *Life of Adam Smith* (1895; reprint ed. New York: Augustus P. Kelley, 1965), with an introduction by Jacob Viner. Rae's biography is the major source for what we know of Smith's life. It replaced Dugald Stewart's *Biographical Memoir of Adam Smith* (1811) as the standard Smith reference. Economists may be familiar with the name John Rae in another context. There was an economist named John Rae who was born in Scotland in 1796, migrated to Canada in 1822, and in 1834 published *Statement of Some New Principles on the Subject of Political Economy Exposing the Fallacies of the System of Free Trade and Some Other Doctrines Maintained in the Wealth of*

Nations. This other Rae made important contributions to capital theory and directly influenced the builders of modern capital theory, Böhm-Bawerk, Irving Fisher, and Knut Wicksell. As far as I know, the John Rae of this inquiry, the journalist and author, was not directly related to the earlier economist John Rae.

2. John Rae, *Contemporary Socialism* (London: S. Sonnenschein and Co., Ltd., 1908), p. 57.

3. *Ibid.*, p. 446.

4. Joseph A. Schumpeter, *History of Economic Analysis*, ed. Elizabeth Boody Schumpeter (New York: Oxford University Press, 1954), p. 650.

5. *Ibid.*, pp. 459–60.

6. Rae, *Contemporary Socialism*, p. 445.

7. *Ibid.*, p. 446.

8. Rae, *Life of Adam Smith*, p. 141.

9. *Ibid.*, pp. 141–42.

10. Adam Smith, *The Theory of Moral Sentiments* (1759; reprint ed., ed. E. G. West; New Rochelle, N.Y.: Arlington House, 1969): 110.

11. Aaron B. Fuller, "The Passions of Adam Smith," History of Economics Society Conference Paper (Chicago, 1976).

12. George J. Stigler, "Alfred Marshall's Lectures on Progress and Poverty," *Journal of Law and Economics* 12, no. 1 (1969): 181–226.

13. *Ibid.*, p. 184.

14. Arnold Toynbee, *Lectures on the Industrial Revolution in England* (London: Rivingtons, 1884), pp. 121–22.

15. T. R. Gourvish, "Flinn and Real Wage Trends in Britain, 1750–1850: A Comment," *Economic History Review*, 2d ser., 29 (1976):136–45; Eric Hopkins, "Small Town Aristocrats of Labor and Their Standard of Living, 1840–1914," *Economic History Review*, 2d. ser., 28 (1975):222–42; M. W. Flinn, "Trends in Real Wages, 1759–1850," *Economic History Review*, 2d ser., 27 (1974):395–411.

16. Rae, *Contemporary Socialism*, p. 464.

17. William Breit, "The Wages Fund Controversy Revisited," *Canadian Journal of Economics* 33, no. 4 (1967):510–28.

18. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 18.

19. Aaron B. Fuller, "Henry George and the Wages Fund," History of Economics Society Conference Paper (Chapel Hill, N.C., 1974).

20. Mill's review of Thornton's *On Labour* appeared in *Fortnightly Review* of May and June 1869, and was reprinted in John Stuart Mill, *Dissertations and Discussions* (London: Longmans Green, Reader and Dyer, 1875), 4:25–85.

21. H. Scott Gordon, "The Wage-Fund Controversy: The Second Round," *History of Political Economy* 5, no. 1 (1973):14–35.

PART III

Nineteenth-Century American Critics

Dixwell: Animadversions of an Admiring Adversary

By GEORGE BABILOT

In the decade that followed the appearance of Henry George's *Progress and Poverty*, the range of economic thinking in this country perceptibly broadened. It was a time when proponents of competing theories and advocates of alternative policy proposals successfully challenged the traditional boundaries of American economic thought and exercised a powerful influence on the direction as well as on the scope of economic inquiry. On issues typical of that day—free trade and protectionism, economic crises and unemployment, restrictive monopolistic practices, monetary instability, inequitable distribution of income and wealth, individual and social welfare—radical remedies competed freely with moderately heterodox ones for popular acceptance; then in turn, both radical and heterodox proposals had to contend with the more firmly entrenched orthodox prescriptions. This was a time of ferment, of economic unrest and uncertainty that could be discerned not only by the number and diversity of theories that vied for attention but also in the wide-ranging and also diverse policy proposals that circulated in quest of political support. In the midst of this turbulent time, George Basil Dixwell (1815–1885) chose to set down his views on political economy.

In 1875, at the age of sixty, Dixwell decided to abandon a lifelong career in international commerce and diplomacy to try his hand at something that for him was entirely new and different. At an age in life when most persons are expected to slow down and give increasing thought to retirement and leisure, Dixwell, in contrary fashion and with astonishing energy, turned his full attention to the pursuit of scholarly research and writing. His contributions to economics were produced in an impressively short period of time. All of his published works appeared during the decade 1875–1885.¹ He devoted the last

seven years of his life exclusively to studying and writing on topics in political economy.

Most of Dixwell's adult life was spent outside the United States. He lived for many years in China, where he held various commercial and diplomatic positions, including service as consul-general for Russia at Hong Kong and chief municipal officer at the foreign concession at Shanghai.² He was a member of a prominent, wealthy New England family. A generous inheritance provided him with financial independence and relieved him of the necessity for continuing his business career. He returned to the United States in 1875 to devote his full time to research and scholarly writing.

Dixwell's views on political economy are probably best described as heterodox.³ While he readily accepted the orthodox position regarding private enterprise, private property, and the market system, he did not accept the orthodox position on free trade, the orthodox position on the impossibility of general overproduction. He was a staunch advocate of tariffs and protectionism. Dixwell not only recognized the possibility of general overproduction, but he also set out to identify what he regarded as the significant causal factors involved. His position on protective tariffs, like that of other influential protectionists of his day, was not unrelated to concern about general overproduction and the causes of economic crisis.⁴ He expressed his views on political economy through a series of journal articles and pamphlets. Dixwell did not publish in book form, although he did make available in a single bound volume some of his previously published articles and he also included in this collection a critique of the economics of Henry George titled "Progress and Poverty." A Review of the Doctrines of Henry George." This review, initially published as a forty-six-page monograph in 1882, contains as complete a statement of Dixwell's economics as can be found anywhere, besides being a noteworthy contemporaneous critique of *Progress and Poverty*.

Although Dixwell's economic views differ markedly from George's, and therefore the temptation for derisive statement was understandably present, he nevertheless used restraint in his critical comments, paying scrupulous attention to the phrasing of his remarks to ensure that they not have the slightest taint of irony or contain even a hint

of sarcasm. He in fact begins the review with a gracious statement of praise. "In *Progress and Poverty* Mr. Henry George has given to the world a brilliant work, admirably written, full of eloquence, radiant with the noble aspiration of diminishing human suffering. . . ."⁵ Then at the conclusion of his critique he again is generous with high praise: "it is a brilliant book glowing with noble philanthropy, courage, and self-devotion. All that we have read in fable, or history, or the records of science, is brought again to mind in admirable sentences, and there is much of most interesting and suggestive thought and speculation."⁶ What is written in the space between those beginning and concluding expressions of the high esteem in which he held Henry George and his work, however, is the product of what Dixwell terms "the disagreeable task of picking flaws in *Progress and Poverty*." This task, though perhaps reluctantly assumed, is carried out in systematic fashion. His critical remarks are directed seriatim to (1) George's Position on Free Trade, (2) George's View of the American Problem, (3) George on the Malthusian Doctrine, (4) George on Wages, Rent, and Capital, and (5) George on the Remedy and the Meaning of Justice.

Henry George on Free Trade

The free trade versus tariff protection debate was in full swing in this country during the 1870s and 1880s. On this issue Dixwell sided with those of his contemporaries who favored protection and who disputed the orthodox free-trade arguments.⁷ To Dixwell protectionism was a necessary step in order to counteract the economy's tendency toward overproduction with its accompanying unemployment and general crisis conditions. Evidently because of his own intense interest in the free trade-protectionism controversy and possibly because it was an issue with current popular appeal, he chose to defer discussion of the fundamental problem to which *Progress and Poverty* addresses itself, and, in its stead, seized the opportunity to engage first in a discussion of the free-trade question.

A year earlier, in 1881, there had appeared a review article of the English-language version of Frédéric Bastiat's book *Sophisms of Protectionism*, in which Dixwell defends the protectionist position against

the criticisms of the recognized exponent of free trade, Bastiat. His comments on Henry George's arguments for free trade seem a continuation of what he wrote in that earlier review.⁸ For example, he quotes a passage on free trade not taken from *Progress and Poverty* but from an article written by Henry George for the *Popular Science Monthly*, and his response to this argument is similar to, though less succinct than, that given earlier in his review of Bastiat's book. In the quotation referred to, Henry George writes:

The effect of a tariff is to increase the cost of bringing goods from abroad. Now if this benefits a country, then all difficulties, dangers, and impediments which increase the cost of bringing goods from abroad are likewise beneficial. If this theory be correct, then the city which is the hardest to get at has the most advantageous situation; pirates and shipwrecks contribute to national prosperity by raising the price of freight and insurance; and improvements in navigation, in railroads and steamships, are injurious. Manifestly this is absurd.⁹

In citing this quotation Dixwell intends to alert the reader to the "absurdity in Mr. George's reasoning" and to warn that this is representative of the bad logic that occurs throughout *Progress and Poverty*. Dixwell proceeds to correct for George's "absurd reasoning" by substituting what he claims is the true (logical) statement.

One of the effects of a tariff is to increase the cost of bringing *certain kinds* of goods from abroad. Nevertheless a tariff is said to be beneficial. If so, then everything which increases the cost of bringing from abroad not only those certain goods, but all goods, must likewise be beneficial. The obstacles he mentions not only raise the price of a particular kind or kinds of goods, but of all goods, and that of passage also, and they diminish the value of all exports. The railroad and the steamship facilitate every sort of exchange, but this does not prove that every sort of exchange is beneficial. Rum, opium, small-pox, and leprosy do not become desirable because distributed by rail and steamer! A tariff does not stop all exchanges, but only some.¹⁰

By stopping some exchanges through tariffs Dixwell visualizes a beneficial effect on the home country in the guise of increased employment, incomes, and overall demand. Elsewhere he wrote, "But restrictive laws [tariffs] have for their object to produce abundance, and they effect their object: if they raise the price, they increase in a much greater degree the effective demand—the ability to pay the

price.”¹¹ As to George’s expressed concern for what happens to the consumer in all of this (“the robbery involved in the protective tariff, which for every twenty-five cents it puts in the treasury takes a dollar and it may be four or five out of the pocket of the consumer. . . .”),¹² his reply is that “Production is the condition precedent of consumption” and that “*poor consumers* are consumers only in consequence of their being able to produce.”¹³ In other words, protective tariffs create jobs, which create incomes, which, in turn, make possible greater consumption. Prices do rise, but the ability to purchase increases at an even faster rate because of the new jobs created and the greater income flow. Dixwell’s argument, of course, is premised on the assumption that the exporting countries do not engage in retaliatory tariffs. If they did, this could mean a diminution in exports, and, depending upon the significance of foreign sales to the economy of the home country, conceivably the result could be a net increase in unemployment as exports fall off. George Dixwell evidently ignores the possibility of retaliatory-tariff behavior in his efforts to link greater consumption to greater production by way of protective tariffs. On the issue of the need to sustain domestic employment, opponents of protectionism could just as convincingly argue the alternative free-trade case. Conceivably effective demand and real income could be increased just as readily as a consequence of the lower prices from the removal of all levies on imported goods. Lower prices on imported goods would mean, in effect, a greater amount of household income available for spending on all goods, domestic and foreign. One might expect, therefore, that the rise in expenditures resulting from the overall increase in effective demand, induced by lower prices, would lead to an expansion in employment. Dixwell makes no mention of this theoretical possibility in his discourse on free trade and protectionism.

In his criticism of George’s position on the subject, Dixwell notes that the great folly of free trade is the dependency status of the importing country, which makes it vulnerable to monopolistic behavior by the exporting country. Because of its dependency status the home country must accept terms of trade much to its disadvantage and perhaps at the cost of indebtedness and capital outflow. Dixwell throughout the review questions the validity of George’s logic and

his penchant for “droll syllogism.” But here surely one must question the logic of Dixwell when he assumes the presence of monopolistic elements in a free-trade paradigm. Proponents of free trade meant exactly that, free trade. To cite the presence of restrictive monopolistic elements as an argument against free trade is little different from arguing against free trade because of the existence of tariffs! Henry George was talking about free trade. He opposed obstacles to free trade, whether in the form of protective tariffs or in the form of other monopoly practices.

It seems somewhat puzzling in a review of *Progress and Poverty* that Dixwell would give so much attention to the question of free trade. Henry George’s views on the subject are better represented in his other writings.¹⁴ There is not that much on free trade in *Progress and Poverty* to warrant so much comment, and what little there is makes clear that it is of secondary importance to the central problem being dealt with by the book. Free trade, according to George, cannot in itself solve the basic problem confronting the economy. He notes, for example, that “free trade has enormously increased the wealth of Great Britain without lessening pauperism. It has simply increased rent.”¹⁵ As George saw it, free trade, without also the elimination of the private receipt of ground rents, could do little to eradicate the fundamental problem of inequitable distribution of income and wealth. Dixwell, for reasons of his own, chose to discuss George’s views on free trade and protectionism independently of what George saw as the fundamental problem.

Henry George’s View of the American Problem

Perhaps one reason Dixwell decided not to discuss the fundamental problem first is that he flatly denies that it even exists. By use of empirical data and by offering his own version of what the “real” American problem is, he tries to show that the one with which *Progress and Poverty* is concerned—deepening poverty accompanying society’s material advance—is not in accord with the facts. In other words, George’s proffered solution is for a problem that really does not exist: Like a vaccine prepared for a nonexistent disease, *Progress and Poverty* provides a remedy for a nonexistent societal illness. The

statistical evidence adduced by Dixwell, however, provides flimsy support for his contention. He uses product per capita by ten-year intervals in an attempt to prove Henry George wrong. Dixwell's figures show that per capita product would have allowed each individual in the United States \$61 in 1840, \$69 in 1850, \$83 in 1860, \$110 in 1870, and \$140 in 1880. These data show that product per capita rose in each of the ten-year periods, actually more than doubling between 1840 and 1880. Dixwell therefore infers from these statistics: "Wages, fees, salaries, emoluments of every kind, have risen every ten years . . . At each period there was more to divide and every portion of the community obtained a larger dividend—every portion, that is, in which no exceptional or temporary causes overcame the general swing of financial events."¹⁶ This also prompts him to the conclusion: "The problem, then, for the solution of which Mr. George wrote his eloquent book seems not to exist."¹⁷ Dixwell's conclusion is not warranted by the data he cites as evidence.

Data based solely on the statistical abstraction of per capita product (income) cannot constitute evidence in refutation of Henry George's contention of growing poverty amidst plenty. Income or product per person tells absolutely nothing about the *actual* distribution of income and product and, of course, inequitable distribution was the crucial point of Henry George's argument. Dixwell's statistics obviously show "progress," that is, growing material output—output increasing at a rate faster than population growth—and that is not inconsistent with George's view of the problem. What these data fail to reveal is how the fruits of this "progress" are actually divided up among persons, families, and income classes. Dixwell seems not to have considered the possibility that a more equal distribution of actual income (product) in 1840, when statistical per capita income was only \$61, might conceivably mean less poverty than a more unequal distribution of a statistical per capita income twice that amount, such as in 1880 when it was \$140.

Other statistical evidence Dixwell offers includes an estimate of the amount of gross product that annually goes into profits and rents. He claims that out of a gross annual product of \$7,000,000,000 in 1880, only \$2,400,000,000 (calculated by allowing a 6 percent return on an estimated total property value of \$40,000,000,000) went to profits

and rents.¹⁸ He maintains that practically the total sum goes to create jobs by the consumption and investment activities of the recipients. To determine the portion going to ground rents alone, Dixwell makes what he considers appropriate adjustments in his estimate and concludes that the sum is so little as to be of no significance. "The reader will then see that ground rent from the abolition of which Mr. George expects the return of the golden age is altogether too minute to produce any perceptible harm."¹⁹ If, as according to Dixwell, the amount going to ground rents is so insignificant, then what possible harm could be done by society's appropriating so "minute" a sum? George does not regard the portion of product going to ground rents as insignificant by any standard. But the size of rent is really not the issue. The nature of ground rent does not change with changes in its size. Whether large or small, rent represents an unearned increment to personal income—a surplus element that makes income greater than that warranted by the productivity of the recipient.

Dixwell exhibits a benign regard for the private receipt of rent and he is certainly not disposed to treat it as an unearned increment. He views it rather as a functionally necessary return. However, he seems confused about how to interpret George's rent concept, for he implies that it also includes the return to improvements. He claims that practically all the value of land in the United States is, in fact, the product of capital amassed by self-denial. Then, by way of illustration, he cites the case of a farmer and his wife enduring lifelong sacrifices to make their farm essentially

their bank, in which many years of labor might under the laws of their country, be safely deposited. They looked forward to an independent old age and something with which to give their children a start in life. Even now, in their declining years, their farm has no rent which can be distinguished from the rent for improvements. Then says Mr. George, let the rent of all be taken. And this in the name of justice!²⁰

If, in his illustration, what he says is true, that there is no ground rent, then nothing could or would be taken. Dixwell evidently overlooked Henry George's statement in *Progress and Poverty* that "the complete recognition of common rights to land need in no way interfere with

the complete recognition of individual right to improvements or produce."²¹ Almost as if George anticipates Dixwell's rhetorical illustration, he states,

It is not necessary to say to a man, "this land is yours" in order to induce him to cultivate or improve it. It is only necessary to say to him, "whatever your labor or capital produces on this land shall be yours." . . . Give a man security that he may reap, and he will sow, assure him of the possession of the house he wants to build, and he will build it. These are natural rewards of labor. . . . The ownership of land has nothing to do with it.²²

Dixwell's belief in the functional role of rent in the economy is not unrelated to his version of what constitutes the "real" American problem; his version differs considerably from George's. The difficulty, as he sees it, derives from the fact that progress is not continuous but rather comes about in waves, and, although each wave runs higher than the previous one, "during the reflux, there has been distress enough to wring the heart of anyone who observed it at its focus in the poorer quarters of a great city."²³ According to Dixwell, the "real" problem is to determine why, when society moves from one level of opulence to another, this movement is accompanied by periods of depression. He offers an explanation for this phenomenon, noting that "at the bottom of the whole trouble lie the imperfect information and consequent imperfect judgment of individuals."²⁴ Depression is ushered in by an episode of overproduction, a condition brought on by the formation of capital, in response to the desire to save, at a rate faster than population and effective demand can accommodate. Despite the fact that he defends the private receipt of rent because it provides a ready source of saving for capital accumulation and the fact that he acknowledges the greater desire to save as a major factor in the tendency toward overproduction, Dixwell nevertheless maintains that rent is in no way a contributing cause. Quite the contrary, he warns that "to lay all taxes upon real estate would give government enormous revenues during periods of excitement, when to use them would be prejudicial and leave it without a large portion of its necessary revenue during periods of depression when expenditures would be beneficial."²⁵ As Dixwell sees it, when

misery and poverty are not the result of “vice, crime, ignorance, and brutality”—note that the cause-and-effect relationship here is directly opposite from that held by George—it is a transient condition, the result of cyclical fluctuations in economic activity. All that is necessary to overcome misery and poverty, then, is for society to avoid recurring episodes of overproduction, and the problem evidently will disappear automatically. George does not share this cyclical view of the problem. For him the cause of poverty is far more deeply rooted in the structure of the economy—the inevitable consequence of an institutional arrangement that permits the private appropriation of socially created rents.

George on the Malthusian Doctrine

Citations of recurring economic crises (gluts) as the problem, of the efficacy of protective tariffs as a remedy, and of the treatment of landowner spending behavior as a mitigating factor—all have a familiar ring. Each points to the unmistakable influence of Thomas Malthus on the thinking of Dixwell. When he discusses the issue of population growth, it is not surprising, therefore, that he should look to the same source of support. George, of course, felt that the Malthusian theory of population growth was at the basis of the erroneous wages-fund doctrine. He also felt that it incorrectly suggests that the cause of misery and poverty, being the inevitable consequence of natural instinct, was outside the influence of social control. In *Progress and Poverty*, George attempts, by appeal to facts, to disprove the Malthusian population doctrine. Dixwell, not unexpectedly, defends the population doctrine against George’s criticisms. For this, he finds it convenient to focus on George’s rejection of John Stuart Mill’s adaptation of the doctrine. George quotes John Stuart Mill:

A greater number of people cannot, in any given state of civilization, be collectively as well provided for as a smaller. The niggardliness of nature, not the injustice of society is the cause of the penalty attached to overpopulation. An unjust distribution of wealth does not aggravate the evil, but, at most, causes it to be somewhat earlier felt. It is in vain to say that all mouths which the increase of mankind call into existence bring with them hands. The new mouths require as much food as the old ones, and the hands do not produce as much.²⁶

Then George proceeds to deny all this, claiming the opposite to be true: "I assert that the very reverse of these propositions is true. I assert that in any given state of civilization a greater number of people can collectively be better provided for than a smaller. I assert that the injustice of society, not the niggardliness of nature, is the cause of the want and misery which the current theory attributes to overpopulation."²⁷ His resort to facts leads to the conclusion "that wealth is the greatest where population is densest."²⁸ Dixwell maintains that George's appeal to facts appears to contradict Mill only at first blush. On closer inspection, he argues, the facts as presented are not inconsistent with Mill's position, for Mill had acknowledged that an increase in population could result in a more than proportionate increase in wealth in areas that were "underpeopled" relative to the land available. Where he differs with George is in the attempt to extend this to the generalization that wealth would uninterruptedly continue to increase at a rate faster than the growth in population. Mill thought great increases in population, unaccompanied by significant improvements in the arts of production, would, because of the operation of diminishing returns, result in output's increasing at a rate slower than that of population growth, bringing with it human misery and privation. The facts cited by George draw heavily on the experience of the previous four decades when, asserts Dixwell, conditions were atypical. It was a period of time characterized by great advances in the arts of production, which propelled the rate of increase in output to exceed the rate of increase in population. He is quick to point out that the unusual experience of the previous forty years, therefore, was a transitory, temporary phenomenon, and clearly one anticipated by Mill in his statement on the consequences of overpopulation. The events of the immediate past, according to Dixwell, do not provide George with sufficient proof to establish what he intends—the universal fact that the power to produce wealth increases faster than the increase of population. In the words of Dixwell, what George's facts actually show is: "wealth has increased in consequence of these improvements—not in consequence of the greater population. The greater wealth and the greater population are joint effects; or rather the improvements brought greater wealth and this brought greater density of population."²⁹ Then in response to the second point of

George's wherein he draws a comparison with countries that have a low density of population, Dixwell proceeds along lines that suggest a vague recognition of George's confounding of returns to scale and diminishing returns: "it is quite true that greater wealth would ensue from greater population up to a certain not very well defined point. More capital can be used to advantage as population increases."³⁰ Where he thinks George goes astray is in "concluding that what is true to a certain point is true indefinitely." But if George fails to establish the "universal fact" that the power to produce wealth does not decrease with increases in population, Dixwell does little better in his attempt to establish the universal truth of the population doctrine of Malthus and Mill. He sees little possibility, anywhere in the world, of technological advances proceeding at a rate faster than population for very long. In forecasting the future of the United States he concludes: "It seems probable, then, that in the course of another century, or half a century, population with us will press upon the means of subsistence."³¹

George on Wages, Rent, and Capital

Since Dixwell rejects the argument that with increases in population the combined output of labor and capital increases at a faster rate, he also denies the corollary that workers are robbed when in densely populated areas the wages paid them are less than in areas where land is more freely available. His rejection is based on acceptance of the Malthusian population doctrine and the principle of diminishing returns, which comes into play because of the relative scarcity of land as population increases. As indicated above, he holds little hope that technological advance will proceed at a rate fast enough to be other than a temporary offset to the inevitable consequences of diminishing returns. From this perspective, coupled with his concern about general overproduction, he is prompted to view wages, rent, and capital differently from George.

While he, like George, rejects the wages-fund doctrine—that wages are determined by the ratio between capital and the number of workers—he finds George's proposition that capital does not employ

labor but that labor employs capital equally unacceptable. In a modern monetary-exchange economy, the real wages of labor, which include food, clothing, and shelter, among other things, on which wages are spent, according to Dixwell, are produced before they are used. Labor that produces certain capital is not necessarily supported by that same capital. In response to George's claim "that since labor is the producer of capital, therefore, labor cannot be dependent for support upon capital," Dixwell maintains that capital produced by labor in one time period is available to use by labor of another time period. Crops of a previous year may be used as food for labor of a subsequent year. Though the wages-fund doctrine is not a valid explanation, nevertheless the capitalist, in this sense, does make an advance to labor, asserts Dixwell.

Consistent with his general overproduction viewpoint, Dixwell sees industry not limited by capital, but instead both industry and capital limited by the *field of employment*, which means that even in a country with enormous underdeveloped resources, at each stage in the development of the industrial community the rate of progress is limited by effective demand. When the normal limit to the *field of employment* has been exceeded, the desire to save forms capital faster than the population and its effective demand increases.³² The situation is one of excess employment that, in turn, creates an excess production of commodities. Unlike George, the problem as Dixwell sees it is not related to the distribution of wages, profits, and rents. Returns to labor, capital, and land divide up the gross annual product, so that wages, profits, and rents all increase when gross product increases and all decrease when gross product decreases. In contrast to George, he claims that the proportion of gross product that actually goes to labor, capital, and landowners is determined by supply and demand. That factor that is relatively scarce receives a larger percentage of gross product and that factor that is relatively abundant receives a smaller percentage of gross product. For these reasons, Dixwell thinks George's algebraic formula— $\text{Produce} = \text{Rent} + \text{Wages} + \text{Interest}$, therefore, $\text{Produce} - \text{Rent} = \text{Wages} + \text{Interest}$ —is meaningless. "As long as men and capital, taking the whole country together, are scarcer than land, they must be paid first, and rent must take what

they leave. When, in the far future, men and capital are the more plenty, and land the less, then, and then only, will his interpretation of the formula be true."³³

Dixwell sees the limit to the *field of employment* determined by the effective demand of the population, and he observes that if too much is saved and not enough spent on consumption, general overproduction is the result. He argues the beneficial effect of rent receivers on the economy through their purchases of convenience and luxury goods, which help sustain effective demand, and through their savings, which help make capital available. Though he admits that overproduction is caused by capital formations taking place at too rapid a rate relative to effective demand, he makes no causal connection between this and the spending-and-saving patterns encouraged by the private receipt of rents. In terms of his own theory, he does not see the possibility of redistribution of income and wealth, via public appropriation of rents, as having a remedial effect on periodic oversaving and underconsumption. Moreover, while extolling the spending-and-saving virtues of landowners, he again overlooks George's major point that rent is a socially created, unearned increment to income. The manner of its disposition by the recipient can in no way alter that fact.

George on the Remedy and the Meaning of Justice

Dixwell's reaction to George's remedy and sense of justice is predictable, for he refuses to assume that the value of land is the product of society. He evidently believes that practically the whole of the value of land is the result of improvements brought forth by labor, capital, and thrift. "But for this antecedent labor and thrift no piece of ground would command any rent. The whole value then would seem to belong of right to those who are here."³⁴ Nowhere, however, does he offer an explanation for the spectacular rises in the value of *unimproved* urban and rural lands. On the contrary, he seems to assume that all landowners are concerned capitalists, who, if they are not setting society's standards for convenience and luxury goods by their habits of consumption, are providing, by their abstinence, the savings used for capital improvements. In either instance Dixwell finds

landowners (rent recipients) beneficial to society. In his defense of landowners against George's remedy, he overlooks the fact that public appropriation of ground rents would not leave labor and capital uncompensated for their productivity. The return for the productive landowner's provision of labor and capital should ensure sufficient funds to him to maintain both his capital and his standard of living.

Dixwell notes two possible exceptions to the beneficial behavior of landowners, where, in fact, rent of land and "the rent of capital" may become oppressive and the source of poverty. One case is when the owners are absentee landlords, a situation toward which George directed attention, and the other, which George did not do much with, is when the landowners do not buy at home but purchase their luxuries and conveniences abroad. He cites the landlords of Ireland, and offers this solution for Irish misery and poverty: "Native landlords living on their estates and using Irish products would speedily change the whole aspect of that island. The abolition of landlords will indefinitely postpone her resurrection."³⁵ Again he points to the protective tariff as a necessary device to encourage consumption of domestic commodities and to discourage landlords from purchasing foreign-made, luxury items. It is doubtful that the very high income groups could so easily be dissuaded, by tax-induced higher prices, from purchasing what they view as desirable foreign-made convenience goods.

Dixwell has a very high regard for private ownership and he treats the subject at times as though George advocates its total elimination. This is his reaction to what he interprets as George's notion of justice:

It appeals at once to our natural and laudable compassion for the poor, and to our natural but not laudable envy of the rich. To pillage the latter and pass the plunder over to the former, gratifies at once two strong passions. But how if, in thus gratifying our blind inclinations, we should miss our aim, and prevent that development of society to which alone the puny infant can look for a chance of unfolding its faculties and rising in the world? How if, in robbing the rich, we rob a thousand times as many deserving persons who cannot afford to be robbed?³⁶

Henry George most certainly would not agree that his remedy in any way qualifies as an act of robbery. Since he does not see rent as an

unearned addition to income, Dixwell assumes that society would be taking something that rightfully belongs to the landowner. George, on the other hand, sees the matter differently—that appropriation of economic rents would be an act by society of merely receiving what it itself had created, and therefore not one of taking something that an individual could lay claim to as a reward for productivity. If some are harmed through implementation of the remedy, then George's quest for justice and equitable treatment suggests the proper rule to apply: "It is the greater that swallow up the less not the less that swallow up the greater."³⁷

It is apparent that Dixwell looks upon *Progress and Poverty* as a stimulating, and at times a disturbing, challenge to his own outlook on political economy. From the outset, his view of the basic American problem as a cyclical one, his protectionist notions, his acceptance of the Malthusian population doctrine, and the beneficent functional role he ascribed to landowners precluded any possibility of reconciliation of his position with George's. It is obvious that he admires Henry George in every way except, ironically, for his views on political economy. He in fact said as much: "If political economy could all be strained out, there would remain a volume which every critic would applaud and which the general reader would turn to again and again as a source of improvement and pleasure."³⁸

Notes

1. A number of his articles were published in the *Bulletin of the National Association of Wool Manufacturers*. Six of his articles appeared in the *Bulletin* over a three-year period between 1881 and 1883. Three of his works appeared in a single volume (vol. 12) in 1881. From 1875 until his death in 1885 his contributions appeared in a number of other journals, including the *American*, published in Washington, the *Protectionist and Issue*, published in New York, and the *Journal*, published in Boston.

2. Biographical data are provided in "Obituary," *Bulletin of the National Association of Wool Manufacturers* 15 (1885):96–99.

3. Joseph Dorfman, in *The Economic Mind in American Civilizations, 1865–1918* (New York: Augustus M. Kelley, 1969), 3:123–36, associates Dixwell's views with a group of nonacademic American contemporaries whose outlook he describes as "heterodox" because of their questioning of the classical economic notion of the impossibility of general overproduction.

In this group Dorfman includes: Carroll D. Wright, Uriel H. Crocker, Frederick William Henshaw, Frederick B. Hawley, and David A. Wells.

4. The most notable are Frederick William Henshaw and Frederick B. Hawley.

5. George Basil Dixwell, "*Progress and Poverty*." *A Review of the Doctrines of Henry George* (Cambridge: John Wilson and Son. University Press, 1882), p. 1. Hereinafter referred to as *A Review*.

6. *Ibid.*, p. 46.

7. The names of some of the more prominent spokesmen for protectionism include Henry C. Carey, David A. Wells, Frederick William Henshaw, and Frederick B. Hawley.

8. Dixwell, "Review of Bastiat's Sophisms of Protection," *Bulletin of the National Association of Wool Manufacturers* II (1881):233–57. Hereinafter referred to as "Bastiat."

9. Dixwell, *A Review*, p. 1. This quotation is taken from Henry George, "The Study of Political Economy," *Popular Science Monthly* (March 1880), p. 606.

10. Dixwell, *A Review*, p. 4.

11. Dixwell, "Bastiat," p. 236.

12. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 300.

13. Dixwell, "Bastiat," p. 237.

14. Dixwell's *Review of the Doctrines of Henry George* appeared before the publication of Henry George's *Protection or Free Trade* (1885). Besides the *Popular Science Monthly* article cited by Dixwell, other sources of Henry George's views on free trade include his speeches, parts of his book *Social Problems* (1883), and sections of his book *The Science of Political Economy* (1898). Excellent information on the subject is scattered throughout Henry George, Jr., *The Life of Henry George* (1900; reprint ed. New York: Robert Schalkenbach Foundation, 1960).

15. George, *Progress and Poverty*, p. 254.

16. Dixwell, *A Review*, p. 12.

17. *Ibid.*

18. *Ibid.*, p. 9.

19. *Ibid.*, p. 11.

20. *Ibid.*, pp. 42–43.

21. George, *Progress and Poverty*, p. 399.

22. *Ibid.*, p. 398.

23. Dixwell, *A Review*, p. 13.

24. *Ibid.*

25. *Ibid.*, p. 18.

26. George, *Progress and Poverty*, bk. 2, chap. 4. The quotation is taken from John Stuart Mill, *Principles of Political Economy*, bk. 1, chap. 13, sec. 2.

27. George, *Progress and Poverty*, p. 141.
28. Ibid., p. 144.
29. Dixwell, *A Review*, p. 24.
30. Ibid.
31. Ibid., p. 31.
32. Ibid., p. 18.
33. Ibid., p. 35.
34. Ibid., p. 41.
35. Ibid., p. 10.
36. Ibid., p. 42.
37. George, *Progress and Poverty*, p. 343.
38. Dixwell, *A Review*, p. 46.

Walker: The General Leads the Charge

By STEVEN B. CORD

Francis Amasa Walker, the son of a noted political economist, followed illustriously in his father's footsteps, also achieving eminence as a leading statistician and educator of his time. After taking his baccalaureate degree at Amherst and reading law with a distinguished firm, he enrolled as an enlisted man in the Union Army, rising through the ranks as an adjutant, to retire, after sustaining severe wounds, with the brevet rank of brigadier general at the ripe age of twenty-five. Soon afterward he was appointed to the Bureau of Statistics, where he gained further acclaim by reorganizing it on an efficient and scientific basis. At various points in his career he served as superintendent of the Census, commissioner of Indian affairs, and professor of political economy and history at Yale. In 1881 he became president of the Massachusetts Institute of Technology, modernizing and enlarging that institution until his death in 1897. Recipient of numerous honorary degrees both at home and abroad, when the American Economic Association was organized in 1885 he was made its first president virtually by acclamation.

As an economist, Walker published extensively. In his book, *The Wages Question* (1876) he was the first professional economist to oppose John Stuart Mill's wages-fund theory, which maintained that wages were wholly dependent upon the amount of preexisting capital. Three years later, in *Progress and Poverty*, Henry George cited Walker's attack upon this theory as the most vital that he knew, but criticized it for conceding too much.¹ Although generally conservative, Walker was capable of intellectual courage: he favored international bimetallism despite adverse attitudes in his home state of Massachusetts and in his profession.

The controversy between Walker and George began with a skirmish over figures when George, in an article in *Frank Leslie's Illustrated Newspaper* entitled "The March of Concentration" (later included as a

chapter in his *Social Problems*), challenged certain statistics about landholding that had just appeared in the *Compendium* of the Census of 1880, and for which Walker was responsible. This elicited a contemptuous but careless rejoinder in *Leslie's* by Walker, followed by a devastating counterthrust by George, another effort by Walker at rebuttal, and a coup de grâce by George. Six months later, in the preface of a new Census volume, Walker was obliged to admit that his earlier statistics had contained disparity and error.

In 1883 Walker published a book, *Land and Its Rent*, which contains some of the most detailed criticism ever presented of the economic analysis in *Progress and Poverty*, and that was admittedly written for the express purpose of refuting George. It was based upon a series of lectures delivered by Walker at Harvard University.

The argument begins inauspiciously with a misrepresentation of George's proposal. According to Walker, George contended for "the natural and inalienable right of all individual members of the human race indiscriminately to enter and enjoy at will each and every lot and parcel of land upon the globe, and every building which may have been or may hereafter be erected thereupon."² In point of fact, George asserted that each man's equal right to land could be achieved if the government would only appropriate the land rent by taxation, and he vigorously opposed government seizure of land titles. He constantly defended private property in buildings and other improvements, even insisting that they should be subject to no taxation whatsoever.

George on Speculation

Walker did not really warm up to his argument until later in the book, when he plunged into a lengthy attack upon George's economic system. "How much is there in the view," he wrote, "that commercial disturbance and industrial depression are due chiefly to the speculative holding of land? . . . Mr. George makes no point against private property in land unless he can show that it is, of all species of property, peculiarly the subject of speculative impulses."³

Max Hirsch rightly observes that George's position does not require

that he show anything of the sort. For “is it not possible that whereas speculation in [unmonopolized] labour-products might inflict little or no harm on the community, speculation in land might inflict infinite harm, though land were no more subject to speculative impulses than labour-products?”⁴ In any case, George had, in fact, stressed at least one peculiarity of land speculation—that it withholds a vital inelastic factor from production, whereas the higher prices induced by speculation in produced commodities attract additional producers, and the increased supply causes prices to adjust themselves back downward. Furthermore, as Hirsch remarks, the problem is not merely one of agricultural land, to which Walker confines it, but of all land. “Which are the main objects of speculation at Stock Exchanges? Railways, tramways, mines, gas and water shares and similar securities based on the ownership of land or special privileges to land, easily come first. Moreover, any inflation, whether it be a paper-money inflation, or any large addition to capital seeking investment, results first and foremost in the speculative rise of urban properties. . . . By far the greater part of land values, therefore, are not merely ‘peculiarly the subject of speculative impulses,’ but are pre-eminently the object of speculative transactions and excesses.”⁵

Today’s economists would stand with Walker in asserting that land speculation is not the main cause of depression; rather, the main cause is a sudden diminution in the money supply, and particularly the credit supply, resulting either from sudden mass pessimism about the short-run future of business, or from mistaken government action (e.g., the constriction of bank credit from 1929 to 1931 by the Federal Reserve Board to such an extent that the money supply fell by two-thirds).

But that land speculation can be *a* cause of depressions, there should be no doubt, either logically or empirically. Logically, because increasing speculation increasingly withdraws one of the vital factors (land) from the productive process, and imposes an ever-heavier speculative rent burden upon labor and capital, the active factors in production. Empirically, because increasing land speculation has, in fact, preceded every depression in the United States.

Walker then maintained that the amount of land that was, or ever

would be, held idle for speculative purposes was negligible: "Because, forsooth, a man is holding a tract of land in the hope of a rise in value years hence, does that constitute any reason why he should refuse to rent it, this year or next, and get from it what he can, were it not more than enough to pay his taxes and a part of the interest of the money borrowed, to 'carry' the property?"⁶

This touches a somewhat weak spot in George's analysis, for throughout his writings George seems to assume that all land held for speculation would be kept absolutely idle. Collier, who is otherwise not impressed by Walker's treatment of George, thinks that this argument "constitutes a valid and very serious criticism."⁷ But Hirsch successfully combats it by pointing out that it really makes relatively little difference whether land held for speculation is kept wholly idle, on the one hand, or put to some use well below its optimum capacity, on the other: "For if valuable land, fit for cultivation and near to markets, is largely used for this inferior purpose, then the arguments urged by George and which Mr. Walker endeavors to disprove must follow; labour and capital must be driven to the cultivation of poorer and more distant soils."⁸ Thus, while George may perhaps be mildly faulted for often speaking of "idle" when he might better have spoken of "underused" land, in terms of its effect upon the margin this is a distinction without much of a difference. After giving some telling examples that bear out his contention, Hirsch extends the argument to encompass urban and mineral lands (which Walker ignored), remarking:

Around all cities, much land fit for the intensest culture, is kept idle for speculative purposes. Users will only take it on long leases, owing to the valuable improvements which intense culture demands. Owners refuse to grant such leases, because it might deprive them of the opportunity to sell the land for building purposes. . . .

Similarly, large areas of mining land are everywhere held out of use for speculative purposes. To such an extent is this practice carried, that a special term "shepherding" has been invented for it. . . .

Fixing his gaze upon the least valuable land, agricultural land, alone, Mr. Walker has overlooked all these cases in which speculation induces the idle holding of much of the most valuable land in the community enormously increasing rent, reducing wages, and intensifying many of the worst evils of our civilization.⁹

George on Improvements in Production and Exchange

Walker next proceeded to attack another of George's theses, namely, that "irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent," this effect being carried so far that "all the advantages gained by the march of progress go to the owners of land, and wages do not increase."¹⁰ This, he contended, is George's "main proposition, the proposition to which the others are subsidiary." Hirsch, while conceding it to be "the most debatable point in *Progress and Poverty*,"¹¹ does not accept Walker's view of its indispensability to George's system. For he holds that even if Walker is successful in showing that rent does not increase through progress in methods of production when population remains stationary, an *increase* in population is the actual condition accompanying progress in production. He goes on to assert, moreover, that while George may have "somewhat exaggerated the facts of the case," Walker's contention is false even when population is stationary as far as *permanent* increase in wages is concerned.¹²

Walker commenced this line of attack on the ground that *qualitative* improvements in production enhance the demand for labor without enhancing the demand for land, thereby raising wages but not rent. He adduced several examples, of which the following may be taken as characteristic: "Here is the rude furniture of a laborer's cottage, worth perhaps \$30. The same amount of wood may be made into furniture worth \$200 for the home of the clerk, or into furniture worth \$2,000 for the home of the banker . . . The actual material derived from the soil which would go into a picture by a master, worth thousands, makes a smaller draught upon the productive essences of the soil than a chromo of the Prodigal's Return, sold from a cart for \$2, frame included."¹³

However, as Hirsch comments, none of Walker's examples are to the point. They do not even illustrate that a greater production of wealth has taken place:

For obviously, had the same labour been devoted to the production of a greater quantity of . . . goods of inferior quality instead of making a smaller quantity of superior quality, the production of wealth might have been

the same or greater. What he has shown, therefore, is that labour may be directed to produce the same amount of wealth from a smaller quantity of raw material, thus reducing the demand for land and for labour in the cultivation of land. That has not been disputed, nor is such a change in the direction of labour an "improvement in the methods of production."¹⁴

Walker's discussion of this point is subjected by Collier to even more devastating analysis. He calls attention to the fact that George's argument, and Walker's own summary of it, refer explicitly and exclusively to labor-saving innovations. From the context of George's work it is quite clear that by "improvements in production" he meant innovations that "literally saved, or used less labor, or at least increased the demand for labor less than the demand for other factors. George's proposition when viewed in that context becomes a virtual tautology which is irrefutable."¹⁵

If Walker had shown that there are qualitative improvements that enhance productivity without saving labor or increasing the demand for land, he could at least have scored a hit against George's general idea that rent tends to absorb the rewards of material progress, although it would not have demolished the specific argument in support of that idea that he thought he had addressed. "But, as Walker's own argument shows, he did not choose this alternative. Rather, he chose to argue the absurdity that labor-saving innovations are labor-using."¹⁶

Walker went as far as to claim that innovations have actually *decreased* the demand for land. He classified them under three headings, according to whether they improve manufacture, transportation, or cultivation of the soil.¹⁷ With respect to the first category, he asserted that although manufacturing innovations do tend to increase the demand for land, they increase the demand for labor even more. This is simply presented as an *ipse dixit*, without supporting evidence or proof.

With respect to the second category, he stated that "whatever quickens and cheapens transport, acts directly in the reduction of rents, and cannot act in any other way, since it throws out of cultivation the poorer lands previously in use for the supply of the market, enabling the better soils at a distance to take their place, thus raising the lower limit, or, as it is called, the 'margin' of cultivation, and thus

reducing rents.”¹⁸ Walker was true to Ricardo’s Law of Rent here, for he assumed that rent is the difference between what can be produced on good land over what can be produced on the most inferior land with the same application of labor and capital. He maintained that this rent difference would be reduced by improvements in transportation because outlying lands, previously of little use, would now become more productive.

This stance, however, is highly questionable. After all, do not improvements in transportation greatly increase the value of many urban lands? Are not wharves and land surrounding them made more valuable by improvements in shipping? Do not better highways usually make city land more valuable? Improvements in transportation may in some cases have, as Walker claims, the effect of reducing rent, but certainly not “absolutely and exclusively” as he asserts, and not for the reason that he states; rather, because such improvements might sometimes reduce the difference between what can be produced on good land and on marginal land, respectively, *with the same application of labor and capital*. Yet since this land-rent difference is nonmeasurable (because no one would ever apply the same labor and capital to both good land and marginal land) Walker cannot prove via the Law of Rent that improved transportation reduces land rent. The contention must be demonstrated empirically.

There yet remains the last category, agricultural innovations, of which Walker recognizes two types: those that yield a constant product with less labor, and those that get more product with a fixed amount of labor. Collier contends that Walker slipped into a “subtle error” (too technical to go into here) in his analysis of the first type, and failed to demonstrate, in his analysis of the second type, an adequate understanding of “the relationship of differences in fertility in the determination of rent.”¹⁹

Hirsch admits that Walker “was justified in the statement that some agricultural improvements reduce rent, *i.e.*, those which result in an increased yield without an equivalent increase in labor, and which are applicable to all land,”²⁰ but concludes that “while George, therefore, was to some small extent in error when he alleged that ‘irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent,’ inasmuch

as there is one rare class of improvements which fail to do so in the long run, Mr. Walker's absolute denial of this generally true fact was a far greater error."²¹

To give Walker his due, we must note that he did present statistics to show that poverty had not increased with progress, that wages had not fallen over the years, and that rent had not increased faster than total production. His factual evidence was strong, and current statistics continue to support his case. (See the *U.S. Statistical Abstract*.) But it may be defensibly submitted that what George describes—namely, rent squeezing wages and interest to the wall—is the *natural* tendency when production is free of government interference and of all monopoly save that of land. Since his time, monopoly-union wage increases and taxation for such unproductive purposes as defense, crime-fighting, welfare, and the like, have lessened the share rent takes from total production. George himself foresaw that such factors could theoretically reduce rent,²² and since then they have actually done so. Who could doubt, for instance, that if taxes were reduced (particularly the property tax on buildings) and if union-induced wage increases were abolished, rent would increase even if total production remained static? Who could doubt that if these factors were nullified, the rental difference between what the same application of labor and capital could produce on good land over marginal land would rise without any concurrent rise in wages and interest? If this be so, then George's analysis is still, with some slight modification, relevant and important.

We observe with some surprise that Walker did not concern himself in *Land and Its Rent* with the merits or demerits of George's famous tax proposal, but only with George's economic analysis of poverty and depressions. The question to which Walker addressed himself was: Are these two economic evils to be attributed solely or largely to private landownership and land speculation? In the 1880s most people were interested in learning whether George had really isolated the causes of these grand economic problems; only later did they begin to think of land-value taxation chiefly as a possible solution to more limited economic problems such as inflation, urban congestion, and the need for tax reform.

The Question of Compensation

The arguments set forth in *Land and Its Rent* were reproduced almost verbatim in several other books by Walker, including the later editions of his widely used text *Political Economy*. It was in this work that he characterized George's practical proposal to tax away land values without compensating the owners as a "precious piece of villainy," and stated: "I will not insult my readers by discussing a project so steeped in infamy."²³ Eventually, however, his attitude altered in a way that mirrored the general academic change of view. In 1890, when he presented his address "The Tide of Economic Thought" before the annual meeting of the American Economic Association, Walker was able to treat George in a calmer and more impartial manner. He continued to insist upon compensation to the end, but a shift of emphasis may be detected in his 1890 speech, evidenced by his statement that "conceding compensation to existing owners, the proposition is one which an honest man can entertain."²⁴ He personally still had objections to the scheme, but it seemed to him that economists at large "have rather been inclining to the view that somewhat more of the economic rent than is now taken by the State might be brought into the treasury."²⁵ Walker, however, doubted that practical politicians could get the votes from small farmers and village lot-owners for such a plan.

