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Henry George and Social Theory:

Part II, Consequences of Inattention to His Contributions

By ROBERT PETER SIEMENS*

ABSTRACT. It was contended in Part I (in the January, 1995 issue) that *Henry George* should be recognized as an original American *social theorist*. He was a pioneering postmodern contributor to *social theory* who criticized the linear idea of *progress* and anticipated Durkheim's concept of the "collective consciousness."

He recognized the fateful consequences of the separation of *political economy* into "*economics*" and "*sociology*." These include the loss of moral considerations from *political economy*, and the rise of a sociology that culminates in the proliferation of meaningless abstractions because it is premised on amoral economic assumptions. His theory of speculative *land* value as the cause of *civilizations'* decline is recapitulated and shown in a larger context. The congruence between the concerns and conceptions of George and *Weber* is detailed.

Part II concludes by tracing the tragic consequences for modern American social theory, from *Spencer* to *Parsons*, that result from confusing the value of commodities with the value of land, of private *wealth* with *social value*.

I

The Miscarriage of Political Economy

GEORGE CONSIDERED the unjust distribution of wealth in modern society to be the result of "the miscarriage of political economy, . . . [and which he] traced to the adoption of an erroneous standpoint" (George, 1898A: 162). This miscarriage of political economy "lay in the failure of the so-called science (i. e., of scholastic political economy) to define its subject-matter or object-noun" (1898B:181). Failure to define its subject-matter, wealth, has resulted in the confusion of wealth and value, of power and production, of ethics and science. With the result, as we saw, of ethics being banished from economic considerations. Thus, an ethically deficient economics has become authoritative for ethical decision-making by governments and businesses alike.¹

This failure to clarify its key term has resulted in political economy making a series of critical errors in its development. The first of these is a confusion of the terms "natural" and "minimum" on the part of "both Smith and Ricardo

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[who] use the term 'natural wages' to express the minimum upon which laborers can live; whereas, unless injustice is natural, all that the laborer produces should rather be held as his natural wage" (George, 1898A:163).

Among the most serious consequences of this confusion is that the law of diminishing returns was only applied to agricultural production. Consequently, economic teaching produced " 'the law of diminishing productiveness in agriculture.' But the law is not peculiar to agriculture" (George, 1898B:358). The production of wealth requires space in no matter what form or mode it takes place. An increasing concentration of labor-power in a limited space only utilizes the available cooperative power up to a point, at which overcrowding begins and the productive power of all present is diminished with every further increase of labor-power. By generalizing the so-called "law of diminishing returns in agriculture" to prove that it is merely an application of "the spatial law of material existence," George considers himself to have proved that the physical, economic and moral universes are all susceptible to one law (George, 1898B:359, 360).

George's theory of natural law is significant for our Spenglerian concern because George's conception of the law of decline is not based on an analogy with the life cycles of biological nature. It is, nonetheless, equally directly and empirically verifiable in the economic consequences of the relations of human social nature. The question remains, then, why has the Spenglerian concern not been addressed, tested empirically, and either verified or disproved?² Wolff censures Weber for failing to address this question, and by implication, all who followed him. Is its failure to be taken seriously really the result of undetected errors in the formulation of the founding fathers of political economy? Is this the source of errors that have become part of the "family disciplines" of all the social sciences?

The historical evidence supports George's thesis that modern economics incorporates political economy's flawed origins. The incorporation of the founding fathers' errors is characterized by the transition from political science to "economics," first recognized in the *Encyclopedia Britannica* in 1886. The fatal elimination of ethics from economics is achieved by its practitioners constantly increasing the importance of statistics in economic discussion. The moral considerations that were part and parcel of political economy's original considerations, have been dismissed from economic consideration because they cannot be expressed by the rules of arithmetic. Political economy, as modern economics, has been reduced to the science of calculating commercial transactions, without regard for their larger human implications.³

This elimination of ethical from economic considerations made the confusion of wealth and value, production and power, possible. Furthermore, as a result of this confusion, "the writers on political economy have treated exchange as

a part of distribution” (George, 1898B:400) when “it properly belongs to production. It is by exchange and through exchange that man obtains and is able to exert the power of cooperation which with the advance of civilization so enormously increases his ability to produce wealth” (George, 1898B:400–401).

