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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.