

The Empire Strikes Back

Rent-takers and their wordsmiths could abide the classical economics of Locke, Hume, Smith and Ricardo, who stopped short of challenging the distribution of wealth. Quesnay's slogan of *laissez-faire*, and Smith's good name, were even coopted as bywords for social conservatism, after death muted their tongues to deny it. John Stuart Mill came closer to kicking over the traces: his distaste for unearned wealth shows clearly in his writings, and he proposed to socialize all future unearned increments. The feeling grew stronger with the years, and his last years were focused on land reform.

Still, Mill could be patronized into oblivion as "the saint of socialism": "saint" apparently meaning something like "scrupler". It was Mill who popularized the idea of raising taxes on landowners only after first compensating them, thus buying the right to tax them. It was a selective scruple: neither Mill nor anyone, to my knowledge, ever proposed compensating workers, consumers, or the owners of capital before taxing them. It was something of a red herring, because it assured that net revenues would be about zero. It simply gave debaters something to chew on while precluding meaningful action. Nevertheless, Mill set the stage for George by analyzing the matter clearly, and putting reform on the table. On the continent, H.H. Gossen, Auguste Walras, and later his son Leon Walras took up the idea - Leon with great passion and *elan*.²² It was then only left for George, who corresponded with and respected Mill, to convert theory into action.

J.E. Cairnes, who took the lead against English support of US slavery, also was a member of Mill's and Wallace's land Tenure Reform Association. He proposed imposing maximum rent controls in Ireland. F.Y. Edgeworth,

scion and heir of Irish landlords, snapped menacingly, faulting Cairnes' mathematical technique; it is not known if that succeeded in intimidating Cairnes, but it is likely that others of lesser standing took the hint.

Still, classical political economy was a remarkable phenomenon. Its major writers in England were able to portray the dominant class of rent-takers as idlers and superfluous drones. One surmises they got by with this because the idlers were proud of it. In their value-system, labor was not respected; conspicuous leisure was. Saving was regarded contemptuously as stinginess: conspicuous consumption was the mark of a gentleman and aristocrat.

In the later 19th century, however, especially in America, values were changing. The franchise was broadening. Pure rent-taking could not be defended in its own terms; it was reeling under attacks from the new functionalists. This is when George could go the rest of the way, showing how to use classical economics to rationalize land distribution through tax reform. Fred Foldvary well-calls him a "geo-classical"²³ political economist. Worse, George was a popular public figure with high-flying ambitions, a large constituency, a bias for action, and a sense of urgency.

The menace George posed to rent-takers is clear from how he viewed them. To George, the landowner *per se* is nonfunctional (unproductive), a layabout drone, a drain on the hive, a transferee, a welfare case. Worse than that, he or she often makes the land itself lay about, too: then he or she is *dysfunctional* or counterproductive, a double-dipper. Worse yet, landowners become triple-dippers when they use their discretionary income and wealth to dominate politics and drain away yet more treasure through subsidies, public works and services, protections from competition, cheap credit, and so on. Often they are not just passive drones, but active predators.

As to the academic clerisy, George first suspected, and then impugned their motives. They were myrmidons of the rent-takers, using smoke and mirrors to addle, baffle, boggle, and dazzle the laity. He provoked, supplying motive for venomous reaction from those whom the shoe fits.

The inevitable counterattack came to be called "neo-classical economics" (NCE), as though it were simply a natural development and improvement of tried-and-true classical economics. Rent-taking had to be made to appear useful in functional economic terms. The classical underpinnings of George had to be undone in a fairly subtle way, to seem simply evolutionary. There

had to be some legitimacy of apostolic succession, while also nodding to the cult of progress. "Neo-classical" was an inspired stroke of public relations, suggesting modernity coupled with continuity of tradition. It is not, however, an accurate description. It was a radical paradigm shift. The task was to vandalize the stage Mill had set for George, torch the old furnishings, and reset the stage permanently in ways to discomfit George and frustrate future Georgists.

Personal Involvement of George with Early Neo-classicals

Several major figures in the neo-classical revolution had personal contact with George. Among these were J.B. Clark, Philip Wicksteed, Alfred Marshall, E.R.A. Seligman, and Francis A. Walker. Wicksteed was friendly; the others decidedly not so. There is no doubt George was much on their minds and in their hearts, not with the warmth of friendship but the fire of enmity.