The confusions George attributes to Smith and Ricardo thus, when we consider the economy in relation to the totality of human reality, actually stifle altogether what C. Wright Mills has called the “sociological imagination.” Classical political economy’s errors have prevented social theory from coming to self-consciousness in American society. By treating the value created by exchange as a part of distribution, the social nature of exchange-value became obscured. The value of sociology failed to be realized as a result; and social theory arrived at its present state of general disrepute from without and self-doubt from within.

V

The History of Sociology’s Failure

TO UNDERSTAND social theory’s present-day failure we must return to the discipline’s modern origins. Although we do not want to commit the “genetic fallacy” of implying that the “fate” of modern sociology was written Oedipus-like into its birth, we do concur with Henry George and Sigmund Freud that the unconscious motives of our genetic origins (whether cultural or biographical) must be brought to the surface as a precondition to progress toward the freedom that is our goal. A “postmodern” social theory must proceed in consciousness of the unconscious motives that directed modernity to its characteristic expression.

Our focus is the “fate” of the modern relationship between ethics and the economy. We have seen that a separation of these two spheres of life has led to uncertainty as its best expression, and to totalitarianism and genocide as its worst (Wolff, 1991).⁴ This unhappy state of affairs has taken place, to extend George’s argument, because unconscious forces were repressed by modernism (defined as external-orientation). For, “despite . . . insistence upon the ‘scientific character’ of [political economy], the classic writer were . . . rationalizing their own ethical predilections, or rather those of their backgrounds” (Geiger:1933:80).⁵

The reason the classical writers produced a flawed theory, in other words, is because they refused to engage the role of their own moral assumptions in the development of their theory. Consequently, moral ideals and economic values were allowed to go their separate ways. Transposing Freud’s insights to the political-economic level, we encounter Marx’s sociology of knowledge dictum that economic interests determine moral values. And we see, when we examine the historical records, that economic interests have created the ideal of “interest-

free” sociology. George traces the source of this “repression” of legitimate demands of the moral instincts to the “constant tendency” on the part of the canonized treatises on political economy to assume “that landowners, through their ownership of land, contribute to production” (1898B:410).

The first significant sociological expression of this fateful separation of economics and social science from ethics is that of Herbert Spencer, who repudiated and withdrew his published views when Henry George claimed him as an authority figure to gain legitimacy in the academic world. Spencer extricated himself from the Weberian dilemma by distinguishing “between the ‘purely ethical view of the matter’ and the ‘political-economical view’ and stat[ing] that they apparently did not harmonize” (Geiger:1933:296).

We recognize Weber’s concern with the relationship between personal ethics and morally neutral economic life. The former are ideal, the latter pragmatic. “‘Social Statics . . . was intended to be a system of political ethics—absolute political ethics, or that which ought to be, as distinguished from relative political ethics’ ” (Geiger, 1933: 296). Furthermore, Spencer shared Weber’s dilemma between the irreconcilability of these two spheres (i.e., the ethical and the scientific as expressed in economic laws): “‘I cannot see my way toward a reconciliation of the ethical requirements with the politico-economic requirements’ ” (Geiger, 1933:297). The implicit tragedy of Spencer’s system of absolute political ethics, which was to be a model for reforming existing institutions (Geiger, 1933:301), is that when George suggested putting Spencer’s ideal into practice (Geiger, 1933:302), Spencer not only changed his mind, but “fail[ed] to justify his completely reversed opinion on the land question with sufficiently cogent arguments” (Geiger:1933:309). Spencer, in other words, one of the founding fathers of sociology, consciously and deliberately participated in the separation of economics and ethics that became so perplexing to Max Weber.

