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Comment—Stabile on George and Clark

WE ARE IN DEBT to Professor Stabile for reviewing so clearly Henry George's contribution to marginal productivity theory. As he concludes, "neoclassical economics might have achieved better insights . . . if Clark had followed George more closely." However, Clark never intended to follow George except as a U-Boat stalks a troopship. I have documented this elsewhere (1994, 47-59). If Clark followed Ricardo, as Rima (cited by Stabile) alleges, it was for the same

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end, namely *to eliminate land and its distinctive rent from the lexicon of economics*. Ricardo had to be sunk, too, and Clark did his best.

Clark should not get credit for originating the marginal productivity theory of distribution. Professor Stabile might have noted that said theory was developed by Henry George's sometime disciple, Philip Wicksteed (1894), well before Clark (1899). The title of Wicksteed's masterpiece, *The Coordination of the Laws of Distribution*, is obviously paraphrased from "The Correlation and Coordination of These Laws (of Distribution)" (George, 1879, Book III, Chapter VII, 218). Wicksteed was formalizing, in more elegant form, an insight from his friend George.

Wicksteed, unlike Clark, did that while retaining the identity of land as a distinctive factor of production. This could help explain why Clark failed to acknowledge Wicksteed. Clark may indeed have been "willing to adopt good ideas whatever their source," as Professor Stabile avers, but he was not always willing to give credit. Clark's main objective was to fuse and confuse land with capital, to undercut George's case for taxing land while exempting capital. To this end, it was necessary for him to "rediscover" the theory of marginal productivity in a new framework where land was merged with capital. If that involved cribbing, well, his powerful academic friends overlooked it. Wicksteed, after all, consorted not just with Henry George but with unseemly Fabians like G. B. Shaw and Graham Wallas.

It is insufficient to say Clark "shared George's . . . distaste for socialism," citing Clark from 1886. In 1886 George ran for Mayor of New York with full socialist support. Later, Clark regularly uses "socialism" and "agrarian socialism" as slurring codewords for Georgism - mischievously, because by then socialism was in bad odor, and George had broken with the Marxist socialists. Clark disliked all the distributive aspects of socialism, whereas George always remained a "land socialist."

Professor Stabile implies that George's marginalism was inadequate because he belittled marginal utility; and Professor Stabile agrees with Leland Yeager that George "did not understand the marginalist revolution in value theory . . ." I submit that he understood it all too well, with sure intuition, and therefore smelled a rat that eluded Professors Stabile and Yeager. The main function of this value-theory revolution, to rent-takers and their apologists, was to help confuse land with capital. The classical idea of capital as stored-up labor marked capital sharply off from land; the new demand-side approach to value made land and capital much the same. As Frank Fetter crowed, "now we have recognized utility, regardless of the origin of the good, as the measure of value. . . . When the utility theory displaced the cost-of-production theory of value, this change of the capital concept (to include land) became a logical necessity"

(1901, 77–78). Ever since, orthodox economics has lacked a defensible concept of capital, a weakness grievously exposed in the recent “Cambridge controversy.”

Professor Stabile rightly writes that Clark averred the growth of capital would raise wages. Since Clark fused land with capital, and let the land supply grow as capital grew, who could disagree? Absurd as it seems, that has been the orthodox view ever since. It is something else to believe that growth of capital proper is an unmixed blessing for labor, when capital can displace labor from a fixed land base. The historical displacement of labor by sheep in England, and by farm machines in the U.S.A. and Canada, had shown the problem. Professor Stabile only hints at this point, on which Henry George laid great store. It bears intense study and elaboration, but has not received it. George may be faulted, and has been, for overstating the matter. Clark and his followers may be faulted more, but have not been, for papering it over completely.

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