JOHN B. CLARK

No single figure personifies the change from classical political economy to neo-classical economics, but J.B. Clark exemplifies it. His aim was to undercut Henry George's attack on landed property by erasing the classical distinction of land and capital. His method was to endow capital with a Platonic essence, a deathless soul transcending and surviving its material carcass. Some characterize Clark's concept as "jelly capital", some as "plastic," some as "putty," but those concrete images rather trivialize the abstract, even spiritual element, and the power of mystical traditions he could marshal to support it. There was an element of reincarnation, evoking Hinduism, transcendentalism, and Rosicrucianism. Clark even uses "transmutation," evoking alchemy. Capital was an immaterial essence, a spiritual thing, that flowed from object to object.

There is nothing inherently mystical about noting that capital turns over: every storekeeper and banker experiences that routinely. A remarkable quality of Clark's capital, however, is that it can ooze ("transmigrate," in Clark-ese) into land, becoming land itself. That is the only apparent reason for the mysticism, smoke and mirrors.

Clark's capital being deathless it is just like land, and theorists after Clark have made land just another kind of machine. The economic world

was thenceforth divided into just two elements, labor and capital. "... that destroys the equality of capital to accumulated savings, and dismisses all Ricardian and Malthusian problems in one fell swoop" (Tobin, 1985). He might have added, it dismisses all Georgist, conservationist, spatial, temporal and environmental questions. It put blinkers on economic theorists which they wear to this day.

J.B. Clark's bibliography includes at least 24 works directed against George, over a span of 28 years, 1886-1914. These are in the bibliography to the present work. They begin with *The Philosophy of Wealth*, 1886. In this work Clark refutes "financial heresies and strange teachings concerning the rights of property ... " (1886: 1-2). The only such strange teaching specified waits to p.126, where a "Mr. Henry George" is accused of "ignoring the productive action of capital". That is a strange complaint to raise against one who recommended untaxing capital, but there it is.

Clark points out that wealth is created "from the mere appropriation of limited natural gifts.." and that repelling intruders "is almost the only form of labor which exists in the most primitive social state" (p.10). The atmosphere as a whole, showers or breezes, "minister transiently to whomsoever they will, and, in the long run, with impartiality". Therefore they are not wealth. Those who appropriate them create wealth by so doing. The essential attribute of wealth is "appropriability," to create which "the rights of property must be recognized and enforced, Whoever makes, interprets, or enforces law produces wealth". He gives to commodities "the essential wealth-constituting attribute of appropriability". He goes on in that vein: those who seize land and exclude others thereby produce its value; George, who would untax capital, is guilty of ignoring its productive action.

Next came *Capital and its Earnings*, 1888. Frank A. Fetter, a disciple of Clark, commented as follows in the course of an encomium to Clark:

The probable source from which immediate stimulation came to Clark was the contemporary single tax discussion. ... Events were just at that time crowding each other fast in the single tax propaganda. *Progress and Poverty* ... had a larger sale than any other book ever written by an American. ... No other economic subject at the time was comparable in importance in the public eye with the doctrine of *Progress and Poverty*. *Capital and its Earnings* "... wears the mien of pure theorybut ... one can hardly fail to see on almost every page the reflections of the contemporary

single-tax discussion. In the brief preface is expressed the hope that 'it may be found that these principles settle questions of agrarian socialism.' Repeatedly the discussion turns to 'the capital that vests itself in land,'... (Fetter, 1927: 142-43)

Clark's argument rose from an "original polemical impulse..". (*ibid.*: 144).

Remember, those are not the words of a critic, but a militant disciple of Clark. Fetter was more Clarkian than Clark, criticizing him only for his occasional backing and filling. He was certainly more forthright and importunate. The very candor and extremism of Fetter's exposition, giving a quick take on Clark, makes his chapter a good display of Clark's essential polemical motivation.

Fetter might have written the same about Clark's major work, *The Distribution of Wealth* (1899), which is mostly a compilation of earlier writings. "One can hardly fail to see on almost every page" Clark's focus on undercutting George. Clark's attacks continue to 1914, "Dangers of Increased land Tax," whose title tells not only where Clark stood, but that the land tax was a live issue in American politics in 1914 (cf. Alvin Johnson, below). Such attacks, direct and indirect, constituted most of Clark's career up to 1914.

In 1890, J.B. Clark confronted George personally in a debate at Saratoga (1890c). Clark's title was "The Moral Basis of Property in land". Here he draws on the concept that capital is an abstract essence that "transmigrates" from capital objects into land, a concept he first advanced in 1888. In 1888 a reaction was sweeping the country after the Haymarket Riots of 1886. In this atmosphere, it was timely to strike at the radical who had been trendy and lionized since 1880 (Henry, 1994).