His position on the subject was spelled out more completely in the 1893 edition of *First Lessons in Political Economy*, a high school textbook (but not significantly easier to read, one notes, than were the college texts of the period). Wrote Walker: "There can be no question, I think, that if the community chooses to claim rent, it has a clear and full right to it."²⁶ Nevertheless, the government must pay compensation, because if it had recognized the individual's legal right to land and its rent, to suddenly deny that right would be sheer robbery. Landowners have a vested interest that society is bound to protect even though, with economic progress, "a larger and still larger share of the product of industry tends to pass into the hands of the owners of land, not because they have done more for society, but because society has a greater need of that which they control."²⁷ (It

should be remarked that this statement represents a sweeping contradiction of the thesis in *Land and Its Rent* that rent does not absorb the benefits of material advance!)

Numerous arguments may be put forth against the claim to compensation. First, government is constantly making adjustments that harm some people but benefit society at large, yet no claim to compensation is recognized or even broached. Utility rates are lowered by public service commissions, tariffs are reduced, military installations are shut down, yet no compensation is offered to those whose vested interests are adversely affected. The Eighteenth Amendment was imposed, yet the liquor interests were not compensated. Slavery was abolished, yet slaveowners were not compensated. Are we never to reduce farm subsidies because by now the farmers have obtained a vested interest? It is not usual for the government to compensate anybody when the rules of taxation are changed. Are we never to change the rules? Is not property legally held subject to changing laws? After all, we are faced with the choice of having government "confiscate" land rent, an income (or potential income) that, since land values are a social product, rightfully belongs to all, or having it "confiscate" personal incomes that are individually produced. Which alternative is ethically preferable?

Second, landowners receive from society a privilege—the exclusive use and disposition, at the expense of its other members, of a good that is the product of no human effort but without which production is impossible. Yet, through the years, society has received only a minuscule fraction of the value of this privilege; most has been appropriated by landowners. Hence, if any compensation is in order, it should be paid to society.

Finally, imposition of the land-value tax, if sufficiently gradual, would be only mildly confiscatory; it would be financially tantamount to gradual compensation without interest. Assuming a parcel of land worth \$10,000 and a capitalization rate of 5 percent, the annual rent would be \$500. If this annual rent were appropriated by taxation gradually over a period of forty years, the average annual *unappropriated* rent during this period would be \$250, which, at the end of the period, would total \$10,000—the full value of the land. These are only a few of the arguments against compensation; he who wishes

others may read, for example, George's *A Perplexed Philosopher*, part 3, chapter 11.

Miscellaneous Later Objections

Walker, in *First Lessons in Political Economy*, informed his young readers that an increasing number of educated and experienced gentlemen believed in the nationalization of land, although they were still in the minority. He advised his students to place themselves with the majority until the opposite side had been proved beyond the shadow of a doubt.

To lengthen that shadow, Walker then listed two principal objections to the national ownership of land, under which rubric he erroneously included the single tax. First was the administrative objection that the amount of political machinery required to administer all the lands, and the immense opportunities for corruption and favoritism involved, would make the scheme unworkable. An army of officials was pictured crossing the land, fixing and refixing rentals, and making the individual ownership of improvements insecure.

Like the necessity for compensation, this was to become a familiar theme. In rebuttal, supporters of George's proposal pointed out that it could be administered locally rather than nationally, and would in no way require any more officials than already administered the general property tax. In fact, the opportunities for corruption would be narrowed, since buildings would no longer be taxed. Land titles would remain in private hands, thus safeguarding the ownership of improvements.

Walker's second objection concerned the conservation of the fertility of agricultural land. He said that conservation was of great historical importance, citing several ancient territories that once supported rich civilizations but because of soil exhaustion could no longer do so. He maintained that land nationalization would be harmful to soil conservation, for what farmer, he asked, would take care to conserve the fertility of soil he did not own?

This argument reflected the growing interest in the conservation of natural resources, and would be heard frequently in the years to come. But it lacks cogency. Even under the existing system of land

taxation, the fertility of the soil has been carelessly exploited. Vast areas of the United States, fertile not so long ago, are now wastelands. Absentee farm ownership was an important contributory cause of this, for wherever it existed the tenant farmer was truly not farming his own soil, and was indeed likely to take an indifferent attitude toward long-run fertility. Under land-value taxation, however, since the speculative water would be squeezed out of land prices, thus bringing them within reach of the cultivator, absentee farm ownership would tend to disappear, thereby abetting the cause of soil conservation.

Perhaps most important of all, under land-value taxation land would be assessed and taxed according to its optimum use. In the case of agricultural land, optimum use would reflect the application of fertilizer. If a farmer did not fertilize or otherwise conserve his soil, he would still be assessed and taxed as if he did. Thus he would be encouraged to conserve his land properly in order to derive the maximum income out of it, so that he could have a profit from it after paying the tax. Not only that, but there would be no tax on his fertilizer or other conservation investments, hence such investments would be stimulated.

One more point: a prudent farm owner who cultivated his own land would not be likely, under any tax system, to deliberately ruin the fertility of his soil; farm improvements are not easily moved, and if the soil became worthless or severely depleted, they would sharply depreciate in value. And, of course, proper soil-conservation practices could be mandated by law, as much under land-value taxation as under the current system.

So much for the strictures of General Walker, George's earliest, and superficially most formidable, serious academic adversary. On close examination he seems somewhat of a paper tiger!

Notes

1. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), pp. 18, 36.
2. Francis A. Walker, *Land and Its Rent* (Boston: Little, Brown, 1883), p. 141.
3. *Ibid.*, p. 162.

4. Max Hirsch, *Democracy Versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1948), p. 427.
5. *Ibid.*, p. 428.
6. Walker, *Land and Its Rent*, pp. 164 f.
7. Charles F. Collier, "Henry George's System of Economics: Analysis and Criticism," Ph.D. Dissertation, Duke University, 1976, p. 167.
8. Hirsch, *Democracy Versus Socialism*, p. 429.
9. *Ibid.*, pp. 430–31.
10. Walker, *Land and Its Rent*, p. 167.
11. Hirsch, *Democracy Versus Socialism*, p. 432.
12. *Ibid.*, pp. 432–34.
13. Walker, *Land and Its Rent*, p. 172.
14. Hirsch, *Democracy Versus Socialism*, p. 436.
15. Collier, "Henry George's System," p. 169.
16. *Ibid.*
17. Walker, *Land and Its Rent*, p. 175.
18. *Ibid.*
19. Collier, "Henry George's System," pp. 172–73.
20. Hirsch, *Democracy Versus Socialism*, pp. 445 f.
21. *Ibid.*, p. 446.
22. See *Progress and Poverty*, p. 310, and *Protection or Free Trade* (1886, reprint ed. New York: Robert Schalkenbach Foundation, n.d.), pp. 267 f.
23. Walker, *Political Economy*, 3d ed. (New York: Henry Holt and Company, 1888), pp. 418, 419.
24. Walker, "The Tide of Economic Thought," *Reports of the Proceedings of the American Economic Association, Fourth Annual Meeting*, 1890, p. 24.
25. *Ibid.*, p. 27.
26. Walker, *First Lessons in Political Economy* (New York: Henry Holt and Company, 1893), p. 208.
27. *Ibid.*, p. 209.

Harris and His Anachronistic Attack

By CHARLES F. COLLIER

William Torrey Harris (1835–1909) is best known as an American educator, editor, and philosopher. He served as a teacher in, and superintendent of, the St. Louis, Missouri, school system, and later as the U.S. Commissioner of Education. He edited Appleton's *International Education Series*, Webster's *New International Dictionary*, and the philosophy section of *Johnson's Encyclopedia*; he wrote numerous reports, papers and articles, and books. He was (with Emerson and Alcott) a founder of the influential School of Philosophy in Concord, Massachusetts, founder and editor of the *Journal of Speculative Philosophy*, and a promoter of Hegelian idealism. Yet, on several occasions, Harris took time from these activities to offer his critique of George's *Progress and Poverty*. (None of George's other works were discussed.) Harris believed that his basic arguments against George's ideas were never refuted.¹

Attack on the Deductive Method

It is not surprising that Harris emerged as a critic of George since, on matters of economic theory, Harris was a disciple of Henry C. Carey.² Carey was a critic of the deductive method of analysis and the Ricardian rent theory in particular. Further, his theory of income distribution was quite different from the theories of the classicists and George.³ Carey's ideas provided the foundation for Harris's critique.

Harris's attack began in September 1886 in an address to the Saratoga meeting of the American Social Science Association.⁴ The speech was important for several reasons. First, it set the pattern for all of his other attacks. Since Harris believed that his arguments were devastating and that they had not been refuted, he did little to revise them. Second, as Barker noted in his definitive biography of George, with this speech Harris became "the most famous person to speak against [George] in this period."⁵

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After some preliminary remarks, Harris, following Carey, attacked all of the classical economists, including George, for their use of the deductive method of reasoning. Carey claimed that the axioms of the classicists (wealth-maximizing behavior, drives to reproduce, etc.) simply did not adequately represent actual human behavior. He also claimed that when classicists applied deductive logic to these inadequate axioms they inevitably got inadequate results. Further, he charged that the classicists never detected the flaws because their test of their theories' validity was logical consistency, not the ability to explain and predict "real world" behavior. He maintained that if the classicists ever tested their theories against actual data, they would have had to reject most of their theories.⁶ Harris, in similar fashion, said that classicists failed because they "set up principles for absolute ones which serve only for a nation of mere shopkeepers."⁷ He too believed that empirical tests would lead to the rejection of most of classical political economy. Carey felt that one of the worst errors produced by the classicists was the Ricardian rent theory, a theory that postulated that the most fertile land would be settled first and that the margin of cultivation would then extend downward and outward as more land was needed. Carey said that the historical evidence of England, the home of most of the classicists, revealed that the *reverse* was true, namely, that the first settlements were in the hill country and that settlement extended to, not from, the richer soil of the river bottoms.⁸ That pattern, insisted Carey, was quite general. Harris, in turn, argued that the Ricardian view was obviously incorrect because, if the best land had been settled first, the lush Amazon basin would have been settled before most other parts of the world.⁹

In reiterating Carey's arguments, Harris apparently never realized that leading economists had refuted them twenty years before. John Stuart Mill reasoned that in areas of new settlement, in which labor and capital were scarce relative to land, people might not settle on land that would eventually prove to be the most fertile *if* initial cultivation of that land required more capital and labor than cultivation of another plot that would eventually prove less fertile. But, said Mill, once societies had become well populated by people with adequate capital, it would be nothing short of absurd for them to let the more fertile plots remain idle while they lived on the less fertile plots. Mill

claimed that *after a certain state of development had been reached*, societies did act in accordance with the Ricardian view.¹⁰ Francis Amasa Walker, perhaps the foremost American economist of the era, also had written a lengthy and devastating analysis of Carey's ideas before Harris reiterated them.¹¹ Finally, Alfred Marshall, the greatest economist alive at the turn of the century, also had refuted Carey's arguments. He accepted Mill's analysis and then added that the first settlers in a country may settle on hills and not on river bottoms since hills can be more defensible positions against enemies and wild animals. Further, he noted that many river bottoms are places in which one was more likely to catch diseases such as malaria. Marshall argued that since such risks must be taken into account, it would be quite logical to delay settlement of the river bottoms until medical technology and defense capability were developed.¹² Mill, Walker, and Marshall all agreed that the Carey-Harris objections were valid when they were directed at careless statements of the Ricardian theory, but they argued that the Carey-Harris objections were entirely irrelevant or incorrect when they were directed against careful statements of the theory. Harris's failure to deal with, or even acknowledge, these arguments indicates that he was not as conversant with the literature as he should have been.

Harris's main objection to George's method of procedure was that the method was entirely deductive and that George had not applied a single reliable statistical test to his theories. Harris believed that such tests would reveal that the problem that George proposed to solve was entirely specious and that George's proposed remedy would actually be detrimental to the interests of the classes it was designed to help. He sought to prove that with the available Census data.¹³

In some senses, Harris was correct. George did often tend to assume things that could have been tested empirically, and rejection of these assumptions would greatly weaken George's analysis. For instance, George did assume that land speculators would hold their land idle while they waited for its value to increase. Also, George did assume a good deal more than he had a right to about the links between progress and poverty. But these were not the things that Harris proposed to test. Harris proposed to make statements about rent, land value, real wages, and so on based upon Census data, and

to use those statements to refute George's arguments. The problem, however, is that the data that Harris had at his disposal were so unreliable and Harris's handling of that data was so poor that all of his conclusions must be regarded as highly suspect. Moreover, there seems to be no way to treat the data so as to make them reliable.

Harris's Statistical Techniques

It is not possible here to provide a detailed analysis of Harris's statistical techniques. The following should, however, indicate the basic nature of the problem. The fundamental problem is that the data that Harris needed did not exist in the form in which he needed them. Neither the United States nor the United Kingdom had accurate data on rent or land value—or if they did, Harris never cited them.

Harris proposed to use the 1880 national Census as his basic source of data for the United States. And yet the Census reported only the total value of all "property," including land, buildings, machinery, raw materials, manufactured goods, and money. The value of such "property" was, clearly, of no special interest in this context. To ascertain the magnitudes of the relevant variables, Harris undertook four steps. First, he noted that in Massachusetts, the only state that reported land value and building value separately, the ratio of the value of buildings to the value of land was 56 to 44. He assumed that the same ratio applied to all "Eastern states." And he assumed that an approximately inverse ratio, 40 to 60, applied in the "Southern section" and in all "Western States and Territories." He used those ratios to calculate the value of all of the land and buildings in the country.¹⁴ Second, he used a statement by Henry Gannett, that while the ratio of assessed value to market value varied greatly among districts (from 40 to 100 percent), the average ratio was 65 percent.¹⁵ That figure was used to estimate the market value of all of the land in the United States. Third, Harris argued that annual rent would be 4 percent of the value of the land. He concluded, "Counting rent at four per cent. on the actual valuation (which would be 6.1 per cent. on assessed value), we have the sum of \$400,000,000 as the total rental of land in the United States. Four per cent. is probably a larger average rent than land brings in because land-owners raise prices on

land when it produces more than three per cent. after paying taxes.”¹⁶ Fourth, he argued that since the population of the United States was about fifty million people, rent only amounted to about 2.2 cents per day per person and that such a sum was far too small to cure the problem of poverty even if “it were all distributed.”¹⁷

Harris’s procedures are open to at least some question at each step. The assignment of the ratios of building values to land values was, after all, quite arbitrary. All ratios were based upon a comparison or contrast with Massachusetts. Even if one were to grant that the Massachusetts estimates were accurate, it is very unsafe to apply that one estimate to the entire country. Further, the context does not make it clear that the estimate supplied by Gannett applied to “land” and not “real estate” in general. The several kinds of property are assessed differently and the distinctions must be *clearly* drawn. Further, the “average” is, technically, inaccurate unless it is a weighted average, since land value is not uniformly distributed across all districts. The statement that rent will tend to be 4 percent of land value is simply analytically invalid. When land is subject to an ad valorem tax, the kind that George proposed, its value is given by the equation

$$V = \frac{R}{i + t}$$

where V is post tax-market value, R is gross rent, i is the interest rate used for capitalization purposes, and t is the tax rate. It is clear that V rises *whenever* R rises (i and t held constant), no matter what percentage R is of V. Rent is simply not a fixed percentage of the capitalized value of land. The issue of the “distribution of rent” will be discussed below.

Apparently, Harris himself eventually realized that most of his original statements about the United Kingdom were severely flawed. Many of these statements were based upon the work of Michael Mulhall. From the beginning, Harris understood that Mulhall’s use of the term *land* was very imprecise, meaning “agricultural capital in land” including farms, farm buildings, and fences, but excluding all urban land.¹⁸ At other times, however, he seems to have forgotten that imprecision, for he made statements about “land” that, if true at all, were true only for rural land.¹⁹ He also cited a Parliamentary study

as giving the total rent of land in the United Kingdom after *explicitly* noting that the study ignored all land holdings of less than one acre and that the study ignored the entire city of London.²⁰ In his final article on this topic, Harris expressed realization of the fact that Mulhall's use of the term *houses* was as vague as his use of the term *land*. In his earlier articles, Harris followed Mulhall and kept "houses" separate from "land." He later realized, however, that Mulhall's "houses" included "city houses and the lots on which they stand . . ." ²¹ The new finding did not cause him to revise his conclusions in any important way, although it should have. He also made calculations that indicated that rent in the United Kingdom was between one-twenty-fifth and one-eighteenth of the gross national product and that it amounted to only 2.5 cents per person per day. It seems clear that since Harris's data for "land" includes rural buildings and since his data for "houses" includes urban sites, and since he never adjusted the data to account for that, his findings cannot be accepted as accurate.

There does not seem to be any way, even in principle, to put order into the data. The categories under which the data were gathered preclude that. The point is important to an analysis of the structure of Harris's argument. Harris claimed that an examination of Census data would lead a reasonable person to reject George's ideas. In fact, however, Harris had no reliable data; he had only several overly aggregated and/or ambiguously classified observations and a lengthy sequence of dubious assumptions as to how to process the data. One can only conclude that neither George nor Harris was at all convincing on this point. Neither writer produced any acceptable work on the issue and it must be said that the issue was unresolved after each side had stated its case.

For present purposes, it is important to note that even if Harris's data were accurate—or even if they could be made accurate—they would not have been relevant to his argument. Harris appeared to have felt that his strongest argument against George's proposal was that over time the rental share of annual income had declined so much that it represented between one-twenty-fifth and one-eighteenth of that income or about 2.2 cents per person per day in the United States and 2.5 cents per person per day in the United Kingdom.²² He

argued that even if all of the rent were taxed away and divided equally among the population, the amount that each person would receive would be too small to eliminate poverty.²³ It was this objection that Harris considered to have been unrefuted.²⁴

Contemporaneous Refutations of Harris

While Harris may have believed that this objection escaped refutation, there were actually several important refutations produced in his lifetime. Within weeks of the publication of Harris's first article, Mary E. Beedy, in an otherwise laudatory review of Harris's career, noted: "It is quite possible that Dr. Harris may not fully have comprehended Mr. George's views, or that his statistics may be in some degree faulty; but this we must all feel: that the question is now ably opened on both sides, and Mr. George will be compelled to meet Dr. Harris with the weapons of facts and figures."²⁵ Later, in 1892, E. Benjamin Andrews, President of Brown University and a moderately sympathetic critic of George's, commented that many of the "flaws" that Harris felt he had uncovered were "in a way recommendations instead."²⁶ Beedy and Andrews apparently realized, as Harris never did, that George never proposed to cure poverty through an equal division of rent among all of the citizens of the country. Instead, he envisioned his tax as the vehicle for the removal of obstacles to production and employment. He saw the results of these incentive effects, not cash disbursements from the government, as the cure to the problem of poverty. One might conclude, along with Andrews, that George's proposal, if implemented, would not accomplish two-thirds, or even one-half, of the things promised. One might even conclude that George had greatly exaggerated the impact that private ownership of land has upon the production process. Yet one might still favor the imposition of heavy taxes on goods available in perfectly (or almost perfectly) inelastic supply, and one might favor the removal, or reduction, of taxes on goods available in more elastic supply.²⁷ And, perhaps more to the point of this discussion, one must analyze and accept or reject George's proposal as George wrote it and intended it. An effective critique cannot be based upon a misunderstanding as thorough as Harris's.²⁸

The Problem of Poverty

After Harris had delivered what he felt to be his irrefutable objections to George's proposal, he moved on to discuss "The Cause of Mr. George's Error."²⁹ The error was said to stem from George's alleged failure to distinguish between the several kinds of land. Harris argued, "Land for building purposes is prevented from demanding high prices by competition with suburban agricultural land. The rapid transit of the railroad produces this competition, offering to the laborer in the city a cheap building lot carved out of a country farm, in a healthful locality. On the other hand, capital in the form of cheap transportation keeps down the price of farming land on the Atlantic coast by bringing into competition with it the border lands of the west."³⁰ That point is true, if ever, only under certain circumstances. Even if the marginal land was to be had rent free, or at zero price, as even Carey supposed, the very process discussed by Carey and Harris would raise the rent on all hitherto marginal and intramarginal plots. Harris appears not to have considered that point, and that oversight is the potentially fatal flaw in the argument. For Harris's purposes it was not sufficient to look just at the reduced rate of increase in rent on urban land and Atlantic-coast farm land. He should have considered the *total* rent paid throughout society. If the rents on hitherto marginal and intramarginal plots rose enough, the total effect might be quite different from the effect on any isolated plot or group of plots.

Harris next attempted to demonstrate that the problem of poverty was becoming less and less serious over time because real wages were rising continuously.³¹ While that claim may well be true, Harris's method of demonstrating it is flawed. He began by citing some income and wage data for the United States and the United Kingdom. He then proposed to show that since consumer prices had risen less than money wages, real wages had risen. Following Mulhall, Harris claimed that he planned to reject all of the consumer price index numbers calculated by economists in favor of "the volume of trade method."³² Although Mulhall is not precise in his description of his method, it appears that he wished to calculate the ratio of current output to past output, assuming that base-period prices prevailed.³³

It is worth noting that neither Mulhall nor Harris realized that, contrary to their plans, the “volume of trade method” yields a Laspeyres quantity index. The important issue, however, is that such an index introduces an important bias into the argument. As Franklin Fisher and Karl Shell have shown, over time periods in which tastes and production-possibility maps change, the consumer price index should be calculated using a Paasche index, for the Laspeyres quantity index understates the correct value.³⁴ Thus, if Harris’s chosen index understated the price-level increase, it would overstate the real-wage increase because the price index appears in the denominator of the fraction that indicates the real wage. While real wages had surely increased, arguments such as Harris’s will overstate the amount of the increase.

Harris next discussed his own theory of “progress and poverty.” The great increase in production was said to be due to the utilization of enormous amounts of “labor-saving machinery,” which increased the productivity of the employed labor. But, he added, the problems of poverty and unemployment were related to the same tendency. The fact that technological advance was continuous implied that new machines would be developed to do more and more jobs. This would, inevitably, tend to replace human laborers. Those who were reemployed would gain, for there would be more goods and services for them to consume, but those who could not readjust their skills would become unemployed. And those who could be replaced by machinery would have to accept very low wages in order to make themselves more attractive than machinery. The cure to the problem, said Harris, was to develop a system in which people would become flexible enough to readjust their careers as required.³⁵

The Function of Property

Harris next turned his attention to “the function of property” and argued that the institution of private property was of paramount importance. With it, the rights of all individuals were well defined and accepted by all. Social conflicts were held to the minimum levels as each individual accepted the rights of others to treat their property as they saw fit. Without it, there would inevitably be conflicts

over the use of any existing objects. But, said Harris, the scope of individual liberty would be drastically limited unless private ownership extended to land. He asserted, without elaboration, that unless private property extended to land, "there must be one absolute will which limits all others, and deprives them of perfect freedom to that extent."³⁶ There is no explanation as to the identity of the "absolute will" and no discussion of the way in which it inhibits personal freedom. A paradoxical feature of this criticism is that it was made of a Jeffersonian individualist by a Hegelian who had, on another occasion, enthusiastically anticipated the emergence of a national consciousness in which "each individual recognizes his substantial side to be the State as such."³⁷

In expatiating upon the supposed loss of individuality that would accompany the abolition of "free" (fee simple) ownership of land, Harris raised aesthetic considerations with an argument that we have not encountered elsewhere in relation to the thought of George: "The owner of a leasehold is careful if he builds, to study how to build so that in case the land passes away from his possession he may get the most for his building. Hence, he adopts a conventional style, and there is no self-revelation in his work and no culture that comes from it."³⁸

This is an interesting observation, but it ceases to hold good in proportion to the greater length of the lease. The Chrysler and Empire State buildings and Rockefeller Center are but three familiar examples of innovative construction on leased land; others, of more recent vintage, would be many of our most distinctive shopping malls and plazas. Since what George proposed was tantamount to a *perpetual* lease at a variable figure reflecting income potential, the observation obviously has no bearing on it.

Harris next argued that it would literally be "killing the goose that laid the golden egg" for society to tax the "unearned increment." It seems, however, that he misunderstood the meaning of the term. He repeatedly noted that individuals incurred risks and invented new goods and new production techniques because of the prospective gains associated with success. To tax the rewards of such success would be to create a disincentive effect that would lead to little or no innovation.³⁹ One need only note that Harris's conclusions are

quite true but that they have nothing whatever to do with the “unearned increment.” George, like all other economists, used the term *unearned increment* to apply to increases in value that occurred *separately* from the things discussed by Harris.⁴⁰

Finally, Harris turned his attention to the impact of George’s tax. Again Harris appears to have misinterpreted George’s proposal, for he repeatedly refers to it as a “land tax.”⁴¹ Of course, George proposed a land-value tax, not a land tax. The distinction is important because in both the Georgian and the Carey-Harris framework there was a no-rent margin. Thus, in both frameworks, there was land that had no value. Then Harris claimed, without proof, that the tax would be shifted and that it would be shifted in an undesirable way. He asserted that the tax would soon be shifted to the occupants of the houses on the land. And, without explaining why it would be so, he claimed that the shift would lower the rent of the houses lived in by the rich and raise the rent of the houses of the poor. Thus, said Harris, the proposal would actually hurt those whom it was intended to help.⁴² It only needs to be said that there is nothing in economic theory that ensures that those conclusions are necessarily true. Indeed, the lack of any theory in support of his views may explain why Harris was content to merely assert his conclusions.

Evaluation

It must be said that Harris did begin with an excellent idea. It is necessary to examine the empirical findings related to this issue. And it would be necessary to reject or revise George’s ideas if the empirical findings dictated that. The problem with the specific case of Harris, however, is that the data that he had available were not those he needed. Further, it is clear that Harris never understood George’s proposal and hence he never really tested it; instead he tested only his misstatement of the proposal. It is also clear that Harris’s proposed alternative system, based on the work of Henry C. Carey, was obsolete at the time that Harris wrote. One can conclude only that while Harris may well have been a competent and innovative educator, and an able (if not especially original) philosopher, he was not at all adequate as an economist and he was not equipped to handle the task

he set for himself. For these reasons the specific critique he offered must be judged quite ineffective.

Notes

1. Kurt F. Leidecker, *Yankee Teacher: The Life of William Torrey Harris* (New York Philosophical Library, 1946), pp. 540–41.

2. *Ibid.*, p. 540.

3. Henry C. Carey, *Principles of Social Science* (Philadelphia: Lippincott, 1858), 1:104–46 and 3:109–70.

4. William T. Harris, "The Right of Property and the Ownership of Land," *Journal of Social Science* 22 (June 1887):116–55.

5. Charles Albro Barker, *Henry George* (New York: Oxford, 1955), p. 556.

6. Carey, *Principles*, 1:28–32.

7. Harris, "Right," p. 119.

8. Carey, *Principles*, 1:170.

9. Harris, "Right," p. 119 and Carey, *Principles*, 1:28–35 and 104–46.

10. John Stuart Mill, *Principles of Political Economy: With Some Applications to Social Philosophy*, ed. W. J. Ashley, 9th ed. (1885; reprint ed. New York: Kelley, 1965), pp. 181–83 and 430–33. Ashley assures us that all cited arguments appeared in all editions since the edition of 1865 (the sixth edition). They were therefore available to Harris, who wrote and spoke on the topic from 1886 to 1897.

11. Francis A. Walker, *Land and Its Rent* (Boston: Little, Brown, 1883), pp. 75–108.

12. Alfred Marshall, *Principles of Economics*, 4th ed. (London: Macmillan, 1898), 1:240–44.

13. Harris, "Right," pp. 120–22 and his "Henry George's Mistake about Land," *The Forum* 3 (July 1887):433–42.

14. Harris, "Right," pp. 122–24.

15. *Ibid.*, p. 123.

16. *Ibid.*, p. 125.

17. *Ibid.*, pp. 122 and 125.

18. *Ibid.*, p. 128, n. 1.

19. In "Mistake," p. 439, he reported the value of land in the United Kingdom as 1,737,000,000 pounds sterling. Yet, in "Right," p. 128, n. 2, that figure is given as the value of agricultural capital in land.

20. Harris, "Right," p. 129, n. One of the first people to have noticed that this problem existed was Thomas G. Shearman. See his *Natural Taxation* (New York: Doubleday, Page, 1916), p. 137.

21. W. T. Harris, "Statistics versus Socialism," *The Forum* 24 (October 1897):190.

22. Harris, "Right," pp. 125–28; "Mistake," pp. 437–38; and "Statistics," p. 196.
23. Harris, "Right," p. 122.
24. Leidecker, *Yankee Teacher*, pp. 540–41.
25. Mary E. Beedy, "Dr. William T. Harris and His Reply to Henry George," *Education* 8 (October 1887):111–12. The article first appeared in *The Chicago Tribune* of 10 July 1887.
26. E. Benjamin Andrews, "Economic Reforms Short of Socialism," *International Journal of Ethics* 2 (April 1892):281–83.
27. *Ibid.*, p. 281. For a statement that a tax on the "unearned increment" will not distort production incentives or efficiency, see Paul A. Samuelson, *Economics*, 10th ed. (New York: McGraw-Hill, 1976), p. 564.
28. It may be worth noting that Harris repeatedly made this kind of error. In "Statistics" he wrote, "I consider the most important item of economic statistics to be that which shows the total product of the State or nation in the form of the average per day for each inhabitant. This item helps the individual citizen to compare his daily wages or his annual income with the quota which he would receive in case the total product of his State or nation were distributed to each inhabitant without any deductions for capital, for land, or for supervision" (pp. 192–93). Earlier he had spoken of an equal division of rent, so he tended to report all of his data in those terms. While per capita or per day data may be useful for some purposes they are not especially useful for others. Specifically, neither of the major groups criticized by Harris—the single taxers and the Marxist socialists—proposed an equal division of rent or total product. Thus Harris's critique of both groups was badly misdirected.
29. The phrase is the title of a section of "Right." See pp. 129–30.
30. Harris, "Right," p. 129. See "Mistake," pp. 439–40 for a similar statement. This point, like so many of Harris's points, appears to have been derived from the work of Carey. See Carey's *Principles*, 1:168–69. And, as was often the case, John Stuart Mill had already furnished a demonstration that Carey's point was theoretically unsound. See Mill, *Principles of Political Economy*, p. 432.
31. Harris, "Right," pp. 130–35.
32. *Ibid.*, p. 132 and the sources cited there.
33. Michael G. Mulhall, *History of Prices Since the Year 1850* (London: Longmans, Green, 1885), p. 122.
34. Franklin Fisher and Karl Shell, *The Economic Theory of Price Indices: Two Essays on the Effects of Taste, Quality and Technological Change* (New York: Academic, 1972), pp. 58–59.
35. Harris, "Right," pp. 134–46.
36. *Ibid.*, pp. 146–47. The quoted passage is from p. 147.
37. William Torrey Harris, "To the Reader," *Journal of Speculative Philosophy* (January 1867).

38. Harris, "Right," p. 148.

39. *Ibid.*, pp. 148–51.

40. It should be noted that the passage seems to be aimed at Marx more than at George. It must be said, in fairness to Marx, that Harris appears to have misunderstood Marx's economics and that his objection to it is irrelevant.

41. Harris, "Right," p. 152.

42. *Ibid.*, pp. 152–55.

Gronlund and Other Marxists

By FRED HARRISON

The paradoxical relationship of the Jeffersonian individualist, Henry George, to the history of general socialism is a familiar story, well summarized by the following oft-quoted statements by Sidney Webb and George Bernard Shaw, respectively: "Little as Henry George intended it, there can be no doubt that it was the enormous circulation of his *Progress and Poverty* which gave the touch that caused all the seething influences to crystallize into a popular Socialist movement."¹ "When I was thus swept into the great Socialist revival of 1883, I found that five-sixths of those who were swept in with me had been converted by Henry George."²

But when we examine the convoluted tale of George's relationship to Marxism as distinguished from socialism in the broader sense, we find ourselves on less familiar yet even more paradoxical ground.

Marx and George never met. Upon receiving three copies of *Progress and Poverty* from various friends, Marx "looked it through" and dismissed it contemptuously as "the capitalist's last ditch,"³ characterizing George in a letter to F. A. Sorge as "behind the times" theoretically, and marked by the "repulsive presumption and arrogance that invariably distinguish all such panacea-mongers."⁴ George's estimate of Marx was equally uncomplimentary; he regarded him as "a most superficial thinker, entangled in an inexact and vicious terminology," and as "the prince of muddleheads."⁶ Despite Marx's low opinion of it, H. Hessel Tiltman observes that George's book "achieved the undoubted feat of making Karl Marx into a popular author, for chapters of *Das Capital* were published and read as sequels of *Progress and Poverty*."⁷

During George's lifetime his views were publicly attacked in Marxist circles, not, ironically, by Marx himself, who, as we have seen, considered him "repulsive," but mainly by two men with whom he had maintained friendly connexions, Henry Mayers Hyndman and Laurence Gronlund. Hyndman, a founder of the British Social

Democratic Federation and the first British popularizer of Marx's thought, was introduced to George in 1882 by John Stuart Mill's step-daughter, Helen Taylor. Shortly thereafter, George and his wife accepted Hyndman's invitation to be houseguests at his elegant London home. Although the invitation was extended, according to the host's own account, "because I hoped, quite mistakenly as it afterwards appeared, to convert him to the truth as it is in Socialist economics,"⁸ Hyndman entertained a genuine, if rather condescending, feeling of affection toward George long after it had become clear that their theoretical differences could not be reconciled.⁹ These differences emerged with increasing sharpness in two published exchanges between them: the first, a dialogue, in 1885; the second, a full-scale debate, in 1887.

George first heard of Gronlund in 1883, when the latter was earning ten dollars a week and saving three of them to defray the cost of publication of his *Cooperative Commonwealth*, which came out the following year. According to Barker, George "admired and encouraged" the impecunious Danish immigrant,¹⁰ and Gronlund reciprocated with generous references in his book to George, which were, however, interspersed with others that announced the principal points of disagreement that he was later to elaborate.

Educated as a lawyer in both Copenhagen and Milwaukee, Gronlund left that profession as his socialist convictions ripened, in favor of an economically precarious career as a journalist and political lecturer. Eugene V. Debs, the labour leader and perennial Socialist Party candidate for president, acknowledged him as his ideological mentor.¹¹ During the period that concerns us Gronlund was a thorough Marxist, although he sought to play down the more incendiary aspects of the doctrine in order to make it less distasteful to the average American. In time he was to renounce the class struggle, and to move in the direction of Christian socialism.

Gronlund's two tracts against Henry George were issued during the struggle between George and the socialists for control of the United Labor Party in 1887—a struggle that culminated in the expulsion of the socialists. These tracts, *Insufficiency of Henry George's Theory* and *Socialism vs. Tax Reform: An Answer to Henry George*, slight though they be, represent the most considerable effort ever made, so far as

I have been able to discover,* to refute George on Marxist grounds. For this reason they will, in some measure, constitute the focus of this chapter.

Yet, curiously, Marx's own posthumous writings indicate that before his death he had arrived at analyses in many respects similar to those of George—analyses that, although he of course never repudiated it, run counter to what is generally understood as "Marxism." Hence I shall have occasion to cite passages from Marx in opposition to the principal Marxist critique of George. As we examine these passages, I shall also explore the question of why, in the light of them, Marx did not abandon his earlier conclusions, and shall venture an evaluation, based on evidence that Marx himself laboriously compiled, of the status of socioeconomic systems built on Marxist tenets as the only and historically inevitable alternative to monopoly capitalism.

"Inadequacy" of George's Economic Analysis

In arguing for the transformation of rights to capital as well as to land, Gronlund had to claim that George's analysis of the effects of monopoly ownership of land was inadequate: that it could neither wholly explain the existence of, nor finally abolish, poverty. Gronlund informed George: "your teachings that private property in land is *the* cause of our social evils and that abolition of land ownership would remedy them are false."¹²

George's central problem, the coexistence of economic progress with poverty, can be broken into two parts. The first embraces those issues that deal with income distribution. The second concerns the

*George R. Geiger (*The Philosophy of Henry George* [New York: Macmillan, 1933], p. 255 n.) maintains that the socialist position against George is most effectively presented not only in Gronlund's two pamphlets but also in Algie M. Simons's twenty-nine-page attack, *Single Tax Versus Socialism* (Chicago: Charles H. Kerr & Co., 1899). This work, unfortunately, has become so scarce that it is not to be found even in the British Museum or the Library of Congress. Copies do exist in the Henry George Collection of the New York Public Library and in the Harvard University Library, but they are too fragile to permit loan or duplication. I am unwilling to evaluate Simons's work on the basis of someone else's summary, and cannot now make a transatlantic journey to examine it in person.

dynamics of the mode of production itself, the facility with which each factor helps or hinders the growth of wealth, and the cyclical crises that Marxists regard as the inevitable result of the alleged internal contradictions of capitalism.

Gronlund attacked George for suggesting that the landowner was the main beneficiary of the growth of the economy. Preposterous, he declared. "George comes to the conclusion, affirms and reaffirms, that only landholders grow richer and richer by our material progress, while capitalists do not get their proper share and are, in fact, in the same boat as the wage workers. But how, may be asked, can he come to such a preposterous conclusion, since if he but glances at the other side, he will see that landholders constitute but a small portion of our monied class, and by no means the richest portion."¹³

George does not come to this conclusion at all. He explicitly stated: "When I say that wages fall as rent rises, I do not mean that the quantity of wealth obtained by laborers as wages is necessarily less, but that the proportion which it bears to the whole produce is necessarily less. The proportion may diminish while the quantity remains the same *or even increases*."¹⁴ The same applied to interest. George is thus not guilty of the "self-deception" with which he is charged by Gronlund, that "only landholders benefit from our material progress."¹⁵

As if anticipating this rebuttal, Gronlund switched to a discussion of the declining rate of interest; still, however, he remained on the offensive. "Well, that the rate of interest constantly diminishes, is, of course, a fact: but what of that? This does not at all, as every school-boy knows, prevent the income of the capitalist from constantly growing, from growing at a tremendous rate, from *growing much faster than the income of the landlord* from increasing rent."¹⁶

Marx would have sided with Henry George on this issue: "in the same proportion as [surplus product] develops, landed property acquires the capacity to capture an *ever-increasing portion* of this surplus value by means of its landed monopoly and thereby, of raising the value of its rent and the price of the land itself. The capitalist still performs an active function in the development of this surplus value and surplus product. But the landowner need only appropriate the

growing share in the surplus product and the surplus value, without having contributed anything to this growth."¹⁷

Nor did Marx share Gronlund's dismissive approach to the problem of the rate of interest. The ordinary interest rate directly affects the buying price of land. If it fell from 5 percent to 4 percent, then an annual ground rent of £200 would represent the annual realization from a capital of £5,000 instead of £4,000. Thus the price of the same piece of land would have risen by £1,000, or from twenty years' to twenty-five years' purchase. Therefore, given that the growth of loanable capital had the long-term effect of reducing the interest rate, "it follows that the price of land has a tendency to rise, even independently of the movement of ground-rent and the prices of the products of the land, of which rent constitutes a part."¹⁸ The consequences for people wanting to start new job-creating businesses, or build homes for themselves, are evident.

Marx was also willing to concede the possibility that rent in its aggregate may increase proportionately more than industrial profit, by which he meant the "profits of enterprise," that is, after the interest on capital had been deducted from gross profits.¹⁹ If correct, this would have important effects on investment decision-making. It would help to explain the speculative buying of land, which is often kept unproductive until the owners consider the time ripe to "make a killing" by selling out. This behaviour, held George, was a fundamental reason for the periodic crises in an industrial economy. Gronlund rejected the claim, and placed the blame on capitalist plutocrats. "It is to the rule of these selfish plutocrats, and to their wage-system, competition and 'private enterprise' that the so-called 'over-production' and our crises are due, and *not at all* to the speculative rise in the value of land, as George declares."²⁰ To judge by the vacillations of politicians today in industrial societies, the causes of economic depression are still not determined; this disagreement is reflected in ambivalent policy formation. It would therefore be useful to accord the problem an extended treatment, in the hope of clarifying live problems.

George did not advance a monocausal explanation for cyclical crises. He cited the complex interdependence of the interlocking parts

of industrial economies, such as monetary policies and restrictive trade practices. But the speculative advance of land values was “the great initiatory cause.”²¹ Before we evaluate this key proposition, we must briefly consider the competing Marxist explanation that crises were caused by the “overproduction” caused by the unplanned output by individual manufacturers all working to advance their private interests and oblivious of social needs, and the converse phenomenon of “underconsumption” arising from the maldistribution of income.

Associated with the early stages of the slow-down of an industrial economy there is a rise in the pile of goods held in manufacturers’ warehouses. But far from causing the crisis, this is a response to it. Manufacturers hope that by building up their stocks they will be able to continue their operations and be well placed to meet the demand in the upswing of the cycle. When, however, the depression continues, there comes a point where they have to either contract their scale of operations (causing unemployment of labour and capital) or cut their prices (reducing profits), or both. When the market is swamped with “surplus” goods, this is interpreted as overproduction based on the miscalculation by individual entrepreneurs of effective demand. This “flooding” of the market, linked with a cutback in output, is then held to be the cause of the crisis; ergo, the need for socialism, to inject rational planning into the system. But the socialist interpretation fails to explain why individual entrepreneurs continually act against their private interests by overproducing in cyclical—and predictable—fashion.

There is an element of truth in the Marxist argument that the division of income causes underconsumption. Some people receive incomes that they do not earn by a simultaneous creation of wealth. Their incomes tend to be high, and their propensity to spend on staple consumer products—those produced by the majority of people—tends to be proportionately low. On the other hand, the mass of people who work for a living, as a direct result of having to hand over part of their wealth to nonproducers (and another slice in taxation to public authorities who do not always spend their revenue productively), consume less of the goods they produce than would otherwise be the case.

This bifurcation in the pattern of consumption, production, and

income distribution has a distorting effect on the productive processes. It is seen in its most unambiguous form in third-world countries that are struggling to industrialize, where “conspicuous consumption” of imported luxury goods is at its most deleterious extreme. A major problem experienced by these countries is the shortfall in the size of the domestic market, allied with unfavourable trade balances and foreign exchange difficulties that arise to an important degree from the import of luxury foreign goods.

Who are the idle income receivers? Henry George said they were the landlords; Gronlund and Marx agreed, but wanted to add the capitalists. The latter, they said, also creamed off part of “surplus value,” and so created the conditions for underconsumption. Yet, despite Marx’s propaganda, he was willing to concede that capitalists played an active role in the production process—a role for which, according to George, they were entitled to receive their income (which they were normally disposed to reinvest in a productive form). This isolates the landlord class, the rent-appropriators who contribute nothing to the process of wealth-creation beyond granting, for a fee, permission to others to use natural resources that they, the landlords, did not produce.

But this is only part of the problem. What about the involuntary nature of most unemployment? Why, asked George, did men and machines stand idle when both could be working for the mutual benefit of all? His answer—speculation in land. This, he found, resulted from the expectation of profit from population expansion (which increased demand for land) and *future* economic growth as a result of technical innovations and capital accumulation. Once people observed a rise in land values, they too wanted to get in on the act; this had the cumulative effect of pushing up buying prices even further.

How does this cause unemployment and human misery? At a certain point in the land boom, buyers realise that the yields on their investments are not keeping pace with the rise in the graph of land values. In other words, current income—the rent paid out of current production—cannot rise as fast as the expectations of the speculators, no matter how hard the land users are squeezed. There follows a levelling off of prices, and panic selling as the speculators appreciate

that their investments could earn more elsewhere, find difficulty in financing loans that they took out to make the speculative purchases, and realise that their property is grossly overvalued. The only way out for them is to sell quickly before prospective buyers realise that the bottom has dropped out of the market.

From this we can see how money is sterilized (buying land does not create machines or jobs), land is kept idle while there is a demand for it, and the less efficient (or least protected) firms and individuals are put out of business. Henry George saw that this situation could not be sustained indefinitely. Eventually, speculative rents had to come into line with "normal" rent as a result of one or a combination of three reactions: (1) a fall in speculative land values, evident in the reduction of rents; (2) the increased efficiency of labour arising from, for example, a change in what Marx called the organic composition of capital—a shift from labour to machine—thereby increasing productivity; and (3) reduced income to labour and capital.²²

How does this theory stand up to empirical testing? Two French authors, Flamant and Singer-Kérel, have summarized the major economic recessions.²³ Throughout the nineteenth century, speculation in land, or in the shares of companies owning natural resources, is isolated as being directly responsible for the periodical panics that caused economic crises. This was so in 1816: speculation in British land; 1825: speculation in South American natural resources; 1836–39: speculation in land in the Middle West of the United States; 1847: speculation in the French metallurgical industry; 1853–57: speculation in U.S. government land and railway shares; 1866: speculation in German railway shares, land and building developments; and so on.*

To break the monotony of this list, Flamant and Singer-Kérel note that France escaped an economic depression in the 1870s because

*Speculation in the shares of the most important leading sector of the early industrial age—the railway companies, especially in the United States—was only superficially associated with the rewards of real capital accumulation. The speculators expected to make their biggest and quickest gains from capitalization of the land acquired by these companies. In the United States the railway companies received federal and state grants totalling about 380 million acres, nearly 20 percent of the whole country!

war reparations to Germany “had absorbed capital resources that might have been devoted to speculation.”²⁴

Linked with each or most of these crises were phenomena that make up a consistent pattern: governments using the printing presses to increase the money supply, in desperate attempts to stave off the seemingly inevitable crises (and in doing so, causing inflation); the exploitation of monopoly power to artificially boost profits when these were sagging (the U.K. Corn Laws after 1816, the U.S. tariffs in 1825); and the shock waves feeding into the manufacturing sectors, causing unemployment.

Economists believe that the origins of twentieth-century economic crises have become more complex. If true, this would diminish the contemporary relevance of much of Henry George’s work. But the causal effect of land speculation is still transparently clear. The events that culminated in the Wall Street slump in 1929 were triggered by the great Florida real estate speculation in the mid-twenties.²⁵ What of the economic collapse of the Weimar Republic, which led to Hitler’s elevation to the chancellorship? This has often been ascribed to various obscure psychosocial causes.²⁶ But the role of land speculation, which weakened industry and led to distortions in the economy—which were then exploited by the Nazis—has been carefully preserved for us by Bruno Heilig, an Austrian journalist. Heilig saw the workings of the dark side of the German economy as well as (for thirteen months) the inside of Buchenwald and Dachau concentration camps.²⁷

The two foregoing cases were individually the most fatal for this century. I cannot review all the others, but it would be instructive to digress just a little further and introduce a contemporary example.

The most depressed economy in Western Europe in the mid-seventies was Britain’s. The case is worth studying. After a cautious start, the Conservative government, which came into power in 1970, decided on a “boom or bust” strategy. Under Chancellor Anthony Barber the money supply was allowed to forge ahead of the economy’s full employment potential. There was a new surge in speculation, and land values boomed. Stuart Holland, a leading British socialist economist, noted the impact of property speculation. “The City of London has been more concerned to invest in office blocks

than in manufacturing companies—for the small firms in the micro-economic sector, such disproportionate investment outside manufacturing means the difference between expansion and relative or absolute decline.”²⁸

The way land speculation hit the private housing market gives us a broad hint of how personal spending power was reduced. Families taking out new mortgages during the boom had less to spend on consumption.

