

## 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."<sup>1</sup>

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*<sup>2</sup>—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.”<sup>3</sup> 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.”<sup>4</sup> 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."<sup>5</sup> 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."<sup>6</sup> 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."<sup>7</sup> 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.<sup>8</sup> The quotation does reveal George's confusion of the returns of scale and the principle of diminishing returns, and on that score deserves criticism.<sup>9</sup> 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.<sup>10</sup>

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”<sup>11</sup>—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.<sup>12</sup> 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?”<sup>13</sup> 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.<sup>14</sup> 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.<sup>15</sup> 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."<sup>16</sup> 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."<sup>17</sup> 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."<sup>18</sup> 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.<sup>19</sup> 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."<sup>20</sup> 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."<sup>21</sup>

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.<sup>22</sup> 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.”<sup>23</sup> 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.<sup>24</sup>

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."<sup>25</sup>

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.<sup>26</sup> 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.<sup>27</sup>

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.<sup>28</sup> 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."<sup>29</sup> 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."<sup>30</sup> 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."<sup>31</sup>

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."<sup>32</sup>

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.<sup>33</sup> 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.<sup>34</sup>



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."<sup>35</sup> 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.<sup>36</sup>

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.<sup>37</sup> 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.<sup>38</sup> 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.”<sup>39</sup> 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.”<sup>40</sup> 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."<sup>41</sup>

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.<sup>42</sup>

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.<sup>43</sup>

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.<sup>44</sup>

The landlord in improving land uses capital and acts as a capitalist.<sup>45</sup>

Agricultural rent . . . is only a share of the gross profit of raw material.<sup>46</sup>

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.<sup>47</sup>

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.<sup>45</sup>

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

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.<sup>50</sup>

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

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

Then finally in response to George's:

It is the greater that swallow up the less not the less that swallow up the greater,<sup>53</sup>

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.<sup>54</sup>

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.