Another personal confrontation was with George's chief lieutenant, the lawyer, journalist and future Assistant Secretary of Labor, Louis F. Post.²⁴ This was in a debate at Cooper Union (Clark, 1903).

In 1891, in his review of Marshall's new *Principles of Economics*, Clark virtually ignores Marshall for 26 pages while attacking the concept that land rent is a surplus, and/or that other incomes are not surpluses. The preoccupation with George is transparent.

Clark moved to Columbia University in 1895. It has been suggested that he was recruited thither partly in response to his running dispute with Henry

George, a nemesis of Columbia President Nicholas Murray Butler. Actually, Butler was then still waiting in the wings, a strong Dean destined (pre-selected?) to become President in 1902, but this only strengthens the point.²⁵ How so? Because the real President of Columbia in 1895 was preparing to run for Mayor of New York - against Henry George himself. This was the wealthy patrician Seth Low (Barker, 1955: 616-18).

President Seth Low personally recruited Clark, working out a Byzantine scheme to have him paid by Barnard College while teaching at Columbia (Rozwadowski, 1988: 199). To secure Clark, Low had to outbid another powerful anti-Georgist, Daniel Coit Gilman of the Johns Hopkins University, recently founded with B&O R.R. money (Barber, 1988: 223). Clark was a hot property: the new Rockefeller Baptist (aka The University of Chicago) and The Southern Pacific R.R. (aka Stanford University) had also bid on him. An academic myrmidon on tap would be most useful in all such settings; J.P. Morgan's (Low's) need was the most urgent and/or the best-funded.

George was also in a running dispute with E.R.A. Seligman, Chairman of Columbia's Department of Economics over many, many years under both Presidents Low and Butler. Seligman was an ally of Clark's at the Saratoga debate. Butler, in turn, was the funnel through which the wealth of Wall Street, personified by the dominating banker J.P. Morgan, patronized Columbia, making it the wealthiest American university for its times.²⁶ Money poured into the Department of Economics. Under Seligman, his Department swelled from two members to "forty or fifty" (Hollander, 1927: 353).²⁷

This was a period of secularization of US colleges. Businessmen were replacing clergymen on boards. The new broom swept out some old problems, no doubt. At the same time, it posed new threats to academic freedom, threats of which Butler was the very embodiment. Clerics, after all, owe some allegiance to Moses, the Prophets and the Gospels, which are suffused with strident demands for social justice. They were displaced by others more exclusively attuned to the Gospel of Wealth. Academic tenure was a distant dream: top administrators hired and dismissed with few checks and balances. They only needed to dismiss a radical occasionally: others got the message. *Dartmouth College v Woodward* had established that²⁸ Boards of trustees were self-perpetuating and unaccountable: "checks

and balances” never applied to them (except in the banking sense). They were interchangeable with directorships of major corporations, many of them great landowners and/or franchise-holders.²⁹ Pressures on academics were extreme: it was placate or perish (Sinclair, 1923).³⁰

Some of these pressures were specifically anti-Georgist. For example, Professor Allen Eaton was fired from the University of Oregon for successfully pushing a series of characteristically Georgist measures: municipal ownership of the Eugene waterworks;³¹ taxation of waterpower sites; direct election of US Senators; keeping valuable State-owned timberlands from being given to Southern Pacific (Sinclair, 1923: 171-74). These advocacies put him directly in league with W.S. U'Ren, leader of the Oregon single-tax campaigns, and Joseph Fels, his supporter. Elisha Andrews was forced from Brown University for favoring populists George and Bryan (Barber, 1988a: 93-94).

Scott Nearing was fired in 1915 from the University of Pennsylvania (Sass, 1988: 238-39). Pennsylvania Trustee Joseph Rosengarten explained that “men holding teaching positions in the Wharton School introduce there doctrines wholly at variance with those of its founder and ... talk wildly and in a manner entirely inconsistent with Mr. Wharton’s well-known views and in defiance of the conservative opinions of men of affairs” (Sass, 1988: 239). Mr. Wharton’s views are not stated, but might be inferred from the Wharton estate’s holding of 100,000 acres in New Jersey, lying between Philadelphia and Atlantic City. This land supported towns and industries in the 18th century, but under the Whartons went out of use (Ackerman and Harris, 1946: 154).