*GROSS REPAYMENT FIGURES OF NEW MORTGAGES
AS PERCENTAGE OF HOUSEHOLD INCOME*

1969	17.9
1970	18.1
1971	18.0
1972	21.1
1973	24.3
1974	22.5
1975	21.1

SOURCE: United Kingdom Dept. of Environment

Added to the domestic trends was the fourfold increase in the price of oil that resulted from the exercise of oligopolistic power by the Organisation of Petroleum Exporting Countries. This had a thoroughly depressing impact on the world economy. The exercise of power over a scarce natural resource is as clear an example of “initiatory” influence of such power as one could wish to find. The huge oil price increases triggered an immediate redirection of income, and so altered the pattern of domestic consumption in the United Kingdom. The oil-rich countries lengthened the order books for Rolls Royce and five-star hotels in London’s West End; but the effect on the factories of Bolton and Barnsley was depressing.

By the mid-seventies the British economy was experiencing precisely those adjustments that Henry George predicted as necessary preconditions for a revival of trade. There was a drop in land values, with owners experiencing difficulty in selling their plots. The owners of buildings had to drop their rents to attract new tenants, especially in London, and the construction industry cut back severely on the

purchase of new land for their “land banks.”²⁹ Private sector house prices declined sufficiently to take a smaller proportion of personal incomes by 1975.

As for those measures implied in the need to increase the efficiency of labour, Socialist Premier James Callaghan made it clear that his government would sacrifice its social objectives to give priority to the needs of industry.³⁰ On George’s third point—the lowering of living standards—this was accomplished as a deliberate aim of the U.K.’s economic strategy; it is one of the greatest ironies that the central element in that strategy—the restrictive incomes policy that went by the name of the Social Contract—was proposed by a Socialist government and policed by the Trades Union Congress.

Thus we can see that the impact of speculation in land does have a crucially destabilising impact on an industrial economy, an impact that is grievously neglected by the economic analysts who advise governments. George’s analysis, far from being “far-fetched,” as Gronlund put it,³¹ is crucially relevant. With the decline in the popularity of Keynesianism, which amounts to dissatisfaction with the mixed-economy approach, an alternative model for action is required. This would have to be either a free market system shorn of the impediments of private monopoly of ground rent, or a state socialist economy that would meet with Marx’s approval.*

“Inadequacy” of Land as a Revenue Base

Gronlund levelled one of the stock charges at George: a land tax would not cover all governmental spending. He calculated that in 1880 gross rental income would have been \$1,100 million, with federal and state revenue at \$610 million. From the first figure, said

*Henry George would have forecasted that the Keynesian model, which seeks to offset underconsumption in the private sector by increased public sector spending, was destined to failure precisely because it ignored land speculation. Keynes did not take this factor into account because he explicitly saw no problems. He relegated the deleterious impact of land speculation on economic growth to earlier, agricultural-based social organisations (J. M. Keynes, *The General Theory of Employment Interest and Money* [London: Macmillan, 1967], p. 241). The land question, he told the Liberal Summer School at Cambridge in 1925, was no longer a problem thanks to “a silent change in the facts.”

Gronlund, three deductions would have to be made to conform to George's proposals:

(1) To allow for the element of improved value.

Gronlund does not say how much he would allow for improvements. One fifth would be a roughly fair proportion for his day; a deduction of two-fifths would have left \$660 million, which would have been more than sufficient to meet public spending. But for purposes of argument, let us err in Gronlund's favour and deduct half of the value, to leave us with an economic rent—what Marx called ground rent—of \$550 million, a deficit of \$60 million.

(2) To allow for the speculative component in the price of much land, which would disappear with the introduction of a land tax.

This was necessary, thought Gronlund, because he based his figure of \$1,100 million annual rental income on the capital value of real estate in the United States (\$23,000 million). The latter sum, he judged, included an element of speculative value that would be destroyed by a 100 percent tax on land values, and that therefore would have to be allowed for when calculating rental income. In fact we need not make any allowance here. Certainly there was an element of speculative value incorporated in the total value of real estate. This, however, would have been offset in part by the undervaluation of land arising from individual errors of judgement, and zoning laws, which comprised restrictions on land use and so reduced the market value of affected sites. Of greater significance, however, under the regime that George prescribed, the level of economic activity would have been very much higher. Aggregate land values, therefore, would have risen in line with the higher level of demand for land, and this would have compensated for the removal of speculative values. Thus for present purposes, total land values (and therefore the rental income that Gronlund calculated at 5 percent per annum) need not be reduced.

(3) To allow for the loss of revenue from agricultural rents that, Gronlund claimed, George said would not be levied.

George did not exempt agricultural land. Where, as Gronlund notes, George said the tax burden on farmers would be reduced, he

was referring to taxes that were a burden on capital and labour. But in one of his *Standard* articles, which Gronlund quotes, George stated explicitly that agricultural land would be “subjected to the same just system.”³² So there would be no deduction from total revenue to the advantage of agricultural landowners.*

Our generosity, however, has encumbered the single tax with a deficit of \$60 million. This could have been made up out of new increments in land values following the introduction of land-value taxation. For workers would have been left with their full wages, thereby increasing both consumption and savings. Untaxed profits would have left entrepreneurs with resources to be formed into new capital, thereby increasing productivity and employment. The net effect would have been an economy operating at a higher level of activity, thereby pushing up land values, and so land taxes. From this one would expect that the relatively small sum of \$60 million could have been easily raised, and more besides. In any event, higher disposable incomes would have permitted lower federal and state expenditure, since many supportive governmental measures could have been met by citizens out of their own pockets, exercising their free choice.³³

Gronlund further argued that labour would still be at the mercy of privately owned capital, and therefore still vulnerable, even if we had land-value taxation. Henry George held that land was the primary instrument of production, and that people would prosper if they enjoyed the kind of access to it that was so difficult under conditions of monopoly control. Gronlund replied by claiming that there was no difference between land and capital, which were twin sisters.³⁴ He

*Gronlund, in fact, was an opportunist. His socialist programme it seems, was not so bold as to upset American farmers. “True, land should be nationalized; as part of a comprehensive programme such nationalization is the right thing, but to commence the programme with such demand is, in the United States, *commencing from the wrong end*, it is antagonizing the very class, the farmers, whom we want to benefit, for they, in the first place, will lose the grip on their farms. Why, the nationalization of agricultural land is here the very last thing to be thought of” (*Insufficiency of Henry George’s Theory* [New York: New York Labor News Co., 1887], p. 12). Original emphasis.

was obliged to take this stand in order to sidestep the demand for differential treatment for these two factors, whether in fiscal policy or physical appropriation.

Precisely because both land and capital were undifferentiated in being means of production, said Gronlund, "that is the reason why progress demands that both land and capital be placed under collective control."³⁵ Land may be prior in time (it being there before man and the capital created by man), but "suppose a normal man had land to stand in and absolutely *nothing else*? He, undoubtedly would be just as sure of dying by starvation, as if he was suspended in mid-air. If land therefore is said to be primary in *importance*, we deny it."³⁶ In what can only be seen as an attempt at intimidating George in future debates, Gronlund proceeded to caution him that "you may put it down as an axiom to bear in mind in all your further encounters with Socialists, that no class in the community are so logical as Socialists. Logic is their forte."³⁷

Marx would not have been impressed by this particular demonstration of socialist logic. In his *Critique of the Gotha Programme*, Marx states that nature *was* "the primary source of all instruments and subjects of labour."³⁸ In the end even Gronlund had to contradict himself by accepting that people were not so helpless as he would have us believe. He declared that "even half-savages learn sometime or other to manufacture for themselves."³⁹ Then imagine what "civilized" men could do, given access to natural resources!

Gronlund used distortion in his attempts to thwart the single-tax campaign at one of its critical historical points. We see this in the following statement:

When we object that free land will not enable the workers to become their own employers, because they still have not that other thing which is equally important: Capital, what does he say then? It is almost incredible the answer he gives. He verily refers us to the fact that—"we see the poorest class of labourers building themselves some sort of shanties" whenever they can find some free land. So, thus, that the poor can go down to the river and fish out old, rotten boards with which they build most miserable "shanties" is here to be an answer, worthy of a philosopher, to the most difficult of problems, to the great stumbling block to the execution of his ideas, to the lack in the working classes of capital, of *large amounts* of capital!!⁴⁰

We need only read George in context to see the meaning he attributed to his words, which were originally published in the *Standard*.⁴¹ George made two points. The first was that the union of men and land would be sufficient to lead to the creation of capital. The second was that, even under oppressive monopoly conditions, men had the enterprise to put a roof over their heads provided they had access to land, even if they had to do so as squatters (we see this in the third-world urban centres today). What, then, George invited his readers to consider, might men be able to do if land were not monopolized, the economy grew without hindrance from speculators, and wages were not taxed?

Nonetheless, Gronlund raised a fair point when he emphasised the need for “large amounts” of capital to start up a business in industrial society. But this was not the problem that he assumed. Marx showed how the capital-owning class was not a closed one. “The circumstances that a man without fortune but possessing energy, solidity, ability and business acumen may become a capitalist in this manner [receiving credit]—and the commercial value of each individual is pretty accurately estimated under the capitalist mode of production—is greatly admired by apologists of the capitalist system . . . this circumstance continually brings an unwelcome number of new soldiers of fortune into the field and into competition with the already existing individual capitalists. . . .”⁴²

On Factoral Distinctions

Gronlund’s view that there was an identity of interests between the owners of capital and of land was not one that Marx shared. Indeed, a careful examination of *Capital*, vol. 3, reveals that Marx came very close in places to George’s analysis of the problems of industrial society.

Landowners, said Marx, were as much in “mutual opposition” to industrial capitalists as labourers;⁴³ indeed, landed property was an “alien force,”⁴⁴ tending to impede capital formation.⁴⁵ Where investment was undertaken, as with house building, “it is the ground-rent, and not the house, which forms the actual object of building

speculation in rapidly growing cities, especially where construction is carried on as an industry, e.g., in London."⁴⁶

The necessity of having to buy land, to produce wealth, "is a hindrance to agriculture, even where such purchase takes place in the case of large estates. It contradicts in fact the capitalist mode of production."⁴⁷ Landed property can and does enforce the underutilization of labour and capital resources.⁴⁸ "The mere legal ownership of land does not create any ground-rent for the owner," wrote Marx.

But it does, indeed, give him the power to withdraw his land from exploitation until economic conditions permit him to utilize it in such a manner as to yield him a surplus, be it used for actual agricultural or other production purposes, such as buildings, etc. He cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market. Hence, as Fourier already observed, it is a characteristic fact that *in all civilized countries a comparatively appreciable portion of land always remains uncultivated*. Thus, assuming the demand requires that new land be taken under cultivation whose soil, let us say, is less fertile than hitherto cultivated—will the landlord lease it for nothing, just because the market-price of the product of the land has risen sufficiently to return to the farmer the price of production, and thereby the usual profit, on his investment in this land? By no means. The investment of capital must yield him rent. *He does not lease his land until he can be paid lease money for it*. Therefore, the market price must rise to a point above the price of production, i.e., to $P + r$ [price of production plus rent] so that rent can be paid to the landlord.⁴⁹

This evidence catalogued by Marx was the same evidence that was synthesised into an explanation for economic crises by Henry George, and that formed the foundations for a theory that Gronlund shrugged aside as "most far-fetched."⁵⁰

Yet the material accumulated for vol. 3 was not sufficient to change Marx's mind about a capitalist society shorn of land monopoly. He saw clearly that by defining property one was also defining extant social relations in a given historical epoch,⁵¹ and that the appropriation of land rent by taxation would divest private possession of its noxious power to dominate and exploit.⁵² Thus, according to his own propositions, such a rearrangement of property rights would radically alter social relations. Parasitism, and the corrosive influence of envy, would evaporate. Yet right up to the end he was unwilling to take a

more benign view of the potential for a capitalist society reformed along the lines delineated by Henry George.

Let us try to penetrate behind this anomaly by reviewing Marx's views on land-value taxation in more detail. This opportunity arises from the hostility that Marx developed for his one-time friend from the Latin Quarter of Paris, P.-J. Proudhon. The split between the two ideologues occurred finally when Proudhon published his *Système des contradictions économiques ou philosophie de la misère*. Marx replied with *The Poverty of Philosophy*. In this he noted that Proudhon was in fact equating the concept of property with landed property.⁵³ Proudhon viewed landed property as the original cause of economic instability. In the fifth of ten propositions concerning property ("Property is impossible, because, if it exists, Society devours itself"), he showed how tenant farmers and manufacturers toiling under the burden of the rental claims of monopoly landlords had to turn on each other in attempts to create monopoly conditions, which provided them with abnormal profits—in order to continue to meet the landlords' demands. Workers, as a result, were rendered vulnerable. For to cut production costs, labour-saving machines were introduced. "Under the rule of property, the flowers of industry are woven into none but funeral wreaths. The labourer digs his own grave." And: "It is when labourers, whose wages are scarcely sufficient to support them from one day to another, are thrown out of work, that the consequences of the principle of property become most frightful."⁵⁴

"Property is theft," declared Proudhon, and his solution was a simple one: a tax on rental income. Rent, he wrote, was a measure above the costs of production, yet it could operate as an instrument for distributive justice, serving a higher interest than the private ones of idle landowners.

Marx replied: "We understand such economists as Mill, Cherbuliez, Hilditch and others demanding that rent should be handed over to the state to serve in place of taxes. That is a frank expression of the hatred the industrial capitalist bears toward the landed proprietor, who seems to him a useless thing, an excrescence upon the general body of bourgeois production."⁵⁵

This was the use of psychology in economics that, when it was employed by Proudhon, called forth a rebuke from Marx! But Marx

did advance concrete objections. One was against Proudhon's claim that rent bound men to nature. Marx became pedantic. He showed that rent merely bound the use of land to competition. Proudhon would not have dissented, but was arguing that a tax on rental income followed by a redistribution—thereby also benefiting those not deriving their living directly from the land—would reestablish a harmonious relationship between ALL men and the land of their community.

Marx also marshalled a list of technical problems. Rent, as paid by tenants to landowners, was money that incorporated interest paid on the landowners' capital, which had been invested in and on the land; location, as well as fertility, determined rent—and anyway, rent was not an invariable index of fertility since advances in chemistry and geology constantly altered our appreciation of relative fertility; and the pattern of land use may be a function of social tastes rather than soil fertility.⁵⁶

These represent no difficulty to a Department of Inland Revenue. Pure economic rent can be calculated, for, as Marx himself noted, capital invested in land was a measurable phenomenon that exhausted itself and had to be renewed—and so was capable of being distinguished from the contribution to production made by land per se.⁵⁷ Marx was well aware that it was practicable to separate land from capital, rent from interest;⁵⁸ why, then, should there be any difficulty for tax inspectors?

If, as he said, "rent is a product of society and not of the soil,"⁵⁹ this draws us into a game of semantics that does not alter the facts. Economic rent reflects a surplus above the costs of production, and is greater or less depending on where people chose (or were forced) to live, and the composition of all they chose (or were forced) to consume.

Nor need we be daunted by Marx's mischievous assertion that "for any land valuation based upon rent to be of practical value, the conditions of present society must not be departed from."⁶⁰ This is the technique of innuendo: all good socialists, aware of poverty among the proletariat, would of course reject a solution that retained "the present society." In fact, all that would be required was an efficient market that allocated land according to optimum uses based on social

preferences. This would then meet Marx's objection that land valuations were constantly changing; such changes could be computed annually with the aid of a land register and computers, and so constitute no argument against land-value taxation.

Marx's final objection is perhaps the most interesting, because it poses the question of the Marxist alternative to the model of individualism, private property in wealth produced by identifiable people, and exchange through the exercise of free choice in the market.

Rent, he said, "is constituted by the *equal price* of the products of land of *unequal fertility*, so that a hectolitre of corn which has cost ten francs is sold for twenty francs if the cost of production rises to twenty francs upon soil of inferior quality . . . but first to make the price of the hectolitre of corn twenty francs in order then to make a general distribution of ten francs overcharge levied on the consumer, is indeed enough to make the *social genius pursue its zigzag course mournfully*—and knock its head against some *corner*."⁶¹

An absurd, long-winded process for equalising wealth, thought Marx.

Let us suppose for a moment that the price of corn is determined by the labour time needed to produce it, and at once the hectolitre of corn obtained from the better soil will sell at ten francs, while the hectolitre of corn obtained on the inferior soil will cost twenty francs. This being admitted the average market price will be fifteen francs, whereas, according to the law of competition, it is twenty francs. If the average price were fifteen francs there would be no occasion for any distribution, whether equalised or otherwise, for there would be no rent. Rent exists only when one can sell for twenty francs the hectolitre of corn which has cost the producer ten francs.⁶²

The advantage of bourgeois economics is that it enables one to calculate the relative contributions of various factors, and so maximise efficiency. Such calculations and relative performances, however, become obscured if—as Marx suggested—the hectolitre should be sold at the average price of fifteen francs. His solution is put forth in cursory fashion, but on it is built all of socialist economics, bureaucratic administrations, and centralized political control.

This opens up the whole question of political liberties. Gronlund

denied that socialist control of the economy would erode personal freedom. He attacked the competitive market economy as planless, anarchic, and so liable to periodic crises;⁶³ hence the need for collective, planned action. The state would merely take on the role of General Manager, General Statistician, and General Arbitrator—thereby determining how much to produce, distributing the work and ensuring that it was performed, and arbitrating to guarantee justice between various associations of men.

Russian critics of the Soviet Union have amply demonstrated the brutalities and economic deficiencies of such a rigid social system as developed and operated by fallible human beings. Whether one can fairly compare the economic foundation of this imperial power with George's reformed capitalism depends on whether one accepts the USSR as an example of what happens when men seek to structure society along Marxist principles.

Contradictions in Marx on the Role of Land

Why did Karl Marx oppose capitalism as reformed by land-value taxation? The detailed objections examined above hardly constitute a sufficient case against Georgeism for a man of his intellectual capacity. The answer has to be sought in his personal psychology and his dialectical materialism. These combined to predetermine his concept of civilized man and the structure of property ownership that he could find acceptable. George, in the strong tradition of nineteenth-century individualism, desired the freedom of people to work under conditions that matched their personal preferences. This made for a decentralized system, in which the actions of all men found their aggregate expression in the marketplace. Within that framework, George had faith in the ability of most individuals to provide for all their own needs. Those who, as with the infirm, could not support themselves, could be looked after by society, and their claims would be on the basis of right, not of the charity, which came to stigmatize the Poor Laws. For they, too, were entitled to claim a share of natural resources realised through the medium of state expenditure based on revenue derived from a tax on land values.

This process of decentralization was unacceptable to Marx.

Societies—according to his reading of history—were constantly moving in the direction of centralization, and the units of economic activity were growing in size. (This theme was also emphasised by Gronlund both in *The Cooperative Commonwealth* and in his last book, *The New Society*.) The idea of people living on family-sized farms was anathema to Marx. In the *Communist Manifesto* he referred to the “idiocy of country life,”⁶⁴ and he claimed that it was impossible for “isolated” rural labour—which he contrasted with “social” labour—to develop spiritually.⁶⁵ The value of the capitalist mode of production was its development of the productive powers of “social labour,” which thereby abolished “private labour.”⁶⁶ The dispersal of free labour onto its own land was a brake on the formation of new capital (independent producers, it seems, consume but do not save).⁶⁷ Ergo, farming had to be organised on a factory basis; and capital, which according to his theory was produced by social labour, must therefore be owned socially, that is, collectively in large aggregations.*

The problem of clarifying Marx’s position intensifies when we consider his specifications of the preconditions for capitalism. We have seen that he regarded landed property as a hindrance to the capitalist mode of production. “Landed property has nothing to do with the actual process of production. Its role is confined to transferring a portion of the produced surplus value from the pockets of capital to its own.”⁶⁸ “It is true . . . that landed property differs from other kinds of property in that it appears superfluous and harmful at a certain stage of development, even from the point of view of the capitalist

*Quite apart from the metaphysics involved, there is also the alleged economic problem of being able to apportion individual ownership to value created in the productive process, where a large number of workers were involved in a complex operation. Marx was not the only one to see this alleged difficulty. It was stated by Bertrand Russell, who thereupon drew the conclusion that “the principle that a man has a right to the produce of his own labour is useless in an industrial civilization” (*History of Western Philosophy* [London: George Allen & Unwin, 1967], pp. 612, 613). I can reply only that tax inspectors charged with levying a value-added tax have no difficulty in identifying incremental value added at each stage of the production process, and that individual workers have no problem in specifying their personal contributions to each stage of that value-creating process.

mode of production,” which contrasts with “the capitalist [who] performs an active function in the development of this surplus value and surplus production.”⁶⁹

Despite this, Marx concluded that the landlord played a role in the capitalist mode of production “particularly because he appears as the personification of one of the most essential conditions of production.”⁷⁰ But why must land be personified by an individual or class rather than by the whole community? In fact, private property in land was not a necessary condition for the emergence of capitalism. In practice, it was an obstacle to that mode of production, as Marx showed. Nonetheless Marx argued that landed property arose as a necessary precondition of, and yet somehow as a result of, capitalism⁷¹—a most improbable situation (even if it were not self-contradictory), since the transformation of rights to land along the social-individual continuum began in the thirteenth century, and was well advanced by the sixteenth century, the period from which Marx dates the rise of capitalism.

The precondition stipulated as necessary by Marx—a market real-locating land—would have been more efficiently met by the refinement of an ancient fiscal system (land-value taxation). Instead, during the Industrial Revolution at the turn into the nineteenth century, income tax was introduced in Britain by the landlord-dominated Parliament in order to shift the burden from the land. Conceived within the Georgeist model of society, economic relations would have been dramatically different: harmonious, cooperative, prosperous. But Marx was not prepared to entertain this outcome, which he chose to dismiss as just a ploy by capitalists to get rid of landlords who were “a limitation on profit, not a necessary requirement for production.”⁷²

The outcome that we can predict, using the Georgeist model, cannot be fully elaborated here. But consider the nature of the labour market in a society in which people were not forcibly rendered landless by, for example, mass enclosure of common land. Industrialists, to get the labour they needed, would have been compelled to *attract* rural labour. So wages would have had to have been higher than what a farmer could get by working for himself: conditions would have had to have been acceptable (how many would have voluntar-

ily swapped green pastures for urban society if the best things on offer were slum dwellings and dark satanic mills?). Marx's argument that capitalism *needed* a vulnerable class of landless labourers in the first place—which it somehow created by inducing the inception of landed property—in order to realise higher profits at the expense of wages, is a superficial analysis born of his metaphysics. In the Georgeist model, profits would have been as high, if not higher, along with higher wages, because landholders could not have deterred economic investment and growth for personal reasons.*

Evidence in support of this interpretation can be derived from Marx himself. In attacking those who dared to espouse a form of socialism that differed from his own, he was led to admit that without land monopoly there would be no monopoly of capital. His *Critique of the Gotha Programme* contains these words: "In present-day society the instruments of labour are the monopoly of the landowners *and* the capitalists."⁷³ He added in parentheses: "the monopoly of property in land is even the basis of the monopoly of capital. . . ." To understand what he meant, note his further observation: "In England, the capitalist is usually not even the owner of the land on which his factory stands." From this we derive two illuminating points. First, the original monopoly power inhered in land ownership. Second, the power wielded by capital was derivative, of a secondary nature, and *not* intrinsic to itself: if labour was vulnerable to capital, then, it was because workers did not have access to land of their own.

This interpretation is consistent with Marx's account of the vulnerability of capital in colonies where there was plenty of free land for migrant labour: "the capitalist finds that his capital ceases to be capital without wage labour, and that one of the presuppositions of the latter is not only landed property in general, but modern landed property; landed property which, as capitalized rent, is expensive, and which, as such, excludes the direct use of the soil by individuals. Hence Wakefield's theory of colonies, followed in practice by the English

*Speculation in future capital gains was only one motive for acquiring land. There were strong social reasons as well. The urban merchant sought status by buying a manor, and the landed class required large tracts for sporting pursuits.

government in Australia. Landed property is here artificially made more expensive in order to transform the workers into wage workers, to make capital act as capital . . .”⁷⁴

Marx appreciated that if land were not privately monopolized, men would be able to live as free individuals. This was the conviction behind the following statement: “The nationalization of land will work a complete change in the relations between labour and capital, and finally, do away with the capitalist form of production, whether industrial or rural.”⁷⁵

Marx, of course, saw the next step as being in the direction of socialism. But Henry George insisted on an alternative path forward. For land-value taxation was more than a mechanism for redistributing income; it also destroyed what Marx called “the monstrous power wielded by landed property, [which] when united hand in hand with industrial capital, enables it to be used against labourers engaged in their wage struggle as a means of practically expelling them from the earth as a dwelling place.”⁷⁶

Marx’s account of the redistribution of power following a change in the structure of property rights in land alone is not consistent with his refusal to accept capitalism reformed along the Georgeist model. But the facts, telling though they were, could not override his preconceived notions. A. J. P. Taylor, the British historian, puts it thus: “his later observations, though extremely laborious, were fitted into a system which already existed, a system moreover which was treated as complete once and for all.”⁷⁷ (Taylor’s use of the term *fitted* is unfortunate: these “later observations” never could be really made to fit.)

Marx’s philosophy, based on dialectical materialism, promised an end—communism—which would constitute the resolution of all human conflicts. The discontinuities of which epochs are made would come to rest finally in the termination of history itself. Communism, the promised land, the final synthesis, would arrive. Clearly, then, Marx could not allow a realistic appreciation of the economic facts—the relationship between capital and labour, and the distortions interposed by landed property—to disturb his nirvana. To go along with Georgeist reforms, which he saw were sound in relation to the prevailing mode of production, was impossible; for that would delay the

day of judgement, when the proletariat would dictate. Such reforms would enhance the conditions of labour, but would consequently protract the life of capitalism!

A further problem for Marx arose with interest, the returns on capital. Marx admitted that in precapitalist modes of production a portion of the surplus-labour product of the worker could be retained by him and congealed into his "ownership of the conditions of labour as distinct from land, such as agricultural implements, and other goods and chattels"⁷⁸—that is, into capital. Why then, one might ask, in a capitalist society, could not a man who embodied his own labour into the form of a machine be at liberty to employ others to work it (assuming that they willingly agreed to do so, with an eye to their advantage), and enjoy rewards accruing to his embodied labour without being accused by Marx of being exploitative?

Marx might have answered that the prerequisites for a truly free agreement did not exist, since enclosures and other land usurpations had created an industrial reserve army without bargaining power—a proletariat. This, however, was precisely the situation for the correction of which George's remedy was calculated, so such an argument would not be relevant to capitalism on the Georgeist model.

The fact is that to concede a right of this nature would have ruptured Marx's vision of a communist harmony. Men would still have been unequal, in some sense—the employers and the employed. Their wealth would have been unequal; emotions would allegedly be disturbed. Much better that everybody should have everything (more precisely, and utopian, they should altruistically contribute that of which they were capable, and take as much as they needed), to remove all emotions, which might conceivably portend further struggles. Hence all land, capital, and labour had to be conflated into the category of "social"; the uniqueness of individuals had to be dissolved into the homogeneous mass called "social labour"; society, rather than the individual, would direct social intercourse, thereby necessitating central control, the better to avoid the prospect of individuals unilaterally going their own sweet ways. Current realities, practical or theoretical, had either to be fitted into this system or ignored.

But, while Marx was a collectivist, it would be a mistake to

counterpose Henry George at the other extreme—as an individualist of the atomistic variety. Gronlund, in propagating Marx’s scheme—“We belong to each other, and this rests upon the contention that ALL men are created to work for other men”⁷⁹—sought to distort George’s political philosophy. “George would, if he could, separate the Individual entirely from society. But Society is an organism. . . .”⁸⁰ Yet, while George held that “whatever savors of regulation and restriction is in itself bad, and should not be resorted to if any other mode of accomplishing the same end presents itself,” he too insisted that “society is an organism,” and ended book 6 of *Progress and Poverty* by approvingly quoting from Marcus Aurelius: “*We are made for co-operation—like feet, like hands, like eyelids, like the rows of the upper and lower teeth.*”⁸¹

Engels and Hyndman on the Land Question

Marx thought that he had checkmated Henry George when, in a letter dated 20 June 1881, he asked why it was that America—the nation of relatively abundant land—should have rapidly produced an exploited proletariat when, according to George’s theory, the workers should have been independent producers.⁸²

In rebuttal we can turn to evidence produced by none other than Marx’s friend and collaborator, Engels, who reviewed the labour question in the preface to the American edition of *The Condition of the Working Class in England*. Up till 1885, wrote Engels, public opinion was almost unanimous in proclaiming the absence of a European-style proletariat on American soil. From that point on, however, a proletariat rapidly developed. What caused this change? Engels had no doubts: the drying up of cheap land on the western frontier.

While land was readily available, the great mass of the native American population could “retire” in early manhood from wage labour and become farmers, dealers, or employers of labour, “while the hard work for wages, the position of the proletarian for life, mostly fell to the lot of immigrants.” Immigrants were vulnerable—dependent upon employers—during the early phases of each wave of migration, when the newcomers sought to recover from the Old World and adjust to the New; yet as long as land out West was there for the

taking, the immigrants too could expect to lead a good and independent existence. "But America has outgrown this early stage," wrote Engels in the mid-eighties. "The boundless backwoods have disappeared, and the still more boundless prairies are faster and faster passing from the hands of the Nation and the States into those of private owners. The great safety-valve against the formation of a permanent proletarian class has practically ceased to act."

Engels prided himself in foreseeing the consequences of this process. Henry George, however, had anticipated events at an earlier date. An account similar to the one by Engels, published six years earlier, appeared in *Progress and Poverty*,⁸³ although the predictions and analyses can be traced back to 1871, when he issued *Our Land and Land Policy* as a pamphlet.

Engels, of course, was not interested in lending credence to Henry George. In his account he argued that George's contention that expropriation of people from their land was the great and universal cause of the division of society into two classes—rich and poor—was "not quite correct historically."⁸⁴ As evidence, Engels cited the case of slavery in the ancient world. Slavery was "not so much the expropriation of the masses from the land as the appropriation of their persons." The subtlety of the relationship between man and land in a system based on slavery was not lost on Marx, however, and the crux of that relationship was the private appropriation of land. Marx cites evidence from Rome, where the rich appropriated land and *then* sought and used slaves to till the ground and tend the cattle.⁸⁵

So anxious was Engels to qualify George's analysis that he further cited the serfs of the Middle Ages. These were exploited as part of a system that, far from throwing them off the land, actually tied them to it. This does not count against George, but it does reveal a confusion in Engels. The burden of George's analysis was not that people were dispossessed physically from their land, but that the surplus that they collectively created (economic rent) was privately appropriated. It did not matter, therefore, whether people were tied to, or thrown off, land—the end result was the same: an unjust distribution of wealth, and a malfunctioning economy.

Engels declined, on tactical grounds, to deal extensively with George, for he felt that to do so then would only create dissension

within the nascent proletarian movement in America. There is a suggestion (in a letter to his American translator) that he hoped to undertake a full and exhaustive critique of George at some later, more propitious, time.⁸⁶ Had he done so, he might have been obliged to reexamine and perhaps alter some of his own key beliefs!

Since Marx and Engels never met or corresponded with George, the opportunity for a sustained colloquy between them never arose. Nevertheless, we do have access to a reasonable second-best: the record of an exchange of views between George and his one-time London host, Henry M. Hyndman, who was for a while a confidant of Marx. In 1889 the two met for a celebrated debate on “The Single Tax versus Social Democracy” at St. James’s Hall, London. (Two years previously, they had engaged in conciliatory dialogue in the pages of the *Nineteenth Century*.) Before examining the report of this event, we must note that in 1882 Hyndman—with the encouragement of Henry George—had edited and published the lecture delivered in 1775 by Thomas Spence, who had proposed that rent should be appropriated for the benefit of the whole community. In his introduction Hyndman referred to “my friend” Henry George, whose book *Progress and Poverty* had shown that the capitalist’s power of exploitation had its foundation in “the monopoly of the soil in the first instance.”⁸⁷ By 1906, when he wrote an introduction to the St. James’s debate, this and other insights had become mere “attractive error.”⁸⁸ I shall examine three key criticisms advanced by Hyndman during the debate.

Who would benefit from land-value taxation and the concomitant reduction of taxes on earned income? Hyndman contended that the workers would not be any better off—“the capitalist class would pocket every sixpence” of reduced taxation.⁸⁹

His argument suffered from confusion at two distinct levels. First, the new fiscal structure. If taxes on wages were reduced to offset, in part, the revenue from the land-value tax, would that not increase the real value of wages? And if taxes on goods and customs duties were also reduced, would this not reduce prices and therefore further increase real living standards?

Hyndman apparently did not see this. He might have wished to

reply with an argument that he did advance against George: that, because of competition for jobs, workers would continue to be vulnerable to employers, and that therefore a reduction in taxes on wages would simply (through the labour market) result in a reduction of wages to their former levels. Hence there would be only a temporary benefit to workers. This reply would fail on two counts (1) Immediately a land-value tax were instituted, it would increase the supply of land, making its use available to a wider group of people and so contracting the supply of hired labour: wages, therefore, would tend to rise! (2) As Hyndman had earlier noted—and Marx before him—the ability to exploit workers rested on the prior monopoly of land, the removal of which would alter the relative distribution of economic power in favour of greater mutual cooperation.

Hyndman's second major criticism concerned George's theory of rent. He said that an increase in rent in capitalist economies did not necessarily reduce the rate of wages.* Two pieces of evidence were produced. Rent and wages had simultaneously increased in Australia, he declared. This was no problem for George; for as Marx himself had noted, a land-abundant continent like Australia left workers in a very strong bargaining position. Undaunted, Hyndman noted that real wages in the United States had risen over the previous twenty-five years. This constituted no problem for George, either. "I have, in the first place, never stated anything more than that the increase of rent produces a *tendency* to the decrease of wages, and by wages in all such parts as that, I mean that proportion which goes to the labourer."⁹⁰ Furthermore, technical progress in an advancing capitalist economy, which required higher operating skills from workers, would drive up wages. But as Henry George noted: "while land everywhere has been increasing in value in the United States, so everywhere have we become accustomed to what a few years ago we knew nothing about—the tramp and the pauper."

*If this were true, and given the long-term decline in the rate of profit, where was the inexorable process of exploitation of surplus value that Marxists claimed would impoverish the proletariat to the point of revolution?

Hyndman's third criticism was potentially the most damaging. He claimed that the land-value tax was directly responsible for extensive poverty among the peasants of India. Here was a challenge on which the whole Georgeist movement could collapse, since the central economic case for land-value taxation was the enrichment of all members of a community who were willing to work.

"The full economic rent of the land is taken to the amount of £22 m. or £23 m. a year, and is the sheet-anchor of the taxation of India—yet there is no such poverty in the world as in our great and glorious Empire of India," declared Hyndman. "The land in Madras was nationalised in accordance with Mr. George's views, and was assessed annually to the amount of its full rental value. The result was such an enormous increase of poverty that the Government of India was absolutely obliged to give it up as a complete failure."⁹¹

Some of the main problems with the Indian agricultural system were described to the Fabian Society in 1902 by S. S. Thorburn, who had accumulated considerable experience as financial commissioner of the Punjab.⁹² He made the following points:

- (a) The British landlords who went to India to administer this part of the Empire transformed traditional land-use rights into proprietary rights. This destroyed the communal, cooperative ethos of village life.
- (b) The authorities, in the form of the East India Company until the 1860s, levied a fixed "land tax" irrespective of the effect of the weather on any season's crop. This forced peasants to borrow to make the tax payments after droughts had produced famine.
- (c) The salt tax was severely regressive, since it fell heaviest on the peasants who needed salt to feed to their cattle.

Central to any solution, said Thorburn, was a more elastic land revenue collecting system. There had to be remission of taxes on rain land that suffered from drought.⁹³

It would, he said, be easy to devise a system that operated a sliding scale of tax rates based on the harvest and the prevailing prices, and that therefore fell on economic rent only. Henry George anticipated all this in *Progress and Poverty*.⁹⁴ But what of the seemingly devas-

tating example of Madras—where land was “nationalised in accordance with Mr. George’s views”^{*}—which Hyndman marshalled in the debate with his American opponent? The tax was a high one on the gross produce rather than the net produce (economic rent). It was therefore a disincentive to capital improvement, and it undoubtedly impoverished the peasants under what became known as the Ryotwari Settlement introduced in Madras by Sir Thomas Munro in the 1820s. Dutt reviewed the consequences of this settlement, and explained the nature of the tax: “What is the Land Tax? The Court of Directors [of the East India Company] declared in 1856 that the right of the Government is not a rent which consists of all the surplus produce *after* paying the cost of cultivation and the profits of agricultural stocks, but a land revenue only.”⁹⁵ So much for Hyndman’s knowledge of fiscal policy in India, and the influences that fashioned it.

The British would have done well to have operated a land-value tax of the sort George prescribed, for land that failed to produce a crop because the rain did not fall consequently produced no economic rent; thus, there should have been no tax exaction. Where taxes were levied in such circumstances, these fell not on economic rent but on the ability of peasants to borrow by mortgaging land. This in turn led to indebtedness and eventual loss of land. There were other injurious features of the tax system, such as fixing assessments in perpetuity. As economic rent increased, this surplus remained in private hands; where it decreased, the tax burden fell on the returns to capital and labour, with all the impoverishing effects that this entailed. A sensitive land value tax that appropriated for public use that part of a season’s actual production that could be attributed to nature could easily have been implemented, according to Thorburn; had this happened, the peasants would not have suffered. As it was, the tax fell on the cultivator, not his land.

^{*}Actually, Ricardo was the economist who had had some influence of a theoretical nature over the early nineteenth-century British administrators in India. See F. G. H. Anderson, *Some Facts, Fallacies and Reflections Concerning the Land Revenue Systems in India*, Paper no. 24, Fourth International Conference to Promote Land Value Taxation and Free Trade, Edinburgh 1929, London International Union for Land Value Taxation and Free Trade.

But Hyndman was not particularly interested in the details of the Indian land tax, for he was anxious to show that capital was the culprit in the subcontinent. His misdiagnosis was consistent with the failure of the Left in Western politics to perceive (or where it was perceived, as initially it was by Hyndman, to consistently follow through to the logical conclusion) the original cause of exploitation within industrial society.* Hence it suited him to erroneously claim that “the land was being taxed up to its full economic value . . . therefore there are very much greater causes of poverty than merely the monopoly of the land.”⁹⁶ The role of privately owned land was thus carefully neutralized out of the picture, leaving the Marxist free to single out his favorite target: the capitalist.

After Hyndman, twentieth-century critics in the Marxist tradition had little to say about Henry George. Presumably they thought there was little left to add: this would seem to be a reasonable conclusion after examining Arthur Lewis’s attempt in 1919 in his *Ten Blind Leaders of the Blind*,⁹⁷ which embodies certain phrases that appear to have been taken straight from Gronlund’s tracts. Lewis resorted to vilification (George “rails like a fishwife,” and was “a true lackey of capital”), but he provided little fresh analysis. The only point of substance he raised concerned George’s mistaken account of the mechanism by which interest rates were established—but that, as Lewis acknowledged, not even George’s followers accepted.

For the rest Lewis seemed most anxious to demonstrate (as with Gronlund before him) his superior logical faculties. Why, observed Lewis, certain simple-minded persons had argued that if rent was robbery, the thing for the robbed community to do was to take the land away from the landlord and thus put an end to his income from rent. “But Henry George refused to be a party to any such proceedings.”⁹⁸ Lewis failed to explain why this drastic action of physical appropriation was necessary, if land-value taxation approaching 100

*This was true not just of political theoreticians. Time and again the workers who suffered deprivation during economic crises blamed technology rather than land speculation. Hence the cases of destructive reaction, such as the Luddites of 1816 and the weavers in 1827, and the promises of socialist salvation, as from the Chartists after 1836.

percent deprived landlords of rental income. After all, Henry George would have replied, having taken the land away, it would then be necessary to finance a bureaucracy to lease it back and administer its use—a wholly unnecessary solution since better results could be achieved more cheaply (and with no risk to political freedom) by permitting the market to do the job.

The Verdict of Historical Developments

Thus we have come to the end of this examination of the Marxist critique of Henry George. Before I conclude, however, it is worth taking a brief retrospective view of the historical developments of the century since George wrote *Progress and Poverty*, to see which of the two social science traditions has proved to be the more useful in analysing the affairs of men.

Gronlund, in *The New Economy*, confidently asserted that “because our goal is predestined, it is futile to argue as Henry George does, not very successfully, in the volume, published after his death, that Collectivism is unworkable.”⁹⁹ But surely events have vindicated George! For he did not deny that collectivism could be made to work—at a price. Was he not right to warn, in *Progress and Poverty*, that in that kind of system “instead of an intelligent award of duties and earnings, we should have a Roman distribution of Sicilian corn, and the demagogue would soon become the Imperator?”¹⁰⁰ The price of collectivism, as we all know, has indeed been great.

Marx fared no better than Gronlund in his predictions. The most celebrated of these related to the mechanism that he said would cause the transformation of societies from capitalism to socialism. The greatest alienation, said Marx, manifested itself within societies where capital was concentrating in ever-larger aggregations, and it was within these that the proletariat would develop the solidarity and class consciousness that would equip them to effect the most dramatic socioeconomic changes. Henry George, by contrast, held that it was rather in societies where there was a concentration of land ownership that such changes would occur.¹⁰¹ George was obviously the better prophet. Where the Marxist ideology has successfully reinforced revolution—from Russia and China to Cuba and Vietnam—

these social transformations have been in peasant societies heavily or totally dependent upon agrarian economies. And the major non-Marxist upheavals of the twentieth century, beginning with Mexico, have also been in land-based peasant societies.

Concluding Evaluation

Thus we are entitled to entertain serious doubts about the value of Marxism as a guiding philosophy. With equal confidence we can assert that, if human existence is dependent on evolutionary adaptation to new social forms in keeping with the needs of man and his natural environment, the Georgeist model has to be regarded in the main as the most attractive and feasible alternative.

Notes

1. Sidney Webb, *Socialism in England* (London: Swan Sonnenschein & Co., 1890), pp. 20, 21. Marx explained the cause of the excitement stimulated by *Progress and Poverty* to his friend Sorge, who had sent him a copy: "George's book, and also the sensation it has created among you, is significant because it is a first though unsuccessful effort at emancipation from orthodox political economy." Karl Marx and Frederick Engels, *Selected Correspondence*, trans. I. Lasker (1955; 3d revised ed. Moscow: Progress Publishers, 1975), p. 323. Cf. the estimate by R. S. Moffat as revealed in the title of his book, *Mr. Henry George the "Orthodox,"* which is examined by Babilot in the present volume.

2. Cited in Anna George de Mille, *Henry George: Citizen of the World* (Chapel Hill: University of North Carolina Press, 1950), p. 2.

3. Henry M. Hyndman, *Record of an Adventurous Life* (New York: Macmillan, 1911), p. 268.

4. Marx and Engels, *Selected Correspondence*, p. 324.

5. In a letter to Hyndman, 22 June 1884, quoted in George R. Geiger, *The Philosophy of Henry George* (New York: Macmillan, 1933), p. 239.

6. In a letter to Thomas Walker, 25 September 1890, quoted in Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), p. 564.

7. H. Hessel Tiltman, *J. Ramsay MacDonald* (New York: Frederick A. Stokes Co., 1929), p. 18.

8. Hyndman, *Record of an Adventurous Life*, p. 226.

9. See Hyndman's obituary article on George in the *Saturday Review* (London) 6 (November 1897): 485–86.

10. Barker, *Henry George*, p. 495.
11. See Stow Persons's introduction to the Harvard Library edition of Gronlund's *Cooperative Commonwealth* (1884; reprinted ed. Cambridge, Mass.: Harvard University Press, 1965), p. xxii.
12. Laurence Gronlund, *Socialism vs. Tax Reform: An Answer to Henry George* (New York: New York Labor News Co., 1887), p. 15.
13. Laurence Gronlund, *Insufficiency of Henry George's Theory* (New York: New York Labor News Co., 1887), p. 3. Hereinafter referred to as *Insufficiency*.
14. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 216; emphasis added. In the preface to the fourth edition, written in 1880 but reproduced in the edition cited, George said: "What I have done in this book, if I have correctly solved the great problem I have sought to investigate, is to unite the truth perceived by the school of Smith and Ricardo to the truth perceived by the schools of Proudhon and Lassalle; to show that *laissez faire* (in its full true meaning) opens the way to a realization of the noble dreams of socialism . . ." (p. xv).
15. Gronlund, *Insufficiency*, p. 3.
16. *Ibid.*; emphasis added.
17. Karl Marx, *Capital*, trans. not indicated (Moscow: Foreign Languages Publishing House, 1962), 3: 623; emphasis added.
18. *Ibid.*, p. 609.
19. *Ibid.*, pp. 237, 366.
20. Gronlund, *Insufficiency*, p. 15; emphasis added.
21. George, *Progress and Poverty*, p. 264.
22. *Ibid.*, p. 281.
23. Maurice Flamant and Jeanne Singer-Kérel, *Modern Economic Crises* (London: Barrie & Jenkins, 1970), chap. 1.
24. *Ibid.*, p. 31.
25. J. K. Galbraith, *The Great Crash 1929* (Harmondsworth: Penguin, 1975), pp. 32–35.
26. "In a word, the explanation of Hitler's success both in attaining power and office and in carrying out a programme laid down in 1925 can only be found in psychology" (J. A. R. Marriott and C. G. Robertson, *The Evolution of Prussia*, rev. ed. [Oxford: Clarendon Press, 1968], p. 486).
27. Bruno Heilig, "Why the German Republic Fell" in A. W. Madsen, ed., *Why the German Republic Fell and Other Studies of the Causes and Consequences of Economic Inequality* (London: Hogarth Press, 1941).
28. Stuart Holland, *The Socialist Challenge* (London: Quartet Books, 1975), p. 394.
29. Articles by J. C. Cook, D. S. Sayer, and E. L. Norman in *Chartered Surveyor: Urban Quarterly* (London) 4, no. 2 (1976).
30. *The Times* (London), 16 November 1976.

31. Gronlund, *Insufficiency*, p. 15.
32. Gronlund, *Socialism vs. Tax Reform*, p. 10.
33. Thomas Spence anticipated this last point as early as 1775 in his lecture *The Nationalization of the Land*, ed. H. M. Hyndman (London: E. W. Allen, 1882), pp. 17, 18.
34. Gronlund, *Insufficiency*, p. 7.
35. Ibid.
36. Gronlund, *Socialism vs. Tax Reform*, p. 18; original emphasis.
37. Ibid., p. 23.
38. Karl Marx and Frederick Engels, *Selected Works* (Moscow: Foreign Languages Publishing House, 1951), 2: 17.
39. Gronlund, *Insufficiency*, p. 16.
40. Gronlund, *Socialism vs. Tax Reform*, p. 29; original emphasis.
41. Ibid., p. 10.
42. Marx, *Capital*, 3: 587.
43. Ibid., p. 604.
44. Ibid., p. 743.
45. Ibid., p. 792.
46. Ibid., p. 755.
47. Ibid., p. 790. Ernest Mandel, a leading contemporary European Marxist, states: "private property in land, far from being a condition for the penetration of the capitalist mode of production *into agriculture*, is a hindrance and brake upon it" (*Marxist Economic Theory* [London: Merlin Press, 1968], p. 286). Original emphasis.
48. Marx, *Capital*, 3: 603, 630, 727, 732.
49. Ibid., p. 739; emphases added.
50. Gronlund, *Insufficiency*, p. 15.
51. Karl Marx, *The Poverty of Philosophy* trans. not identified (Moscow: Progress Publishers, 1966), p. 134.
52. Marx, *Capital*, 3: 771 f.
53. Marx, *The Poverty of Philosophy*, p. 134. See also George Woodcock's introduction to P. J. Proudhon, *What is Property?* (New York: Dover Publications, 1970), p. xiv.
54. Proudhon, *What is Property?*, p. 192.
55. Marx, *Poverty of Philosophy*, p. 140.
56. Ibid., p. 141.
57. Ibid., p. 144.
58. Marx, *Capital*, 3: 755. See also pp. 608, 729, 762.
59. Marx, *Poverty of Philosophy*, p. 144
60. Ibid., p. 141.
61. Ibid., p. 140; original emphasis.
62. Ibid.
63. Gronlund, *Insufficiency*, p. 16.