This separation of ethics and economics, with which Weber was so immensely preoccupied, is characteristic of modernity because it betokens modernity’s partition from feudalism, most specifically in reference to land ownership. For, as anthropologists demonstrate, the only ownership of land among primitive (i.e., pre-modern) peoples was semicomunal (Geiger,1933:305). Classical political economy retained vestiges of its “pre-modern” origin by retaining the “classic distinction between land and capital” (Geiger, 1933:305). The modern perspective, in which ethics and economics, ideals and reality, personal and corporate life have gone their separate ways, approaches the problem of the relationship between land and capital “from the angle of function, an approach which . . . tend[s] to remove such a distinction [as] between land and capital” (Geiger, 1933:101).

This separation, however, introduces the confusion that the new conception of “function” blurs the distinction between wealth and land by permitting both to “function” as capital. “The individualization of ownership . . . eventually affects the ownership of land. Bought and sold by measure and for money, land is assimilated in this respect to the personal property produced by labor; and thus becomes, in this general apprehension, confounded with it” (Geiger, 1933:291).

Another critical juncture in the miscarriage of political economy, as George characterizes the fate of ethics in the modern world, is the quarrel between George and Alfred Marshall, whose *Principles of Economics* was probably the most influential work of the classical political economists’ first generation successors. Marshall, because he believed that “The diminishing productiveness of the free soil has a greater influence in lowering wages than the payment of rent fees” (Andelson, 1979:64), represents the errors of the founding fathers in its second-generation guise.

The fate of ethics in the modern economy was sealed when “Marshall, whose influence impacted with great force upon the appointed guardians of the ‘new’ science of economics” (Andelson, 1979:69), declared rent from land an economic surplus, on the basis of the similarity of land to “some of the other agents of production [which] cannot be produced quickly, so that in the short run their stock is practically fixed” (Andelson, 1979:65–66). Even though George was vehemently dismissed by the established academic economic community, “the disagreement between [George and Marshall] . . . raises questions concerning the scope and methods of economics that are still alive to controversy” (Andelson, 1979:69). Not only has George not been given credit that is his due. His theoretical reasoning that the minimum wage was determined by what an individual could earn by his own effort on rent-free land “anticipated the marginalist revolution in economic theory which is commonly associated with neo-classical economists like Alfred Marshall” (Andelson, 1979:76).

The problem that remains with Marshall’s system is that it rests upon a compromise between the short and the long run, as Spencer’s ethic compromised between its absolute and relative expressions. “(I)n the ‘short-run’—to use Marshall’s phrase—alternative reproducibility is no more present in capital than in land” (Geiger, 1933:109). A short run similarity is used as a heuristic device to gloss over a troublesome discrepancy between economic logic and economic practice, as well as to obliterate the ethical problem of the unequal distribution of common goods (i.e., land and benefits from cooperation).

Marshall’s influence, and his influential perpetuation of the fathers’ errors has had ramifications beyond economics. Talcott Parsons complains that “[T]he expansion of economics into an encyclopedic social science by Marshall and

his followers was a form of 'economic imperialism,' which had the effect of 'suppressing the rights of neighboring sciences to an independent existence in the society of the sciences' (Parsons, 1934,522). (Quoted in Levine, 1985:119).

A further testament to Marshall's significance to Anglo-American sociology is that "a major tradition of work in the social sciences . . . achieved its prevailing contemporary form with the elaboration of marginal-utility economics as codified by Marshall. Accepting the validity of Marshallian economics was the starting point of Parsons' earliest work. Parsons believed that Marshall's correction of the previously prevailing conception of homo economicus was sound. He affirmed Marshall's attention to the normative and ideal components of action in addition to the utilitarian propensities previously considered exclusively by Anglo-Saxon economists" (Levine, 1985:130).

The alienation of ethics is carried over from economic to social theory by "Parsons . . . [who] had been trained as an economist, and [whose] first publications appeared in journals of economics—and for whose achievements he always maintained the highest respect" (Levine, 1985:120). Consequently, he "yielded to economics the right to set the terms for organizing the whole universe of knowable social phenomena" (Levine:120).