What were Nearing’s “variant” ideas? Modern socialists claim Nearing as their own, but it is relevant here that in 1915 he published in *The Public*, a Georgist organ (Nearing, 1915). Uncowed by the Wharton Trustees, in 1917 he was speaking for the Joseph Fels Lecture Bureau, a Georgist organization based in Philadelphia, along with prominent Progressive Georgists Warren Worth Bailey, John Dewey (yes, *the* John Dewey), Frederic C. Howe, and George L. Record (J.D. Miller, 1917: 462). He published an analysis of the “occupations” of the trustees of most US colleges and universities (Nearing, 1917), fodder for Sinclair and Veblen, whose books on the same subject followed soon after. His best-known “variant idea” was opposing child labor (Sass, 1988: 239; Sinclair, 1923:

100-110). This was exactly the cause advanced by George's lieutenant and biographer Louis F. Post, founder and long-time Editor of *The Public*, in which Nearing published. As Assistant Secretary of Labor under Wilson, Post (with Julia Lathrop) founded The Children's Bureau in the US Department of Labor.³² The community of interest with Nearing is evident.

The safe route for academics was to work for a patron and grovel. Clark's record is fairly clear. He began as a favorite of Julius Seelye, President of Amherst (Dewey, 1987: 429; Henry, 1994, Chap. 1). Later, Seelye moved to Smith College, and in 1882 hired Clark there. Life under Seelye could be perilous for the truly scholarly. In 1884, Seelye peremptorily fired one of John B. Clark's colleagues, the homonymic geologist John Clarke, for "heterodoxy" (Schuchert, 1925: 54). Clarke was competent enough: he went on to publish several books and 450 professional papers in his field. He became Director of the New York State Geological Survey, and organizer of the State Museum in Albany. His "Memorial" in the *Geological Society Bulletin* runs to 25 pages. His fault at Seelye's Smith had been giving geological evidence of evolution.³³ J.B. Clark was not one to commit such a social gaffe of loose-cannon scholarship.

Before 1886, J.B. Clark had engaged in some "socialist posturing," briefly made fashionable by the depression of the 1870s, and the labor revolution of the early 1880s.

With the formation of the Knights of Labor, then viewed as a dangerous, revolutionary organization, and the Haymarket affair of 1886, such a flirtation was no longer 'respectable' ... academics were subject to close scrutiny, a recantation of previously held views was demanded, and firings occurred in the case of recalcitrants. Clark, as a most respectable economist, quickly and vociferously abandoned all of his seemingly socialist posturing, separated himself from those who were suspect (Ely, for example),³⁴ and framed his new position which demonstrated his loyalty to prevailing authority (Henry, 1992: 32, citing Furner, 1975, and Ross, 1977-78: 52-79).

George was a very present danger at this time to the rent-takers of New York City, where he now resided, published, lectured, and organized politically. He had been nearly elected Mayor in 1886, and probably really was but got counted out by the Tammany machine (Barker, 1955: 480-81). This had been a major event: future US President Theodore Roosevelt "also

ran". Indeed, it was a national event. New York City was "a point of vantage worth contending for, since the moral effect of such a victory of the working class would be incalculable, Such rebellious movements are highly contagious. ... in New York, the labor movement had plunged boldly into political action. ...". (Myers, 1907: 356).

It was even an *international* event, in George's vision. With Michael Davitt, he saw rebellious Ireland as a staging ground for a truly radical program he might then reexport to America through the militant Irish-Americans of New York City, George's major ethnic voting bloc (George, Jr., 1900: 347). Considering that these Irish-Americans had recently staged the Fenian invasion of Ontario, their militancy and their ties with the Ould Sod, while not overwhelming, were substantial enough to alarm conservatives. George was preparing to run again in the 1897 campaign, which finally took his life. It seems entirely believable that men like Low and Butler in a city like New York would patronize a man like Clark at a University like Columbia of 1895 to subvert a man like George.

By this time (1895) Clark was promoting his 1890 theme (of spiritual, transmigratory capital) in debate with the Austrian capital theorist, Boehm-Bawerk (Clark, 1895; Boehm-Bawerk, 1895). Clark's concept of capital "... gives the appearance of being specially tailored to lead to arguments for use against George" (Collier, 1979: 270).