64. Karl Marx and Friedrich Engels, *Communist Manifesto*, trans. Samuel Moore (1888; reprinted., intro. A. J. P. Taylor, Harmondsworth: Penguin Books, 1968), p. 84.

65. Marx, *Capital*, 3: 792, 793.

66. *Ibid.*, p. 261.

67. Karl Marx, *Grundrisse* trans. Martin Nicolus (Harmondsworth: Pelican Books, 1973), p. 279.

68. Marx, *Capital*, 3: 801.

69. *Ibid.*, pp. 608, 623.

70. *Ibid.*, p. 801. Gronlund, in an attempt to contrast himself with George, also ascribed teleological value to landlords. He claimed that "private ownership of land was instituted, when it was, because it was an advantage to society at large and is not such an *absolute*, universal evil as George wants to make it out" (*Insufficiency*, p. 14; original emphasis). Mandel (*Marxist Economic Theory*, pp. 286, 287) also repeats Marx's point: "The private appropriation of *all cultivable land*, which prevents free settlement of new peasants on the land, nevertheless remains an absolutely indispensable condition for the rise of *industrial capitalism*. So long as there are vast expanses of land available, urban labour-power has a refuge from the factory prison, there is practically no industrial reserve army, and wages may well rise in consequence of competition between industrial and agricultural employment." Mandel undermines his case, however, by conceding in the next sentence: "The high wages which existed in the U.S.A. before the disappearance of the Western 'frontier,' which definitely established a wage scale higher than any in Europe, are to be explained to a large extent by this factor." The high wages, of course, did not retard the industrial system—they merely recognised that a weak monopoly of land worked in the bargaining favour of labour!

71. Marx, *Grundrisse*, p. 278; *idem*, *Capital*, 3: 582, 602, 603, 792, 801.

72. Marx, *Grundrisse*, p. 279.

73. *Ibid.*, p. 19; original emphasis.

74. *Ibid.*, p. 278. See also Marx, *Capital*, 1, trans. from 3d German ed. by Samuel Moore and Edward Aveling and ed. by Frederick Engels (Moscow: Foreign Languages Publishing House, 1962), chap. 33.

75. Karl Marx, *The Nationalization of the Land*, in *Selected Works* (Moscow: Progress Publishers, 1973), 2: 290.

76. Marx, *Capital*, 3: 754. Marx, in also thinking that a redistribution of property rights would fundamentally alter the distribution of economic power, contradicted himself when he claimed that those who supported land-value taxation were trying "to bamboozle themselves or the world into believing that by transforming rent of land into a tax payable to the state *all the evils* of capitalist production would vanish of themselves" (Marx and Engels,

Selected Correspondence, p. 323; emphasis added). Not all the evils, perhaps, but the remaining ones would be tolerable!

77. Taylor's introduction to Marx and Engels, *Communist Manifesto*, p. 10.

78. Marx, *Capital*, 3: 776, 777.

79. Gronlund, *Insufficiency*, p. 19.

80. *Ibid.*

81. George, *Progress and Poverty*, pp. 320, 321, 330.

82. Marx and Engels, *Selected Correspondence*, p. 323. This argument is repeated by Sir Eric Roll in his *A History of Economic Thought*, rev. ed. (London: Faber & Faber, 1973), p. 424. The superficiality of Roll's knowledge can be gauged from this statement on page 423: "Nor was George's impression on the working-class movement very profound."

83. George, *Progress and Poverty*, pp. 390–94.

84. Preface to the American edition of Frederick Engels, *The Condition of the Working-Class in England*, in Karl Marx and Frederick Engels, *On Britain*, 2nd ed. (Moscow: Foreign Languages Publishing House, 1962), p. 10.

85. Marx, *Capital*, 1: 680. See also p. 86, where Marx says of the Roman republic that "its secret history is the history of landed property."

86. Marx and Engels, *Selected Correspondence*, pp. 376–77.

87. Spence, *Nationalization of the Land*, p. 6.

88. *The Single Tax versus Social-Democracy: Which will most Benefit the People?* Debate between Henry George and H. M. Hyndman (London: Twentieth Century Press, 1906), p. 3.

89. *Ibid.*, p. 27.

90. *Ibid.*, pp. 14, 15.

91. *Ibid.*, pp. 11, 12.

92. S. S. Thorburn, *Problems of Indian Poverty*, Tract no. 110 (London: Fabian Society, 1902).

93. *Ibid.*, p. 14.

94. George, *Progress and Poverty*, pp. 117–21.

95. Romesh Dutt, *The Economic History of India*, 2d ed. (London: Routledge & Kegan Paul), 1: 169; emphasis added.

96. George and Hyndman, *The Single Tax versus Social-Democracy*, p. 20.

97. Arthur M. Lewis, *Ten Blind Leaders of the Blind* (Chicago: Chas. H. Kerr & Co., 1919).

98. *Ibid.*, p. 33.

99. Lawrence Gronlund, *The New Economy: A Peaceable Solution of the Social Problem* (Chicago: H. S. Stone & Co., 1898), p. 297. The posthumous volume to which Gronlund refers is, of course, George's *Science of Political Economy*.

100. George, *Progress and Poverty*, p. 321.

101. *Ibid.*, p. 327.

Rutherford: “The Devil Quotes Scripture”

By CHARLES F. COLLIER

Reuben C. Rutherford's only book, *Henry George versus Henry George*, is fascinating for several reasons.¹ First, it is a full-length, 326-page critique of *Progress and Poverty*. Second, each of the major elements of George's system of political economy—labor and wages, capital and interest, population, property rights, human nature and social progress, and so on—is examined at length. Third, Rutherford's approach to the critique is intriguing. As the title of his book suggests, Rutherford proposed to demonstrate that George's system was logically inconsistent and filled with contradictions by juxtaposing passages of George's. That is, he proposed to show that George contradicts almost all of his own ideas and “that all he builds up at one time, he pulls down at another” (p. vi). Fourth, the time element associated with the book is interesting. It was published in 1887, yet Rutherford says that almost all of it was written in 1882, when he first read George's book. He explains the delay in publication by stating that he was persuaded by friends that the fame of *Progress and Poverty* would be transitory and that, hence, the book was not worth criticizing. When it appeared that the fame of George's book would endure, Rutherford issued his critique. From an analytical viewpoint, however, several of Rutherford's main arguments had become obsolete well before 1882.

Labor and Wage Theory

Rutherford was a staunch defender of the unmodified classical wages-fund theory.² It is, however, generally agreed that the unmodified classical version of that theory disappeared from the mainstream of analysis when John Stuart Mill recanted it in 1869. There were, to be sure, numerous efforts to modify the theory to salvage some parts of it.³ Rutherford seems to have been unaware of the “second round”

of the controversy. At least he never cited, or even alluded to, any of the discussion.*

The prerecantation version of the wages-fund theory, defended by Rutherford, presupposed an agricultural economy. (Indeed, it was precisely as agriculture ceased to be the main sector of the economy that the theory encountered the most devastating criticism.) It is interesting and perhaps suggestive that when Rutherford speaks of people being paid for a job, he speaks of boys who were paid in apples, an agricultural commodity, for their labor. Later, farming is explicitly mentioned as a characteristic industry (pp. 2, 7, 63). The classical theory assumed that there was a fixed production period—however long it took the crops to grow. Further, it assumed that once the harvest was in, the amount of food available was fixed. No more would be available until the next harvest. That food had to provide for needs of all agricultural laborers until the next harvest since there was simply no other source of food. It then seemed to the classicists that the real wages, or means of subsistence, had to be *advanced* to the laborers. That is, the product of current labor would not be available until the next harvest. But since the laborers had to live day-to-day from one harvest to the next, the food they received could come only from the last harvest. “Last year’s” crops, then, maintained labor until “this year’s” crops were harvested. Since real wages were paid to the laborers before the product of their current labor was harvested, the term *advanced* seemed appropriate. Although Rutherford does not always use the word *advanced*, he surely does speak of labor’s being maintained out of a previously accumulated fund while the product is being produced (p. 8). Once the total amount of food, or real wages, was known, the average amount per worker was found

*A search of all the standard biographical sources yields only fragmentary information about Rutherford himself. He was born in 1823 to a prominent New York State family that numbered the discoverer of nitrogen among its forebears. Like his ancestor, he seems to have been of scientific bent, for his published writings, apart from the book to which this chapter is addressed, consist of an article on the diffusion of odors and a treatise on the healthful properties of woolen, as opposed to linen, garments. He served in the Union Army, attaining the rank of brigadier general, as did his brothers, Friend and George. His profession remains an enigma to me, and I have not been able to ascertain the date of his death.

by dividing that total by the number of workers. Here Malthusian population theory seemed to fit perfectly. If the means of subsistence were fixed and divided among a larger number of people, the average must decrease. It seemed to be a simple arithmetic problem—and we do find Rutherford claiming it to be just that. "Given so much wood to be pitched into the cellar, and so many apples with which to pay the boys for pitching it in, why is it that if twelve boys do the task, each will get a smaller share of the apples than if two boys had performed it? Is there anything labyrinthian or mysterious about that? And yet that is all, absolutely all that is involved in Mr. George's problem from a purely politico-economic point of view . . ." (p. 2; also pp. 9, 11, 92). Finally, classicists claimed that their model was generally applicable to the entire economy. That assumption was, as later critics indicated, very unsound and misleading. Still, it is the assumption that was generally made. And we find Rutherford claiming that labor in any sector of the economy can never be employed without a prior accumulation of capital from which to make advances (p. 5).

Rutherford used the above model as the basis for his first attack upon George's system. The first page of his book reproduces what he felt to be George's statement of the problem to be investigated: "Why, in spite of the increase of productive power, do wages tend to a minimum which will give but a bare living?"⁴ Rutherford immediately ridicules George for posing such a seemingly simple problem as if it were profound.

That George was always an ardent critic of the wages-fund theory is well known. All of book 1 of *Progress and Poverty* was dedicated to a refutation of the theory. But George did more than criticize the wages-fund theory; he offered a well-developed alternative theory—a well-developed marginal-productivity theory of wages.⁵ Marginal-productivity theorists claim that the wage paid to the worker is equivalent to the value of the product produced by him during the production period. That, of course, completely contradicts the wages-fund theory, since it makes the wage paid per period depend upon the productivity of labor, not upon the quotient of the wages fund and the number of laborers.

Before marginal-productivity theory can be made operational, there

must be some way, at least in principle, to measure the product of a single laborer apart from the contributions of other factors. George's proposed method was really quite ingenious. First, he imagined a Robinson Crusoe alone on an island. He argued that such a person could always pick wild berries and gather birds' eggs. Those berries or eggs would be the product of labor and hence the real wage for Crusoe. "Surely no one will contend that in such a case wages are drawn from capital. There is no capital in the case. An absolutely naked man thrown on an island where no human being has before trod, may gather birds' eggs or pick berries."⁶ Naturally, a more advanced version of the theory was required to explain the marginal land that served as the basis of classical rent theory. Almost by definition, the no-rent marginal land was the least fertile land cultivated or the least favorably located land built upon. Since that land would not be totally barren or completely isolated, it would yield some product. But precisely because it was no-rent margin land, all advantages that could be eliminated would be eliminated. If a laborer were to be a "squatter" on the no-rent marginal land, his income or wealth would never be influenced by increases in the value of the land—assuming, of course, that future developments would eventually give value to the land. If, further, the laborer were to have no special skills and no capital with which to work, there would be no payments for special skills and no interest payments. The product produced, then, would be ascribed to "raw labor power" since all special advantages of land, land ownership, and capital were eliminated. It followed that since all other factors of production were eliminated, all other factor payments would be eliminated. The total product would be the wage of that laborer. That wage, moreover, would become the general wage for all unskilled laborers in the economy because of an unimpeded market mechanism. George always contended that there was a "fringe" of laborers in any occupation who could and would shift from one occupation to another whenever there was any incentive to do so. Thus, if the wages to be earned at the no-rent margin were to exceed the wages in any intramarginal occupation, laborers would move from those occupations to the no-rent margin and cultivate it. Conversely, if the wages to be earned in any intramarginal occupation were to exceed the wages at the no-rent margin, laborers would

flow from the no-rent margin to intramarginal activities. Thus George claimed that the wages of unskilled laborers in any occupation could be identified with the product of laborers at the no-rent margin. The wages of skilled laborers would be higher, said George, because those laborers produced more than did the unskilled laborers. That, in essence, was George's theory of wages.⁷

George also denied that there was any "fixed period of production," or that the value produced by the laborer was, in any sense, "crystallized" at harvest time, or when the product was finished. Instead, said George, the creation of value was continuous. He argued that even in the most complicated industrial enterprises, the creation of value was continuous. Even in the construction of the largest of steamships, which required several years for their construction, value was created every day—in fact, with every blow of any hammer used on the job.⁸ There was a second sense in which George viewed the creation of value as being continuous. In any economy that had many industries and a variety of agricultural activities, finished products would appear on the market every day. After all, there was no reason to believe that every activity had the identical production period. But if each of a large number of productive activities had its own production period, goods from one industry or another would become available every day. That point is important for two reasons. First, it had a direct bearing on the payment of wages. It meant that laborers, especially those employed in long-term projects, did not have to be paid directly out of the goods they produced. It meant only that they were paid amounts *equivalent to* but not identical with the product that they created. George wrote, "The series of exchanges which unite production and consumption may be likened to a curved pipe filled with water. If a quantity of water is poured in at one end, a like quantity is released at the other. It is not identically the same water, but is its equivalent. And so they who do the work of production put in as they take out—they receive in substance and wages but the produce of their labor."⁹ Once that point is understood, Rutherford's claim (p. 26) that the Georgian theory implies that people who haul away ashes should be paid in ashes seems rather foolish. Second, this difference on the period of production is illustrative of a more fundamental difference in views on economic activity. When

Rutherford and other wages-fund theorists argued that the average wage was determined by dividing a fixed amount of crops among a fixed population, they made wages a *stock* concept, or a quantity without a time dimension. When George and others argued that wages depended upon continuous productivity and that products became available continuously, he made wages a *flow* concept, or a quantity with a time dimension. The difference between stocks and flows is vital in economic analysis since it involves the role of time in the production process.¹⁰ As economists know, the failure to distinguish between stocks and flows has produced a great many errors.

Rutherford criticized George's "law of least exertion," although he probably never understood it and certainly never saw its analytical significance. Rutherford interpreted the law as being a "law of selfishness" that set each individual against all others. It was that conflict of interests, said Rutherford, which was primarily responsible for the unequal distribution of income and that was responsible for poverty (p. 107). He later contended that if poverty were ever eliminated and all income were equally distributed, the "law of laziness," as he so called it, would lead individuals to stop working. That would clearly hurt society. Further, Rutherford claimed that poverty was not entirely bad since it was often an effective incentive for people to create and produce. Since Rutherford perceived disincentive effects in George's system, he believed that he had found a reason to reject it (pp. 263–73). Aside from the obvious fact that George never proposed to distribute income equally, Rutherford's objections misinterpret the law. As George made quite clear, his intention was merely to claim that people will attempt to gratify their desires with the least possible exertion—or, simply, that people will not waste effort by working harder than they have to. The law has a corollary that George implies if he does not state: for a given amount of exertion, people will try to get as much product as possible.¹¹ It is that corollary that is the most vital part of the market mechanism that makes the wage-theory operate. As stated above, the product of laborers on the no-rent margin was to become the general wage for unskilled labor because laborers will flow to, or from, the marginal land whenever wages in other occupations are less than, or greater than, the wage at the

margin. It is the corollary to the law of least exertion that leads those laborers to seek the highest reward for their exertion. Rutherford never discussed that issue at all.

It is accurate to say that George won each point in the dispute over wages. Economists have rejected the wages-fund concept and they have accepted marginal-productivity theory. It is customary—and very justifiable—for historians of economic analysis to claim that the *complete* marginal-productivity theory was developed by John Bates Clark. (Clark's version was complete because it was generalized to all factors of production.) It is not always realized that Clark's version of the theory was heavily influenced by George. Clark explicitly stated, "It was the claim advanced by Mr. Henry George, that wages are fixed by the product which a man can create by tilling rentless land, that first led me to seek a method by which the product of labor everywhere may be disentangled from the product of cooperating agents and separately identified; and it was this quest which led to the attainment of the law that is here presented, according to which the wages of all labor tend, under perfectly free competition to equal the product that is separately attributable to labor."¹² Economists also deny Rutherford's claims about one fixed period of production for all economic activity. We do believe that production is continuous. Scott Gordon claims that the only important economists of the era who advanced the view that there was no lag in production were Clark and the great English economist Alfred Marshall.¹³ Clark, in fact, did write of a "full-pipeline of production" such that labor input at one end instantaneously and automatically forced product out of the other end.¹⁴ The idea, its function, and even the figure of speech are strikingly similar to George's "curved pipe filled with water," discussed above. And economists do accept the idea, if not the name, of the "law of least exertion" as an element of the market mechanism. This law implies self-interest, not selfishness at all. The difference is far more than a matter of semantics. In sum, George was quite advanced in his analysis of wage theory. He was an important participant in the debate over the wages fund, and his views were correct. Rutherford, who defended the orthodox version of the theory after other defenders abandoned orthodoxy for more flexible positions, was ineffective in his criticism of George's views.

Capital and Interest Theory

Rutherford next turned his attention to George's capital and interest theories. These sections are, quite frankly, depressing and contribute little or nothing to economic analysis. It must be said that both men were quite wrong in all of their main ideas on the topics. Rutherford, as would be expected, adhered to a capital theory that was compatible with the wages-fund theory. He wrote, "The accepted doctrine is, that capital is anything saved or reserved for the payment of labor not employed in, or devoted to the production of the immediate necessities of life. Capital is anything that may be used to support the laborer while performing his task—using the word 'laborer' in the sense of a hired person" (p. 31).

There are at least two major objections to Rutherford's procedure. First, as George noted, it is circular to argue that "labor is maintained by capital because capital is that which maintains labor." Second, from the viewpoint of logic, Rutherford's position was untenable. In his critique of the wages-fund theory George, in effect, challenged the wages-fund theorists to justify their views. But all Rutherford did was repeat, and reassert as true, the old definitions. Since he never did more than reassert definitions, he really evaded the issue entirely.

George's treatment of capital theory is more involved, but equally unsatisfactory. George was often inconsistent and not infrequently simplistic. Rutherford, who was not completely inept as a critic, seized each opportunity to indicate these inconsistencies. At times George defined capital as "wealth devoted to production."¹⁵ Rutherford realized that such a definition differed from his in several important ways. Later, Frank Taussig also accused George of a redefinition of terms and argued that since his refutation of the wages-fund theory relied on that redefinition, it was invalid.¹⁶ That criticism, however, misses the point that George's definition entailed substantive differences from the old definition. If capital were narrowly defined to include only those items of wealth that were used to produce more wealth, then the food and clothing consumed by the laborers during the production period would not be capital. Moreover, George's new definition can be viewed as similar to the now-accepted definition as any input that is itself an output of the economic system.

The problem with George's capital theory is simply that George had many other definitions of capital in addition to the one cited above. Rutherford was, in fact, able to fill four pages of his book with lists of George's definitions of capital (pp. 78, 159–61). He was then able to score a goodly number of points against George by showing that the definitions were inconsistent. To consider only one such instance, George *did* state that capital was "wealth in the course of exchange."¹⁷ Rutherford was able to show that such a definition was not really very different from the wages-fund theorists' definition to which George objected elsewhere. After all, if laborers were engaged in a lengthy project, they would have to live on goods equivalent in amount to their productivity, as discussed above. Such goods, according to George's own definition, would be "wealth." But since these goods were not produced directly by the laborers involved, they could be obtained only by exchange. That, then, would make the goods on which the laborers lived "wealth in the course of exchange"—or capital, as a wages-fund theorist would argue. There are, in fact, so many problems and inconsistencies in George's capital theory that modern economists have rejected his ideas.

Given the fact that neither man had an adequate capital theory, it is hardly surprising that neither man produced an adequate theory of interest. Rutherford's theory was, at very best, old-fashioned. Interest to Rutherford was payment for borrowed capital—and for borrowed capital only (pp. 12, 18–19). That is simply unsatisfactory by modern standards, which recognize that interest is the return to any capital, borrowed or otherwise. George's theory is also unsatisfactory according to those same standards. George argues, in essence, that since labor produced wealth and capital was just a special kind of wealth, capital was nothing more than "stored-up" labor. It then seemed to him that, since labor and capital were related, wages and interest ought to be related. George tried to argue that the ratio of wages to interest was always a constant. The problem was that he so vastly oversimplified that he never even hinted at how we could determine the value of the constant of proportionality.¹⁸

It is easy to explain Rutherford's failure in these matters; it is harder—and much more interesting—to explain George's failures. Rutherford's definitions were simply obsolete when he wrote them.

Those definitions relied upon the prerecantation version of the wages-fund theory. But since Rutherford wrote during the postrecantation, “second-round” era, his ideas lost any credibility they might ever have had. George’s failures are not so simple to explain. As outlined above, George’s wage theory was remarkably accurate and sophisticated. But George did not generalize his marginal-productivity theory of wages to make it a complete marginal-productivity theory applicable to all factors of production; he simply did not transfer his penetrating insights into wage theory to interest or rent theory.¹⁹ That means that George was really a *protomarginalist*, with a marginal-productivity theory of wages but no other marginal-productivity theories. That, in turn, means that his interest and capital theories were also old-fashioned. It was precisely the old-fashioned elements of the theories upon which Rutherford seized to claim that George’s theories were inconsistent and to claim that even George accepted the concepts of the wages-fund theory despite his denials.

Population Theory

Next Rutherford turned his attention to George’s critique of Malthusian population theory. Rutherford spent most of his time trying to show that the Malthusian theory was correct and that George’s objections were invalid. He overlooked, however, the main flaw in George’s arguments—the fact that the only fully valid point that George raises in his discussion of the dynamics of income-distribution theory implicitly assumes a Malthusian population theory. In book 4, chapter 1, of *Progress and Poverty* George conceded that increasing population would force the margin of cultivation downward and outward and thereby raise rent. He immediately attempted to qualify that statement by arguing that the impact of increasing population has been greatly misunderstood. The second chapter of book 4 attempts to argue that increasing returns to labor occur as population increases. He wrote, “For increased population, of itself, and without any advance in the arts, implies an increase in the productive power of labor. The labor of 100 men, other things being equal, will produce much more than one hundred times as much the labor of one man, and the labor of 1,000 men much more than ten times as much as

the labor of 100 men; and, so, with every additional pair of hands which increasing population brings, there is a more than proportionate addition to the productive power of labor." In the next paragraph he repeats his claim that these increasing returns continue without limit, even after increased population has extended the margin as far as it can go.²⁰ Clearly, George is arguing that labor is subject to unlimited increasing returns. Equally clearly, his argument is thoroughly invalid since the laws that state that factors of production are subject to decreasing returns, at least after some point, are among the most frequently verified laws of all economics. Chapter 3 of book 4 argues that the effect of any labor-saving improvement will be to extend the margin of cultivation and raise rent. The problem here is that George's analysis is simply wrong—his framework of analysis is incorrect and, not surprisingly, his conclusion is invalid. Interestingly enough, David Ricardo, from whom George derived his rent theory, provided a correct analysis and perfect counterexample to George's argument. Ricardo noted that when a technological advance of the kind discussed by George occurred, the margin of cultivation would contract inward and upward and not extend downward and outward as George assumed. As a result, rent may very well fall both as a share of the product and as an amount. Further, Ricardo claimed that such innovations would automatically raise real wages—again, a result in contradiction to George's.²¹ These points greatly damage George's case since they disprove several of the major contentions of the Georgian system—that rent always rises and wages always tend to fall as progress occurs. The final chapter of book 4 takes for granted that progress and technological advance will increase rent and argues that once it becomes known that rent will increase, expectations of further increases arise. Those expectations lead speculators to buy land, evict tenants, and hold the land idle while waiting for its value to increase. That idle holding of land itself forces the margin to be artificially extended and thereby brings about the very rent increase that was expected. There are, it seems, three major flaws in George's arguments on this matter. First, there is simply no reason why land speculators will hold their land idle. There is a wide range of circumstances, including all of the usual cases, in which it would be beneficial for a speculator to use his land productively

while waiting for its value to increase. Second, even if one were to assume, with George, that speculators did hold their lands idle, it is not difficult to produce a counterexample, one faithful to all of the Georgian principles, especially the principle of least exertion, that demonstrates that rent may fall as both a share and an amount, under the conditions specified by George.²² Third, given the fact that George was wrong in his analyses of increasing returns to labor and technological advance, it follows that his theory of expectations must be invalid. No reasonable person could expect land values to increase for the reasons George gave. It seems, then, that all of George's arguments are invalid *except* the one that relies on population pressure's forcing an extension of the margin of cultivation. And since George believed that rent increases would be continuous, the pressure of population against the margin must be continuous. That, however, constitutes the core of the Malthusian population theory.

Given that the dynamic theory, as written by George, relies upon a (perhaps implicit) assumption of Malthusian population theory, it is interesting to attempt to explain why George so vehemently rejected the idea in his explicit statements. First, it is undoubtedly true that much of George's hostility to the doctrine rested upon an unwillingness to accept the ethical-religious conclusions that seemed to follow from the theory. George, who was always a religious man, could never believe that a beneficent Creator of the world would ever have created the poverty and desolation that followed from the Malthusian theory. And, since his belief in the beneficent Creator was unyielding, he was almost compelled to oppose the Malthusian theory on ethical grounds. Second, on an analytical level, George apparently never realized that there are really *two* Ricardian rent theories—one for the extensive margin and one for the intensive margin. George's analysis relies exclusively upon the theory of the extensive margin.²³ That, in turn, meant that George had to try to show that all progressive developments extended the margin. The trouble is that much of his discussion, especially that relating to technological advance and local improvements in intangibles, should have been in terms of the intensive margin. Further, many of George's assertions about the extensive margin are simply invalid unless there is a continuous population increase. Thus the only argument presented by George that

is correct is the one that presupposes a Malthusian population theory. It is for this reason that I have stated that the Georgian model, as built by George, requires an assumption (perhaps implicit) about Malthusian population theory.²⁴

Property Rights and Profit Theories

Rutherford then attempted to show that the existing distribution of wealth was quite proper because it was the result of a long series of voluntary decisions made by reasonable economic factors acting according to their own self-interests. To try to prove that, Rutherford developed his own "historical model" and contrasted it with George's. Rutherford, as did George, began with a single hypothetical family and then imagined that more and more families came and settled in the neighborhood. According to Rutherford, inequalities in wealth emerged from the very beginning, or as soon as there were two or more families with different preferences. Suppose, he said, that there were just two families, one headed by Andrew and the other headed by Peter. Suppose further that one morning Andrew lingers behind to kiss his wife while Peter goes out to work gathering clams. Peter, by virtue of his early start, is able to find a particularly favorable location, stake a claim, and make the land his property. Then, by virtue of hard work, he is able to become wealthier than Andrew, and may under certain circumstances eventually employ Andrew as a laborer (pp. 114–19). That is all as it should be, said Rutherford, because those who wish to become rich can do so while those who are more interested in family affairs can spend their time in other ways. Each person gets the things in which he is most interested; hence, Rutherford concluded, the distribution of wealth is optimal. The entire example fails, however, since it presupposes private property in sites. Surely part of Peter's wealth is derived from the fact that he could claim private property in the desirable site. Obviously, however, it is just such private-property rights whose legitimacy George questioned. Clearly, it is entirely unsatisfactory to attempt to answer such questions by hypothesizing that such rights are justifiable.

The same theme is pursued in a chapter entitled, "Wages, Interest and Profit" (pp. 120–51). All that should be said about wages and

interest has been said above. It is interesting here to note that there is no discussion of rent theory in the chapter. One can only speculate as to whether or not Rutherford accepted the theory. Since his book was dedicated to discussing disagreements with George, the absence of discussion might well indicate agreement on the issue. Rutherford does spend a good deal of time trying to resurrect the classical theory of profit as a fourth, independent, factor payment. This contrasted sharply with George's view that profit was not a separate payment at all and that anything called profit could really be broken down into some combination of wages, rent, or interest. While George was by no means the first to argue that profit was not a separate factor payment, he was among those who so argued. It is sufficient to note here that modern economists have accepted the view of George and others on this issue. Today there is no fourth factor payment called profit—at least not in the classical sense of the term.

Theory of Human Nature and Social Progress

Rutherford's inquiry concludes with an alternative view of human nature and its role in social progress. George, of course, believed that if society implemented his land reforms and fiscal reforms, poverty would be abolished. Then, since immorality was said to result from poverty, it seemed that immorality would also vanish. That is to say, George believed that moral reform would be a result of property reform. Rutherford, as might be supposed, took exactly the opposite view and argued that there was nothing good to be gained from a revision of property rights until there had been moral reform. The problem as Rutherford saw it was simply that the vast majority of individuals in society had no sense of responsibility and no social conscience (p. 188). He agreed with George's claim that moral character was degenerating, but he denied that private property rights in land were responsible. Instead he saw the evil as stemming from the perceived selfishness of individuals (p. 308). That selfishness was said to pit one individual against all others and to lead each individual to think that he was separate from the social whole. Poverty resulted from that conflict and from the fact that all individuals were not

equally gifted in talent or ability. Therefore, in the competition among the individuals, some would win and become rich as others would lose and become poor. What seemed worse, the dominant social attitudes were such that those who became rich felt no responsibility to those who became poor. It then seemed to Rutherford that George was quite wrong in advocating more personal liberty, because individuals would simply use that liberty to do unjust things (p. 317). Instead, Rutherford chose to move in exactly the opposite direction. That is, he proposed to add more and more restrictions on all private property and on all individuals to compel people to act in desirable ways. These restrictions were designed to force moral reform before any Georgian revision of property rights in land was implemented. It seems that the men disagreed because they had fundamentally different views about human nature. George's view, essentially "optimistic," was that people would readily become moral if they were given the opportunity; Rutherford's view, essentially "pessimistic," was that people would resist becoming moral and therefore they must be forced to become so.²⁵ It is probably impossible for scholars to decide which view is correct. The issue is really one of differences in values and outlook, which cannot be resolved in any objective fashion. One might note, however, that if Rutherford were correct in his pessimistic view of human nature, it still would not be clear that governmental officials should be given broad powers to restrict personal freedoms. For such officials might well be as fallible and selfish as anybody else.

While the main issue discussed above may be unresolvable, there is one subpoint that can be resolved. Rutherford insisted that liberty and equality could not cure poverty until there was moral regeneration. The point is that Rutherford used the word *equality* in a sense quite different from George's and that led Rutherford to attribute to George ideas that he did not hold. Specifically, Rutherford argued that in the absence of moral reform it would do no good to try to augment wages by distributing rent equally among all of the laborers in society (p. 253). But George's position was more subtle than that. George viewed his proposals as a way to free all supramarginal land for use, thereby raising the margin of cultivation, thereby increasing the yield to labor on the marginal plot, thereby raising wages. That, not any

equal division of rent among the workers, was the way in which wages were to rise. Since Rutherford never understood that, and since he attributed to George ideas that he never had, his critique is invalid.²⁶ The same comments apply, almost without modification, to Rutherford's charge that equality, in the sense of giving everyone the same income, would stifle progress because poverty often inspires people to be especially productive and innovative (p. 299). The point, of course, is that any faithful reading of George's work would show that George never proposed "equality of results." Instead, he proposed only "equality of opportunity." Even Rutherford seems to have realized that at one point (p. 322 n.). Rutherford's claim is, therefore, misdirected.

Summary

It is probably reasonable to conclude that Rutherford vastly overstated his critique of *Progress and Poverty*. He literally set out to refute every major point in George's book. He was destined to fail because there are many points in the book that are analytically valid, or that were accepted at the time they were written. Rutherford did, in fact, find some flaws in George's analysis. Interestingly, however, the ideas that Rutherford proposed to substitute were often obsolete or wrong. Much of the force of the critique was therefore lost. For these reasons Rutherford's attempt to refute George's ideas was not very effective.

Notes

1. Reuben C. Rutherford, *Henry George versus Henry George* (New York: D. Appleton and Co., 1887). Because this is the only work of Rutherford's cited and because it will be cited often, subsequent page references to it are in parenthesis in the text.

2. That theory will be discussed below.

3. The most useful account, and one that notes but perhaps underestimates George's role, is Scott Gordon, "The Wage-Fund Controversy: The Second Round," *History of Political Economy* 5 (Spring 1973): 14–35. The best summary statement by a defender of the modified theory is made by Frank W. Taussig, *Wages and Capital: An Examination of the Wages Fund Doctrine* (New York: Appleton, 1896).

4. Rutherford does not specify the edition of George's *Progress and Poverty*, but his citations always agree with the Appleton edition of 1882. Since the 1882 edition may be uncommon, all subsequent citations of *Progress and Poverty* will be given in terms of the 75th anniversary edition (New York: Robert Schalkenbach Foundation, 1954). See p. 17 for the passage cited here.

5. For a more complete discussion of George's wage theory and its place in his system of political economy, see Charles Collier, "Henry George's System of Economics: Analysis and Criticism," (Ph.D. dissertation, Duke University, 1975), esp. pp. 16–22. Hereinafter cited as "George's System."

6. George, *Progress and Poverty*, p. 51.

7. This whole paragraph relies heavily upon Collier, "George's System," pp. 16–22.

8. George, *Progress and Poverty*, p. 65, and Collier, "George's System," p. 18.

9. George, *Progress and Poverty*, p. 79.

10. See Scott Gordon, "Second Round," for a discussion of stocks and flows.

11. George, *Progress and Poverty*, p. 204; idem, *The Science of Political Economy* (1898; reprinted ed. New York: Robert Schalkenbach Foundation, 1968), p. 91; Collier, "George's System," pp. 14–16.

12. John Bates Clark, *The Distribution of Wealth: A Theory of Wages, Interest and Profits* (London: Macmillan and Co., 1924), pp. v, 9. The work first appeared in 1899. For a fuller discussion of the George-Clark relation, see Collier, "George's System," pp. 108–15.

13. Gordon, "Second Round," p. 28.

14. Ibid.

15. George, *Progress and Poverty*, p. 47, and Rutherford, *Versus*, p. 46.

16. Rutherford, *Versus*, p. 48, and Taussig, *Wages and Capital*, pp. 26–27.

17. George, *Progress and Poverty*, p. 78, and Rutherford, *Versus*, pp. 31, 49.

18. George, *Progress and Poverty*, pp. 216–22, and Collier, "George's System," p. 23.

19. It remained for P. H. Wicksteed and others to show that Ricardian rent theory is equivalent to the marginal-productivity theory of land and for J. B. Clark to develop the complete theory.

20. George, *Progress and Poverty*, pp. 229–30.

21. David Ricardo, *The Principles of Political Economy and Taxation* (New York: Dutton, 1965), pp. 43–44, and Collier, "George's System," pp. 252–59.

22. Collier, "George's System," pp. 247–51.

23. George, *Progress and Poverty*, pp. 169, 239, 243, 247–250, 253–58.

24. It seems to me that any arguments other than those written by George himself cannot be considered in this inquiry, which deals with George's writings and the critics' reaction to them.

25. The use of the words optimistic and pessimistic implies nothing about which is the better description of reality.

26. Interestingly, William Torrey Harris made the same mistake. See my analysis of Harris's critique in this book.

Ingalls, Hanson, and Tucker: Nineteenth-Century American Anarchists

By JACK SCHWARTZMAN

This chapter essays an analysis of the attacks made upon the thought of Henry George by three individualist American anarchists—Joshua K. Ingalls, William Hanson, and Benjamin R. Tucker.

To one historian of the movement, American anarchism had a “double tradition.” The native tradition, running from the beginning of the nineteenth century, was “strongly individualistic” and suspicious of the state. The immigrant tradition, begun in the 1870s, “was first collectivist and afterward anarchist communist.”¹ These three critics of George were part of the native tradition.

The individualist anarchism of Joshua K. Ingalls reflected his two tenets: free individuals and free land. Born in Massachusetts in 1816, he was a Quaker, a social reformer, a minister (for a short time), and a strong champion of “land limitation.” All his life he attacked land monopoly and urged the repeal of laws that protected land titles not based on personal occupancy. In 1850 he helped organize a utopian colony in West Virginia (The Valley Farm Association), which shortly thereafter failed. In 1878 he began to denounce “capitalism,” identifying it with land monopoly. He lost faith in organized labor, continued to assail the state, criticized the growth of moneyed corporations, castigated the entrenched land monopoly, and finally endorsed the doctrine of individualist anarchism. He opposed what he termed the Henry George advocacy of state landlordism, as well as George’s “failure” to recognize capital as the enemy of labor. Ingalls’s book *Social Wealth*² became a noted anarchist classic. His antipoverty remedy was the “occupancy and use” formula of land distribution. (More about that later.) Ingalls ignored the money question, and disagreed with Tucker, who stressed it. Ingalls regarded the monetary approach as superficial. He preferred to deal with “causes” and “remedies” of social ills. He did not believe in revolutions or legisla-

tion, and urged, characteristically, reform through education. Toward the end of his life, which coincided with the end of the nineteenth century, he became extremely pessimistic.³

Very little is recorded of William Hanson. He was a contributor to Tucker's *Liberty*, and was highly regarded as an individualistic anarchist in the nineteenth century. His adverse analysis of Henry George is found in a well-written book, *The Fallacies in "Progress and Poverty."*⁴ Like Ingalls, Hanson believed in the "occupancy and use" formula. He took George to task for defending capital and interest, for proposing state landlordism, and for the comments about "unearned increment." Hanson believed in natural law, and his book is deeply religious and sincere.⁵

The most famous of the three anarchists presented in this chapter was Benjamin R. Tucker. Born in Massachusetts in 1854, of Quaker background, he was, at various times, a Unitarian, "an atheist, a materialist, an evolutionist, a prohibitionist, a free trader, a champion of the legal eight-hour day, a woman suffragist, an enemy of marriage, and a believer in sexual freedom."⁶ He finally became an individualist anarchist. He was, for a time, the "boy lover" of the notorious Victoria Woodhull, herself a professed rebel.⁷

After traveling extensively in Europe, Tucker settled down, first in Boston and then in New York. He became a journalist, and finally established his reputation with the magazine *Liberty*, which he founded. Most of his writings from that publication were gathered in a volume entitled *Instead of a Book*.⁸ A later variation of *Instead of a Book*, with some additional writings of Tucker, was titled *Individual Liberty*.⁹

Accepting some of the dogmas of the socialists, Tucker nevertheless adhered firmly, or so he claimed, to the basic principles of philosophical anarchism. He devoted his entire productive life to exposing and attacking what he considered the four prime monopolies: money, land, tariff, and patent.¹⁰ Tucker called the monopolists "a brotherhood of thieves."¹¹

Tucker, who according to a prominent social historian "won the attention and sympathetic interest of the American people more than any other anarchist in the United States,"¹² edited *Liberty* in his own characteristic fashion for a quarter of a century. He solicited articles

even from opponents of his thought. In 1908 his printing shop burned down, and he departed for Europe, to remain there for the rest of his life. His remaining years were spent in pessimistic lethargy.¹³ He died in Monaco in 1939.

When Henry George in 1887 changed his mind and refused to support the convicted anarchists in the so-called Haymarket Affair (because he believed them guilty of murder), Tucker lashed out at George, abusing him orally as well as in a vituperative pamphlet, *Henry George, Traitor*.¹⁴ Tucker accused George, who was running for public office, of allowing his political ambitions to influence his behavior. George's refusal to support the anarchists caused a rift among his followers. The debate as to whether George acted "properly" or not continues to this day.¹⁵

To return to Tucker's philosophy of anarchism: the state, he declared, was the enemy of humanity. "He who attempts to control another is a governor, an aggressor, an invader."¹⁶ Liberty was always preferable to security. Anarchism was always preferable to socialism. "The people cannot afford to be enslaved for the sake of being insured." Answering the Marxists, who accused him of not seeing that the state and society were one, he stated that they were one in the sense "that the lamb and lion are one after the lion has eaten the lamb."¹⁷

Taxation had to be resisted at all costs.¹⁸ The Henry George single tax was just as vicious a tax as any other, and had to be opposed. He advocated the "occupancy and use" formula as his panacea.¹⁹

Describing individualist anarchists, Tucker said that they were "not only utilitarians, but egoists in the farthest and fullest sense." The statement was not made apologetically.²⁰

It is now necessary to turn to the writings of these three thinkers insofar as such writings pertain to and criticize the various views of Henry George.

On Rent

Henry George in his works presented the concepts of *rent* and *unearned increment* as virtually synonymous. He defined *land value* as a capitalized form of rent. By means of the *inevitable* operation of

the “law of rent,” George stated, rent or unearned increment would always exist as a mathematical differential. Since rent was unjustly appropriated by monopolistic “landlords,” George proposed that the state take it through taxation for the betterment of society. Not only would each person then receive the benefit of his share of such increment but, more important, land, with the speculative shackles removed, would be opened up to individual enterprise, thus creating the condition of true freedom.

The individualist anarchists saw land economics differently. They visualized rent and its “laws” as artificial concepts having no permanency, mathematical certainty, or any validity except as an exploitative gun pointed at the producers. The *true* synonyms for rent, the anarchists claimed, were “interest,” “profit,” “usury,” “tax,” or any other “confiscation.” There was no limit to such confiscations. Only when the “exploiters” were permanently gone would land be opened up to *true* individual endeavor, and each person would take as much land as he desired, provided it be used in keeping with the “occupancy and use” formula. Since the state was the supporter of the exploiters, to give it more power to tax (as George allegedly advocated) was to augment its might and bring about permanent poverty and slavery. The *true* solution would be to get rid of the landlords *and* the state.

Thus each side stressed individualism, liberty, and the removal of land monopoly—yet each side took a sharply opposed position as to how these goals should be achieved. Which one was right? Before a detailed discussion of the controversy is begun, the reader must first be made aware of one more anarchistic criticism of George and the rent question. The individualist anarchists attacked George for his supposed “Malthusianism.” Even though they applauded him, on the one hand, for writing a masterful “exposé” of the Malthusian doctrine, they claimed, on the other, that George actually revived the doctrine by his espousal of the Ricardian law of rent. He contended, for instance, that “the pressure of population” drove the margin of land to the zero point, thereby causing rent to rise. George, according to the anarchists, should have “demolished” *both* the Malthusian and the Ricardian theories.

The topic of rent and its allied concepts will now be more thoroughly examined.

Henry George, in his classic *Progress and Poverty*,²¹ stated that private property in land was the cause of maldistribution of wealth and the resulting poverty and misery. "Historically, as ethically," he asserted, "private property in land is robbery."²²

Ingalls accused George of inability to see that "landlordism" was no longer the main oppressor of labor but only a tool of "capitalism." George was especially criticized for adhering to Ricardo's law of rent, which was declared to be but a "buttress of the Malthusian theory" of overpopulation.²³

In 1817 David Ricardo had defined rent as "that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible power of the soil."²⁴ George followed that definition when he wrote that rent "is the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner."²⁵

"Nothing can raise rent," wrote Ricardo, giving the world its first glimpse of his famous theory, "but a demand for new land of an inferior quality. . . . It is this necessity of taking inferior land into cultivation which is the cause of the rise of rent."²⁶ Again, George, in paraphrasing what he called the "sometimes styled 'Ricardo's law of rent,'" declared "*The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.*"²⁷

Was Ricardo's "law" a "buttress" of the Malthusian doctrine as the anarchists claimed? Ricardo himself gave due credit to Malthus, but did so for the latter's *theory of rent*, not for his theory of population. "Whatever cause may drive capital to inferior land," stated Ricardo, "must elevate rent on the superior land; the cause of rent being, as stated by Mr. Malthus . . . 'the comparative scarcity of the most fertile land.'"²⁸

The anarchists pointed to George's own comments to prove that he was a "Malthusian." George had written that the Malthusian doctrine received support "from the current elucidations of the theory of rent," and that the population theory of Malthus and the rent

promulgation of Ricardo were “made to harmonize and blend.”²⁹ George had also said that the increase of population tended to increase rent, and, at the same time, “to diminish the proportion of the produce which goes to capital and labor.”³⁰ When George further stated that “the most valuable lands on the globe, the lands which yield the highest rent, are not lands of surpassing natural fertility but lands to which a surpassing utility has been given by the increase of population,”³¹ he was again reproached for his “Malthusian” remark. Ingalls replied that it was not the increase of population that caused the margin to be pushed down, thus raising rent, but, on the contrary, it was the “artificial” creation of rent that pushed labor to the marginal lands.³² This artificiality of rent, Ingalls complained, was created by the landlords’ arbitrary demands caused by “exclusive land ownership,” and *not* by some mathematical difference or some “mysterious power” that created value “independent of labor.” Rent as he defined it, was an “immoral tax,” paid as tribute to landlords, and was synonymous with interest, profit, usury, and tax. Landlords could draw “fabulous wages” without regard to any (nonexistent) economic law.³³

George’s statements that rent did “not arise spontaneously from land,” and was “due to nothing that the landowners have done,” being only “the price of monopoly,”³⁴ sparked off another controversy. The anarchists claimed that they were bewildered by George’s “dual” definitions of rent. Did he not say, they questioned, that rent was a “difference” or an “excess”? (That it was, they violently denied.) Did he not now say, they inquired, that rent was “the price of monopoly”? (That it was, they heartily accepted.) What *did* George mean?

The anarchists seemed unable to comprehend George’s view: that rent actually *was* a “difference,” but that monopoly of land placed this “difference” in monopolists’ hands.

Hanson defined rent as the “cause” of “profit,” which in turn was the “cause” of “interest.” All of these (rent, profit, interest) came into being because of the existence of state-enforced land monopoly. Like Ingalls, Hanson believed that rent was an “immoral tax.” If the protective power of the state were taken away, the landlords would not be able to enforce the collection of rent. The so-called law of rent was a myth.³⁵

Tucker's criticism of George's concept of rent seems ironic, since Tucker actually believed in a "dual" concept of rent. He claimed that there was such a thing as "economic rent," which would persist even under "Liberty" (his term for his proposed utopia of the future), but that such "economic rent" was different from "moneyed rent," his name for arbitrary exaction. Liberty, Tucker rapturously declared, would do away with moneyed rent and other iniquities; and, eventually, *all* rent (including economic rent) would become merely nominal because of genuine competition.³⁶

(An evaluation of the anarchists' views of rent will appear at the end of the discussions of "unearned increment" and "land value.")

A term equivalent to the concept *rent* bothered the anarchists even more. Hanson was annoyed by George's use of the term *unearned increment*, which Hanson attributed to John Stuart Mill. George, claimed Hanson, wanted the state to "become the landlord, and then tax the unearned increment and appropriate it as rent paid to the State."³⁷ Tucker, too, ridiculed George for his acceptance of the term.³⁸

What was meant by *unearned increment*?

John Stuart Mill spoke of it as an "increase in land values."³⁹ "There is," he declared, "a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners." It was this "increased income" or "unearned increment" that he proposed to tax because "it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class."⁴⁰

Arthur Nichols Young believes that although the idea of taxing the "unearned increment" was favorably discussed by Adam Smith, the earliest thorough consideration of the concept should be credited to James Mill, John Stuart's father.⁴¹ "This continual increase," the elder Mill had written, "arising from the circumstances of the community, and from nothing in which the landholders themselves have any peculiar share does seem a fund peculiarly fitted for the appropriation to the purposes of the State."⁴²

Henry George's definition of "unearned increment" was the same as that of the Mills: it was another name, he declared, for rent.⁴³ "Here

is a fund," George pointed out, "which the State may take while leaving to labor and capital their full reward."⁴⁴

Hanson, referring to George, inquired: "Has he not proven that the monopoly of land is the cause of rent? Why then, does he now assume that it is the unearned increment which is the cause of rent?"⁴⁵

(One may point out, in passing, that George never did say that unearned increment was the *cause* of rent. He stated, as was seen, that it *was* rent. The *cause* of rent, for George, was to be found in Ricardo's law.)