That we have, largely unconsciously, like the founding fathers of political economy, accepted the modern ethic that sanctifies the separation of personal and economic conduct is apparent from our orthodox reading of Parsons. We have forgotten the shadow of the parental authority of economic founding fathers' errors; have we eliminated them, or merely absorbed and forgotten them?

Weber, like Parsons, articulated his theory under the domination of the separation of personal ethics and professional science. "During the first years of this century Weber still viewed himself as an economic historian, showing little sympathy for the efforts of sociologists (Levine:95). Weber, however, did not accept the rejection of ethics from economics, and attempt to work around the claims of economic definitions of reality, as did Parsons. He recognized the "irrational" character that any personal ethos the individual might choose to practice necessarily has in a "disenchanted" world. An ethos only has a rationality in a community in which it is comprehended, respected and reciprocated. Rather than acquiescing to the moral authority of the economic order, Weber took the pose of the devil's advocate by arguing that by reducing the individual's personal cosmos to irrationality, the economic order confesses its own irrationality.⁶

The closed canon of the modern economic order, by obliterating ethical and social concerns as anomalous to its project, has embarked on a course of self-annihilation; self-annihilation that is literal, and not metaphorical, because the

health of the economy rests on a healthy relationship to the anomalous human subjects whose continued cooperation constitutes the ground of its existence.

Notes

1. Weber points out that "our science [of 'social-economic' phenomena] was created for "the attainment of value-judgements concerning measures of State economic policy (1949:51)," and its goal is "the education of judgement about practical social problems" with the goal of affecting legislation (1949:50).

2. Paul Feyerabend, a philosopher of science, offers a suggestion in another context that is applicable to understanding the rejection of cyclical theories in history as well: "Aristotelian dynamics was a general theory of change, comprising locomotion, qualitative change, generation and corruption, . . . Galileo's dynamics and its successors deal with locomotion only, and here again just with the locomotion of matter. Other kinds of motion are pushed aside with the promissory note that locomotion will eventually be capable of explaining al motion" (1978:99-100). It is easy to see how cyclical theories of history or society would fall out of favor with a positivistic social science modelling itself after the natural sciences by creating an idea of linear progress.

3. In 1831 Richard Whately suggested changing the name of political economy to "catallactics," meaning "the science of exchanges."

4. Lash & Whimster have discussed the separation of value spheres as a characteristic of modernity: "Concepts of values and ideals in the sphere of morality or art are sealed off from societal rationality, a field predominated by instrumental rationality" (1987:19). Their attitude toward this situation is diametrically antithetical to George's and Weber's: "the mature person should recognize the separation of the value-spheres as a condition of the modern world that has to be lived with" (Lash & Whimster, 1987:25). George and Weber both considered this situation in dire need of changing, lest it bring about the destruction of Western civilization.

The critical difference between this paper's and Lash & Whimster's analysis is that between rejection and acceptance of modernity: "modernist differentiation of the spheres [of life], worlds and dimensions of utterance and discourse" in which "unbound subjectivity . . . the necessary condition of rational critique and of substantive rationality" exists (Lash, 1987:368). Modern, not modernist, differentiation of the spheres of life has led to totalitarianism and moral irresponsibility. Lash & Whimster's effort must be judged, in the final analysis, as a defense of a "modern" interpretation of Weber that does not stand up in the light of critical comparison of the congruence of the views of George and Weber.

5. "Economics was originally . . . integrated into the great scheme of the natural law and rationalistic Weltanschauung of the eighteenth century. The nature of that Weltanschauung with its optimistic faith in the theoretical and practical rationalizability of reality had an important consequence insofar as it obstructed the discovery of the problematic character of that standpoint [the 'at least ostensibly unambiguous and stable practical valuative standpoint: namely, the increase of the 'wealth' of the population'] which had been assumed a self-evident. As the rational analysis of society arose in close connection with the modern development of natural science, so it remained related to it in its whole method of approach" (Weber, 1949:85).

6. Lash & Whimster, for example, by taking Weber's irony literally, disclose their own cultural nihilism. (Geiger, 1933:80).

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