Some modern radicals, schooled mainly in Marx, interpret Clark as being motivated to undercut Marx and communism (Henry 1982, 1983, 1992).³⁵ This view runs into the difficulty that Clark's concept of capital is much like Marx's, and was obviously tailored to refute George, as Collier says. Clark's theory is that land and capital are the same, because "pure capital" is abstract value, and value moves from capital to capital, and also from capital to land, by "transmigration" and "transmutation". When capital "transmigrates" to land it "vests itself" in land, which is a "receptacle for value". Thus land "is made to contain" the capital of those who buy it (Clark, 1890). Remember, Clark introduced these ideas in a debate with Henry George, head-to-head, at Saratoga.

Clark's concept of capital tracks Marx's rather well. Here is Marx: "The value of commodities ... in the circulation ... of capital, suddenly presents itself as an independent substance ... in which money and commodities are mere forms which it assumes and casts off in turn (1867, rpt. 1906: 172).

“Land as capital is no more eternal than any other capital” (1847: 138). Clark’s concept of capital, on which he insisted so dogmatically, was not aimed against Marx; it is almost as though he borrowed from Marx. It was aimed against Henry George, just as Marx aimed his salvos against Pierre Proudhon. Proudhon, like George, offended Marx by distinguishing land from capital.

Another difficulty for the anti-Marx hypothesis is that Clark does not address nor name Marx. Rather, he addresses George, his works, his ideas, and his proposals. Clark does not address communism, but “socialism”. Clark regularly used “socialism” as a mischievous surrogate for Georgism. In various passages he lumps Georgist ideas with “socialism,” and “agrarian socialism”. Marx, on the other hand, is not in the index to *The Distribution of Wealth*, nor have I seen him named in any of Clark’s works.

In Clark’s world, “Marxism” was rather a remote, inchoate menace, an exotic import easily put down as alien, atheistic and un-American. Georgism was different: it was quintessential native radicalism. It found support with labor: Samuel Gompers and Terence Powderly both backed it. It also had immediate political potential with small farmers, with small urban businessmen, with renters, and with small homeowners. Its leader was neither atheistic nor fundamentalistic, but in step with the popular social gospel movement of the times. He was a WASP married to an Irish Catholic, popular with Irish ethnics and liberal Jews. Single-tax had been part of Populism, and was to become part of Progressivism, rising to a crescendo 1913-24, during Clark’s later career. It was easily implementable by a simple turn of the tax screw, using institutions already in place, and carrying forward tendencies already moving in practice. For Clark and his contemporaries it was the clear and present danger. Even in England, “When Karl Marx died in 1883, there must have been dozens of Englishmen who had argued about Henry George for every one who had even heard of” Marx. (Douglas, 1976: 48).

If Clark had focused on confuting Marx, he would have naturally allied with the Austrian School, whose members had that paramount objective. Instead, he attacked the Austrians and their capital theory (1895a, 1907), opening a vendetta that Frank Knight, Clark’s follower, later carried to outlandish lengths, as we will see. Anti-Georgism could not tolerate anti-Marxism. Knight in turn imposed it on the whole Chicago School of neo-

classical economics, which he dominated from its inception.³⁶ George Stigler, echoing Knight, objects to the Austrian-School concept of a “period of production” because it presumes a difference between capital, which has one, and land, which does not (Stigler, 1941: 278). Stigler’s only objection to the dogmatic, intransigent Clark is that Clark made too many concessions (*ibid.*: 217).

Another consanguine element of Clark and Marx is Hegelianism. Clark’s early work contains astonishingly Orwellian passages deifying the state. For example, “The State and no other may say into what form pure capital may go. It has said that it may go into land. For ends of its own it has so decided; and the ends are good” (Clark, 1890c: 27). Such abject sentiments would not shock Clark’s contemporary economists: most of them, like himself, had taken their graduate training in Bismarck’s Germany. R.T. Ely’s prospectus for the “Platform” of the new American Economic Association began with this: “We regard the state as an educational and ethical agency whose positive aid is an indispensable condition of human progress”. Even that was “toned down,” according to Ely, from what Simon Patten and Edmund James wanted, which was to be an American carbon of the *Verein fur Sozialpolitik* (Ely, 1938: 132-49). Such sentiments served, however, to isolate the whole economics profession from the median American.