There *was* no such thing as "unearned increment," Hanson reiterated. Whatever "excess" there existed in the produce of one land over another, belonged, in a free society, to the producer on the superior land. "The produce of work is the natural recompense of work."⁴⁶

Yet it is interesting to note that a modern writer remarks that historically "landowners themselves accepted the charge of John Stuart Mill and Henry George that rent was an 'unearned increment.'"⁴⁷

Concurrently used with the concepts of *rent* and *unearned increment* was the term *land value*. George commented: "It is this capacity of yielding rent which gives value to land. Until its ownership will confer some advantage, land has no value." He repeated: "The value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. . . . The demand for land fixes its value."⁴⁸

The anarchists, after criticizing George for his "population" remark, responded. "Land value," declared Ingalls, was an "artificial capitalization of the land," not based on "values of utility or service," but on the power to monopolize land. Such value embraced the entire product of labor "minus the necessary amount required to keep the stock of labor supplied."⁴⁹ (Shades of Marx's surplus-value theory! Compare that remark with a similar one by Tucker.⁵⁰) It was labor, emphasized Ingalls, that gave value to land, not some imaginary law of rent.⁵¹

Criticizing George somewhat differently (especially for his single-tax proposal), Hanson emphatically denied the concept of land value altogether. Land was free and had "no value in economics, any more than man has. Land values are purely arbitrary. . . . How then are land

values ordained of God for taxation?" They were "flagrant violations of God's natural laws."⁵²

In attempting to elucidate the meaning of land value (while justifying the single tax), George declared that a tax on land values was "the taking by the community of that value which is the creation of the community,"⁵³ causing Hanson to answer: "As well think of selling lightning by the *obm*; or air by the cubic foot; or light by the square yard. Because there is a demand for these things have they 'a value which is created by the community as a whole?'"⁵⁴

(Hanson should have lived a century later. He would have been shocked by the "values" of air space and air time.)

It was already seen that Tucker recognized two different kinds of rent. Even though he protested that land had no value, he did concede that under "Liberty," some people would get "superior" and some "inferior" land. Thus there would be differences, and even "favoritism" in land distribution. However, said Tucker, "free" competition would tend to reduce the differences.⁵⁵ "Equality," he proclaimed, "if we can get it, but Liberty at any rate!"⁵⁶

Let me now try to summarize and evaluate the arguments dealing with the rent question.

The individualist anarchists attacked the concepts of rent, law of rent, unearned increment, and land value. Yet, even among themselves, they could not agree. There were contentions that only labor gave value to land; that land value was an artificial capitalization; that land value was basically surplus value; that land value was another name for economic rent; and, finally, that there was no such thing as land value altogether. Confusion reigned in anarchist ranks. Even more confusion prevailed when they attempted, without justifiable evidence, to "synonymize" rent with interest, profits, and tax.

However, they all agreed that rent was an arbitrary demand by monopolists, and not some eternal "differential."

The anarchists' rent philosophy appears naive and (if one may pardon the pun) valueless. Glance where one may, rent (land value) exists (and has existed, and will exist). Should this statement appear to be one that merely justifies the status quo, another example may suffice and possibly be more clarifying. The demand for today's oil, for instance, has given fabulous valuation to Arab lands. Once the

demand for oil is replaced by a demand for another commodity, the current land value of Saudi Arabia may plunge to nearly zero. It is communal demand and need that give rise to rents (land values). No amount of anarchist denials will disprove the apparent facts of economic history.

By claiming that the producers on superior lands (in a "free society") would be entitled to the "excess" produce as their "wages," the anarchists merely gave another name to the term *rent*. The "producers" would become "landlords." (The Ricardian law of rent would operate even in anarchist utopias.)

Concerning the anarchist's contention that George's advocacy of Ricardo's law of rent was an extension of Malthusianism, one can only repeat what George had often observed. In an unjust condition of land monopoly, population would be compelled to push the margin to zero. As George once stated: "The phenomena attributed to the pressure of population against subsistence would, under existing conditions, manifest themselves were population to remain stationary."⁵⁷

Ricardo's law of rent appears to be (at least to this writer) as valid as ever.

In any case, to the anarchists the main problem lay in the "strife" between "capital" and "labor." Even if land were freed from monopolistic control, insisted Tucker, it would be useless to the workers without capital.⁵⁸

It is to the discussion of capital and interest, therefore, that one must now turn.

On Capital and Interest

More than for any other economic utterance, George was excoriated by the anarchists for his definitions and stand on capital and interest. Since he recognized capital as a necessary factor of all but the most primitive production, and justified interest as a valid return to capital, he was bitterly attacked by his three critics.

To the anarchists capital was a parasite on the body economic. Accepting the socialist view, they both defined and condemned capital as a monopoly or as an inert substance that had no right to

be included in any economic partnership. Interest was identified with usury or rent, or merely charged off as robbery.

George had written that “land, labor, and capital” were the factors of production. He termed capital “wealth in course of exchange,” explaining that exchange was not only the passing from hand to hand but the fact of reproductive transmutation. He summarized his viewpoint by defining capital as “all wealth used to produce more wealth.” That part of the produce that represented the return for the use of capital he called “interest.”⁵⁹

The anarchists were angered. There were only *two* factors of production, Ingalls retorted, and capital was not one of them. Capitalists were usurers and enemies of labor; capitalists and landlords were one and the same. The ownership of capital was just as oppressive as that of land. In fact, it was the capitalists who foreclosed on small property holders.⁶⁰

One could answer the last criticism immediately by stating that, in the economic sense, the foreclosers (mortgagees) were the true landlords and the “small property holders” (mortgagers) merely tenants.

Agreeing with Ingalls, Hanson claimed that without the “superintendence of labor,” capital was as powerless to produce as “stone.” Since capital was but inert matter (Hanson’s definition), it was labor alone that was the producer; therefore, it was labor alone that was entitled to the produce.⁶¹

Capitalism, added Tucker (identifying it with monopoly), abolished the free market, but labor was forced to depend on capital in order to survive.⁶²

The anarchists (using *capital*, *capitalist*, and *capitalism* interchangeably) called the capitalist an arch-villain, and denounced him. Their argument was circular.

A capitalist, according to Ingalls, was “one who becomes clothed with legal rights over the land, or over the man, which authorize him to take from the laborer or from the land the fruits of industry to the production of which he has not contributed.”⁶³ A capitalist, to Hanson, was an idler;⁶⁴ to Tucker, a usurer.⁶⁵

Being thus defined by the anarchists (sometimes with great inconsistency), the capitalist became a monopolist, a usurer, an idler, a parasite, a landlord, a robot, and a robber. Small wonder then, that,

according to George's three critics, the capitalist was entitled to nothing. Imagine their indignation, therefore, when George, propounding his "reproductive modes" theory of interest, not only justified interest as a legitimate return to capital, but gave it a "life" of its own.

George commenced his presentation by denying that interest was simply "the reward of abstinence." Abstinence in itself produces nothing. Also, if all wealth consisted of but "inert matter," and production were but the "working up" of "this inert matter into different shapes," then "interest would be but the robbery of industry." But all wealth is not inert. "It is true that if I put away money, it will not increase. But, suppose, instead, I put away wine. At the end of a year I will have an increased value, for the wine will have improved in quality." Now, this "increase," although it required "labor to utilize it," is "yet distinct and separable from labor—the active power of nature; the principle of growth, of reproduction, which everywhere characterizes all the forms of that mysterious thing or condition which we call life." "It is this," argued George, "which is the cause of interest, or the increase of capital over that due to labor." Speaking "meta-physically" (as he was accused of doing), George stressed that there were "certain vital currents" in "the everlasting flux of nature" that aided man "in turning matter into . . . wealth." Since wealth is interchangeable, "the power of increase which the reproductive or vital force of nature gives to some species of capital must average with all."⁶⁶

In another book George observed that "the principle that time is a necessary element in all production we must take into account from the very first."⁶⁷ "Time," writes Geiger in paraphrasing George's argument, "is also essential in production, for it makes possible taking advantage of the reproductive power of nature. As applied to capital it justifies interest."⁶⁸

George's theory of interest not only antagonized the anarchists but caused disagreement in the Georgist ranks. Some thought that his theory of interest was not so clear as his concept of rent. Others set forth their own theories. Still others felt that since capital was a valid factor of production, it was entitled to a return, and there was no

need for any intricate or elaborate explanation (except, possibly, that capital was stored-up labor).⁶⁹

As far as the anarchists were concerned, Ingalls questioned George's presentation of capital and on that account also his consequent theory of interest, and asked whether capital, in its nature, was competent to give increase, or "borrowed" such power from other means. The implication was that only nature—land—was capable of "increase," and therefore, since there was an increase (as in wine), the return was not interest but *rent* (and thus unjustified).⁷⁰ Ingalls devoted an entire chapter of his book to attack the "time" theory.⁷¹ He felt that labor should get any "increase" in capital production, since labor "initiated" the production process. Criticizing George's statement justifying interest because "the seed in the ground germinates and grows while the farmer sleeps or plows new fields,"⁷² Ingalls contended that "nature everywhere repudiates the crudity, born of capitalistic assumption, that anything can be obtained for nothing. Only at the expense of labor can this be realized."⁷³

Obviously agreeing with Ingalls, Hanson stated: "Idleness produces nothing, and is therefore entitled to nothing."⁷⁴ Tucker called an "idle man" a "parasite," and assailed the "proposition that the man who for time spent in idleness receives [justifiably] the product of time employed in labor."⁷⁵ "The services of time," he added, "are venal only when rendered through human forces; when rendered exclusively through the forces of nature, they are gratuitous."⁷⁶ Hanson concluded: "The theory of interest, promulgated by Henry George, . . . is thereby utterly overthrown."⁷⁷

The anarchists, in their turn, proceeded to define interest. Ingalls named it "a fraudulent claim of one party to an exchange, by which a charge is made for the 'flight of time' between the inception and the completion of an exchange."⁷⁸

Tucker called interest usurious, and labeled it "a deduction from the earnings of other men." Tucker also attacked George for the latter's "silly and forced distinction between interest considered as the increase of capital and interest considered as payment for the use of legal tender."⁷⁹

Tucker further criticized George for the latter's "failure" to see that

capitalists controlled currency, thus “causing” high interest to exist. His utopia of the future would feature “free money” and “free competition in currency,” thereby ensuring “both low interest and high wages.”⁸⁰ To George, on the other hand, the solution of economic problems through regulation of money was only a superficial means toward the solution of the ills of society. Admitting that money was “conveniently important,” he warned that it was easy to “overestimate that importance and to forget that men lived and advanced before money was developed.” In any case, true interest was not derived from any monetary manipulation, and capital was not to be confused with money.⁸¹

Hanson contended that rent, profit, and interest were all “caused” by land monopoly, and would vanish once it were removed.⁸² He concluded: “But as no moral reason can possibly be adduced why interest should be paid, it logically follows that interest is *robbery*.”⁸³

As if in anticipation, George had already explained: “The belief that interest is the robbery of industry is . . . in large part due to a failure to discriminate between what is really capital and what is not, and between profits which are properly interest and profits which arise from other sources than the use of capital.” He devoted almost three pages to demonstrate that the term *profit* had no meaning in economics, and was used interchangeably and confusedly with interest, wages of superintendence, and insurance.⁸⁴

Before a summary and critique of the capital-interest controversy are attempted, the reader must be made aware of one more topic (related both to the rent and the interest problems) that agitated the anarchists. They criticized George for his “equilibrium” presentation: namely, that interest and wages were naturally “related”; that both represented “equal returns to equal exertions”; that both varied directly with each other and inversely with rent; that both rose as rent fell; and that both fell as rent rose.⁸⁵

Ingalls, especially, reproached George for the latter’s “inability” to see that interest and wages varied inversely.⁸⁶

Commenting on the fact that George’s equilibrium theory, when tied to the Ricardo theory of rent, “caused bitter criticism” in economic circles, a prominent Georgist wrote that “much of this criticism has slighted the significance . . . of George’s synthesis of the laws of

distribution,” noting that the “synthesis” prompted John Bates Clark (as the latter readily admitted) to develop his influential views on diminishing returns and marginal productivity.⁸⁷

To me, George’s equilibrium observations appear quite valid. In hard times wages and interest fall, men lose their jobs, and businesses fail. In good times both interest and wages rise. In the long run rent always rises.

Capital and labor ride up and down the same elevator, kicking each other in the shins. The question is: *Should* they?

Invisibly behind the apparent contestants stands the land monopolist, controlling the elevator ride.

The basic reason for the controversy between George and the anarchists is the failure to agree on definitions. Since capital, according to the anarchists included all forms of oppression, it was almost an impossible task for George to make the anarchists really *understand* that the source of social inequity lay in land monopoly—even though Hanson, as we have seen, had said it did.

To George, nothing could have been more simple than the theory, which he set forth with great clarity, that both capital and labor (partners in production) were victimized by the inability to utilize land for production without payment of a premium. This was owing not so much to the fact that landowners controlled land privately (George was basically an individualist who strove for each person’s right to control his share of the universe) as to the fact that land monopoly *prohibited* labor *and* capital from using natural resources to produce goods and services.

The word *capitalist* has so deeply seeped into the unconscious layer of public awareness that most people today probably think of the capitalist as a sinister being of incalculable wealth whose power over human destiny is autocratic and well-nigh infinite.

On the other hand, nothing supports George’s justification of capital and interest more than the obvious operations of lending and borrowing. Who would lend to a stranger any part of one’s wealth, or who would borrow, knowing that he would have to repay the loan with interest, unless the two parties were aware that a benefit would accrue to *both* from the transaction? From where would interest come? Is there not an “increase” somewhere? Interest is not a subtraction,

as Tucker claimed; it is an addition. The anarchists were poor mathematicians.

Harry Gunnison Brown once stated (and I very much agree): "There is no intention, here, of expressing the slightest sympathy with the socialist notion that interest on capital . . . is an unearned income or the gain of exploitation. . . . The person who works and saves and who thus is instrumental in bringing capital into existence, does more to increase the output of industry than does the person who works with equal efficiency but does not save. If, doing more for production, he receives a larger part of what production yields, this does not rob anyone else. The socialist view that interest is an illegitimate income cannot be endorsed."⁸⁸

On Copyrights and Patents

Another topic that occupied the attention of George and the anarchists pertained to copyrights and patents. Originally, George argued that the "temporary monopolies created by the patent and copyright law," since they were "recognitions of the right of labor to its intangible productions," would be "unjust and unwise to tax." They were "necessary" monopolies, and should be left alone.⁸⁹

Ingalls attacked such "exclusive right in invention,"⁹⁰ and Hanson claimed that patents and copyrights contravened "the Law of Nature which has ordained that the utility of all products . . . shall be had without price." Invention could be measured only by work. Patents and copyrights were "robbery."⁹¹

In 1888 George, acknowledging that he had made a partial mistake, now felt that a patent was "in defiance" of man's "natural right." "Discovery," he wrote, "can give no right of ownership, for whatever is discovered must have been already here to be discovered."⁹² A copyright, on the other hand, was a right "to the labor expended in the thing itself," and was "morally" right.⁹³

Tucker sardonically attacked this distinction, contending that neither copyrights nor patents should exist. "The same argument that demolishes the right of the inventor," Tucker emphasized, "demolishes the right of the author."⁹⁴

As usual, the controversy that had begun a century ago still con-

tinues. The argument rages in Georgist ranks as well. As editor of a magazine, I have specifically forsworn the principle of copyright in the masthead of the publication. To each his own!

On George's "Remedy"

The most important "debate" revolved around George's proposed "sovereign remedy." The anarchists were horrified when they read his words: "To extirpate poverty, to make wages what justice commands they should be . . . *we must make land common property.*"⁹⁵ George proposed to accomplish this "remedy" by utilizing the method of the "single tax." There are indications that he was not too pleased with the name,⁹⁶ but he himself had written that "the advantages which would be gained by substituting for the numerous taxes by which the public revenues are now raised, a single tax levied upon the value of the land, will appear more and more important the more they are considered."⁹⁷

Ingalls was indignant. To him George's remedy smacked of state socialism. It was merely another "land nationalization" scheme, "minus the fixity of tenure, and limitation by 'occupying ownership.'" The single tax to him was just a tax: a supertax. "The power to enforce taxation is the power to take the earnings of labor and make such return as it pleases, or none at all." Furthermore, he claimed, the single tax would not work.⁹⁸

To Hanson the single-tax idea was abhorrent. "If an individual can not have property in land," he questioned, "how can the community or the State?" Since there was no land value, "Mr. George's grand panacea," the single tax, would fall on the poor: "on my neighbor's potatoes." And since there was no "unearned increment," he concluded (somewhat contradictorily), "the State will have nothing to appropriate."⁹⁹

George's plan would bring land nationalization, Tucker exclaimed, that would cause "a concentration and hundred-fold multiplication of the landlord's power."¹⁰⁰ To Tucker the municipality to which people had to pay "tribute" was "not a bit more defensible than the State itself,—in fact, is nothing but a small State."¹⁰¹

Tucker, seeing in the single tax nothing but "robbery," characterized

the single taxers as future "inquisitors." He preferred, he said, "if I must be robbed . . . to be robbed by the landowner, who is likely to spend it in some useful way, rather than by an institution called government, which will probably spend it for fireworks or something else which I equally disapprove."¹⁰²

The anarchists never understood George's plan. The abolition of all taxes on production and exchange, he held, would result in a tremendous spurt of economic activity. The placing of the one tax on land values would likewise result in an economic upsurge. It would do away with land withholding and speculation. Thus production would be aided in two different ways.

George did not favor the *nationalization of land* as his proposed remedy. His leaning was toward individualism. "In form," he declared, speaking of his plan, "the ownership of land would remain just as now."¹⁰³

"It must be stated at this point, clearly and emphatically," writes Geiger, "that George's 'common property' in land did not mean common ownership in land. That is to say, George was in no sense a land nationalist and did not suggest . . . that land was to be owned by the State, or that it should be held in joint ownership by the citizens. . . . All such concepts were distinctly repudiated by him."¹⁰⁴

In a later book George made his meaning quite clear: "To make a redivision every year, or to treat land as a common, where no one could claim the exclusive use of any particular piece, would be practicable only where men lived in movable tents and made no permanent improvements, and would effectually prevent any advance beyond such a state. No one would sow a crop, or build a house . . . so long as any one else could come in and turn him out of the land in which or on which such improvements must be fixed. Thus it is absolutely necessary to the proper use and improvement of land that society should secure to the user and improver safe possession."¹⁰⁵

In actuality George regarded the state with the same suspicion as did the anarchists. "The more complex and extravagant government becomes," he wrote, "the more it gets to be a power distinct from and independent of the people."¹⁰⁶

His "remedy" did not imply government aggrandizement. It was merely a method to open up land and opportunities for all. George

was attacked because his critics did not understand him. "I myself am classed as a socialist by those who denounce socialism, while those who profess themselves socialists declare me not to be one."¹⁰⁷

His own mind was crystal clear.

On the Incidence of a Land-Value Tax

To the individualist anarchists, the most unanswerable criticism of the single tax was that the tax would simply be shifted to the backs of the poor.

"The successful capitalist would then, as now," asserted Ingalls, "be able to shift the tax to shoulders of toil, plus the profits upon the capital necessary to meet his dues to the government."¹⁰⁸

"The merchant, tradesman, or manufacturer," declared Hanson, "who is obliged to pay rent for the use of land, will necessarily put the rent, or distribute it in the price of merchandise he sells."¹⁰⁹

"When I reflect that under a Single-Tax system," mused Tucker, "the occupants of superior land are likely to become the politicians and to tax back from the people . . . what the people have taxed out of them as economic rent . . . I prefer to leave it in the pocket of the landowner."¹¹⁰

"A tax on rent," John Stuart Mill had once written, "falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. It does not affect the value or price of agricultural produce."¹¹¹ Or, one might add, of other commodities.

The anarchists paid no heed to Mill's utterance. Their persistent complaints caused George to write an editorial, subsequently reprinted as a booklet. After cautioning the reader not to confuse a tax on land with a tax on land values (or rent), George added that it "was conceded by all economists of reputation" that the tax on rent could not be shifted. "Rent," he pointed out, "is the highest price that anyone will give. . . . Now, if a tax be levied on that rent or value, this in no wise adds . . . to the ability of the owner to demand more. To suppose . . . that such a tax could be thrown by landowners upon tenants is to suppose that the owners of land do not now get for the land all it will bring; is to suppose that, whenever they want to, they can up the prices as they please. This is . . . absurd."¹¹²

Even more than when George wrote, the nonshiftability of a tax on land values is regarded by professional economists as virtually beyond dispute.¹¹³ To George's critics, however, he indulged in "sophistry." To them, the most important "remedy" was "occupancy and use." That will be the next topic of discussion.

On "Occupancy and Use"

The only way to establish justice, Ingalls claimed, was to abolish land ownership, repeal all laws that protect it, encourage true education, and distribute land according to the principle of "occupancy and use." As much land as was necessary for each person, that is how much land each person would get. How would this be accomplished? He explained: "I find nature . . . gives or parts with no thing. . . . Her invariable price for its use is the labor necessary to avail oneself of its benefits. She [neither] exacts nor permits rent, interest, or taxation, but repudiates them wholly. . . ." ¹¹⁴

"Nature," as thus personified and deified, was a creation of Ingalls. There would be no state to supervise any division or occupancy. Education would accomplish this, just as education brings about cooperation necessary to build bridges. Ingalls attacked George and his followers because they were "ignorant" of "the law of use" and, instead, relied upon the mandatory appropriation of land values by society through government. Like George, Ingalls believed in natural rights but he repudiated the use of organized physical force in their protection.

Similar to Ingalls's approach to "occupancy and use" was that of Hanson. He felt that the state would "wither away" once true education prevailed. "Ignorance is the bane of mankind. And the rich are as ignorant as the poor in their relation to these vital questions." His plan envisioned a utopia where rents and interest would tumble to zero; land would be chosen by lots; and the state would have nothing to tax, especially since there would be no state and no tax. "There should be a voluntary relinquishment for the public weal of land monopolized for speculative ends. . . . This should be done as a social and religious duty, just as one should voluntarily refrain from highway robbery, stealing, perjury or murder. Landlords should also voluntar-

ily cease taking unrighteous rent." "Occupancy and use" would not guarantee equality, but inequality of production would teach thrift, management, and better production.¹¹⁵ Hanson, like George and Ingalls, believed in natural law and natural rights.

Both Ingalls and Hanson might be labeled "visionaries," since both believed in accomplishment through education only. There could be no solution, they claimed, until the mind first grasped the necessary idea. Yet they did not fully understand George's ideas; and he, in turn, could not argue with people so trustingly childlike in their faith in human nature.

A more cynical approach was taken by Tucker, who summarily pronounced: "All economic reforms, including the Single Tax, are a delusion and a snare."¹¹⁶

Most of the individualist anarchists, including Ingalls, Hanson, and Tucker, followed the "occupancy and use" formula of Josiah Warren, which was in turn based on the views of the New York land reformer of the 1820s, George Henry Evans.¹¹⁷ The anarchists' vagueness in attempting to define *occupancy and use* was best exemplified in the correspondence between Tucker and Stephen Byington (who subsequently became a "disciple" of Tucker's). Byington wanted to know what would happen to occupiers of land or buildings when they would be away from their premises for a period of time. Tucker, reducing his answer to an absurdity, replied that the very last user and occupier would not only lose his land but his personal property as well.¹¹⁸

Trying to explain to Byington (in still another controversy) what *occupancy and use* meant, Tucker wrote: "Occupancy and use is the only title to the land in which we will protect you; if you attempt to use land which another is occupying and using, we will protect him against you; if another attempts to use land to which you lay claim, but which you are not occupying and using, we will not interfere with him; but of such land as you occupy and use you are the sole master, and we will not ourselves take from you, or allow any one else to take from you, whatever you may get out of such land."¹¹⁹

The "we" sounds ironic, coming as it does from an antistatist!

Concerning the single tax, Tucker may have deliberately distorted its meaning. This is what Henry George would say to a prospective

land occupier, Tucker told Byington: "You may hold all the land you have inherited or bought . . . and we will protect you in such holding; but, if you produce more from your land than your neighbors produce from theirs, we will take from you the excess of your product over theirs and distribute it among them . . . or we will make any use of it, wise or foolish, that may come into our heads."¹²⁰

Deliberate or not, it was not only a cruel distortion of George's meaning, but it turned an individualistic proposal to spur production into a socialistic deterrent!

In one more important respect did Tucker and George differ. Starting off as a believer in natural rights, Tucker subsequently embraced the egoistic philosophy of Max Stirner. This in turn led to utilitarianism and opportunism,¹²¹ as well as to pronouncements that smacked more of nihilism (such as a mother's right to throw her baby into a fire)¹²² than of libertarian individualism. The man who had once held that "the first of all equities is not equality of material well-being, but equality of Liberty"¹²³ later declared: "In times past . . . it was my habit to talk glibly of the right of man to land. It was a bad habit, and I long ago sloughed it off. . . . Man's only right over the land is his might over it."¹²⁴

Tucker's utterance about "rights" should be compared with the one made by George when he said: "There can be to the ownership of anything no rightful title which is not derived from the title of the producer and does not rest upon the natural right of the man to himself."¹²⁵

I cast my vote for Henry George.

Summary

The time has come to summarize the respective philosophies of George and his three critics. The following "table" may be helpful:

HENRY GEORGE

INDIVIDUALIST ANARCHISTS

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| <ol style="list-style-type: none">1. Capital, a specialized form of labor (“stored-up labor”), is one of the three factors of production. Only two of the three factors are entitled to shares in the produce: labor and capital.2. Interest is justified, as explained by the “reproductive modes” theory, but also by the concept of capital as “stored-up labor.”3. Private appropriation of land is the great iniquity. Land monopolists prey on labor and capital.4. Rent is payment made to landowners because of the relative value of monopolized land. However, even under the “sovereign remedy,” rent will continue to exist, but will be paid to the community as a premium for the privilege of exclusive possession.5. Under the “sovereign remedy,” land will become common property (but not socialized).6. Private property in land will assume a different form. Rent (except for a small “brokerage fee”) will be paid to the community. | <ol style="list-style-type: none">1. Capital is a parasite feeding on the produce of labor on land. Only one of the two factors of production is entitled to a share in the produce: labor.2. Interest is never justified. It is robbery.3. Capitalism is the great evil preying on labor. Landlordism is but a species of capitalism.4. Rent, as payment to any landlord, private or public, is always robbery. In a free commonwealth, according to Ingalls and Hanson, all rent will be abolished. According to Tucker, only “economic” rent will remain.5. Under “Liberty,” land will become private property (but not monopolistic property).6. Private property in land will exist and be practiced, within the limits prescribed by the “occupancy and use” formula. |
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HENRY GEORGE

INDIVIDUALIST ANARCHISTS

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| <p>7. Government will be utilized as the arm of the community for the purpose of some services and the collection of rent. Monopoly landlordism will be abolished.</p> <p>8. Patents, as long-range monopolies, will be ended. Copyrights will remain.</p> <p>9. Private enterprise will exist, with labor and capital free to pursue their own aims because land will become more readily available to those who wish to use it. There will be no equality, in the socialistic sense, only liberty.</p> | <p>7. The state will be abolished and so will capitalism and landlordism. Community and society, as used by Henry George, are vague and ambiguous terms.</p> <p>8. Both patents and copyrights will be abolished.</p> <p>9. Free land will exist, with labor free to pursue its own aims. An attempt will be made toward equality. Liberty, however, will be the prime goal.</p> |
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Notes

1. George Woodcock, *Anarchism: A History of Libertarian Ideas and Movements* (New York: The World Publishing Co., 1962), p. 453.

2. Joshua K. Ingalls, *Social Wealth: The Sole Factors and Exact Ratios in Its Acquirement and Apportionment* (New York: Social Science Publishing Co., 1885).

3. For a summary of his life and ideas, see (besides *Social Wealth*) Joshua K. Ingalls, *Reminiscences of an Octogenarian in the Fields of Industrial and Social Reform* (New York: M. L. Holbrook, 1897). See also James J. Martin, *Men Against the State: The Expositors of Individualist Anarchism in America, 1827-1908* (DeKalb, Ill., 1953), pp. 142-52. For a comment that labeled Ingalls a "disciple" of Josiah Warren, see Corinne Jacker, *The Black Flag of Anarchy: Antistatistism in the United States* (New York: Charles Scribner's Sons, 1968), p. 63.

4. The complete reference title is: William Hanson, *The Fallacies in "Progress and Poverty," in Henry Dunning Macleod's Economics, and "Social*

Problems,” with the *Ethics of Protection and Free Trade and The Industrial Problem Considered a-Priori* (New York: Fowler and Wells Co., 1884).

5. For scattered comments about him, see Martin, *Men Against the State*, pp. 225, 267, and 286. On p. 246 Martin called Hanson “next to Ingalls the most competent of anarchist critics of Henry George.”

6. Jacker, *Black Flag of Anarchy*, p. 120; Charles A. Madison, *Critics & Crusaders: A Century of American Protest* (New York: Henry Holt and Co., 1947), pp. 194–95.

7. Johanna Johnston, *Mrs. Satan: The Incredible Saga of Victoria C. Woodhull* (New York: G. P. Putnam’s Sons, 1967) various pages; Jacker, *Black Flag of Anarchy*, pp. 121–22; Madison, *Critics & Crusaders*, p. 195; Martin, *Men Against the State*, p. 223.

8. Benjamin R. Tucker, *Instead of a Book By a Man Too Busy to Write One* (1897; reprint ed. New York: Gordon Press, 1972).

9. Benjamin R. Tucker, *Individual Liberty* (New York: Vanguard Press, 1926). (It was edited by “C. L. S.”—Clarence Lee Swartz.)

10. Atindranath Bose, *A History of Anarchism* (Calcutta: The World Press Private Ltd., 1967), p. 380.

11. Madison, *Critics & Crusaders*, p. 204.

12. Eunice M. Schuster, *Native American Anarchism*, quoted in Madison, pp. 197–98.

13. Madison, *Critics & Crusaders*, pp. 211–12.

14. Benjamin R. Tucker, *Henry George, Traitor* (New York: Benjamin R. Tucker, writer and publisher, 1896).

15. *Ibid.*, pp. 1–16; see also Madison, *Critics & Crusaders*, p. 209; Martin, *Men Against the State*, p. 221; Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), pp. 503–06; Henry David, *The History of the Haymarket Affair* (1936; reprint ed., New York: Russell & Russell, 1958), pp. 400–03; Henry George, Jr., *The Life of Henry George* (1900; reprint ed., New York: Robert Schalkenbach Foundation, 1960), p. 498 n., and pp. 501–02 n.

16. Bose, *History of Anarchism*, p. 382; Jacker, *Black Flag of Anarchy*, p. 124; Martin, *Men Against the State*, p. 212.

17. Bose, *History of Anarchism*, pp. 383, 387, 382.

18. *Ibid.*, pp. 388–89.

19. Madison, *Critics & Crusaders*, p. 205; Martin, *Men Against the State*, p. 220.

20. Bose, *History of Anarchism*, p. 389. For a thorough discussion of the biography and thought of Tucker, the reader is directed, in addition to his three texts here mentioned, to *idem*, pp. 378–90; Madison, *Critics & Crusaders*, pp. 194–213; Martin, *Men Against the State*, pp. 202–73; Jacker, *Black Flag of Anarchy*, pp. 117–27; Woodcock, *Anarchism*, pp. 459–60; Johnston, *Mrs. Satan*, pp. 185, 207–16, 265, 269–70; Carl Watner, “Benjamin Tucker and His Periodical, *Liberty*,” *Journal of Libertarian Studies* (Fall 1977), pp. 307–18.

21. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954).
22. *Ibid.*, pp. 336–46, 328, 370.
23. Ingalls, *Social Wealth*, pp. 31, 68.
24. David Ricardo, *The Principles of Political Economy and Taxation* (London; 1817), chap. 2.
25. George, *Progress and Poverty*, p. 166.
26. Ricardo, *Principles*, chap. 32.
27. George, *Progress and Poverty*, p. 168; italics original.
28. Ricardo, *Principles*, chap. 32.
29. George, *Progress and Poverty*, pp. 230–31.
30. *Ibid.*, pp. 234, 243.
31. *Ibid.*, p. 242.
32. Ingalls, *Social Wealth*, p. 69.
33. *Ibid.*, pp. 68–69, 316, 71. For further criticisms of George's views of rent, see Ingalls's *Reminiscences*. He devoted the entire chapter 12, written in dialogue form, to "expose" George's rent concept.
34. George, *Progress and Poverty*, pp. 421, 167.
35. Hanson, *Fallacies*, pp. 76, 77, 92, 97, 99, 100, 36.
36. Tucker, *Instead of a Book*, pp. 343–48; Tucker, *Individual Liberty*, pp. 190–91.
37. Hanson, *Fallacies*, p. 88.
38. Tucker, *Individual Liberty*, pp. 238–39.
39. George Raymond Geiger, *The Philosophy of Henry George* (New York: Macmillan, 1933), p. 203; Edmund Whittaker, *A History of Economic Ideas* (New York: Longmans, Green and Co., 1940), p. 231.
40. John Stuart Mill, *Principles of Political Economy, with Some of Their Applications to Social Philosophy* (London, 1848), bk. 5, chap. 2, sec. 5.
41. Arthur Nichols Young, *The Single Tax Movement in the United States* (Princeton University Press, 1916), p. 22.
42. James Mill, *Elements of Political Economy* (London: 1826), chap. 4, sec. 5.
43. Henry George, *The Science of Political Economy* (1897; reprint ed., New York: Robert Schalkenbach Foundation, 1968), pp. 150–51.
44. George, *Progress and Poverty*, p. 436.
45. Hanson, *Fallacies*, pp. 88–89.
46. *Ibid.*
47. Spencer H. MacCallum, *The Art of Community* (Menlo Park, Calif: Institute for Humane Studies, 1970), p. 100.
48. George, *Progress and Poverty*, pp. 166, 406, 437.
49. Ingalls, *Social Wealth*, pp. 253, 282.
50. Tucker, *Individual Liberty*, pp. 87–88.
51. Ingalls, *Social Wealth*, pp. 73–75.

52. Hanson, *Fallacies*, pp. 108–10, 99.
53. George, *Progress and Poverty*, pp. 421, 365.
54. Hanson, *Fallacies*, p. 110.
55. For a prolonged discussion of the subject, see Tucker, *Instead of a Book*, pp. 343–48; idem, *Individual Liberty*, pp. 181, 191, 197, 217, 239; Martin, *Men Against the State*, pp. 220–21.
56. Tucker, *Individual Liberty*, p. 217.
57. George, *Progress and Poverty*, p. 231.
58. Tucker, *Individual Liberty*, pp. 197, 239.
59. George, *Progress and Poverty*, pp. 48, 162.
60. Ingalls, *Social Wealth*, pp. 191, 105, 172, 165, 57, 285.
61. Hanson, *Fallacies*, pp. 79–80.
62. Tucker, *Instead of a Book*, p. 202.
63. Ingalls, *Social Wealth*, pp. 313, 14.
64. Hanson, *Fallacies*, p. 166.
65. Tucker, *Instead of a Book*, p. 275.
66. George, *Progress and Poverty*, pp. 176, 180–82.
67. George, *Science of Political Economy*, p. 370.
68. Geiger, *Philosophy of Henry George*, p. 116, n. 44.
69. For a thorough discussion of the theory of interest among Georgists, see *ibid.*, pp. 114–19; Gaston Haxo, *The Philosophy of Freedom* (New York: Land and Freedom, 1941), p. 63 n.; Max Hirsch, *Democracy Versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1966), p. 143; Harry Gunnison Brown, *The Economic Basis of Tax Reform* (Columbia, Mo.: Lucas Brothers, 1932), pp. 103–04.
70. Ingalls, *Social Wealth*, p. 168.
71. *Ibid.*, chap. 5.
72. George, *Progress and Poverty*, p. 184.
73. Ingalls, *Social Wealth*, pp. 66–67.
74. Hanson, *Fallacies*, p. 165.
75. Tucker, *Instead of a Book*, pp. 208, 202.
76. *Ibid.*, p. 204.
77. Hanson, *Fallacies*, p. 166.
78. Ingalls, *Social Wealth*, p. 315.
79. Tucker, *Instead of a Book*, pp. 202, 208.
80. Tucker, *Individual Liberty*, pp. 190–91.
81. George, *Science of Political Economy*, pp. 505–06.
82. Hanson, *Fallacies*, pp. 75–77.
83. *Ibid.*, p. 79; italics original.
84. George, *Progress and Poverty*, pp. 156–58.
85. *Ibid.*, pp. 199, 203.
86. Ingalls, *Social Wealth*, pp. 191, 61.
87. Geiger, *Philosophy of Henry George*, pp. 118–19.

88. Brown, *Economic Basis of Tax Reform*, pp. 103–04.
89. George, *Progress and Poverty*, pp. 410–11.
90. Ingalls, *Social Wealth*, p. 85.
91. Hanson, *Fallacies*, p. 163.
92. George, *Progress and Poverty*, p. 411 n.
93. George, Jr., *Life of Henry George*, p. 593 n.
94. Tucker, *Individual Liberty*, pp. 287–88.
95. George, *Progress and Poverty*, p. 328; italics original.
96. George, Jr., *Life of Henry George*, p. 496 n.; Young, *Single Tax Movement*, pp. 109–11; Geiger, *Philosophy of Henry George*, pp. 43–44 n.; and Barker, *Henry George*, pp. 519–20.
97. George, *Progress and Poverty*, p. 433.
98. Ingalls, *Social Wealth*, pp. 258, 261–64, 281–83.
99. Hanson, *Fallacies*, pp. 86, 90, 95.
100. Tucker, *Instead of a Book*, p. 300.
101. *Ibid.*, p. 306; *idem*, *Individual Liberty*, pp. 185–86.
102. Tucker, *Individual Liberty*, pp. 232, 238, 188–89.
103. George, *Progress and Poverty*, p. 406.
104. Geiger, *Philosophy of Henry George*, p. 130.
105. Henry George, *Protection or Free Trade* (1886; reprint ed., New York: Robert Schalkenbach Foundation, 1962), p. 279.
106. George, *Progress and Poverty*, p. 303.
107. George, *Protection or Free Trade*, pp. 302–03 n.
108. Ingalls, *Social Wealth*, p. 282.
109. Hanson, *Fallacies*, p. 75.
110. Tucker, *Individual Liberty*, p. 189.
111. J. S. Mill, *Principles of Political Economy*, bk. 5, chap. 3, sec. 2.
112. Henry George, *Why the Landowner Cannot Shift the Tax on Land Values* (New York: Robert Schalkenbach Foundation, n.d.).
113. See Brown, *Economic Basis of Tax Reform*, pp. 57–60, 155–56; Whittaker, *History of Economic Ideas*, pp. 236–37; Geiger, *Philosophy of Henry George*, p. 154.
114. Ingalls, *Social Wealth*, pp. 287, 186, 261.
115. Hanson, *Fallacies*, pp. 92, 141–42, 93–94, 110–11, 138.
116. Tucker, *Individual Liberty*, p. 221.
117. Martin, *Men Against the State*, pp. 27, 142.
118. Watner, “Benjamin Tucker and His Periodical,” p. 315.
119. Tucker, *Instead of a Book*, p. 351.
120. *Ibid.*
121. Martin, *Men Against the State*, pp. 237–50.
122. Watner, “Benjamin Tucker and His Periodical,” p. 312.
123. Tucker, *Individual Liberty*, p. 207.
124. Tucker, *Instead of a Book*, p. 350.
125. George, *Progress and Poverty*, p. 335.

Atkinson: An Ill-Informed Assailant*

By WILLIAM B. TRUEHART

Edward Atkinson, Boston laissez-faire liberal of the nineteenth century, delivered what he believed was a staggering blow to Henry George's single-tax theory in an exchange with George in the *Century Magazine* in 1890.¹

Atkinson (1827–1905) shared *some* concepts and ideals with George, including limited government, free trade (or at least low tariffs, for revenue only), and a genuine nineteenth-century liberal optimism that reform is possible, resulting in making the world a much better place in which to live.² Besides delving into economics and politics, Atkinson was engaged in the cotton and fire insurance businesses, and was an avid inventor.

Atkinson held, and tried to show, that the single tax, even if it could be applied, would not abolish poverty, and would so disrupt the economy of the nation that very probably chaos would result. He used statistics—Gross National Product and taxes—to try to support his arguments. I shall deal with his arguments one at a time.

The Burden of a Full Land-Value Tax

Using the U.S. Census of 1880, Atkinson estimated the Gross National Product of the United States to be \$10 billion, or \$200 per capita—which averaged \$600 per person gainfully employed. He broke this down to equal 55 cents per capita per day. He estimated total taxes, national, state, and local, to be 7 percent of the Gross National Product, or \$700,000,000 per year, or \$14 per capita, which equaled four cents per day per capita.³ He estimated that about 20 percent, or \$140,000,000, was raised from taxes on land values. From this he deduced that if taxes on land were to substitute for all government

*The reader will be well rewarded by examining another critique (or refutation) of Atkinson's arguments against the single tax, in Max Hirsch's *Democracy Versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1948), pp. 414–25.

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revenue, the land-tax rate would have to be increased fivefold. He said:

It might happen that the burden would become too great to be undertaken, except by persons who already possess ample capital from which they could advance the taxes. . . .

Could the poor farmer, the mechanic, or the artisan of moderate means, or in fact could anyone who did not possess ample capital, afford to accept the conditional possession of land under such terms? Each one who now occupies land can answer this question for himself by multiplying the present tax upon his land by five or at least by four.⁴

Atkinson apparently ignored two important things. One is the fact that people of low or moderate means rent homes or shops, and as a result pay the full market rental value of the land sites involved. Substituting a single tax on land values for all other taxes would not result in taxes any greater than the rental value of land. In fact, George suggested that the tax be slightly less. The second point is that the abolition of all other taxes, including all indirect taxes as well as taxes on improvements, would in most cases amount to more than the increase in land taxes on persons of low or moderate means. One reason is that such individuals cannot afford to own valuable land, whereas their improvements are often worth several times the value of the underlying land. I shall have more to say about the burden of indirect taxes below.

Atkinson made a statement that shows a total ignorance of the incidence of taxation. He said:

Does it not follow that if the whole tax of the country were assessed in a single tax imposed in the first instance upon land, this would be but an indirect method of deriving the whole tax from all products of labor and capital combined, without discrimination? If so, this would be but an indiscriminating mode of taxing all consumption.⁵

Henry George himself answered this point in the same issue of the magazine, and quoted John Stuart Mill (*Principles of Political Economy*, bk. 5, chap. 3, sec. 3) to the effect that taxes on land rent fall wholly on the landowner. Mill said: "A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden to anyone else."⁶ Of course, if he leases the land to someone else, that other person ultimately pays the tax, for it comes out of his rent,

but his rent cannot be increased to accommodate the tax and still give the landlord the same net return.

This point can best be made in the context of modern economic theory. Tax shifting can occur, other things being equal, if the supply elasticity is very great. But since the elasticity of supply of land is essentially zero (supply is strictly limited), there is nothing in an increased tax on land that can decrease the supply of land. Neither will it increase the demand. Consequently, the equilibrium rent before the tax is the equilibrium after the tax is increased, and there is no way the landowner can pass it on. It stays squarely where it is placed. George himself recognized this principle.⁷

Atkinson went on to say (p. 387) that the land tax has to come out of the “joint produce of land, labor, and capital, by due process of law, from the people who do the actual work by which men subsist.” In this he inferred that the earnings of labor and capital are reduced, as a result.

He ignored the economic facts of distribution. The rates of wages, interest, and rent (rewards respectively for labor, capital, and land) are determined by market forces. The active factors of production (capital and labor—including, if you wish, entrepreneurship) must already pay the market-set rent to private landowners, whether annually or in a capitalized (selling price) form. If government takes part or all of this rent in taxation, it would in no wise decrease the rewards of the active factors (land is the passive factor, being acted upon). If an individual or firm owns land, it changes nothing, since part of the income is implicit rent, and should be so distinguished. Taxing owner-used land takes nothing from the earnings of either labor or capital.

Atkinson did admit that indirect taxes are largely regressive, and that eliminating them would increase effective disposable income. He said:

To the extent to which the necessary cost of living is increased while wages are reduced by these taxes, they are without question a cause of poverty. To the extent to which [they] may be removed poverty may be alleviated; but that is all. This is something very different from the extravagant expectations of the Antipoverty societies that advocate the single tax on land valuation as a panacea for all poverty.⁸

George answered this by pointing out that taxes pyramid as they go from one stage of production to another, with each firm or entrepreneur adding a markup. He cited the case of the whisky ring that “spent money like water” to oppose the reduction of the whisky tax, and the cigar manufacturers “working like beavers” to prevent the repeal of the cigar tax. George estimated conservatively that such profits on indirect taxes amounted to *at least* as much as the taxes themselves, and so made the burden of indirect taxation twice as great. Speaking of their regressive nature, he said: “Considering that indirect taxes fall with greatest weight on the poorest of our people, this direct saving ought to be quite an alleviation of poverty.”⁹

Another scholar of the period, Thomas G. Shearman, estimated, partly with the aid of data previously compiled by Atkinson, that indirect taxes amounted to about 25 percent of national income, over a twenty-five year period, including the pyramiding mentioned above. And, assuming that such taxes reduce savings by this much, he estimated that they represent 75 percent of the savings of the masses of the people, as against only 3 percent of that of a few multimillionaires.¹⁰

Atkinson asserted, quite correctly, that land, labor, and capital are the three factors of production. He said, however:

Is it not . . . manifest that it may be injudicious to put the whole burden of taxation in the first instance upon only one of the three necessary factors of production? Why not put part of it on the other two factors? Why not tax, at least in part, the result or income—i.e., the product which has been derived from land by the application of labor and capital to its use and occupancy—when such product is in the process of consumption rather than to tax the source of all production at the point where such taxes may prove to be the greatest obstruction to an abundant result?¹¹

This statement shows practically no knowledge of tax incidence and effects. If you tax labor directly, you discourage it or make working people poorer. If you tax capital, you tend to drive it away or discourage its production. And if you tax consumption with indirect taxation, taxes often pyramid, with resultant price increases of a regressive nature.

But if you tax the value, or economic rent of land, the result is complete neutrality in taxation. This is because the land-value tax is

in effect a tax on a surplus, and has no effect on marginal cost. What would be the optimal use of given land sites, without any taxes at all, remains the optimal use with the land-value tax. This is the only major source of taxation of which this is true. A tax on buildings or other improvements is definitely nonneutral, and does affect the marginal allocation of resources. It discourages construction, reduces the supply of buildings, and raises rents to consumers. The land-value tax cannot raise rents, as explained above; and, in fact, it may initially lower them by discouraging land speculation and encouraging land sites to be put to their highest and best use. This, coupled with the stimulus to construction resulting from the elimination of the improvement tax, may even result in lower rents.

Impact on Farmers

Atkinson went on to claim that neither land area nor land value bears any proportional relationship to the final product. Then, through his illustrations, he proceeded to ignore land *value*, and concentrated only on land *area*. Since farmers occupy a larger proportional land *area*, he concluded: "If land only is taxed, the farmer must pay the larger part of the tax and recover it from consumers in the best way he can devise. If he cannot recover it, he must stop work."¹²

George himself answered this point quite well in his reply to Atkinson in the same publication by pointing out that it was land *value*, not land area, that he proposed to tax; and that farmers owned relatively lower land *values* compared to urban landholders. This is still true today. It is also true that farmers are burdened, by and large, by mortgages based often on speculative land values, which values would tend to fall, under a land-value tax, because of the tax capitalization effect. Further, farmers are also burdened with indirect taxes on practically everything they buy and use. Under land-value taxation farmers could acquire land a great deal more cheaply, and with the elimination of all other taxes would be relieved of the indirect levies they now pay.

As far as their property taxes are concerned, often their taxes on houses, barns, fences, livestock, orchards, vineyards, and the like are today as high as, or higher than, would be a land-value tax based on

land rent. The great mass of nonowning farmers—tenants and sharecroppers—would be infinitely better off. They already pay rent, which in many cases is higher than the land tax would be, besides all manner of indirect taxes. With the fall in land prices, they could afford in many cases to acquire land of their own.

Valuation of Land

The next criticism of the single tax advanced by Atkinson concerned the problem of correctly valuing all land within the country at a uniform rate so that all levels of government, including federal, could be funded from the tax. He alleged that land assessments would have to be equalized nationally by a board of assessors. He said: "At this point, the theory begins to break down by becoming impracticable. Such a national assessment could not be made."¹³

He then went on to say that if the land-tax rate appropriated the entire rental value of land in taxation, the selling price would disappear and it would be difficult, if not impossible, to value land—that such valuation, tax, rent, or whatever it was called, would have to be made arbitrarily by assessors appointed by the national government. The implication was that this would give rise to all manner of favoritism and corruption.¹⁴

First, it is theoretically true that if 100 percent of land rent is taken in taxation, the tax will be completely capitalized, and the selling value will fall to zero. George admitted this in what he called the application of his theory to the point of "theoretical perfection." He did say, however, in his answer to Atkinson, that if such point were reached, all that would be necessary would be to adopt the British system of valuing the annual, or rental, value, instead of the selling, or capitalized, value. He said, "With speculative values gone, and with public attention concentrated on one source of revenue, there could be no difficulty with this."¹⁵

George, however, in *Progress and Poverty*, proposed leaving to landowners a small percentage of rent (somewhat like a real estate broker's commission) for their service in collecting and turning over rent to government. He said: "By leaving to land owners a percentage of rent which would probably be much less than the cost and

loss involved in attempting to rent lands through State agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public uses."¹⁶

If this were done, land would retain a small capitalized, or selling, value, which, even if it were taxed up to 100 percent, would still fall slightly short of the entire economic rent. And the assessment of such value could be done as easily as—in fact, *more* easily than—is currently the case with combined land and improvement values.

In Australia and New Zealand most municipalities and some higher levels of government tax land values only, and exempt improvements and personalty from property taxes. The rate, however, is not high enough to capture for public use anywhere nearly all of the economic rent. Their assessors, however, vastly prefer to value land only, claiming that it is easier and cheaper than to assess both land and buildings, according to J. Bruce Brown, valuer-general of New Zealand.

The assessment of the unimproved [land] value only, involves by far the least amount of work, both administratively and in terms of time spent in making each valuation. For one thing, the value of urban land can generally be updated without recourse to regular inspections of the property. In arriving at an assessment of capital or annual value [meaning, respectively, the capital value of both land and improvements, or the rental value of both], however, the position is very different. A great deal more work is involved. . . . The technical content of the valuation process is much more detailed than for land alone.¹⁷

J. F. N. Murray, prominent assessor and author of a leading textbook on appraising in Australia, said that: (1) equity in valuation is much more easily achieved when assessing land only rather than both land and buildings, (2) considerable economies are possible if land only is valued, and (3) most of the errors in valuation involve buildings, not land.¹⁸

Charge of Regressivity

Atkinson contended that the single tax would redound to the benefit of large capitalists, who could then invest all of their capital in improvements on the land. He said, further:

If land should be taxed at its "site" value, without regard to the capital or value of the buildings or improvements upon it, then the poor man who may now be in possession of a small house must pay as much as the rich man who owns a large house in the next lot of the same site value, or an expensive warehouse in the immediate neighborhood on another lot of the same site value.¹⁹

In claiming that large capitalists can get land cheaper, or without purchase price, under land-value taxation, Atkinson would have to admit that entrepreneurs or capitalists of lesser means would also benefit, even more in proportion. This is because those of small means may not be able to afford expensive land at all now. But, granted that large capitalists would be able to devote *all* of their capital to improvements on the land, what is wrong with that? The building and maintenance of such improvements create jobs and benefit the community, whereas the mere ownership of high-priced land by some titleholder does not.

Modern research, including my own, gives the lie to Atkinson's assertion that land-value taxes are regressive. The opposite is true, as the following should indicate. My doctoral dissertation in economics included a computer simulation of a switch from real and personal property taxation to a base of land values only, which would have raised for each of the 1,800 taxing agencies in Los Angeles County the same total revenue for the 1971–72 fiscal year. The percentage change in tax impact was summarized for some ninety land-use categories in seventy-seven cities and the unincorporated area. The following results were noted for Baldwin Park, a working-class Los Angeles suburb, compared with Beverly Hills, an upper-middle-class and wealthy suburb.

In the 1971–72 tax year, the total tax rate in Baldwin Park, owing to a relatively low tax base, ranged from 14 to 15 percent of assessed value. The 25 percent assessment ratio (to full value) listed land at \$19.3 million and improvements at over \$42 million. As a result, Baldwin Park homeowners would have experienced an average tax *decrease* of almost 34 percent, with over 90 percent of them having their property taxes fall by 40 percent.

In contrast, consider Beverly Hills. Owing to a high tax base, the

tax rate there ranged from slightly less than 9 up to almost 12 percent. Assessed land values were almost \$162 million, with improvement values assessed at only \$132.5 million. The shift to site-value taxation would have resulted in the average homeowner in Beverly Hills having a property tax *increase* of 15.4 percent, or \$546.²⁰ This is a case in point to indicate that land-based property taxes are progressive. Other studies have tended to show that ownership of land *value* tends to increase in greater proportion than income.

Another case in point, from the same source, concerns the community of Watts, a south-central Los Angeles neighborhood, almost entirely black, and generally poor. Assessed values for land were almost \$4 million, while those for improvements were about \$7 million. The result of land-value taxation would have been an average property tax *decrease*, over *all* types of land use, of over 19 percent.²¹

One of Atkinson's final arguments is that the single tax was tried in France before the French Revolution, under the physiocrats, led by Turgot, and proved a miserable failure.²² However, in a slightly later issue of the *Century*, replying to a communication from James Middleton, he admitted that he had been incorrect, and that the single tax had never been tried in France.²³

Atkinson was sincere and well-intentioned, even if much of his reasoning proved shallow and ill-informed. In retrospect, he joins the long list of those who verbally dueled with George and came out worsted.

Notes

1. Edward Atkinson, "A Single Tax Upon Land," *Century Magazine* 40 (July 1890): 385–94, 403–05.

2. Harold Francis Williamson, *Edward Atkinson: The Biography of an American Liberal, 1827–1905* (Cambridge, Mass.: Riverside Press, 1934).

3. Atkinson, "A Single Tax Upon Land," pp. 385–86.

4. *Ibid.*, p. 386.

5. *Ibid.*, p. 387.

6. Henry George, "A Single Tax on Land Values—Reply to Mr. Atkinson," *Century Magazine* 40 (July 1890): 396. Hereinafter cited as "Reply."

7. *Ibid.*, p. 399.

8. Atkinson, "A Single Tax Upon Land," p. 387.

9. George, "Reply," p. 399.
10. Thomas G. Shearman, "Henry George's Mistakes," *The Forum* 8 (September–February 1889–90): 44–45.
11. Atkinson, "A Single Tax Upon Land," pp. 388–89.
12. *Ibid.*, p. 389.
13. *Ibid.*, p. 390.
14. *Ibid.*, pp. 391–92.
15. George, "Reply," p. 401.
16. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 405.
17. J. Bruce Brown, "The Incidence of Property Taxes under Three Alternative Systems in Urban Areas in New Zealand," *National Tax Journal* 21 (September 1968): 251.
18. A. M. Woodruff and L. L. Ecker-Racz, "Property Taxes and Land Use Patterns in Australia and New Zealand," *Tax Executive* 8 (October 1965): 57.
19. Atkinson, "A Single Tax Upon Land," p. 392.
20. William B. Truehart, "The Impact of Real Property Versus Land Value Taxation in Los Angeles County," Ph.D. dissertation, Claremont Graduate School, 1973, pp. 108–09.
21. *Ibid.*, pp. 112–13.
22. Atkinson, "A Single Tax Upon Land," p. 393.
23. Edward Atkinson, "Mr. Atkinson's Correction," *Century Magazine* 41 (November 1890): 158.

Clark: Apostle of Two-Factor Economics

By KRIS FEDER

Henry George came to believe that economists, motivated by professional and pecuniary interests, had rejected the classical (“scholastic”) political economy of Smith, Ricardo, Senior, and Mill expressly to neutralize his arguments for the single tax, which were based on classical principles. Despite its intellectual and popular success, his magnum opus, *Progress and Poverty*, had been maligned or ignored by most professional economists. A few had “resorted to misrepresentation,” but “the majority preferred to rely upon their official positions in which they were secure by the interest of the dominant class, and to treat as beneath contempt a book circulating by thousands in three great English-speaking countries and translated into all the important modern languages.”¹ In 1894 George wrote:

“Progress and Poverty” has been, in short, the most successful economic work ever published. Its reasoning has never been successfully assailed, and on three continents it has given birth to movements whose practical success is only a question of time. Yet though the scholastic political economy has been broken, it has not been, as I at the time anticipated, by some one of its professors taking up what I had pointed out; but a new and utterly incoherent political economy has taken its place in the schools.²

George noticed “the first evidence of a change” in a widely distributed 1886 article announcing that the old political economy, based on Smith’s “system of natural liberty,” was dead, having been displaced by the German Historical School.³

Economics as a discipline was rapidly professionalized during the last two decades of the nineteenth century. The American Economics Association was formed, professional journals were founded, and colleges hired professors with advanced degrees to teach economics. American universities did not yet have graduate programs in economics, however, so many Americans earned their Ph.D.s in Germany. Here they were exposed to the Historical School, which

held that generalizations in economics could not be developed until all the facts are assembled, and that in any case theory is inherently conditional and historical; there are no universal truths. Here, too, graduate students were exposed to an “entirely different philosophical and political heritage from that of England,” one which “was more oriented toward group behavior and the social uses of property than toward political and economic individualism.”⁴

George rejected both the nationalistic philosophy and the antitheoretical, inductive methodology of the German tradition. His vision of good government—“the administration of a great co-operative society . . . merely the agency by which the common property was administered for the common benefit”—was wholly at odds with the German state-centered ideal. George refers to the “protectionism” espoused by American economists, first at the University of Pennsylvania and “rapidly and generally followed,” which he attributes to “an acquiescence in the views or whims of the wealthy class, dominant in all the colleges.”⁵

The Historical School was indeed the most visible new development in economics during the 1870s and 1880s. It never, though, conquered mainstream economic thought. Economists soon came round to the view that both deduction and induction are useful in economic science. As it turned out, it was the “Marginal Revolution” that routed the old paradigm—and it was a leading American marginalist, John Bates Clark, who became George’s most prominent, determined, and influential opponent. Clark (1847–1938) has been called “the first major American economist.”⁶ A co-founder and president of the American Economics Association, he received his graduate training in Heidelberg and Zürich. After teaching at Carleton College, Smith, and Amherst, he was recruited in 1895 by Columbia University, where he remained to the end of his career.

In his first book, *The Philosophy of Wealth* (1886), Clark intended to refute “strange teaching concerning the rights of property.”⁷ He criticized the fundamental methodology of economics, questioning on moral grounds the classical arguments for the social benefits of competition. He rejected the assumption that economic behavior is motivated by self-interest and “introduced into economics the Spencerian conception that society is an organic whole.”⁸ He never

directly confronted the “strange teachings” to which he alluded, but he eventually revealed them to be the teachings of Henry George, who, according to Clark, failed to understand “the productive action of capital.”⁹

Soon afterward, Clark experienced a “methodological conversion” and changed his mind about the social value of competition.¹⁰ He came to believe that free markets tend to yield an efficient allocation of resources and a just distribution of wealth. He now exalted the virtues of private property and argued that absolute, perpetual private property in land was essential to the functioning of the market system. Armed with this conviction, Clark took a determined stand against the single tax. From the late 1880s to 1914, Clark devoted his professional career to discrediting the single-tax proposal on grounds of both ethics and economics.¹¹ He debated Henry George at Saratoga in 1890 and debated single taxer Louis F. Post at Cooper Union in 1903.¹² Directly or indirectly, he attacked George’s analysis of land and rent in four books and dozens of articles. His articles include, to name a few, “The Ethics of Land Tenure,” “The Moral Basis of Property in Land,” “The Law of Wages and Interest,” “Concerning Wealth That Resides in Land,” and “Shall We Tax the Unearned Increment?” No economist ever worked more diligently to refute Henry George than did John Bates Clark.

His most highly regarded book, which compiles and systematizes earlier writings, was *The Distribution of Wealth*, published in 1899, two years after George’s death. In the preface, Clark wrote that “it was the claim advanced by Mr. Henry George, that wages are fixed by the product which a man can create by tilling rentless land, that first led me to seek a method by which the product of labor everywhere may be disentangled from the product of cooperating agents and separately identified.”¹³ Clark set out to correct and build upon a kernel of truth in George’s theoretical analysis. George’s claim that wages are determined at the margin of production had anticipated the marginal productivity theory of distribution, but Clark used George’s theory against him. Marginal analysis, said Clark, reveals fatal flaws in George’s system of economics, starting with the conception of rent as a differential surplus. Just as wages equal the marginal product of labor, he argued, land rent equals the marginal product of

land—and just as rent can be analyzed as a surplus when labor is varied relative to land in production, so can wages be analyzed as a surplus when land is varied relative to labor.

Marginal analysis showed that, if available technologies allow for substitution among inputs in production, an employer will hire labor or any other input at the quantity for which its (diminishing) marginal product equals its real wage or price. If the relative price of one input rises, a firm will employ marginally less of that input and marginally more of others. In competitive equilibrium, the real price of an input equals its marginal product in every firm and every industry. Thus, in a Ricardian model with homogeneous agricultural land, the rent “surplus” equals the quantity of land multiplied by its marginal product. The law of diminishing returns to land becomes the perfectly general “law of variable proportions.”

Clark provided an ethical interpretation of marginal productivity theory. The marginal worker is the least productive worker employed, not because he is lazy or inept, but because he is, by definition, employed at the least essential task. Let any particular worker (or unit of labor) be removed from a factory, and the remaining workers (units) will be reallocated so that, in effect, it is the marginal worker who has been withdrawn. Because each worker is perfectly substitutable for any other, the withdrawal of any one forces total product to decline only by the product of the marginal worker. Therefore, any worker is the marginal worker, and the marginal product of labor measures each worker's true contribution to production. According to the marginal productivity principle, competition sets the real wage of labor equal to the marginal product of labor, so workers earn the full value of what they produced. Symmetrically, other incomes are compensation for what other factors produce and not, therefore, deductions from the product of labor. If markets are competitive, said Clark, labor has no legitimate complaint about the size of its distributive share.

Taken alone, this line of argument presents a weak case against the single tax. George had emphasized that land is productive. He held, not that rent is a deduction from wages, but that rent and wages are both determined at the margin of production, one necessarily

rising as a share when the other falls. The marginal productivity principle shows that, if homogeneous land is exchanged in competitive markets, rent is the marginal product of land, just as the wage is the marginal product of labor. The symmetry, however, does not extend to the realm of justice. As George observed, wages are paid in return for the exertion of the laborer, but rent compensated no exertion on the part of the landlord. Clark did not argue otherwise. He avoided the point, preferring to attack from other angles.

He offered a second ethical argument against the single tax. He asserted that the state is the original, absolute owner of land, a perspective decidedly more German than American. According to Clark, individuals have no natural property rights in land or its rent. The state may give or sell land to individuals, whereupon that land becomes their absolute, exchangeable, and perpetual property. However, the state may neither tax land that it has once alienated, nor lease land that it owns to individuals on periodic terms—for this would be to permit the state to implement a Georgist program. Property in land, insisted Clark, is absolute, whether the owner is an individual or the state, and absolute ownership is, by definition, perpetual ownership.¹⁴ Though an individual may wish to use a piece of land for only five years, or thirty, or seventy, to acquire an exclusive claim he must be willing and able to purchase, up front, the present value of all future rents in perpetuity.

Clark's positive arguments against George were more intricate. They combined the theory of marginal productivity with a microeconomic model of competitive static equilibrium to yield a new framework for the analysis of production and distribution.

Paradigm Shift: Two-Factor Economics

The most remarkable feature of Clark's system, and the one most obviously designed to close the book on Henry George, was the two-factor theory of production and distribution. Whereas the principle of marginal productivity suggests, at most, that rent can be viewed as the marginal product of land as well as a differential surplus, Clark's definition of capital eliminates land rent as a category of income.

According to Clark, labor and capital are the primary factors of production. "Land" is not an original or distinct factor but merely a type of capital good; it has no special significance in economic analysis.

Land and artificial goods are blended in an intimate mixture. . . . There are only two generic members in the combination by which the rate of wages is determined. . . . [T]he variations in the comparative amounts of these two agents, labor and capital, determine both wages and interest.¹⁵

Clark's capital theory was his singular and most enduring contribution to economic thought. He believed that his interpretation of marginal productivity disposed of George's single-tax remedy. Land is capital and rent is interest, so if the interest of capital is earned income, as George insisted, then so is the rent of land. To tax land is to confiscate capital; Georgism is socialism.

Two-factor economics was more than a challenge to Henry George, however. In denying the analytic importance of land, Clark rejected central themes and theorems of the classical school of political economy. In *The Science of Political Economy*, George included marginalism as well as the Historical School with the new "economics" that made the "teachings of 'the classical school' of political economy . . . obsolete."¹⁶ He did not mention John Bates Clark, but he disparaged Marshall's "incomprehensible works" and dismissed the entire Austrian branch of marginalist thought—Menger, Wieser, and Böhm-Bawerk. It was not marginalism, however, but Clark's new theory of capital that challenged George's fundamental propositions.

Clark's intentions were evident to his peers. Frank Fetter observed that the "single-tax agitation" motivated Clark's reformulation of the capital concept.¹⁷ Simon Nelson Patten, another determined opponent of the single tax, lamented, "the worst of the matter is," the single-tax advocates "have . . . the mass of the older economists on their side." Patten continued:

Nothing pleases a socialist or a single taxer better than to quote authorities and to use the well-known economic theories to prove his case. The economists rubbed their eyes in surprise when this assault first began; but they soon realized that their favorite authors were not so perfect as they supposed and that economic doctrine must be recast so that it would rest wholly on present data. This, I take it, is the real meaning of the present movement in economic thought.¹⁸

George saw his own work as “completely recasting political economy.”¹⁹ Yet he developed his theoretical system using the language and the analytical framework of the classical school. He adopted their methodological starting point, the assumption that rational actors “seek to gratify their desires with the least exertion.”²⁰ He utilized classical principles, including the law of diminishing returns to land and Ricardo’s celebrated law of rent. George also shared with classical writers the ideology of classical liberalism. Following Smith, he praised the moral and practical virtues of economic freedom. He took to heart Smith’s words on the role of specialization and exchange in multiplying the productive power of labor, making it a central feature in his theory of urban rent.

Most significantly, classical writers had identified the basic categories of distribution as rent, wages, and interest (or sometimes “profit”), corresponding to the three great social classes—landlords, workers, and capitalists. George had used this framework to develop a functional theory of distribution, defining rent, wages, and interest as functional returns to land, labor, and capital, the three factors of production. Pure profit is a residual that goes to zero in competitive equilibrium.

Classical economists had elaborated the “all-devouring rent theory,” which was the thesis that, land being fixed in amount, as population grows rent must eventually rise as a distributive share. In the very long run, the economy reaches a “stationary state” in which population can grow no further because wages equal bare subsistence, profit or interest is driven down to a level that supports replacement of capital but no new investment, and the lion’s share of output is distributed as rent.²¹

Moreover, from the Physiocrats to Mill, political economists had entertained the notion that the rent of land is a taxable surplus.²² John Stuart Mill had advocated a tax on the future increases in land values, arguing that this would capture for the public the benefits of future growth while imposing no injury on current landowners. He believed that a basic responsibility of government was to ensure that nature’s gifts are enjoyed by all. In 1848 Mill had written:

It may be imagined, perhaps, that the law has only to declare and protect the right of every one to what he has himself produced, or acquired by

the voluntary consent, fairly obtained, of those who produced it. But is there nothing recognized as property except what has been produced? Is there not the earth itself, its forests and waters, and all other natural riches, above and below the surface? These are the inheritances of the human race, and there must be regulations for the common enjoyment of it. What rights, and under what conditions, a person shall be allowed to exercise over any portion of this common inheritance cannot be left undecided. No function of government is less optional than the regulation of these things, or more completely involved in the idea of civilized society.²³

This was the intellectual tradition that George inherited. If Clark's analysis was correct, it proved that classical concerns about the distribution of wealth were unfounded; that rent plays no special role in the functioning of economic systems; and that property rights in land are just like property rights in what labor produces. Later chapters will show how Frank Knight and others adopted and applied Clark's two-factor taxonomy, putting land and its rent out of sight. If historians of economic thought today neglect to remark upon the ideological purpose of Clark's capital theory, it is because of his very success in recasting economic theory to make Georgism appear obsolete and inconsequential.

Yet Clark's two-factor macroeconomic interpretation of the marginal productivity theory of distribution was spurious. George had argued that capital must be distinguished from land because capital is itself produced with labor applied to land. Land itself is not produced, but it is necessary to all production. Clark's model, however, starts with fixed quantities of both "labor" and "capital." Capital is never produced and it does not depreciate; it is simply given. Land cannot be distinguished from capital simply because Clark has defined "capital" to possess the essential feature of land.²⁴

The marginal productivity principle is a microeconomic concept. It describes how an individual producer's demands for productive "inputs" depend on their technical contribution to production and on the market prices of inputs and outputs. Inputs are distinguished solely on the basis of their role in production; supply conditions or other characteristics are irrelevant. Each input or factor is homogeneous in the sense that all units have exactly the same technological relationships to other cooperating inputs and to output. A production

function, which describes the technical relationship between inputs and outputs, can have any finite number of inputs. Marginal analysis has little to say about whether there are two, three, or more generic factors of production—or whether “factors of production” is even a useful concept at all.

For George, the three productive factors are fundamentally different in kind. “The term land necessarily includes, not merely the surface of the earth as distinguished from the water and the air, but the whole material universe outside of man himself, . . . all natural materials, forces, and opportunities. . . .”²⁵ Labor includes all human exertion in the production of wealth. Capital is a secondary, composite factor; it includes all productive inputs that are themselves produced by applying labor to land. Nothing in Clark’s marginal theory of distribution helps to evaluate George’s three-factor taxonomy.

The Ghost in the Machine: Clark’s “Transmigration” of Capital

By characterizing capital and, therefore, land as homogeneous, Clark’s model is unable to capture the theory of urban rent that is central to George’s analysis. In George’s adaptation of Ricardo’s law of rent, land is not perfectly homogeneous but perfectly heterogeneous. Each parcel is unique by virtue of its location with respect to other parcels, if in nothing else. With heterogeneous inputs, the analysis must proceed by comparing not marginal values but total values. In the field of urban economics, where the economic theory of urban location and site value quietly survives today, land rent is a differential surplus.

The marginal productivity model of distribution requires that each of n inputs be homogeneous so that individual units can be summed. An input is homogeneous when each unit of the input has the same technical effect as every other, and all units exchange for the same market price. It was not Clark’s intention, however, to model a simple world with only one type of capital good and one class of labor. To interpret the marginal productivity principle in terms of his two-factor theory of distribution, Clark had to show that all individual units of capital are perfectly substitutable in production for all other units.

This he achieved by defining "capital" to mean, not an assortment of productive implements, but, roughly, the aggregate real financial value of the exchangeable material assets owned by investors.²⁶ "Capital goods," including land, are material, durable objects that are exchangeable and yield an income. They are the concrete instruments of production. "Capital" is a fund of wealth "invested in" capital goods and land.²⁷

Businessmen "speak of capital in terms of money." A merchant might say, for example, that his capital "is the hundred thousand dollars that I have invested in my shop."²⁸ Money itself is not capital, however, but only a measure of capital. "A value, an abstract quantum of productive wealth, a permanent fund—that is what the hundred thousand dollars really signify."

Guarding ourselves as carefully as we have done against the idea that capital ever lives in a disembodied state, we may safely use, for scientific purposes, the business man's formula. We may think of capital as a sum of productive wealth, invested in material things which are perpetually shifting—which come and go continually—although the fund abides. Capital thus lives, as it were, by transmigration, taking itself out of one set of bodies and putting itself into another, again and again.²⁹

Thus, permanent capital "transmigrates" from one material embodiment to another as financial resources are withdrawn from one use and invested in another. Capital flows freely not only among produced capital goods but also between capital goods and land.

Capital goods (except for land) are produced, wear out, and are replaced—but capital, said Clark, never has to be produced and never wears out. "The most distinctive single fact about what we have termed capital is the fact of permanence. It lasts; and it must last, if industry is to be successful. Trench upon it—destroy any of it, and you have suffered a disaster."³⁰ Capital "is contrasted with free income, which may be used up on one's living or on one's pleasure." Capital, moreover, is perfectly mobile, in contrast to capital goods.³¹

According to Clark, interest is the income of permanent capital. In competitive equilibrium, the flow of net income from any material asset represents a normal rate of interest on the current market value of the asset. Capital goods are heterogeneous, but the equilibrium

allocation of capital goods is such that every asset earns the same proportionate rate of return on its value.

Land, said Clark, is a capital good because, like capital goods, it yields a flow of income that can be sold in its entirety as an asset. A landowner can exchange his land for capital goods just as one capital good can be exchanged for another. The principle of competition, expressed by George as “equal returns to equal exertions,”³² ensures that all exchangeable assets yielding a certain income would sell for the same price in the equilibrium of a competitive market, regardless of their original cost of production—or whether they were ever produced at all.

This argument misrepresents the principle of marginal productivity. Marginal productivity theory requires that each unit of a factor be substitutable for any other unit in a firm’s production function—but *Clark’s fluid “capital” is not an input in production*. Units of “capital” are substitutable, not in production, but purely in exchange. Their equilibrium values result, not from the allocation of resources among productive uses according to the equimarginal principle, but from the mathematical logic of asset capitalization. Existing assets, such as land, yield the same rate of return on current value simply because their current prices are derived by capitalizing their expected future returns at the market rate of interest, which is the marginal rate of return on investment.³³ That land can be exchanged for capital goods in investors’ portfolios is not a reason to include land with capital in an account of the factors of production.

Clark’s theory requires that income streams through time be bundled and sold as property. Clark insisted that the time-dependent productive powers of land must not be sold separately, ensuring that the perpetual income flows from land are exchangeable assets. Some income streams, however, are seldom exchanged in market transactions. Technical education and other investments today called “human capital” are not capital goods, said Clark, because they are not material and therefore not transferable among persons.³⁴ Nevertheless, if markets for human beings as productive assets were to exist, then the equilibrium price of a worker would equal the present value of his net product, discounted at the market rate of interest. Thus even

wages of labor are really “rents,” and in equilibrium, are equivalent to interest on the imputed asset value of the worker himself.³⁵

The problem with this argument is that if labor is just another interest-earning asset, then labor and capital are not two distinct factors, but one. Clark conceals the implied identity between his two “factors” by defining a unit of labor in terms of a flow of productive service rather than the capitalized value of the worker. The only meaningful distinction between capital and labor in Clark’s model appears to be that, at least where slavery is outlawed, the income stream from labor cannot be “capitalized,” packaged, and sold in competitive markets.

A prominent feature of Clark’s static equilibrium model is that particular capital goods may be continually changing form, yet the aggregate quantity of capital must remain strictly fixed. Apparently, whenever a new hammer or steam engine is produced, other capital goods of equal value must simultaneously be consumed or destroyed. Clark justifies the assumption two ways. First, he claims, businessmen insist on maintaining their total capital at a constant level, even as they alter their investment patterns. This suggestion will be examined below. Second, methodologically, the static model of distribution requires fixed inputs. If so, however, that would be a reason to choose a different model, not to conclude that produced capital is actually fixed in aggregate supply.* Whatever its intended purpose, the effect of Clark’s fixed-capital assumption is further to obscure the distinction between land and capital.

Though Clark held that the interest of capital has to do with the role of time in production, the simple structure of his marginal productivity model makes no provision for examining intertemporal decisions. It is possible to explore the marginal productivity of capital using a simple intertemporal model in which a firm chooses among projects with different streams of net income, but no purely static model can be expected to reveal much about the nature of capital. Clark’s marginal productivity theory treats production as instanta-

*In a Leontief input-output production model, for example, the quantities of capital goods are not exogenously given but endogenously determined on the basis of given original resources, the technical coefficients of production, and a specified set of final demands.

neous; there is no time variable in the production function. The variables designated "Labor" and "Capital" take symmetrical positions. They represent any two homogeneous inputs that cooperate to produce output in timeless equilibrium.

Statics and Dynamics

George's economic theory was presented with reference to a sequence of models of increasing complexity. According to George, "principles obvious in the simpler relations of men are merely disguised and not abrogated or reversed by the more intricate relations that result from the division of labor and the use of complex tools and methods."³⁶ He attributed to Adam Smith a simple model of "the original state of things," faulting him for not taking "this as the initial point of his reasoning."³⁷ In his own reasoning George referred frequently to the case of a primitive society characterized by limited division of labor, simple technology, and barter transactions.

In his analysis of modern industrial economies, George proceeds in two stages, "statics" and "dynamics." Static analysis yields the laws of rent, wages, and interest, which must "correlate and coordinate."³⁸ Competitive static equilibrium is characterized by the rule of equal returns to equal exertions. Dynamic analysis pertains to the long-run changes in production and distribution that result from the forces of progress (population growth, capital accumulation, and improvements in technology). A central feature of his dynamic model was an endogenous process: The "expectation raised by material progress itself"³⁹—the expectation of continuing increase in rent—engenders land speculation, which causes further appreciation at the expense of labor and capital. Fueled by credit transactions in a modern financial system, speculation further impedes production and causes industrial "paroxysms" of boom and bust.⁴⁰

John Bates Clark evidently shared with George an appreciation for the usefulness of models in tracing the operation of basic principles. Clark identified three natural divisions of economics. The first division, "universal" or "primitive" economics, deals with laws not dependent on organization. This is the economics of Robinson Crusoe, an isolated individual for whom there is production but no

exchange. The second division, “social economic statics,” is the realm of static laws that are dependent on exchanges. The final division is “social economic dynamics.”* Dynamics is the study of the economy’s responses to exogenous shocks, and of the nature of progress.

However, Clark focused his attention almost exclusively on the second division, social economic statics. He emphasized that “static laws dominate the activity of a real and dynamic society.”⁴¹ “Social production may be thought of as static,” said Clark. “Only in a static society can values, wages, and interest be ‘natural,’ in the traditional sense.”⁴²

In Clark’s model the two factors that cooperate to produce the economy’s output are formally indistinguishable from land. They are made available in fixed quantities by assumption, and their supplies cannot be increased or decreased. To merge land with capital, however, was by no means the only achievement of the static model. Clark used it to argue that land speculation does not reward landowners with unearned income.

In the static model, all markets for goods and assets are perfectly competitive and exchanges occur without “friction” at uniform prices. The factors of production are fixed in supply. Buyers and sellers have perfect foresight; all future incomes are fully known and are reflected in current asset prices. All resources are allocated to their most valuable uses according to the principle of marginal productivity, just as goods are allocated according to the twin principle of diminishing marginal utility. Pure profits are everywhere zero.

Competition, said Clark, ensures that in static equilibrium, land prices adjust so that the income of land is just sufficient to compensate the landowner for the normal interest cost of holding land. Land is freely exchangeable for produced wealth, so the equilibrium price of a parcel of land must equal the price of any produced asset that yields an equivalent income. Thus, landowners can earn no more

*Division I, pure production, has both statics and dynamics. Clark says in footnote 1, pp. 34–45, that there are four fields—(1) primitive economic statics, (2) primitive economic dynamics, (3) social economic statics, and (4) social economic dynamics. However, “As our entire purpose is to understand the laws of a dynamic social industry, we attain our end by covering only fields 1, 3 and 4.”

from their property than they could have earned by investing their savings in capital goods. There is no problem of distribution to be solved. In attempting to correct an injustice that does not exist, the single tax would create an injustice by depriving innocent landowners of their savings.

This astonishing result follows directly from the restrictive assumptions of his model, particularly the assumption that all individuals have complete and perfect foresight. With no uncertainty there is, of course, no risk and no "luck." In such a model, prices are in equilibrium at every moment, even when equilibrium prices are changing over time. It is the assumption of perfect foresight that converts what is ostensibly a dynamic analysis into a purely static one.

To be successful, a speculator must have better foresight or better luck than other market participants. If everyone has perfect foresight, there can be no speculative gains. The "expectation raised by material progress" is fully capitalized in land prices from the beginning of time.

"Rent," according to Clark, is the income of any capital good, and "interest" is rent measured as a proportion of asset value. In competitive static equilibrium, all rents are equivalent to the interest of capital. What George characterized as the "unearned increment" of land values is really interest earned by savers and investors. Even if land values are increasing, the present value of future increments is capitalized in present land prices so that buyers earn just the normal market rate of interest on the value of their investments. Thus, suppose the annual rate of interest is 7 percent. A certain acre of land yields a perpetual rent of \$35 annually. The capitalized value of the acre is \$500. Suppose that the rent of a second acre is \$35 this year but is expected to rise at a compound rate of 2 percent per year. The capitalized value of this parcel today is not \$500 but \$700.* Land buyers thus pay in advance to acquire the higher expected future rents.

It was noted above that Clark dismissed George's ethical arguments for the single tax by asserting that the state is the original and absolute

*Given rent at time t of R_t , interest rate i , and appreciation rate a , the selling price at time t is $R_t/(i - a)$.

owner of land and may dispose of land as it pleases. If some readers were repelled by Clark's political philosophy, he assured them that, for the most part, democratic governments had privatized land on behalf of the public interest, and with good results. According to Clark, an unrestricted market with absolute and perpetual land titles is sufficient to allocate land efficiently and distribute rent fairly. If titles asserting perpetual ownership of heretofore unclaimed land are freely awarded, first-come first-served until no more is left, and all subsequent land transfers arise from voluntary exchange, then there is no injustice among persons.⁴³

Was Clark correct that a once-for-all distribution of land rights would engender no windfall gains or losses? Under a sympathetic interpretation of his static model, he was. Suppose that a state has possession of a large uninhabited territory. Land rent is zero at first, but the future growth of population is foreseen by prospective immigrants, so land has a value. The value of any parcel is the discounted present value of future rents, which, everyone knows, will perpetually rise.

Following Clark, suppose that as settlers begin to arrive, the state gives them land for the asking, first-come first-served. Immediately we encounter the difficulty that, if there are no transaction costs ("friction") and no restrictions on the size of the grant that a settler may receive, then the first settler will be pleased to claim the whole territory. Its value per acre is not large, because most of the anticipated rent is not due to arrive for some time; but as soon as a second settler arrives, the first claimant can begin to receive rent income not only as a producer, but also as an owner. A further problem arises as well: The first settler is a monopolist. He will have the power to demand more for the use of land than the competitive model predicts.

Clark, of course, had in mind the settlement of the American West under the terms of the Homestead Act. Land grants were restricted in size and settlers were normally required to improve their claims as a condition of ownership. The latter condition violates Clark's theoretical assumption of free, unregulated markets, and it creates an incentive for rent-seekers to waste resources by undertaking premature investment as the price of ownership. Clark ignored these difficulties; he praised U.S. land policy and even suggested that rising

land values diffuse themselves in wages,⁴⁴ an argument that is inconsistent with his own marginal productivity theory of distribution.

Suppose, then, that the state gives an equal share of land to each settler in the first generation. Suppose, further, that in the first generation there are one hundred settlers and the total market value of the territory is \$5000. Each settler acquires, for a price of zero, land that is immediately worth \$50. In this case, each settler in the first generation enjoys a once-for-all windfall that is not available to any future buyer, contrary to Clark's claim. Moreover, the state has no revenue with which to finance government expenditures. Presumably, it will have to impose taxes on the future earnings of labor and capital, since there are no unearned incomes to tax.

So let us assume, instead, that one hundred settlers arrive simultaneously and that the state distributes land in a once-for-all competitive auction. Equilibrium auction prices ration the demand for land to meet the available supply. There is no problem of liquidity; with perfect foresight, no risk, and no friction, everyone can costlessly borrow or lend at the same rate of interest. Given the price he must pay, each settler is content with his share of the total, for the marginal value to him of an extra acre would be less than its price. Suppose each settler pays \$50 for a parcel of land. The state receives an immediate payment of \$5000, which it can invest at interest to finance future government expenditures. If the interest rate is 5 percent, for example, the government can have a perpetual interest income of \$250 per year. Alternatively, it can reinvest all or part of the income so that its endowment grows over time at compound interest.

Meanwhile, let us suppose, each young settler plans to work for forty years, then to sell his land and retire. He earns wages for his labor. He enjoys a small imputed rent from the use of the land that he owns, and he looks forward to receiving a large capital gain from the sale of his land at retirement. However, he has interest cost to pay. He must have paid the initial \$50 land price either by depleting his savings or by taking a mortgage. If he drew down his savings account to buy land, then (at 5 percent) he is losing \$2.50 annually in interest that his savings would otherwise have earned. If he borrowed to buy land, he is paying \$2.50 annually out of pocket to service the mortgage.

The years pass. Each individual buys perpetual ownership of an extent of land, spends his working life using resource flows and consuming resource stocks, and finally sells perpetual ownership of what's left to a member of the next generation. As population grows, the average individual necessarily buys a smaller proportion of the earth's resources, and the relative price of land rises to ration demand. However, all this was perfectly foreseen by the first settlers. Each paid \$50 not because he expected to receive \$50 worth of land services during his tenure, but because he calculated that forty years of land services plus the capital gain he would eventually receive at sale would, together, sufficiently compensate him for the interest cost of land purchase. He cannot, though, hope to get more than enough to compensate him, by the law of competition.

There is no danger of wasteful land speculation. A land buyer can return normal interest on his investment only if he uses his property to its best advantage. No one can profit by buying land, holding it idle, and eventually selling at a higher price. To break even—to repay principal and mortgage interest on the value of the investment—the owner must employ the land at maximum efficiency during his tenure so as to extract the potential rent income. By withholding from use land that has a positive current rent, a speculator incurs a loss.

As population continues to grow, each generation pays more for land than its predecessors. Yet none is disadvantaged. Like the first settlers, new entrants have unlimited access to financial capital at 5 percent, and they know that forty years of imputed rent income plus the capital gains they will receive at retirement will just compensate them for the interest cost of their investment. Taking into account the lifetime flows of both imputed rent income and interest cost, each individual buys only the land-time that he uses and uses only the land-time that he buys. Land titles are perpetual, but on balance, each settler pays only for what he takes. Everyone buys low and sells high, yet no one enjoys a windfall gain.*

*It is worth noting that interest is not equal to rent, as Clark suggested, but greater. Rent plus the annual appreciation of land value equals annual interest cost. If population and rents were constant over time, appreciation would be zero and rent would equal interest just as Clark said, but the equality of rent and interest is only an equilibrium condition, not an identity.

There is a further complication. The expenditure side of the government budget can also potentially bestow unearned gains on privileged individuals and impose losses on others. We therefore add a final assumption: Let the state exercise its absolute authority by using the interest income from the original land sale to provide public goods to which everyone in every generation has equal access. Its wise investments increase the value of land in the realm, but of course these gains, too, are already capitalized in land prices, so they bestow no special benefit on landowners. In this world, Clark was right—a system of absolute, perpetual private property in land can do no harm. Analytically and practically, it is equivalent to the single tax!

The problem, of course, is that to achieve this theoretical result, we abstracted from the very features of the real economy that account for the problems that the single tax was meant to solve. In a real dynamic economy, capitalized values reflect subjective estimates regarding an uncertain future. When expectations are revised in response to changing conditions, the “rent” of a particular capital good diverges from what would yield normal interest on sunk cost, that is, the actual amount initially invested by production or purchase of the asset. A capital gain or loss is required to reestablish asset equilibrium.

Ironically, Clark’s methodology undercuts his own argument that the single tax would unfairly burden landowners. According to Clark’s story, all future taxes on rent or land value would be fully capitalized in present prices. If the discounted present value of taxes attaching to a particular parcel is \$100, then the purchase price of that parcel is exactly \$100 less than it would be in the absence of the tax. No burden whatsoever is imposed on landowners.

Whatever its merits as an analytical device, Clark’s static model does not carry far against Henry George, whose theory concentrated on the dynamics of a real economy. The passing of time is of little significance in a world where the future is fully known and accounted for in advance. Even Clark admitted that actual economies are normally moving between shifting equilibria at any moment, but he ignored most of George’s arguments about speculation, strategic behavior, risk, error, transaction costs, capital market imperfections,

collusion, hoarding, externalities, monopoly, location value, monetary disturbances, macroeconomic cycles, the political process, and the effects of public spending on land values. By focusing on competitive static equilibrium in a model with perfect foresight, Clark provides no framework with which to challenge George's theory of economic systems. Such a model can neither substantiate nor refute George's case for the single tax.

Clark's primary defense against George's dynamic analysis was to say that economics had not yet evolved to the point where it was prepared undertake a study of dynamics. "If present plans shall be realized," he wrote in 1899, "this work will in due time be followed by another, which will deal with the distinctly dynamic laws."⁴⁵ Clark was professionally active for another quarter century, but never produced the promised volume.

Value from Production and Value from Obligation

In a chapter in *Progress and Poverty* on "The Meaning of the Terms," George critically reviewed the definitions of "land," "labor," and "capital" given by political economists. He could find no writer who had provided a satisfactory taxonomy of factors and applied his definitions consistently in his reasoning. John Bates Clark was hardly the first to subsume land under capital:

Henry C. Carey, the American apostle of protectionism, defines capital as "the instrument by which man obtains mastery over nature, including in it the physical and mental powers of man himself." . . . An English economic writer of high standing, Mr. Wm. Thornton, begins an elaborate examination of the relations of labor and capital by stating that he will include land with capital, which is very much as if one who proposed to teach algebra should begin with the declaration that he would consider the signs plus and minus as meaning the same thing and having the same value. An American writer, also of high standing, Professor Francis A. Walker, makes the same declaration. . . . Another English writer, N. A. Nicholson . . . seems to cap the climax of absurdity by declaring in one paragraph . . . that "capital must of course be accumulated by saving," and in the very next paragraph stating that "the land which produces a crop, the plow which turns the soil, the labor which secures the produce, and the produce itself, if a material profit is to be derived from its employment, are all alike capital." But how land and labor are to be accumulated by saving them he nowhere condescends to explain.⁴⁶

George attributed much of the inconsistency to confusion between wealth as reckoned by the businessman and wealth as studied in political economy. Wealth to the individual businessman includes all exchangeable assets, real or financial. Political economy, however, must adopt a social point of view. Real capital is increased by real net investment, that is, by producing new capital faster than old capital depreciates. Financial wealth is increased merely by exchanging rights to existing wealth, that is, by credit transactions; it "adds nothing to the common stock."⁴⁷ It is a fallacy of composition to suppose that aggregate wealth can be measured by summing business wealth, for every credit is balanced by a corresponding debit.⁴⁸ "Only such things can be wealth the production of which increases and the destruction of which decreases the aggregate of wealth."⁴⁹ As he sifted through various definitions of economic terms, George noted:

As commonly used the word "wealth" is applied to anything having an exchange value. But when used as a term of political economy it must be limited to a much more definite meaning, because many things are commonly spoken of as wealth which in taking account of collective or general wealth cannot be considered as wealth at all. Such things have an exchange value, . . . but they are not truly wealth, inasmuch as their increase or decrease does not affect the sum of wealth. Such are bonds, mortgages, promissory notes, bank bills, or other stipulations for the transfer of wealth. Such are slaves . . . Such are land, or other natural opportunities, the value of which is but the result of the acknowledgment in favor of certain persons of an exclusive right to their use . . . Increase in land values does not represent increase in the common wealth, for what landowners gain by higher prices, the tenants or purchasers who must pay them will lose.⁵⁰

In *The Science of Political Economy*, George referred to the two sources of value as "value from production" and "value from obligation." Value from obligation arises from exchange agreements and represents a transfer of rights to existing wealth, not production of new wealth. According to George, Adam Smith had failed to distinguish consistently between the two sources of value. "This therefore has been the point on which the political economy founded by Adam Smith has been constantly at sea."⁵¹

Clark's "capital goods" are roughly equivalent to George's "wealth,"

and George's distinction affords an apt critique of Clark's theory of capital. By confusing exchange with production, Clark disguises the fundamental distinction between land and wealth. Wealth is produced and exchanged, but land can only be exchanged.

In Clark's static model, capital remains fixed in total amount as it moves fluidly among the material bodies of produced capital goods and land. The odd implication appears to be that when land values rise, the quantity of produced capital goods must necessarily fall to maintain a fixed total value of assets. Suppose, however, that the assumption of fixed "capital" is relaxed. According to Clark, capital is accumulated by saving, that is, by diverting labor from the production of consumer goods to the production of capital goods. It is obvious that nonproduced land cannot be accumulated in this way. Fortunately, the marginal productivity model also requires that land and other "capital goods" be perfect substitutes in production, so presumably no difficulty is presented by the fact that the land portion of "capital" remains fixed in amount while the produced portion grows. Moreover, according to Clark, capital is increased when land prices rise. When any parcel of land becomes more valuable, capital "transmigrates" into that parcel. A general increase in land values, other things equal, implies an increase in aggregate capital.

This argument commits precisely the error of which Henry George warned. Some individuals can use their savings to buy land from other individuals, but the quantity of land is not thereby increased. If an individual buys an acre of land for \$1000, saved from his wages, the seller receives \$1000 in cash in exchange for his property. Savings devoted to land purchase lead to no new investment; as the buyer saves, the seller dissaves.

Suppose that the land rises in value, and in a few years' time our investor can either sell the land for \$1800, making a capital gain of \$800, or lease it to tenants at a correspondingly higher annual rate. According to Clark, social wealth has increased by \$800.

It is possible that the land's appreciation resulted from an increase in its productivity. Perhaps the municipal government has built a new park or subway station nearby, raising the value of urban residential land. In that case, however, it was the infrastructure produced by government, not the subsequent exchange of property rights, that caused

the gain in land value. Whether the owner sells the parcel for the competitive price of \$1800, or lets it go for an even \$1000, or gives it to his daughter for the nominal price of \$1, the productive power of land is the same, and accumulated wealth is the same. The negotiated price simply determines how the gain shall be divided.

Moreover, it is possible that the parcel rose in value not because it has become more productive, but because land of comparable quality has become scarcer due to resource depletion, population pressure, speculation, or regulation. In that case, to treat land appreciation as an increase in wealth is especially misleading. Wrote George:

Whatever increases the obstacles, natural or artificial, to the gratification of desire on the part of the ultimate users or consumers of things, thus compelling them to expend more exertion or undergo more toil and trouble to obtain those things, increases their value; whatever lessens the exertion that must be expended or the toil and trouble that must be undergone, decreases value. Thus, wars, tariffs, pirates, public insecurity, monopolies, taxes and restrictions of all kinds, which render more difficult the satisfaction of the desire for certain things, increase their value, and discoveries, inventions and improvements which lessen the exertion required for bringing things to the satisfaction of desire, lessen their value. . . . Scarcity may be at times to the relative interest of a few; but abundance is always to the general interest.⁵²

Land, Labor, and Capital in a Model of Pure Production

In short, Clark did not advance economic science by including land with capital. His formal models cannot withstand the economic interpretations he gave them. His two-factor interpretation of marginal productivity is arbitrary and misleading. The restrictive assumptions of the static model preempt inquiry into the economic phenomena with which George was concerned. Clark's businessman's concept of "transmigrating" capital turns on a fallacy of composition that Henry George had shrewdly analyzed; it confuses value from production with value from obligation.

We are left with more questions than answers. At stake are the foundational categories of economic theory. Is "land," as George defined it, a distinctive, original, and indispensable factor of production? Does the rent of land have analytic significance for economic

behavior? Is there a methodological justification for classifying productive resources according to *any* simple taxonomy?

George and Clark were agreed that the laws of production belong to the first natural division of economics, which Clark called “universal” or “primitive” economics. As both writers observed, they operate even in a Robinson Crusoe world with no exchange.⁵³ In the Crusoe economy, said George, the elemental fact of production is evident: “Nature gives only to labor.”⁵⁴ The Crusoe model is an ideal instrument for exploring George’s distinctions among “land,” “labor,” and “capital,” as well as Clark’s alternative conceptions of “capital” and “capital goods.” In a model of pure production, value from obligation cannot exist and there can be no fallacy of composition in the analysis of wealth and capital. There are no markets, because there is no one with whom Crusoe can exchange. He is neither debtor nor creditor; there is no one from whom he could borrow or lend. No one arrives either to offer or to demand payment in exchange for the use of the island. No one challenges his claim of exclusive possession, so long as he lives—yet he has no property rights, because there are no social arrangements defining the proper relations of exchange.

The methodological starting point for economic analysis is the universal “economic problem”: Human desires are unlimited, but the resources with which to satisfy them are scarce. Economics is concerned with individual and social behavior involving purposeful choice among alternative uses for scarce resources.* An economic agent is a decision maker who chooses with purpose. If meaningful distinctions are to be drawn among labor, land, and capital as productive factors, they must be relevant to the decision problems facing economic agents. A chemist or physicist might identify no fundamental distinction between human decision makers, human artifacts, and the natural substances of the earth; all material things are composed from a finite number of chemical elements and presumably obey the same physical laws. A cellular biologist might identify no

*A resource is said to be scarce when less is available than individuals would choose to use if it were freely available in unlimited amount. Scarce resources are economic resources.

essential difference between a farmer and his cows. Does Robinson Crusoe, in his struggle to survive, distinguish labor from land and land from capital?

George's functional economic distinction between land and labor is based on the perspective of the human decision maker seeking to assure his own survival and well-being. Crusoe learns which things he can control and which things he cannot; that is, he learns the difference between himself as an agent and the environment in which he finds himself. Labor, according to George, is the "active" factor of production; land is the "passive" factor.⁵⁵ It is not, however, the physical action of the muscles that makes labor "active." A dairy cow is active in the same sense. The relevant *actions* are the decisions of the *agents* who employ cows and other resources for the purpose of gratifying their desires. To the economist, cows are different from humans because humans do not recognize cows as free agents who choose to engage in voluntary transactions with humans according to a mutually agreed system of property rules. Cows are outside the circle of exchange.

All human actions, or at least all conscious human actions, have their source in desire and their end and aim in the satisfaction of desire. The intermediary action by which desire secures its aim in satisfaction, is exertion. The economic term for exertion is labor. It is the active, and *from the human standpoint, the primary or initiative, factor* in all production—that which being applied to land brings about all the changes conducive to the satisfaction of desire that it is possible for man to make in the material world. In political economy there is no other term for this exertion than labor. That is to say, the term labor includes all human exertion in the production of wealth, whatever its mode.⁵⁶

Labor in fact is only physical in external form. In its origin it is mental or on strict analysis spiritual. It is indeed the point at which, or the means by which, the spiritual element which is in man, the Ego, or essential, begins to exert its control on matter and motion, and to modify the material world to its desires. As land is the natural or passive factor in all production, so labor is the human or active factor.⁵⁷

George's distinction between land and capital is equally fundamental. One of the aspects of Crusoe's control is that he can choose among known and feasible technologies to manipulate the time paths of production and consumption. Just as individuals exert labor for the

purpose of consuming what labor produces, so also they invest in capital for the purpose of consuming later, but (perhaps) more. Within the constraints of resources and technology, Crusoe arranges his activities over his expected lifetime in the hope of achieving the greatest achievable overall satisfaction. He can never consume any particular good before he produces it, but by producing and decumulating capital he can consume sometimes less and sometimes (later) more, relative to current production. Capital accumulation is greater or less, depending on Crusoe's decisions about how to direct his exertions. Crusoe can choose to endure a longer interval between production and consumption than he would otherwise prefer in order to exploit a technology that yields a more valuable total product for a given cost of labor and land. In that case, Crusoe earns interest, which is the purpose of his sacrifice. All production takes time, but capital yields interest only when individuals incur a subjective cost to earn it.

From an economic point of view, therefore, interest imputes to individuals just as does wages. Interest must be paid to persuade an agent to postpone consumption relative to production. Interest is the marginal return from the use of capital, the amount that just motivates the marginal investment. If the inducement of interest were not necessary because postponing consumption (relative to production) required no sacrifice, then investment would be increased to the point where the marginal product of capital diminishes to zero, and interest would be zero.

John Bates Clark, in his treatment of "primitive" economics, appears briefly to acknowledge land and labor as primary factors:

Take away exchanges. . . . It leaves the individual man face to face with nature, and under the necessity of making a living by his efforts and her bounty. . . . [T]he economy of every man resolves itself into a process by which he indirectly serves himself, using natural material as a means.⁵⁸

Yet Clark's description of Crusoe's economic problem does not lead him to distinguish nonproduced resources from produced wealth. The distinction between what Crusoe makes "by his efforts" and what nature provides by "her bounty" plays no part in Clark's subsequent

analysis of distribution. Instead, he writes, "The deepest economic problems have reference to wages and interest."⁵⁹

Clark admits that the solitary man accumulates capital by devoting a part of his labor to producing it, just as Henry George had said:

The choice between casting a line from the shore to catch fish and working on the construction of a canoe, like the choice between climbing a tree for wild fruit and working on a spade for future gardening, is determined by exactly the same principle. . . . The principle of the final productivity of labor and capital everywhere determines how much capital it pays to accumulate.⁶⁰

Yet Clark insists that land is part of capital even in a pure production economy. To paraphrase George, "How land is to be accumulated by saving he nowhere condescends to explain." Perhaps we are to understand that Crusoe "accumulated" the island as property merely by occupying it. So long as he is alone, however, property claims have no significance, and Crusoe devotes no resources to defending his claim.

Exchange and Property

In the Robinson Crusoe model of pure production, the outcomes of Crusoe's decisions depend largely on the quality of his information. Crusoe is disappointed when he fails to predict the cycles and vagaries of nature, when his physical or mental abilities fall short of what is needed to carry out his plans, or when he does not understand the indirect consequences of his choices. In particular, though Crusoe may be a skilled engineer with remarkable technological capabilities, if he fails to recognize the interacting ecological effects of his actions, often distant in time and space, he may irreversibly damage nature's living infrastructure of which his own artifacts are merely an embellishment.

When exchange is introduced into a production economy, the information that people have accumulated regarding the relative abundance of productive resources is dispersed among all members of the circle of exchange and is nowhere brought together for analysis by one great Crusoe intelligence. The market is the mechanism that

broadcasts and coordinates the information that people need in order to economize. Market prices, which reflect subjective marginal valuations, set the terms of exchange on the basis of relative scarcities. The structure of prices is the social complement of the assembled information that Robinson Crusoe gathers in his solitary struggle for survival.

Economic exchanges are voluntary exchanges. If Crusoe is attacked and enslaved by a population of native islanders, he neither chooses nor economizes. The first requisite of an exchange economy is that rights and rules of property be recognized by participants within the circle of exchange. Exchange, in the economic sense, is the voluntary transfer of property rights among individuals who respect one another's choices. Individuals engage in voluntary exchanges only when they expect that their well-being will thereby be enhanced. In an exchange economy, if markets are to coordinate economic activity efficiently, the property rights structure must preserve each individual's productive incentives.

Clark agreed with George that both wages and interest should be deemed the rightful property of the individuals whose sacrifices account for them. The question at issue is how property rights to land should be assigned in an exchange economy. Clark argued, against George, that property rights in land should be divided among individuals and the state. Each owner controls one or more parcels of territory defined by surface boundaries. As we have seen, land ownership is indefinitely space-divisible but absolutely not time-divisible. Does Clark's property system preserve incentives to make land productive? George's position was that it does not; that for competitive markets to operate efficiently, "we must make land common property."⁶¹

In the Crusoe economy, the productive potential of land depends entirely on what nature provides, which is not only the island itself, but also all the interacting forces of the biosphere and the sunlight that energizes life on earth. Crusoe may exploit nature's opportunities for better or worse, depending on his personal abilities and his technological knowledge. Consider, however, an exchange economy in which individual decision makers control the use of bounded territorial claims, and where transaction costs prohibit individuals from

coordinating their land use plans by private cooperative agreements. In this economy, the productive potential of any particular bounded parcel depends not only on what nature provides, but also on how people in the circle of exchange choose to use all the other bounded parcels. In an exchange economy, the potential rent income to the owner of any one parcel of land depends on the choices of other persons with respect to other parcels.

In an exchange economy with private land tenure, the market value of land is attributable to three general sources.⁶² The first source is nature—the materials and forces of the universe. It is not the productivity of nature, however, but the community's demand for nature's gifts that causes rent to arise. The second source is the exchange community itself. As George emphasized, urban land values arise largely as the accidental external effects of human activity located on particular land. Those activities are undertaken with purpose, to be sure, but the external effects are not part of the purpose; they are unintended consequences, and provide no part of the incentive to undertake or avoid those activities.*

For there is to the community also a natural reward. The law of society is, each for all, as well as all for each. No man can keep to himself the good he may do, any more than he can keep the bad. Every productive enterprise, besides its return to those who undertake it, yields collateral advantages to others. . . . The building of a house, a factory, a ship, or a railroad, benefits others besides those who get the direct profits.⁶³

Just as no human purpose accounts for the natural qualities of land, so no human purpose accounts for the value of land that arises from the net externalities of actions taken throughout the community. The third cause of land value, however, is a collective purpose. Through government or other collective institutions, individuals cooperate in their land use decisions so as to increase rent. From the point of view of government or the cooperative community, the increased rent afforded by the new infrastructure that it finances is part of the return on its investment, the other part being the value of pure public goods

*If builders were compensated by others for providing net benefits to surrounding land, then the rent of that land would not increase by their efforts. In order to use the lands so benefited, one would have to pay a fee for services, which would reduce by so much one's bid price for the land.

that are equally accessible from every location. Thus a new highway not only benefits landowners near the commercial exchanges; it also benefits everyone by making land, labor, and capital more productive.

The increased productive power of land that is generated intentionally by governments results from no choice, exertion, or sacrifice on the part of the individual landowner, assuming that he does not control the decisions of government. These benefits are therefore part of rent in an exchange economy.

The competitively determined market rent of a land parcel indicates the social opportunity cost of private land holdings. Just as rent cost tells Crusoe the minimum subjective value that any land use project must return to be worthwhile, so, in an exchange economy, the market rent of a parcel of privately held land—which is the base of George's proposed "single tax"—indicates the opportunity cost to society of acknowledging the title holder's exclusive claim. In George's single-tax system, landholders receive no special privileges from the accident of their particular location, but they share equally with everyone the net benefits of collective action.

Thus, at the foundation of economic analysis, wages and interest are payment for resources made available by what an individual's purposeful action produces, and rent is payment for resources made available to the individual for the resources and opportunities given to him. They are given by nature, which demands no payment; they are given by individuals who choose not to negotiate fees in return for the spillover benefits they generate, and therefore do not produce those benefits with any productive purpose; and they are given purposefully by government or other cooperative agencies that, for whatever reason, choose to produce benefits and donate them to private landholders at their own expense.

The Factors of Production and Natural Justice

John Bates Clark is remembered for his argument that the distribution of income is controlled by a natural law. The "general thesis" of *The Distribution of Wealth* is "that, *where natural laws have their way, the share of income that attaches to any productive function is*

gauged by the actual product of it."⁶⁴ According to Clark, "the law on which property is supposed to rest" is "the rule, 'to each what he creates'."⁶⁵ The point of production is therefore "the point where titles originate."⁶⁶

To each agent a distinguishable share in production, and to each a corresponding reward—such is the natural law of distribution. This thesis we have to prove; and more hinges on the truth of it than any introductory words can state. The right of society to exist in its present form, and the probability that it will continue so to exist, are at stake.⁶⁷

Henry George might well have assented to this statement. But for George, the agent that produces the rent share is the exchange community as a whole, and it is therefore to the community that rent should be paid. For Clark, land rent as well as interest is imputed to the action of capital. "Property is protected at the point of its origin," he said, "if actual wages are the whole product of labor, if interest is the product of capital, and if profit is the product of a coordinating act."⁶⁸

Despite his inclusion of land with capital, nothing in Clark's theory suggests that land is produced by any action of man. His theory of property therefore accounts for property in land according to an altogether different principle. This is what might be called his "divine right" theory, according to which all land is originally the absolute property of the state. In "The Ethics of Land Tenure," Clark presents his theory of the state as a more consistent version of George's own theory of property:

It so happens that the special assailants of the land system are defenders of the general right of property, and that they base their attack on the principle on which property rests. "To every one his product; the state has created the value of land, and to the state it belongs." We will not only admit at the outset all special rights that society may acquire as a collective producer, but we will concede the paramount right which the state has in all property. In its organic capacity it is the supreme owner of everything, the silver and the gold belong to it. If a "natural-right" theory be made to exalt the individual and depreciate the state we will have none of it. . . . The community is supposed to have created not land, but its value. We accept the fact and the principle. . . .⁶⁹

This interpretation of George's position confuses state property with common property.⁷⁰ George's single-tax proposal would be pointless

without the requirement that rent be shared among all members of the exchange community through the agency of cooperative government. For George, no individual can claim any greater right to rent than any other, and no "state" has any claim to rent except insofar as the state, in expressing the community's will, undertakes investments that increase the productive power of land.

Priority of occupation give exclusive and perpetual title to the surface of a globe on which, in the order of nature, countless generations succeed each other! Had the men of the last generation any better right to the use of this world than we of this? or the men of a hundred years ago? or of a thousand years ago? Had the mound builders, or the cave dwellers, . . . or the generations still further back, who, in dim aeons that we can think of only as geologic periods, followed each other on the earth we now tenant for our little day? . . . We arrive and we depart, guests at a banquet continually spread, . . . passengers from station to station, on an orb that whirls through space—our rights to take and possess cannot be exclusive; they must be bounded everywhere by the equal rights of others.⁷¹

As we have seen, in an artificial world with perfect foresight, Clark's model of the ideally efficient economy is equivalent to George's single-tax proposal if, but only if, the rental value of land is expended on behalf of the whole community. Clark denies, however, that individuals have any right to land or its rent except through purchase. "We leave out of account all land obtained by force or fraud," he said. "We limit our studies to the area where real estate is bought and sold like any commodity."⁷² Since land cannot be produced, the state can come into possession only by first occupation, by evicting previous occupants, or by purchasing land from previous claimants. Even if the state originally acquired possession by force or fraud, said Clark, that is no reason to deny its present claim:

In America the government originally held the land. Conceding to Indians a right of occupation, it extinguished that right by a series of treaties. If there was injustice in the manner in which this was done,—and there is no need of denying that there was,—the responsibility for it rests on the state as a whole, and would not be righted by further seizures by the government which was the offending party.⁷³

Clark did not say or who or what "the state" is understood to be, or explain how competing claims are to be adjudicated. If multiple

groups lay claim to the same territory, his theory gives no indication as to which represents the legitimate government. Although he insisted that democratic governments generally do act on behalf of the public interest, he imposes no requirement that they do so to earn legitimacy. Moreover, though the state is the "original" owner of land, it commits no injustice by giving land to privileged individuals. The state has the absolute right to sell or give exclusive land rights to whomsoever it pleases for any reason or whim. Whether the motive is to reward political allies or to promote the general welfare; whether the action is purposeful or capricious—all transfers of land to persons are permissible, perpetual, and irrevocable, in Clark's view. Whenever the state alienates land to a private owner, absolute rights are transferred, and the state is thereafter prohibited from infringing on the absolute right of the private landowner. The individual owner, of course, may in turn sell, give or bequeath his property to any other individual or to the state.⁷⁴

There must be no restrictions in the market for land, said Clark, except the restriction that land parcels must be transferred in perpetuity. Once the state has alienated any parcel of land, it can never reestablish its original claim. It may not resume title. It may not impose a special tax on the value or rent of land, because this would be wrongfully to steal the value that it had duly transferred in good faith. If the state's good governance causes the rent of privately owned land to increase beyond early expectations, then the windfall gains it bestows upon some persons represent no injustice to others. Land titles, legitimized by the state, entitle owners to receive all future net benefits of geographically identified parcels.

Clark's discussion seems to imply that that *any* government action that diminishes the value of any parcel of privately owned land, without compensation, is unacceptable. Thus the state may freely engage in actions that increase the rent income of individuals, but may engage in no action that decreases or redistributes the rent income of individuals. The absolute power of the state is thus commuted to an absolute power of a subset of its citizens.

Clark does not say whether taxes that reduce the net wages of labor, the interest of capital, or the profits of enterprise represent any injustice. Presumably, they do not; the state evidently has the right to

exist, so it must have the right to command resources from some source. Perhaps Clark would argue that, whereas an individual's title to land is justified by a solemn contract between the state and the landowner, no such contract underlies an individual's right to keep the earnings he individually produces by working, investing, planning, and inventing. Thus a tax on rent may represent a violation of justice while a tax on other incomes does not. Clearly, however, such a conclusion vitiates the ethical interpretation of marginal productivity from which Clark began.

In short, Clark's conception of natural justice is deficient both in its theoretical structure and in its practical consequences. Clark's divinely empowered "state" appears to be little more than a collusive association of landlords acting on their own behalf.

By contrast, George's theory of natural justice is at least complete and consistent, whether or not one accepts his ethical premise. According to George, individuals have equal rights of access to the bounty of nature. Land is understood to be the common property of all persons within the circle of exchange, including future generations.

Well may the community leave to the individual producer all that prompts him to exertion; well may it let the laborer have the full reward of his labor, and the capitalist the full return of his capital. For the more that labor and capital produce, the greater grows the common wealth in which all may share. And in the value or rent of land is this general gain expressed in a definite and concrete form. Here is a fund which the state may take while leaving to labor and capital their full reward.⁷⁵

George and Clark agreed that wages and interest are paid to individuals in consideration for the value added by individuals. Consistently, George's single-tax system exempts wages, interest, and entrepreneurial profits from taxation because they are recognized as the rightful property of the individuals who produce them. Moreover, the single tax treats rent symmetrically with wages and interest: Rent is paid to the whole community, that is, to everyone within the circle of social exchange, in consideration for the value added by the community. George believed that if Smith's "invisible hand" is to function properly and markets are to serve the public interest, then just as the values produced by individuals must be returned to those individu-

als, so also must rent be paid to the community whose collective actions give land its value. The single-tax system assigns property rights so as to preserve economic incentives. "In justice," said George, "is the highest and truest expediency."⁷⁶

If rent is paid to individual land owners holding territorial claims, as Clark recommended, then individuals have an incentive to expend resources unproductively in rent-seeking. If claims are assigned and enforced by governments, rent-seeking will take the form of collusion between individuals and government officials. Successful rent-seekers direct the gains from public investment into their own pockets.

If, however, rent is paid to the community whose collective activities give value to land, then individuals have incentives to cooperate with one another in their use of land. Each member maximizes his proportional share of rent by helping to ensure that land uses are complementary, each parcel enhancing the value of neighboring lands'.

If rent is paid to the government to finance public services, then government has an incentive to produce services that generate rent. Government maximizes its own revenue by producing a mix of services that raises aggregate rent by more than its cost, by as much as possible.

If rent is paid to every citizen of the planet by virtue of his equal rights to nature, then everyone has an incentive to cooperate globally to ensure that the productivity of nature is not unduly compromised by the collective activities of humankind. If people who are alive agree among themselves that they are obligated to preserve the natural resources of the earth for use by future generations, then they have an incentive to cooperate globally to ensure that sustainable technologies are chosen.

George held that the practical consequences of his proposal would be beneficial to society on many levels. Though motivated by fundamental ideas about social justice, the single-tax policy was supported by positive theory about the economic and social implications of alternative property arrangements. George argued that the institution of perpetual private property in land creates not only distributive inequality but also economic inefficiency, slow growth, and cyclical instability. When rent taking is available as an alternative to

production as a way of getting wealth, resources are wasted by individuals whose choices are based on distorted incentives. Economic inequality gives rise to further inefficiency because of its depressing effect upon the productive incentives of the working poor and the nonworking rich. Moreover, warned George, inequality of wealth inevitably translates into inequality of political power, even under democratic institutions. Private property in land is incompatible with political liberty and equality.

Where there is anything like an equal distribution of wealth . . . the more democratic the government the better it will be; but where there is gross inequality in the distribution of wealth, the more democratic the government the worse it will be; for, while rotten democracy may not in itself be worse than rotten autocracy, its effects upon national character will be worse. . . . To put political power into the hands of men embittered and degraded by poverty is to tie firebrands to foxes and turn them loose amid the standing corn; it is to put out the eyes of a Samson and to twine his arms around the pillars of national life.⁷⁷

The Legacy of John Bates Clark

This chapter has argued that George's identification of land and labor as the original factors of production is coherent and defensible. At the analytical starting point, every productive process employs the primary inputs of labor and land as Henry George defined them. Land is indispensable to production and to all earthly life. George's three-factor taxonomy is consistent with the fundamental methodology of economics. It underlies a coherent philosophy of natural justice and provides an elegant theoretical framework for addressing social, political and ecological as well as economic issues.

Clark's theory of capital confuses value from production with value from obligation, and social wealth with private wealth. This leads him to conclude that land is capital because it can be exchanged for capital, that saving can increase the supply of land, that capital "transmigrates" into land, and that an increase in land prices constitutes an increase in wealth. Clark's perfect foresight model of static equilibrium defines unearned gains and losses out of existence, slamming the analytical door on George's entire dynamic analysis of distribution and social development. By reinterpreting the theory of differential

rent in terms of marginal analysis with homogeneous land/capital, Clark overlooks George's location theory of urban land rent. Neither his marginal productivity analysis nor his static equilibrium model explicitly incorporates the productive contribution of time in the theory of capital and interest.

John Bates Clark put out of view the fundamental economic condition of humankind—the fact that all production requires the purposeful application of human effort to the materials and forces of nature. By including land with capital in his marginal productivity theory of distribution, he assumed that land and produced capital goods are perfect substitutes in production, implying that production could proceed without land by substituting machines for land. This is of course impossible, because capital goods are composed of materials drawn from land. Let the whole surface of the earth be modified by the touch of the human hand; marginal productivity is the principle that distinguishes the value added by labor from the underlying value of land.

In short, Clark's favored strategy against the single tax is simply to ignore most of George's theory and evidence, the gaps in his own argument, and the obvious counterarguments. His favored device for doing so is to choose analytical models that assume away the economic conditions on which his opponent's argument is based.

Yet despite its errors and omissions, Clark's view of land, capital, and property ultimately became the backbone of neoclassical economics, which, through Alvin S. Johnson, Frank Knight, and others, came to dominate the profession during the twentieth century.⁷⁸

There seem to be at least three versions of Clarkian economics alive today. On the political right are the admirers of privatization. The flag bearer for this group is the Chicago School, which addresses every social problem by proposing to restore the missing property rights that account for it. On the political left are the proponents of a view akin to the divine right theory of the state, according to which all property is what government defines it to be by its taxes and subsidies, spending and investment, rules and regulations.⁷⁹ This group would reject George's central insight—the distinction between the value of what individuals contribute (wages and interest) and the value of what the whole community contributes (rent)—which forms

the basis for George's general theory of governance and public finance.

Finally, there are the vast numbers of everyday economics professors who year after year teach millions of undergraduates the two-factor theory of production. Casually, perhaps for no better reason than that the blackboard can depict only two dimensions, they model business firms as employing combinations of "Labor" and "Capital" to produce output in a timeless microeconomic model. Undergraduates today would not only recognize Clark's marginal productivity diagrams; they would be able to supply the equations that underlie them. Most students would not, however, be able to explain why the distinction between reproducible and nonreproducible resources is important in the functioning of the macroeconomy, and (whatever their political opinions concerning "capitalism") they would not be able to state clearly what capital is or what capital does.

In recent decades many economists have begun to address the growing problems of environmental pollution, resource depletion, and ecosystem disturbance. Finding no accepted economic term for the nonreproducible materials and forces of nature, some have latched upon the unfortunate phrase "natural capital."⁸⁰ It remains to be seen whether the global ecological crisis will move economists to rediscover George's theory of natural justice—despite the proven success of J. B. Clark's strategy to define land out of existence.

Notes

1. Henry George, *The Science of Political Economy* (1898; New York: Robert Schalkenbach Foundation, 1980), p. 204.
2. *Ibid.*, p. 203.
3. *Ibid.*, p. 206.
4. Ingrid Hahne Rima, *Development of Economic Analysis*, 5th ed. (New York: Routledge, 1996), p. 202.
5. George, *The Science of Political Economy*, p. 207.
6. Rima, *Development of Economic Analysis*, p. 277.
7. John Bates Clark, *The Philosophy of Wealth* (Boston: Ginn & Co., 1886), pp. 1–2.
8. Rima, *Development of Economic Analysis*, p. 277.
9. Clark, *The Philosophy of Wealth*, p. 126.

10. Joel Jalladeau, "The Methodological Conversion of John Bates Clark," *History of Political Economy* 7 (Summer 1975), pp. 209–26.

11. Mason Gaffney, "Neoclassical Economics as a Stratagem against Henry George," in Mason Gaffney and Fred Harrison, eds., *The Corruption of Economics* (London: Shephard-Walwyn, 1994), p. 49.

12. *Ibid.*

13. John Bates Clark, *The Distribution of Wealth: A Theory of Wages, Interest and Profits* (1899; New York: Augustus M. Kelley, 1965), p. vii.

14. John Bates Clark, "The Ethics of Land Tenure," *International Journal of Ethics* 1 (October 1890): 62–97.

15. Clark, *The Distribution of Wealth*, p. 190.

16. George, *The Science of Political Economy*, p. 208.

17. Frank A. Fetter, "Clark's Reformulation of the Capital Concept," in *Economic Essays Contributed in Honor of John Bates Clark*, ed. Jacob Hollander (New York: Macmillan, 1927), reprinted in *Capital, Interest and Rent: Essays in the Theory of Distribution* by Frank A. Fetter, ed. Murray N. Rothbard (Kansas City: Sheed, Andrews and McMeel, 1977), pp. 126–28.

18. Simon Nelson Patten, "The Conflict Theory of Distribution," *Yale Review* (August 1908), reprinted in *Essays in Economic Theory*, ed. Rexford G. Tugwell (New York: A. A. Knopf, 1924), p. 219.

19. George, *Science of Political Economy*, p. 203.

20. Henry George, *Progress and Poverty* (1879; New York: Robert Schalkenbach Foundation, 1981), p. 12. See also Nassau Senior, *Outline of the Science of Political Economy*, 6th ed. (1836; London: Allen & Unwin, 1872).

21. Rima, *Development of Economic Analysis*, pp. 149, 178, 190–91.

22. Nicolaus Tideman, "The Economics of Efficient Taxes on Land" in *Land and Taxation*, Nicolaus Tideman, ed. (London: Shephard-Walwyn, 1994), pp. 103–21.

23. John Stuart Mill, *Principles of Political Economy*, 7th ed. (1848; New York: Augustus M. Kelley, 1987), p. 797.

24. Gaffney, "Neoclassical Economics as a Stratagem against Henry George," p. 47.

25. George, *Progress and Poverty*, p. 38.

26. Clark sensed the logical difficulty in measuring real inputs by summing their market values, and attempted to develop a theoretically absolute measure of aggregate real capital by appealing to the fundamental identity of utility and cost. *The Distribution of Wealth*, chap. XXIV.

27. *Ibid.*, p. 116.

28. *Ibid.*, p. 118.

29. *Ibid.*, pp. 119–20.

30. *Ibid.*, p. 117.

31. *Ibid.*, p. 118.

32. George, *Progress and Poverty*, p. 199.
33. Mason Gaffney, "Land as a Distinctive Factor of Production," in Tideman, ed., *Land and Taxation*. Gaffney points out the circularity of Clark's argument in "Neoclassical Economics as a Stratagem against Henry George," pp. 68–69.
34. Clark, *The Distribution of Wealth*, p. 116.
35. *Ibid.*, p. 191.
36. George, *Progress and Poverty*, p. 26.
37. *Ibid.*, p. 51.
38. *Ibid.*, pp. 218–20.
39. *Ibid.*, p. 255.
40. *Ibid.*, pp. 263–81. Credit transactions represent "value from obligation" (see below).
41. Clark, *The Distribution of Wealth*, p. 37.
42. *Ibid.*, p. xiv.
43. Clark, "The Ethics of Land Tenure," p. 68.
44. *Ibid.*, p. 75.
45. Clark, *The Distribution of Wealth*, p. 37.
46. George, *Progress and Poverty*, pp. 35–36.
47. George, *The Science of Political Economy*, p. 258.
48. *Ibid.*, pp. 257–69.
49. George, *Progress and Poverty*, p. 41.
50. *Ibid.*, pp. 39–40.
51. George, *The Science of Political Economy*, p. 260.
52. *Ibid.*, pp. 268–69.
53. George used a model of pure production to refute the wages-fund theory, which held that wages are paid from the accumulated capital of employers. *Progress and Poverty*, p. 72.
54. *Ibid.*, p. 336.
55. George, *Progress and Poverty*, p. 163.
56. George, *The Science of Political Economy*, p. 411. Italics added.
57. *Ibid.*, p. 412.
58. *Ibid.*, p. 41.
59. *Ibid.*, p. 46.
60. *Ibid.*, pp. 48–49.
61. *Ibid.*, p. 328.
62. Tideman, "The Economics of Efficient Taxes on Land," pp. 130–34.
63. George, *Progress and Poverty*, p. 435.
64. Clark, *The Distribution of Wealth*, p. 3.
65. *Ibid.*, p. 9.
66. *Ibid.*
67. *Ibid.*, p. 3.
68. *Ibid.*, p. 9. Elsewhere, Clark follows George in arguing that competitive equilibrium is defined by the condition of zero profit.

69. Clark, "The Ethics of Land Tenure," pp. 63–65.
70. Kris Feder, "Henry George on Property Rights: Reply to John Pullen," *American Journal of Economics and Sociology* 60 (April 2001): 565–79.
71. George, *Progress and Poverty*, pp. 344–45.
72. Clark, "The Ethics of Land Tenure," p. 63.
73. *Ibid.*, p. 69.
74. *Ibid.*, p. 71.
75. George, *Progress and Poverty*, p. 436.
76. *Ibid.*, p. 367.
77. *Ibid.*, p. 532.
78. Gaffney, "Neoclassical Economics as a Stratagem against Henry George."
79. See Liam Murphy and Thomas Nagel, *The Myth of Ownership: Taxes and Justice* (New York: Oxford University Press, 2002).
80. See Gretchen C. Daily and Katherine Ellison, *The New Economy of Nature* (Washington, D.C.: Island Press/Shearwater Books, 2002); also Annmari I. Jansson, ed., et al., *Investing in Natural Capital: The Ecological Economics Approach to Sustainability* (Washington, D.C.: Island Press, 1994).

Patten: A Study in Intellectual Dishonesty

By CHARLES F. COLLIER

Simon Nelson Patten's¹ critique of Henry George almost perfectly epitomizes the main developments in American economics at the turn of the century. The period was the one in which American economics, particularly as presented in academic institutions, became an increasingly specialized discipline. Up until about 1870 or 1880, American economics was written and taught by men who were almost always either self-taught or trained in other fields, such as law, political science, and philosophy. After about 1880, professors tended to have advanced degrees in economics and tended to concentrate their teaching efforts in economics, although the specialization was often incomplete. In this regard, George seems to be a particularly good example of the self-educated "layman" economists whose era was fading away. But, as Warren J. Samuels has correctly noted, "[George] clearly had mastered economics as it stood in the 1870s, that is, principally, classical economics."² Patten, in contrast, is illustrative of the newer generation of those with formal, advanced training in the subject. Patten did his advanced study in Europe for the simple reason that American universities did not have recognized graduate programs in economics at that time. Moreover, this was the period in which American economics "came of age," in the sense that there were sufficiently large numbers of economists to justify, or even make necessary, the formation of professional associations. Patten, along with John Bates Clark (see the separate essay on him in this volume), was instrumental in founding the American Economic Association and each of them served as its president. Finally, this was a period during which economists in many parts of the world made devastating critiques of classical political economy.

Further, George and Patten are of interest since each criticized classicism from a different viewpoint. George's writing is best viewed as an attempt to correct the flaws of classical political economy and to resuscitate it. Patten's critique was, in no small part, a criticism not

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only of classical political economy itself but also of George's critique/resuscitation of it. Patten rejected the orthodox classical view that events—such as the population growth that led to rent increases, as predicted by Ricardo—were beyond man's control.³ Further, Patten advocated far too much governmental intervention in the economy to be an orthodox political economist. Moreover, classical political economy did lead to pessimistic conclusions about the fate of humanity. Classicism was, after all, called "the dismal science." Patten was far too optimistic to accept the classical premises and/or conclusions. Then, too, this was a period in which the very name of the subject changed from (classical) political economy to (neoclassical) economics.⁴ Patten was generally a neoclassical economist. George, in contrast, always viewed himself as a classical political economist, in the vein of Adam Smith. He always viewed economics as a bastardization of the true science, political economy, and he always used the word "economics" in a pejorative sense.⁵

In sum, each of the writers wrote on most of the major topics of concern at turn of the century. It is not too much to say that George's and Patten's writings helped make some of these issues major topics of concern. It is also not too much to say that many of Patten's writings were direct reactions to the ideas of George.

Static vs. Dynamic Analysis

One major area on which the two wrote and differed was the kind of analysis that could be, or had to be, performed. Specifically, they had different ideas about the time period of analysis—about the changes that could occur in the time period considered.

Patten's economics was primarily dynamic with progress as the primary characteristic. For example, he never assumed that the state of the art of production or the level of technological sophistication was constant. He also believed that all living organisms, human institutions, and societies tend to evolve continuously. Patten argued that once any environment becomes occupied by organisms having an appetite for food, a struggle tends to begin as each individual tries to appropriate, sometimes using physical force, a part of the region. Eventually, however, people realize that the food furnished by nature

is only a small part of the total amount that can be produced. Patten believed that attention would then turn away from aggressiveness to cooperation in an attempt to increase the total food supply. That, however, led to the introduction of new moral codes, which imposed sanctions upon those who undertook the very actions that were once the primary actions needed to survive. Patten believed that, under the moral codes, the ultimate aim was to increase *the group's* ability to maximize pleasure and minimize pain. Those who were too weak or too lazy to work would not survive in the new competitive struggle to aid the group of producers. Further, Patten argued that those who continue their aggressive actions designed to monopolize the food supply will ultimately be destroyed by their own selfishness.⁶

Moreover, Patten argued that as these developments occurred, people would discover more and more desires that could not be gratified by the natural food supply. As a result, they would tend to devote more and more of their labor to the production of commodities to satisfy these desires. In a statement using the ideas, if not the exact terminology, of marginal utility theory, Patten argued that people will continue to work to produce these goods up to the point at which the marginal pleasure gained from the consumption of one more unit of a good equaled the marginal pain of producing it.⁷ Patten argued that during some phases of economic development the general wage rate would tend to fall, if everything else were held equal. He claimed that in any society the wants first satisfied will be those for which gratification provides the highest level of utility to the consumers. Patten argued that since the highest level of utility was derived from gratification of these desires, consumers would pay, and laborers would earn, a great deal from production. But after these desires were gratified, "less important" desires would be gratified. Gratification of these less important desires would provide less utility to consumers, and consumers would, accordingly, pay less to have them gratified. This sequence would continue, with the "importance" of the desires steadily diminishing, hence the amount producers would earn would also diminish accordingly. But, Patten felt that actually observed wages probably would not fall because technological advance and improvements in the arts of production would more than offset the above-mentioned developments. And if it should occur that

the population of any community exceeded the limits of the food supply, some individuals would leave that community to settle a new one. But, he argued, the new settlement would represent a higher level of civilization and a higher phase in the evolutionary process of humanity.⁸ Patten's economics was, therefore, a dynamic evolutionary economics in which progress led to better, not worse, things for most people.

George, in contrast, approached political economy in both its static and dynamic aspects. Readers of this essay are presumably familiar enough with *Progress and Poverty* so that a detailed explication of it is not needed. But to summarize a few salient points, book 3, chapter 1 is devoted to the (quite correct) proposition that the static laws of income distribution theory ought to have more unity than the classical theory gave them. And chapters 2 through 6 do attempt to provide a discussion of the several factor payments in turn. That George intended all of book 3 to be static analysis is probably best shown by the fact that the title of the final and summary chapter is "The Statics of the Problem Thus Explained." Then, in book 4, George attempted to consider the same topics dynamically. He titled the relevant chapter "The Dynamics of the Problem Yet to Seek," and proceeded to analyze the effects of increasing population, improvements in the arts of production, and the effect of expectations raised by progress. Later chapters and other books attempt to explain the business cycle, the dynamic aspects of poverty amid increasing wealth, and "The Law of Human Progress." Clearly these are attempts to dynamize the earlier discussion.⁹

Dynamics Wins?

Comparing, contrasting, and evaluating Patten's and George's approach, we conclude that George's was *potentially* the most fruitful. The economy can, after all, be analyzed both at one point in time and as it varies through time. And one may believe that an analyst *should* try to develop both a static and dynamic analysis. Yet, one would also have to judge that it was simply too difficult to develop both statics and dynamics, given the then-available tools. We also conclude that Patten's dynamic theory—implying that people come to

believe that the group's welfare is the most important concern, and implying that all new settlements represent progress to higher levels of civilization—was quite naïve and quaint. It must also be stated that George's dynamic theory—driven by a wholly untenable rent theory—was a less than happy aspect of his analysis.¹⁰

Turn attention to George's theory first. As is well known, George's rent theory was the undiluted Ricardian rent theory extended to all, not merely to agricultural, land.¹¹ The only unique feature of George's handling of the concept was that his version applied only to the extensive margin of cultivation. He had no theory at all of the intensive margin.¹²

George's static wage theory was perhaps his single most important contribution to economic analysis—even though he is better known for his rent theory. He imagined a worker with no special skills, no capital, and no previously accumulated stock of goods, and placed that worker on a plot of marginal land. Since the land was not totally barren, the worker would produce some product. But, since George has given the laborer no advantages of any sort, it seemed entirely reasonable to ascribe the total product to unskilled labor.¹³ That product, said George, would become the wage for that particular worker. Moreover, the perfectly working market mechanism would ensure that that wage rate would become the wage rate for all unskilled labor in the economy, if everything else were held equal. Skilled laborers, who applied more units of effective exertion, would produce more product in the given time period. Since the product produced and the wage rate received were thought of as equivalent, the skilled laborers would earn higher wages.¹⁴

George's static theory of interest, in contrast, was the weakest component of his system. First, George argued that since capital was, among other things, "stored-up labor," interest could be viewed as another form of wages. From this he deduced that the ratio of wages to interest must be constant.¹⁵ Second, in order to account for the mechanics of the return to capital, he advanced his ingenious concept of the "reproductive modes" of interest.¹⁶ The theory was discredited and never gained adherence—even among many of those who accepted most of the rest of his work—so it would scarcely be useful to summarize or analyze it here. But we can note that at least one

commentator has noted its incompatibility with the rest of his system,¹⁷ while another has noted its superfluity.¹⁸ Whatever the philosophical merits of George's notion of capital as "stored up labor," and of interest as a specialized form of wages, it is without empirical support. The ratio of wages to interest is not, in fact, constant, and, even if it were, George never indicated any way to determine the value of the ratio.

George's dynamic theory of income determination was derived from the Ricardian rent theory applied to the extensive margin, and from some of his own ideas about speculation, increased population, improvements in the arts of production, and material progress. Briefly, George argued that once population increased, the arts of production improved, and/or the amount of material wealth increased, the demand for land would also increase, causing rent to rise. Speculators, anticipating even further increases, would purchase land, and hold it idle or underused while waiting for its value to increase even more.¹⁹ Laborers, barred in large measure from the chance to work on speculatively held land, would either go to the city and become a class of urban poor, or move to hitherto submarginal plots of land and settle on them. When the new plots were settled, the rent on all plots already inside the margin would increase and rent would arise for the first time on the former marginal plots. Hence aggregate rents would rise. Moreover, since all wages were ultimately based upon the productivity of labor applied to marginal land, wages would inevitably fall as long as the margin of cultivation or building continued to extend downward and outward. And since the ratio of wages to interest was supposed to be constant, it seemed to follow that the rate of interest would also fall.

Patten was less concerned with income distribution theory than was George. In a significant sense that was logical, given Patten's concern for dynamics. While there is, of course, a dynamic theory of income distribution, it was not uncommon for then-current writers who were concerned primarily with dynamics to pay little attention to that theory. Patten's distribution theory, such as it was, showed several crucial differences from George's. In essence, Patten's rent theory was closer to Malthus's than to Ricardo's in the sense that it placed heavy

emphasis on social factors. Like George, but for a different reason, Patten believed in a social law of increasing returns to factors of production. He contended that social innovations and mechanical inventions would more than offset the diminishing returns that applied to the factors considered separately.²⁰ Patten also seems to have rejected the classical idea that rent and profits vary inversely. He did not believe that profits would tend to zero in competitive long-run equilibrium. His conclusion seemed to follow from his consideration of a dynamic economy. Since new industries were always forming and firms were always introducing new inventions, there was always some profit accruing to somebody somewhere. That, he argued, was sufficient to prove that profits do not tend to zero.²¹ But, it is not clear that Patten realized that the traditional statement was to hold only in equilibrium and was not intended to apply to the case he considered. Patten was, in fact, discussing a different proposition, not refuting a classical one.

Patten did not consider interest to be a cost of production, although it is not precisely clear why he didn't. Instead, Patten adopted what was essentially a time-preference theory of interest, which stated that when one saved, he gave up a certain amount of goods today for an anticipated preferred bundle of goods in the future. Given the fact that people tend to prefer goods in the present, one could be enticed into saving only if he were offered more goods in the future.²² It is hard to find in Patten's work a definite statement of a law of wages that is comparable in analytical quality with George's. Instead, Patten devoted most of his discussion of the topic to consideration of the social factors that caused changes in wages. These included the rate at which new job opportunities opened up, laborers' preference for present over future goods (labor produces goods that will be available in the future, but it must be paid in the present; hence the wages paid were said to be some function of the present value of the future goods), the consumption habits of the citizens, the state of the arts of production, the foreign trade policy of the nation,²³ and, as discussed earlier, the rapidity with which diminishing returns to labor apply.

It seems reasonable to conclude that Patten's theory was not unified

while George has a somewhat unified theory based upon the productivity of labor applied to marginal land and upon marginal rent theory.

Ethics

Each also considered the ethical issues involved in income distribution theory. George's *Progress and Poverty* is, in fact, as much a moral as a politico-economic treatise. John Bates Clark presented a response to it at the single-tax debate at the 1890 conference of the American Social Science Association at Saratoga. He placed strong emphasis on his ethical objections to George's ideas. These objections were elaborated upon in an article, "The Ethics of Land Tenure," which appeared later that year in the initial number of *The International Journal of Ethics*. In April of the following year, Patten published in the same journal "Another View of Land Tenure," in which, while rejecting George's program, he took issue with some of Clark's objections to it, and accepted some of George's ethical assumptions. Later, however, his opposition to the single tax became so ferocious that, as we shall see, he committed a breach of intellectual honesty to combat it.

George considered the private appropriation of land value to be unethical as well as inefficient. His basis for that belief was his theory of property rights—a theory that held that an individual had valid property rights in anything he created or acquired through voluntary transfer from one who legitimately owned the item under discussion. Since no human being created the "original and indestructible powers of the soil," nobody could ever claim legitimate property rights in those powers. Nor could the state confer such rights because to do so would be to abrogate to some person the natural opportunity made by God as a patrimony for all. It seemed to follow that the private appropriation of rent or land value was unethical. That was not to say that landlords, personally, were to be morally condemned, but rather that the system itself was inconsistent with moral law. Wages and interest, in contrast, were quite properly subject to private ownership, being payments for productive services legitimately rendered.

While Patten was interested in social reform, he favored retention of the traditional structure of property rights, although modified by governmental intervention. Patten's adherence to the more or less traditional property rights led some subsequent writers to call him an apologist for the then-current system.²⁴ Specifically, he condemned the single-tax proposal as unethical since it threatened to nullify what he understood to be valid property rights in the then-current system.

There is another way in which the question of ethics enters into Patten's critique of George—namely, his professional and intellectual ethics in making his criticism of George. It seems to me that Patten was flagrantly unethical. Patten explicitly conceded that many of George's propositions and conclusions did, in fact, follow logically from classical political economy. But his opposition to the single tax grew so extreme that he came to advocate restructuring of the entire discipline so that it did not lead to those conclusions. After citing George as one who attacked that harmony of class interest theory in which Patten believed, he wrote: "If the new group of thinkers called themselves sociologists or historians they might be disregarded. But they openly claim to be economists; and the worst of the matter is, they have, so far as statement goes, the mass of the older economists on their side. Nothing pleases a socialist or a single taxpayer better than to quote authorities and to use the well-known economic theories to prove his case. The economists rubbed their eyes in surprise when this assault first began; but they soon realized that their favorite authors were not so perfect as they supposed and that economic doctrine must be recast so that it would rest wholly on present data. This, I take it, is the real meaning of the present movement in economic thought. It will not accept socialism; and to free itself from the snares into which it has fallen through the careless statements of its creators, it must isolate itself more fully from history, sociology and other disciplines that give undue weight to past experience."²⁵

Patten thus proposed to reorganize radically the entire science so as to eliminate the propositions that George and the socialists used to develop their arguments. It really does appear that Patten was flagrantly intellectually dishonest. He literally proposed to pick his ethical conclusions in advance, pick the body of propositions that would lead to those conclusions, call that body of propositions

“economics” and to “isolate” himself from anything that might lead to other conclusions. That procedure amounts to nothing more than rationalization of preconceived biases and it is another reason why Patten has been called an apologist for the then-current order.

Conclusion

In conclusion, the participants in this discussion wrote on—indeed, were responsible for formulating—many or most of the major topics of concern in economics in their era. Patten often did not refer to George, and some of his references were indirect. But there can be no doubt that he was heavily influenced by George and that he developed many of his ideas as a negative reaction to George’s work.

Notes

1. Simon Nelson Patten (1852–1922) received a doctorate from Halle (Germany) in 1878. He was unable to secure a university teaching position until 1889, when Edmond Janes James helped him obtain an appointment at the Wharton School of the University of Pennsylvania, where he eventually became head of the economics department, and remained until his mandatory retirement at the age of sixty-five. His publications include eighteen books (some on topics other than economics) and 130 articles. He is best known for his advocacy of protectionist policies. He also believed that progress brought general prosperity—a belief for which—as we shall see—today he is often regarded as an apologist for the then-current social order.

2. Warren J. Samuels, “George’s Challenge to the Economics Profession,” *American Journal of Economics and Sociology* (v. 42 n. 1, January 1983). While we agree with the substance of Samuels’s comment, we note that it is better to refer to George as a “political economist” rather than as an “economist,” if only because George hated the word “economist” and used it only pejoratively.

3. Patten’s economic writings are analyzed in James L. Boswell, *The Economics of Simon Nelson Patten* (Philadelphia: Winston, 1934). A discussion of Patten’s differences from the classicists appears in the first chapter.

4. Before George and Patten wrote, the major work in the field was John Stuart Mill’s *Principles of Political Economy*; the next major work was Alfred Marshall’s *Principles of Economics*.

5. See especially Henry George, *The Science of Political Economy* (1897; reprint ed. New York: Robert Schalkenbach Foundation, 1968) particularly pp. 128–29 and 207–09.

6. This paragraph relies quite heavily upon the exposition in Boswell, *Economics of Simon Nelson Patten*, pp. 25–27.

7. Simon Nelson Patten, *The Consumption of Wealth* (Philadelphia: Ginn, 1901), pp. 28–30.

8. Boswell, *Economics of Simon Nelson Patten*, pp. 25–26.

9. The references are to book and chapter titles in *Progress and Poverty* and apply to any unabridged edition.

10. Charles F. Collier, “Henry George’s System of Economics: Analysis and Criticism,” Ph.D. dissertation, Duke University, 1975, especially pp. 247–60.

11. See George, *Progress and Poverty*, bk. 3, chap. 2.

12. Note that George always wrote in terms of displaced workers, or increasing population, moving to the frontier and settling on hitherto sub-marginal plots. They were never permitted to become additional workers on already-cultivated plots. The original Ricardian theory allowed for both cases.

13. Technically speaking, since the land was not totally barren, its productive powers would contribute something to the productive process. But since the land considered was marginal land, George had eliminated as much nonlabor input as he could have.

14. For a further discussion, see Collier, “George’s System of Economics,” pp. 16–22.

15. See George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954) pp. 198 ff.

16. *Ibid.*, pp. 180–88.

17. James Haldane Smith, *Economic Moralism: An Essay in Constructive Economics* (London: George Allen and Unwin, 1916), p. 73.

18. Irving Fisher, *The Rate of Interest: Its Nature, Determination and Relation to Economic Phenomena* (New York: Macmillan, 1907), p. 28.

19. In fact, as Francis A. Walker pointed out, there is no valid reason why speculators would hold their land idle, but George assumed they would.

20. Boswell, *Economics of Simon Nelson Patten*, p. 30.

21. *Ibid.*, pp. 30–31.

22. *Ibid.*, pp. 60–63. There is no particular reason why interest determined by time-preference should not be a cost of production.

23. *Ibid.*, pp. 102–13.

24. See, for example, “The American Apologists,” <http://cepa.newschool.edu/~het/schools/apologists.htr>.

25. Simon Nelson Patten, “The Conflict Theory of Distribution,” *Yale Review* (August 1908), reprinted in *Essays in Economic Theory*, ed. Rexford G. Tugwell (New York: A. A. Knopf, 1924), p. 219.

Seligman and His Critique from Social Utility

By ROBERT V. ANDELSON and MASON GAFFNEY

Edwin R. A. Seligman (1861–1939), a long-time doyen of American tax economists, criticized the single tax with such unrelenting vigor that of the six sentences comprising his biographical sketch in the *World Book Encyclopedia* one is devoted to setting forth this fact. Louis F. Post, an ardent Georgist who served as assistant secretary of labor in the Wilson administration, speaks of him as “the chief antagonist of our Prophet’s cause, the most influential in scholastic and also in business circles. . . .”¹

Seligman was the son of a prominent banker, philanthropist, and Jewish leader who, on one occasion, declined President Grant’s offer of a major Cabinet post. Upon graduation from Columbia University, young Seligman spent three years studying history and political science in Germany and France, returning to Columbia to earn both a law degree and a Ph.D. In 1885 he was appointed a lecturer at his alma mater; by 1891 he was full professor of political economy and finance; in 1904 he was named to the McVickar chair. Author of more than a dozen books, he originated and edited the *Political Science Quarterly* and served on numerous advisory commissions, as a consultant to the League of Nations, and, in 1931, as financial advisor to the Cuban government. Seligman’s *The Income Tax* (1911) expounded principles that Congress embodied in the income tax law of 1913. He was active in New York City reform politics, and was chairman of the mayor’s tax commission, 1914–1916. His distinctions included five honorary doctorates and several foreign decorations. He took pride in owning the largest private library on economics in America, rich in rare sixteenth- and seventeenth-century volumes.

When not yet thirty and already of professorial rank, Seligman took the lead in opposing George at the 1890 conference of the American Social Science Association in Saratoga, which was wholly devoted to

a debate on the merits of the single tax. Their eloquent but acerbic exchange was the high point of the proceedings.

At this event Seligman provoked all of George's combative instincts, which were never far below the surface, with the assertion that "there is not a single man with a thorough training in the history of economics, or an acquaintance with the science of finance, who is an advocate of the single tax on land values. In biology, in astronomy, in metaphysics, we bow down before the specialist; but every man whose knowledge of economics or of the science of finance is derived from the daily papers, or one or two books with lopsided ideas, thinks that he is a full-fledged scientist, able to instruct the closest student of the markets or of the political and social organisms."²

To this broadside George replied that the antagonism of the professors toward his teaching was attributable to the domination of the universities by vested interests, condemned Seligman for his elitism, and asked: "If our remedy will not do, what is your remedy?" He went on to say that palliatives would not avail. "You must choose between the single tax, with its recognition of the rights of the individual, with its recognition of the province of government, with its recognition of the rights of property, on the one hand, and socialism on the other. . . ." He accused the professors of proposing "more restrictions, more interference, more extensions of government into the individual field, more organization of class against class, more bars to the liberty of the citizen. In turning from us, even though it be to milk-and-water socialism, you are turning to the road that leads to revolution and chaos. . . ."³

Seligman's rejoinder ended with a peroration that summed up the attitude of most academic economists of his day:

Mr. George, you ask us, if the single tax is not the remedy, what is the remedy? Ay, that is the question. . . . If we thought that you had solved the problem we would enthrone you on our council seats, we would reverently bend the knee and acknowledge in you a master, a prophet. But when you come to us with a tale that is as old as the hills, when you set forth in your writings doctrines that have been long exploded, when you in the innocence of your enthusiasm seek to impose upon us a remedy which appears to us as unjust as it is one-sided, as illogical as it is inequitable, we have a right to protest. All careful students beware of the man with the *ism*. This is not the first time that the enthusiast has sup-

posed that he has discovered a world-saving panacea. The remedy lies not in any such lop-sided idea: the remedy is the slow and gradual evolution in a hundred ways of the moral conscience of mankind.⁴

The acrimonious encounter at Saratoga initiated a long series of criticisms that appeared in many books and articles by Seligman. Yet he was not altogether unappreciative of George and George's followers: "It is undoubtedly true," he wrote in one of his most celebrated works, "that the single tax agitation has been of great value. It has in some countries served to direct attention to the abuses of a medieval land system. It has in the United States helped to disclose the shortcomings of the antiquated general property tax. It has everywhere done yeoman's service in emphasizing the question of unjust privilege."⁵ Especially did he prize the cooperation of single taxers in his efforts to secure the abolition of taxes on personalty, which he regarded as particularly obnoxious. In point of fact, Seligman favored the taxation of land values as part of a more inclusive system, because, as he put it, "it reaches one of the elements of taxable ability."⁶ But he felt that all save the most modest incomes, from whatever source, should, for the same reason, be subject to exactions at progressive rates.

Seligman's influential *Essays in Taxation* may be considered his fullest and most definitive critique of Georgist doctrine. In it his animadversions are presented under two main headings, theoretical and practical, and within the latter heading under four subdivisions: fiscal, political, moral, and economic—in that order. However, it has been deemed expedient in the present chapter to commence with a treatment of his theoretical and moral objections by a specialist in social ethics, followed by a section on the other three categories by a specialist in land economics and public finance.

Theoretical and Moral Objections*

In the distribution of wealth, the just satisfaction of individual claims requires that society's claim be also justly met. Such is the general

*This section, by Dr. Andelson, is adapted from his article "Where Society's Claim Stops: An Evaluation of Seligman's Ethical Critique of Henry George," *American Journal of Economics and Sociology* 27, no. 1 (January 1968): 41–53.

crux of Henry George's message. But where does society's claim rightly stop? George's answer to this question set forth boundaries sharp and well defined. In the hands of others, the boundaries of society's claim have been so far extended as to constitute no boundaries at all, and the claims of individuals proportionately reduced to nothing.

Among these others, few have had the influence of Seligman. As one who advocated an extended view of society's claim, Seligman overlooked no opportunity to challenge the restricted view of George. While most of his objections along this line had been advanced in one form or another by earlier writers, they achieved their greatest impact under the aegis of his authority. Such attempts as have been made to counter them have mainly taken place outside the normative stream of economic literature and have hence been but little felt despite their cogency.

One conclusion that emerges from Steven B. Cord's valuable study, *Henry George: Dreamer or Realist?*, is that the revived appreciation of George that has been manifest in recent years tends to be limited to certain rather superficial aspects of what George proposed, and does not preclude the concurrent acceptance of ideas antithetical to some of his most fundamental premises. This may be viewed, at least in part, as a testimony to the durability of attitudes that Seligman helped greatly to engender.

The moral rationale for George's system rests upon two logically independent but complementary arguments, one primary and the other secondary. The first of these is the argument that since God created the earth for the use of all men, no one has the right to arrogate to himself exclusive access to any portion of it without indemnifying those thereby denied access. The indemnity, amounting to the market value of the advantage, namely, ground rent, is seen as a divinely provided fund that should be used by the community to meet general social needs.

The secondary argument is that inasmuch as the market value of raw land is wholly a social product, that value should be appropriated by society as the most "natural" and equitable source of public revenue. The primary argument is directed, at least initially, against private ownership of land, and espouses the public appropriation of

ground rent simply as a mechanism whereby such ownership may be rendered ethically and practically innocuous. The secondary argument, on the other hand, bypasses the matter of land and attacks the question of ground rent directly.

Both arguments, it should be noted, assume the labor theory of ownership, which in turn is rooted in the doctrine of natural rights. Given classical expression in Locke's *Second Treatise of Government*, the labor theory of ownership asserts that since the individual has an inherent right to his own person, he has a right to his labor as an extension of his person, and therefore a right to whatever that labor produces when applied to the opportunities afforded by his natural environment. This product he may consume, save, give away, bequeath, destroy, or exchange at will. But inasmuch as land is not a product of human labor, it may legitimately be treated as private property only so long as there is "enough, and as good, left in common for others."⁷ Translated into economic terms, this means only as long as it has no market value. Implicit in Locke's position is a corollary upon which George laid emphasis: "as labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce."⁸

Seligman's ethical critique of George begins with the misleading statement that "the essential feature of the Single Tax is the singleness of the tax. . . ."⁹ In his essay "The Classification of Public Revenues" he defines a tax as "a compulsory contribution . . . to defray the expenses incurred in the common interest of all, without reference to special benefits conferred."¹⁰ George's proposal for the public appropriation of ground rent is not in this sense a proposal for a tax at all, but rather for a public or quasi-public fee to be placed upon the special benefit received from society by the holders of land titles. As a concession to popular usage, he sometimes referred to it as a tax, but he never considered the term descriptively accurate.

Nor did George regard the "singleness" aspect of his proposal as its essential feature. He rejected all true taxes as arbitrary and unjust because not proportionate to benefits. But his system does not exclude the theoretical possibility of public charges for special benefits other than the privilege of monopolizing the "opportunities

which nature offers impartially to all," although he viewed such other benefits as comparatively trivial. Neither does his system exclude the theoretical possibility of a uniform charge for socially conferred benefits available to everyone; he merely held that those who enjoy such common benefits should not be made to pay for them until those who enjoy special benefits at the expense of all have paid for these in full.¹¹ He anticipated that if this were done, the revenue would be sufficient to render a more general levy superfluous, and there is evidence that, at least for his time, he may have been correct in this. Insofar as monopolistic privilege begets social evils that give rise to public expense, his reform, to the extent that it would extirpate such privilege, would concurrently reduce the need for public revenue. Furthermore, the potential ground-rent fund is much larger than is commonly supposed.¹²

Seligman gets his critique under way with a sweeping indictment of the doctrine of natural rights, which he claims has been proved incontestably by modern jurisprudence and political philosophy to be mistaken.¹³ This claim he grounds upon the fact that *belief* in the doctrine has been demonstrated to be a phenomenon lacking in historical catholicity—a fact that actually, of course, in no way invalidates the doctrine itself. However, this non sequitur need not occupy us further, for Seligman contends that even if the natural rights doctrine could be accepted, the labor theory of ownership would still be false.

Individual labor, he asserts, has never by itself produced anything in civilized society.* The very conditions that make production (save at the most primitive and rudimentary level) possible are the result of the contributions of the community. Civilized production depends upon a general fund of knowledge that has been built up through generations of technological experimentation. It depends upon opportunities for transportation, marketing, and the like that the individual finds already at hand, a legacy from others. It depends upon the materials and tools he uses, made available by countless men and

*This argument was rudimentarily anticipated in Richard T. Ely's *Taxation in American Cities* (1888), pp. 16f.

women, the specific identity of most of whom he cannot but be ignorant:

Take, for example the workman fashioning a chair. The wood has not been produced by him; it is the gift of nature. The tools that he uses are the results of the contributions of others; the house in which he works, the clothes he wears, the food he eats (all of which are necessary in civilized society to the making of a chair), are the result of the contributions of the community. His safety from robbery and pillage—nay, his very existence—is dependent on the ceaseless cooperation of the society about him. How can it be said, in the face of all this, that his own individual labor wholly creates anything? . . . No one has a right to say: This belongs absolutely and completely to me, because I alone have produced it. Society, from this point of view, holds a mortgage on everything that is produced.¹⁴

All private ownership is justified, therefore, only because and to the extent that it has social utility. Since all property is preeminently a social product, what a man owes society should be measured by how much he owns, and the amount of his tax governed by his ability to pay.

The above reasoning really consists of three separate lines of argument, for it is clear that three distinct factors have gone into the making of the chair apart from the labor of the chairmaker. First, there is the wood. Although, as Cord points out, only as uncut virgin timber is wood, strictly speaking, a gift of nature,¹⁵ we may, for purposes of discussion, regard it as representing the element of natural opportunity, namely, land, upon which all production ultimately rests. Second, there is the mental and physical labor of other individual producers, signified by the chairmaker's tools, his clothes, his food, and so on. Finally, there is his safety from robbery and pillage, guaranteed by government. Only this last may be considered the contribution of society as an organized body not separable into its component members.

Perhaps Henry George's most distinctive offering to social thought is his insistence that the cost of the governmental factor should not be drawn from wages and interest, but rather met from the natural factor as an inevitable accompaniment of the full exercise of the protective function. By appropriating ground rent, government would not

only acquire the means (he believed sufficient means) for its own support, but also perform one of its most vital duties—that of protecting citizens from pillage in the form of the monopolistic private expropriation of natural opportunity. From that which no private labor has produced, he taught, arises a social fund that, if taken by society as an organized totality, should prove adequate to sustain its operations as an organized totality. Why should the chairmaker pay tribute to a private landowner for his wood, George would have asked, when the landowner did nothing to produce it? Instead, let him make his payment to society, for the wood is a natural opportunity in limited supply, and the market value of timberland delineates the degree to which that opportunity is not available to all who wish to use it. His payment (made via the landowner, who could retain a small percentage of it as a collection fee) would reimburse the other members of society for the opportunity of which his acquisition has dispossessed them, and at the same time support the protection that society, through government, affords to him and them alike.¹⁶ George would concur with Seligman that society holds a mortgage on the chair for the wood of which it was fashioned and the protection under which it was produced, but he would say that the expense of the latter can and should be met by the payment of the former.

This leaves the middle factor that went into the making of the chair—the mental and physical labor of other producers, drawn upon by the chairmaker in his use of tools, housing, clothes, food, and the like. As Cord incisively remarks:

the chairmaker satisfies his obligations to the society that provided him with these things by paying for them. Should he pay twice, once by reimbursing the original owners of these goods and services and then again by turning over a share . . . of his own chairmaking income? It would seem that one payment to society and its members should be morally and practically sufficient.¹⁷

But, it may be argued, the middle factor includes not merely those goods and services for which the chairmaker pays, but also a host of others for which he does not—the general cultural and technological advantages, both tangible and intangible, built up through the centuries by the efforts of individuals upon whose shoulders we all stand. Yet, if not paid for by the chairmaker, these advantages have been

paid for nonetheless, in whatever returns for which they were initially exchanged. If, because of monopoly or other forms of exploitation, these returns were in many instances more meager than they would have been under a free market, the chairmaker is not placed under obligation for this reason. The modern tourist who thrills to the sight of the pyramids does not incur a debt because they happened to be built by slaves! Although perhaps an unintended beneficiary of exploitation, he was not its agent; its victims are, in any case, beyond the possibility of recompense, and it is to no one's detriment that he avails himself of the advantage for which he does not pay.

In contending that this middle factor constitutes a justification for a mortgage by society upon production, Seligman repeats a fallacy that may stem from a misreading of Mill¹⁸ and was spread in this country by Edward Bellamy,¹⁹ namely, that the division of labor imposes upon the individual who is its beneficiary an obligation that extends beyond that which he satisfies in the ordinary process of exchange.

The division of labor assumes by definition the reciprocal satisfaction of its participants, for by division, rational division is implied, and without reciprocity division must in the last analysis rest upon arbitrary elements. Society does not exist apart from concrete individuals, and its function (however much perverted in historic practice) is to permit them the reciprocal satisfaction of their wants. If, therefore, they are not free to exchange goods and services on a voluntary basis, it is evident that social institutions obtain that thwart the function of society itself. If they are free to make such voluntary exchanges, they will do so only in terms of mutual satisfaction as determined by supply and demand. When once, under such conditions, an exchange has been consummated, its participants have no further claim to a return. Although others, not parties to the exchange, may benefit incidentally from it, no liability is thereby incurred by them, for (1) they did not enter into the transaction, and (2) those who did enter into it have already been fully recompensed according to the stipulations upon which the exchange was based.

This is not to say, of course, that the exchange may not anticipate the involvement of additional parties, but the obligation of such parties does not arise unless and until they agree to meet whatever

terms are set by the makers of the original transaction. In other words, while an initial transaction may lead to new ones, it does not of itself impose a liability upon anyone not a party to it. The division of labor as manifested in the marketplace affords no justification for a social mortgage on production, for, if unimpeded, the operation of the market automatically provides for the reciprocal satisfaction of its participants. This is brought out in more detail by Max Hirsch, who also effectively refutes another line of argument against the labor theory of ownership—that ability and the value of services are social products, and that their reward therefore rightfully belongs to society as a whole.²⁰

Since the labor theory of ownership does not purport to justify the private ownership of nature, Seligman's point about the wood used by the chairmaker is irrelevant. Since the labor theory can be enforced only by the protective activities of government, it is in no way invalidated by the recognition that the cost of those activities represents a lien on ownership. By refusing protection, an individual may theoretically divest himself of such a lien, but in thus placing himself outside of the protective system he makes himself presumptively its enemy, forfeiting his claim to the right of ownership by declining to assume its correlative responsibilities. However, since the costs of protection can be met, at least in part, by a charge for the privilege of treating as private property something not produced by labor, society's lien on ownership to pay these costs does not become morally operative until the full rent-yield of nature, as determined by the market, has been collected and applied against them.

Cord adverts to Seligman's repetition of the time-worn notion that "since land is bought with the fruits of human labor, the labor theory [of ownership] can justify the private ownership of land."²¹ Like the proposition just dealt with, that the labor theory can justify the ownership of producible goods (e.g., chairs) by society, this is an attempt to discredit the labor theory as self-contradictory. Cord answers it succinctly: "Exchange or purchase cannot make an unjust title just; after all, one might buy stolen property or a slave, and yet a rightful title would not be acquired by such a purchase."²²

Cord believes that "although George's labor theory [of ownership] merits respect, recent developments regarding taxation force some

short-run modification of it.”²³ Yet his suggestions in this connection do not really touch the labor theory of ownership as such, but merely George’s application of it as embodied in the proposal for a levy falling exclusively upon ground rent. I have already shown that George’s theory does not actually exclude the possibility of other benefit charges should the rent fund prove inadequate to meet such obviously legitimate expenses as the cost of public safety. Since such things as police protection and national defense are benefits vital to the common weal, and upon which every member of society may lay equal claim, it is patently right that each should bear an equal share of any cost that may exceed that which can be financed from the rent fund. The same principle obtains from a perhaps more local standpoint with respect to the expenditures necessary for safety requirements like fire and flood control and the control of communicable disease.

However, Cord goes further, suggesting that still other expenditures are needed to maintain “that essential condition of true democracy, equality of opportunity.”²⁴ In this category he mentions expenditures for free medical care for the indigent, and compulsory unemployment insurance, and remarks that “many people argue” that the list should include expenditures for farm price supports, public housing, tariff protection, and post office deficit—additions that he is evidently not himself inclined to accept.

Even if all these things were demonstrably requisite to equality of opportunity, their legitimacy might well be questioned on the ground that whereas the function of ensuring *equal freedom of opportunity* falls properly within the role of government, the function of ensuring equality of opportunity does not. If government seriously undertakes to ensure equality of opportunity, it must go beyond preventing predation and the unequal advantages that arise therefrom and seek to redress inequality resulting from differences in native endowment. It can do this only by conferring special privileges on some at the expense of others, and this is precisely what it does when it uses tax money for the purposes just listed. But, as Cord comments, from a moral standpoint “the taxing of one individual to benefit another cannot be condoned.”²⁵ Coercive monopolization of opportunity could be largely obviated by the public appropriation of ground rent.

For, as stated in the eloquent prose of Winston Churchill, the land monopoly, while not the only monopoly, “is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly.”²⁶ It seems probable that if freedom of access to natural opportunity were thus guaranteed, the number of deserving indigent would be so reduced that their needs could be cared for without recourse to compulsory support.

In his impressive study, *The Philosophy of Henry George*, George Raymond Geiger essayed to reconcile the labor theory of ownership with the social-utility theory.²⁷ In like vein, Cord asserts that in the last analysis “there may be no real difference between the social utility and labor theories of property, except in the matter of emphasis,”²⁸ because “what is best for society is that each man should receive the fruits of his labor.”²⁹ While advocates of the utility theory might accept this notion of what is best for society as a very general long-run proposition, most would allow for so many exceptions in specific cases as to render it useless as a regulating principle. Furthermore, to say that in the long run justice promotes utility is not the same as saying that utility ought to be the standard for justice. In fact, the two theories cannot be reconciled, for each asserts a different norm as ultimate. Yet to accept utility as ultimate is to follow a will-o'-the-wisp, for it always presupposes something else in terms of which it is defined.

Allied with Seligman's attack upon the labor theory of ownership is his attack upon the concept of ground rent as a uniquely social product. Whereas according to the former attack, inasmuch as nothing is the product of unaided labor, social utility and not labor constitutes the proper criterion for ownership; according to the latter attack, inasmuch as nothing can be long produced for sale without social demand, society holds a mortgage upon all commodities. Thus George's secondary argument—that because ground rent is socially produced it constitutes a distinctively appropriate basis for public revenue—comes under fire.

In his book Cord concedes, albeit reluctantly, this point,³⁰ insisting that the justification for the public collection of ground rent can be made to rest squarely upon George's primary argument and is weakened by appeal to the secondary one, which he dismisses as unten-

able despite its facile and seductive nature.³¹ However, he has since abandoned this position. As Geiger remarks in his defense of the secondary argument, economic value is determined, not by demand alone, but by the relationship between supply and demand:

the press of population and all the amenities of civilized society express themselves in the demand for land—as they do in the demand for everything else—but whereas the demand for land *must* raise land rent and land value, the value of consumer goods and capital goods will rise or fall, not merely as demand varies, but also in proportion to the elasticity of a reproducible supply in meeting that demand.³²

This he illustrates by pointing out that in large centers of population, where rent is invariably high, the value of labor products, all other things being equal, is comparatively low. Land is supremely characterized by its inelasticity of reproducible supply.

Given an unmonopolized supply of any economic element, in the production of which there is some measure of competition, increased demand and higher societal organization may not result in increased value. But since there is essentially a monopoly of land and since it is fundamentally irreproducible, increasing demand and social organization *must* raise land values.³³

It must be noted that the reasoning just quoted hypothesizes an unmonopolized supply of consumer and capital goods. However, Seligman maintains that “if there is one thing that distinguishes the modern age, it is the development of economic monopolies of all kinds,” and that the “‘unearned increment’ of land is only one instance of a far larger class.”³⁴ For purposes of example, he draws a parallel between increase in land values and the rising earnings of a newspaper because of the growth of a community. Jackson H. Ralston comments that in order for such a parallel to be valid, “the newspaper plant must be closed, the machinery left in place and all labor employed in it discharged. In that case, how much unearned increment will the newspaper building and the machinery, now idle, put into the pocket of the owner because they are surrounded by an industrial community?”³⁵

The pertinence of Seligman’s thrust as to the ubiquity of monopoly in consumer and capital goods is dispelled by a consideration of the seminal and pervasive character that land monopoly reveals to

anyone who looks beneath the surface. The recognition of this character, dramatically proclaimed with Churchill's castigation of land monopoly as "the mother of monopoly," finds somewhat more sedate expression in the following statement by John R. Commons, an economist contemporaneous with Seligman: "If the size of fortunes is taken into account, it will be found that perhaps ninety-five percent of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies."³⁶ Geiger concludes that:

no matter how complete may be the capitalistic control of machinery and all the actual instruments of production, any significant separation of that "capital" from mineral, timber, fuel, railroad "land," would be fatal to monopoly. . . . It seems that, Antaeus-like, capital derives its strength from land, and it would appear that the breaking of land monopoly—which must follow once the value of land has been socialized—might operate upon the very foundations of capitalistic monopoly.³⁷

More formidable than Seligman's objection to the secondary argument is one raised by Charles B. Spahr, another economist of the period. Even if land values are socially created, he insists, not all members of society are equally responsible for creating them. Some, in fact, may actually decrease them. Why, therefore, should ground rent be equally enjoyed, as George proposed, by all members of a given community?³⁸ Yet this objection, too, loses force when subjected to the following considerations.

To begin with, the extent to which an individual increases or decreases the value of a site has little or no relationship to whether or not he owns the site. Hence, however valid it may be otherwise, Spahr's objection constitutes no argument that rent should necessarily be appropriated by the owner. Second, everyone adds an equal unit to site value merely by adding a population unit to the community where a site is located, even though, over and above this, individuals may differ in their effect on rent. Whereas the former effect is measurable, the latter is not and should therefore accrue to the community at large. Third, land values are in part due to the presence of good government and valuable public services. In a democratic community these things must be attributed to the general voting

public, rather than to specific individual citizens. Finally, even where an individual contributes nothing to (or even decreases) land values, he still has a legitimate claim to be indemnified to the extent that private land ownership has denied him equal freedom of opportunity in the use of nature. Thus even if George's secondary argument were rendered nugatory by Spahr's objection, his primary argument would still vindicate the public appropriation of ground rent.

To return to Seligman—in the last analysis his attack upon the concept of land value as a uniquely social product represents an approach more forensic than substantive. For behind his effort to extend the notion of social increment as a source of public revenue beyond the limits defined by George lies an organismic theory of the state, which ultimately justifies the public confiscation of any kind of income, regardless of its source, his view of equity demanding only that the confiscation be proportioned to ability to pay. He sees the state as a unity that transcends the sum of its component members:

[the individual] does not choose the State, but is born into it; it is interwoven with the very fibres of his being, nay, in the last resort, he gives to it his very life. . . . We pay taxes not because we get benefits from the State, but because it is as much our duty to support the State as to support ourselves or our family; because, in short, the State is an integral part of us.³⁹

The government, indeed, must do something for the community in return for the support which it receives. But this reciprocal obligation on the part of the government is not toward the individual as such, but toward the individual as a part of the greater whole. The special benefit is swallowed up in the common benefit. . . . In its ideal form, at all events, the State must be likened not to a joint-stock company, but to a family. The citizens are not stockholders but brethren, animated, if they are patriots, by the same ideals and by the same fine sense of cooperation in the common interest.⁴⁰

This romantic theory, doubtless carried back by Seligman from his student sojourn in Germany, is grounded upon an interpretation of human nature that comports ill with the hardheaded empiricism affected by him as fitting to a social scientist. Seligman takes repeated potshots at George's "utopianism,"⁴¹ yet what is more utopian than the notion that such exalted motives can safely be made the foundation of a political order? In actual application its effect has ever

been to undergird the hegemony of authoritarians who declare with Robespierre, "Our will is the general will."

As an authority both restraining and restrained, the state is necessary and legitimate. As an absolute and omnicompetent power, from the standpoint of psychological realism it is both an ethical travesty and a practical absurdity. That personal fulfillment comes only as the individual loses himself in a preoccupation with some goal beyond himself is a truth that has been recognized by moral and mental theorists for centuries. But this truth cannot without unconscionable risk be made the foundation of a political philosophy. Considering the difficulty of finding men who can be trusted not to abuse the relatively modest function of ensuring the reciprocal freedom of citizens to choose and follow their own separate goals, it is fatuous to suppose that any leader, elite group, or majority of men is so virtuous and wise as to qualify for the task of choosing goals to which all shall be compelled to give allegiance. Reciprocal freedom is the only goal the acceptance of which can safely be made operatively incumbent upon every citizen. Although George, in words attributed to Helen Keller, displayed "a splendid faith in the essential nobility of human nature,"⁴² his system does not depend upon that faith. Instead of relying upon the beneficent use of unchecked power, it envisages its limitations and dispersion through decentralization and the extirpation of monopoly. As one examines George's thought against the horrors that manifest themselves increasingly as the final outcome of the logic of the total state, one cannot but conclude that he should be reckoned the realist, and Seligman, the dreamer.

Practical Objections*

In addition to opposing the single tax on theoretical and moral grounds, Seligman had a number of pragmatic technical objections to it. As we review these, it should be borne in mind that, like the others, they were directed against the *single* tax, not against land-value taxation as merely one component of a public revenue system also embracing other levies such as Seligman's favorite, the progressive income tax.

*This section is the work of Dr. Gaffney.

Under the rubric "fiscal defects," he cites, to begin with, the inelasticity of a sole tax on land values as a source of public funds. By this he means, first of all, that under it the fisc cannot increase revenues at will, because it has but one source and is already by assumption taking all that that source will yield. Second, he means that revenues based only upon that source will be unstable, since the unimproved value of land is "subject to far more fluctuations than in commodities where the supply may be altered at pleasure."⁴³

Against the charge of inelasticity considered in its first aspect, the following points may be raised:

(a) The same charge is leveled routinely but mindlessly against the property tax in general. It flies in the face of the fact that the value of land is rising faster than income or almost anything else, and the property-tax base is in fact highly elastic. Income tax revenues rise in part because rates keep rising as inflation puts more and more people in higher and higher brackets; property taxes rise because the base rises, with fixed rates.

(b) An unbridled power to tax is not necessarily desirable. The history of the decline of civilizations is not one of inadequate powers to tax, but of top-heavy parasitic bureaucracies. Today, the movement for revenue limitations in several states reflects widespread belief that government profligacy can be controlled in no other way.

(c) Governmental units with bonding and borrowing power can handle temporary bulges in needs without increasing taxes, as long as they have sufficient discipline to retrench when capital needs have been met.

(d) At present, most governments collect considerably less than the full land rent, raising the percentage from time to time as required and often lowering it too. They could just as well collect it all and distribute part of it in the form of social dividends, reducing dividends when faced with mounting needs.

(e) A small local community cannot tax more than the rent anyway, by whatever means, because other taxes are shifted into lower rents—that is, they reduce land values. (If this were to continue to the point where land ceased to have value, the community, and hence the need for taxes, would disappear.) Taxing rent directly is simply a more

efficient means of doing this, without the "excess burdens" of indirect taxation. A corollary of this is that a local government can collect more revenue by taxing land values than in any other way. Inefficient taxes create unacceptable hardships for marginal lands and producers while the best lands are still yielding lots of rent for their owners. (A marginal community will not be uniformly marginal, but have better and worse parcels.)

(f) Efficient government will generate more rents (although fewer speculative values).

Issue may also be taken with the charge of inelasticity in its second aspect:

(a) Historically there have been some wide boom-and-bust swings in land values in frontier areas, to which Seligman evidently alludes. But these have occurred in the absence of heavy land taxes. As he points out later⁴⁴ with respect to Western Canada, even where buildings were exempt, tax rates on land were so low as to bear scarcely any resemblance to what George proposed (Charles H. Shields found they were lower than in the average U.S. city⁴⁵). One of Seligman's inconsistencies is to pillory the full single tax, and use the negligible single tax as a case in point.

(b) Local governments rely upon property taxation because of its stability and reliability, which many of them need because of their weak credit ratings. Short-term variations in activity-based taxes are not matched by equal variations in property taxes. The land part of the property base is normally the more stable. This may be seen frequently in decaying central cities, where the land retains a renewal value even where buildings have become worthless. After a whole neighborhood declines, the land also loses value; but at the fringes of the blighted neighborhood there is still land value, and the renewal that would result from taxing land instead of buildings would sequentially restore the renewal value of land from the outside inward. In marginal areas with minerals, the property tax on mineral values provides a stable revenue, while the severance tax is turned on and off at the convenience of the owners. Indeed, owners criticize the property tax for imposing risk on them. It follows that it reduces risk for the fisc.

(c) A compact and orderly city and region, growing outward sequentially, would not be subject to boom and bust. This is the objective of land planning cum land taxation. The wild swings that Seligman deplures have occurred in the absence of significant land-value taxation, and should hardly be cited as the results of, or as arguments against, it—whether it be proposed as the sole source of public revenue or otherwise.

Another alleged fiscal weakness of the single tax is that land is difficult to assess accurately. Seligman gives no authorities or data, but much vigorous affirmation. Extended discussion by economists and assessors of this point may be found in *The Assessment of Land Value*, edited by Daniel M. Holland.⁴⁶ The weight of opinion there is that the accurate assessment of land values is feasible but that of buildings, less so. There is, of course, a problem of undertrained assessors, but it tends to solve itself as we increase reliance on this tax base. The tax on which we rely most heavily will get the brains and personnel to handle technical difficulties.

Seligman concedes in a qualified way that land values in cities can be distinguished from building values, but he thinks that in rural districts the separation of land values from improvement values constitutes an insuperable problem because agricultural improvements are so largely *in* rather than *on* the land. As a farm economist at the University of Missouri, the present writer looked into this question and found little to support Seligman's position.⁴⁷ Léon Walras, too, examined this question in his *Théorie d'économie sociale*, although his treatment of it is omitted from Jaffe's English translation. The farmland apologists, he says, see the manure going into the soil; they do not see the yield coming out of it each year. Artificial fertility in fact turns itself over economically in a short time.

With respect to the matter of agricultural improvements, as elsewhere, Seligman assumes the worst: a perverse, destructive assessor who seizes upon any soil improvement to confiscate, and violates the spirit of the laws he is administering. This smacks more of hostile rhetoric than of careful analysis.

Seligman next introduces three "political defects." The first of these is that the adoption of the single tax would necessitate the abolition

of import duties. Most economists favor free trade anyway, as George did. But if protection be regarded as desirable, nothing says we cannot tax both land and imports, or use quotas and marketing agreements. Seligman suggests that, quite apart from protection, there may be political or fiscal advantages in having import duties. Most economists have noted, on the other hand, that Britain's era of political and economic hegemony coincided with its era of free trade.

The second "political defect" is that the single tax would preclude sumptuary taxes. But sumptuary taxes, although sometimes prolific revenue producers, often fail in their intended function; when set high enough on a commodity to deter legal sale, they are evaded on the black market. If, however, a cigarette tax, for instance, be viewed as a rent charge for the use of air at the expense of others, it can be justified on Georgist grounds. Taxes on activities that pollute the environment are rents for the use of a natural resource.

The third political weakness is that the single tax would take away "from the vast majority of citizens the sense of their obligation to the government, and . . . divorce their economic interests from those of the state," since a relatively small segment of the population would pay the taxes.⁴⁸ This rings strangely coming from an advocate of ability to pay as the prime criterion of taxation, and is one of Seligman's many inconsistencies. (Incidentally, it should be noted that he concedes, in asserting this position, that land is not very widely held.) "Since the 'unearned increment' would flow of itself, silently and noiselessly into the treasury, there would be no need of a budget; and the sense of responsibility in the citizens would be perceptibly diminished."⁴⁹ There is an inconsistency here, too, for the statement does not jibe with his earlier concern about the elasticity of revenue, which suggested that the problem would be lack of enough money for government. Here he worries that there would be too much. In fact, the ability to tax almost anything, which he favors, seems more likely to encourage public extravagance than does the limitation of taxes to land values. Certainly, the ability of landowners to slough taxes onto others turns them from watchdogs of the treasury into raiders, since so much of public spending creates new unearned increments to land value.

The remainder of Seligman's objections to the single tax are "economic defects." The first is that marginal communities would have practically no public revenue if they were restricted to taxing land. "Since land values [in such communities] are insignificant, a tax imposed on an insignificant basis must be insignificant."⁵⁰ Under such circumstances, the maintenance of roads, schools, and so on would become impossible. In fact, in order to be marginal rather than sub-marginal, a district must have land that yields enough to pay not merely the private costs of production but also the costs of government, however taxes may be levied. Labor and capital are mobile in comparison with land, so they will move around until their returns are equalized after taxes; they will not remain in a marginal district if the burden of taxes is placed upon them.

He next asserts that under the Henry George proposal, the taxes of the farm population would increase. He presents data showing that the value of improvements per dollar of land value is, on the whole, greater in cities than on farms. A missing link in his argument is whether these data come from within the same tax jurisdiction, but they clearly do not and so miss the mark. Actually, as to land/building ratios, both farms and cities are heterogeneous. There are land-intensive farms, and capital-intensive ones. It is between these categories that the shift of the tax burden would occur. (The present writer has data showing that the capital-intensive farms are, for the most part, smaller.) Where cities include "farms" today, they would be valued primarily as speculations and only incidentally as farms. Getting more taxes from their owners would not be increasing the burden on working farmers.

But if some farmers did have to pay more, so what? It is bad enough to make cows sacred, and worse to add the owners of their pasture. Intensive farmers would not pay more. "The efficient farmer with his heavy investment in capital equipment would certainly benefit by a shift of taxation from improvements to land; the inefficient might not, but perhaps he should be persuaded by every means, including that of taxation, to switch to more economically desirable endeavors."⁵¹

Seligman's final point has to do with the effect of the single tax on urban communities. Here he seeks to refute the contention that the

inhabitants of slums would be benefited because the abolition of taxes on improvements would cause "vacant lots to be built over as if by magic,"⁵² thus making more housing available, and forcing down tenement rents.

He asks "where all this additional capital which is to be invested in houses is coming from. There is no fund floating about in the air which can be brought to earth simply by the imposition of the Single Tax; the amounts to be laid out in houses must be taken from the capital now invested in some other form of productive enterprise."⁵³ Seligman contradicted himself in an article written a few years later, by stating that the imposition of a land-value tax would cause a building boom that would last until a new equilibrium between dwellings and population had been reached.⁵⁴ Still, it could be instructive to pursue his idea.

His contention in the *Essays* that capital would not be available for building represents an unstated change of focus from the local to the national or world economy. Any small jurisdiction, obviously, can import capital from outside, and will do so if it exempts buildings and taxes land. Today, economists speak routinely of "open" and "closed" economies, to indicate what is assumed about the possibilities for migration of capital and labor. One is supposed, in a discussion of this sort, to stick with one or the other; Seligman makes points by moving back and forth without saying what he is doing. Georgists have not always been consistent either, but here I am reviewing Seligman.

He correctly states that the Georgist premise that building taxes are shifted forward to tenants assumes implicitly that what is at issue is a building tax levied partially and selectively on rental buildings. This is known now as partial equilibrium analysis. But if taxes are levied on all capital, and the supply of capital is *not* fixed (an open economy), then the tax must rather be shifted into lower land values. Where else could it lodge? The other inputs can all cut and run.

Seligman, however, has moved in his discussion, without saying so, to a closed economy. If all capital is taxed uniformly, he states, the supply, like that of land, is fixed, and so owners of capital bear the tax in lower rates of return.

Seligman fails to consider that even in this closed economy there is a fund of capital, not "floating about in the air" but stuck in the ground. This is the huge and ever-growing waste of public and utility-industry capital in the overextended infrastructure demanded by urban sprawl, and private trucks and autos required to survive in scatter land. These diversions of capital from housing and industrial needs result from the land speculation that George's policies are designed to prevent and remedy.

Also, even in a closed economy, taxing capital means a lower rate of return to capital after tax, which might reduce saving, investment, and capital formation. This is a major issue today. Nor does Seligman look at the allocation of capital between taxed private uses and tax-free public ones. Public agencies generally overuse capital, in part because they pay no property taxes on it. Nor does he consider that even the whole national economy is not really entirely closed. Capital is imported and exported. Lower returns here have caused it to emigrate on a grand scale.

Nor does Seligman consider that lower after-tax returns to capital mean lower capitalization rates applied to land incomes. Land value is income/interest rate. Higher land values thus result from taxing capital, where capital bears the tax (granting the assumption that it does). This higher land value is an asset to the owner, constituting a substitute for real capital, and weakening his incentive to save. Thus lower after-tax returns to capital do indeed reduce capital formation.

Seligman now raises the objection that the single tax could not reduce inner-city congestion, because slum inhabitants are necessarily limited to small areas by their preference for living in proximity to their work and, since virtually all the land in these areas is already developed and in use, nothing will increase the effective supply. He cites a tenement neighborhood on Manhattan Island, saying that "not seven-tenths of one percent of the building lots lie idle."⁵⁵

Two of his assertions now contradict each other. First, he alleges that the exemption of improvements from taxation would cause landowners to erect higher tenements, creating worse congestion. Second, he says that taxation has relatively little impact upon land-use decisions. (The evidence he gives for this consists of instances in Western Canada where improvements were exempt, while the land

tax was kept low in the face of a tremendous surge in land values.) By now his hostile rhetoric has carried him beyond the self-discipline of consistency, and he becomes merely quarrelsome and captious. Perhaps he was reacting to careless overstatements by others, but we cannot say, because he never identifies or cites his antagonists, simply lumping the whole bad lot as “single taxers.”

Seligman ends with a proposal to stop the underassessment of unimproved city lots, and another for the imposition of a special or higher tax on vacant lands in or near the city. While these proposals are oriented in the right direction, they suggest a very limited understanding of the problem of land speculation, for urban real estate that is completely unimproved and vacant is just the tip of the iceberg.

Notes

1. Louis F. Post, *The Prophet of San Francisco* (New York: Vanguard Press, 1930), p. 231. Chapter 23 of Post's book is almost wholly devoted to the refutation of Seligman's arguments.

2. Edwin R. A. Seligman, Henry George, et al., “The Single Tax Debate,” *Journal of Social Science: Containing the Transactions of the American Association*, no. 27 (October 1890), p. 85.

3. *Ibid.*, p. 98.

4. *Ibid.*

5. E. R. A. Seligman, *Essays in Taxation*, 9th ed. (New York: Macmillan, 1923), p. 96. The first edition appeared in 1895.

6. *Ibid.*, p. 74.

7. John Locke, *Second Treatise of Government*, chap. 5, par. 27.

8. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 341.

9. Seligman, *Essays in Taxation*, p. 68.

10. *Ibid.*, p. 432.

11. See George, *Progress and Poverty*, p. 20.

12. See Steven B. Cord, *Henry George: Dreamer or Realist?* (Philadelphia: University of Pennsylvania Press, 1965), pp. 122, 191–93.

13. Seligman, *Essays in Taxation*, p. 69.

14. *Ibid.*, p. 71.

15. Cord, *Henry George*, p. 83.

16. The foregoing analysis accepts, for the sake of argument, the adequacy of Seligman's illustration, if not the logic of his inferences. It should, however, be remembered that the incidence of payment finally rests upon

the chair's ultimate purchaser, regardless of whether the payment goes to the landowner or to society. One sometimes hears it said that the landowner cannot shift a public charge ("tax") on land to the consumer. This is a loose way of phrasing a proposition with which almost all economists, including Seligman, agree—that such a charge cannot increase ground rent and raise commodity prices. (See E. R. A. Seligman, *The Shifting and Incidence of Taxation*, 4th ed. [New York: Columbia University Press, 1921], pp. 281–87.) In fact, it tends to decrease prices by "squeezing the speculative water" out of land values, for if a high enough percentage of ground rent is taken by the taxing authority, the incentive to hold land off the market disappears, along with the inflated prices owing to artificial scarcity.

17. Cord, *Henry George*, p. 83.
18. John Stuart Mill, *Principles of Political Economy*, 7th ed. (1871), bk. 1, chap. 2.
19. Edward Bellamy, *Equality* (New York: Appleton & Co., 1897), chap. 13, pp. 88–91.
20. Max Hirsch, *Democracy versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1948), pp. 221–27.
21. Cord, *Henry George*, p. 83.
22. *Ibid.* See also a vigorous and extended discussion in Hirsch, *Democracy versus Socialism*, chap. 7.
23. Cord, *Henry George*, p. 230.
24. *Ibid.*
25. *Ibid.*, p. 231.
26. Winston S. Churchill, *Liberalism and the Social Problem* (London: Hodder & Stoughton, 1939), p. 318.
27. George Raymond Geiger, *The Philosophy of Henry George* (New York: The Macmillan Company, 1933), p. 138.
28. Cord, *Henry George*, p. 83.
29. *Ibid.*, p. 231.
30. *Ibid.*, p. 232.
31. *Ibid.* See also p. 127.
32. Geiger, *Philosophy of Henry George*, p. 108. See also p. 96. Geiger's defense is somewhat blurred by his characterization of capital as a social product (p. 108). But the burden of his discussion is to demonstrate that this is only partially the case, whereas it is wholly true of land values. When he speaks of the supply of capital as being socially determined, he does not mean that it is primarily a social product, but that it expands and contracts in response to social demand.
33. Geiger, *Philosophy of Henry George*, p. 108.
34. Seligman, *Essays in Taxation*, pp. 81, 83.
35. Jackson H. Ralston, *What's Wrong with Taxation?* (San Diego: Ingram Institute, 1932), p. 58.

36. John R. Commons, *The Distribution of Wealth*, p. 253. Cited by Cord, *Henry George*, p. 72.
37. Geiger, *Philosophy of Henry George*, pp. 260 f.
38. Charles B. Spahr, "Single Tax," *Political Science Quarterly* (December 1891). Cited by Cord, *Henry George*, p. 70.
39. Seligman, *Essays*, p. 73.
40. *Ibid.*, p. 337.
41. *Ibid.*, pp. 69, 97. Also his concluding remarks at the Saratoga convention of the American Social Science Association, reported in *Journal of Social Science: Containing the Transactions of the American Association*, no. 27 (October 1890), p. 98.
42. This quotation was cited for many years in the annual brochure of the Henry George School of Social Science; its source is a letter written around 1930 by Miss Keller to the Robert Schalkenbach Foundation.
43. Seligman, *Essays*, p. 76.
44. *Ibid.*, p. 94.
45. Charles H. Shields, *Single Tax Exposed*, 7th ed. (Seattle, Wash.: Trade Register, Inc., 1914), chap. 9.
46. Daniel M. Holland, ed., *The Assessment of Land Value* (Madison: University of Wisconsin Press, 1970).
47. See M. Mason Gaffney, "Soil Depletion and Land Rent," *Natural Resources Journal* 4, no. 3 (January 1965): 537–57.
48. Seligman, *Essays*, pp. 78 f.
49. *Ibid.*, p. 78.
50. *Ibid.*, p. 84.
51. Cord, *Henry George*, p. 86.
52. Seligman, *Essays*, p. 92.
53. *Ibid.*
54. Seligman, "Halving the Tax Rate on Buildings: The Argument in Opposition," *Survey* 31 (17 March 1914), as reprinted in Edna Bullock, comp., *Selected Articles on the Single Tax*, 2d ed. (New York: H. W. Wilson Co., 1917), p. 164. Cited in Cord, *Henry George*, pp. 88 f.
55. Seligman, *Essays*, p. 93.