The Austrians’ goal was to show that capital and its owners are productive; Clark’s goal was to show that land and its owners are productive. To this end he, and his followers to this day, were and are willing to accept substantial taxation of capital, and call it benign (Seligman, 1916; Stockfish, 1957; Harberger, 1968). This concept informed the architects of the Tax Reform Act of 1986, under which American businesses and workers now moil, travail, ail, and fail. “... to date, capital theory in the Clark tradition has provided the basis for virtually all empirical work on wealth and income” (Dewey, 1987: 429). Let’s recap that. A concept “specially tailored to lead to arguments for use against George” (Collier, 1979: 270) is still “the basis for virtually all empirical work on wealth and income” (Dewey, 1987: 429). Could that help explain why land and rent are minimized in this empirical work (Kurnow)?

The survival and coexistence of Marxist economics and neo-classical economics among modern academicians, and the submersion of Georgist

thinking, may be in part a logical outcome of this semantic consistency of Marx and Clark. It makes for easier mutual vituperation at a visceral level. In this odd sense, the warring camps "need" each other. The dominant neo-classical schools can debate comfortably with Marxists who share their naive dualistic or two-factor view of the world. Issues can be reduced to prejudices, with routine appeals to known biases. Neither party needs to budge or think; each enjoys belaboring the other. Basic definitions are not questioned. Each group makes an easy foil for the Pavlovian posturing of the other.

Coping with Georgism, on the other hand, calls for actual cerebration, reexamining basic concepts. After all, how is a Chicago economist to explain why he, a dogmatic, extreme spokesman for private property as a social panacea, favors socializing part of capital through taxation? How can he damn the "radical, confiscatory" Georgist who would relieve capital from taxation? A Marxist might damn the Georgist for that, as Marx himself did: he called George the last ditch defense of capitalism. But the Chicago School? Where previous radicals like Marx would wield the meat-axe blindly against all property, George would strike surgically to tap the rent of predatory and dysfunctional property. He, George, would spare and nurture functional property. He would distinguish the drones and predators from the creators and conservers of capital. This is a hard one to deal with, especially for the drones and predators.

In 1899 Clark delivered his other main stroke against George, his doctrine of factor symmetry. By now George's sharp tongue was silenced by death, but Clark prefaces his *Distribution of Wealth* with this. "It was the claim advanced by Mr. Henry George .." that led him to generalize the theory of marginal productivity (p.viii). It was not intended as a compliment. Chapters VII and VIII of the book are aimed at "Mr." George, by name. When he is not attacking George directly, he is getting at him through Ricardo.

In fact, no one who has read George can study Clark's *magnum opus* without recognizing it as a tract leveled against the unwashed "Mr." George almost from beginning to end. Throughout, the obvious idea is to merge land with capital, by whatever device. On p.2, the rent of land is merged with interest "for reasons that will appear later". This begins a kind of "proof by infinite retreat". The promised reasons are later put off again to

Chapter XXII, which puts them off to Chapter XXIV, where they finally disappear in the fine print of one of the longest footnotes in history: 395-98. Along the way he repeats his idea that capital is immortal, reprinting earlier works as chapters. At one point he says rent is interest because it equals the interest rate times the price of land. Elsewhere he says unearned increments are really part of the wages of workers who are also landowners. Device after device is used; deferral after deferral of promises to treat central matters "later". Meantime, however, rent is interest and land is capital throughout the book.

Clark had telegraphed his anti-Georgist intent in the 1891 review of Marshall: 142-43, in this convoluted passage:

If the special product of land be treated as the only true rent, and if land be thereby separated from other productive instruments, then the principle becomes a barrier against the attainment of a general law of distribution. Identify land with other instruments, as embodying one general fund of invested wealth, and you may apply the Ricardian principle to the income from all of it. The return from invested wealth, or the interest of capital in the abstract sense of the term, is, as we have said, a differential gain as truly as is the special return from labor applied to good land. ... the principle of differential gain will be seen governing the entire *static* income of society ... interest is the rent of a pure fund of invested capital, so wages are the rent of a ... fund of labor force; and both are as amenable to the Ricardian law as is the income derived from a fertile farm.

Whatever we may think of the outcome, Clark thought he was refuting Henry George.

Clark's enduring influence, and its ideological content, may be inferred from Paul Homan's paean (1928):

When ... he published *The Distribution of Wealth*, the logical beauty and precision of the system of theory there displayed was like an illumination from Heaven to many of those whose goal for economic science was the reduction of economic life to terms of law and order.

The evidence suggests that this light was inspired by an urgent need to blind students to the message of Henry George.

As to capital formation, depreciation, and obsolescence, Clark simply assumed them away by postulating a static state. He alleged that was the correct way to analyze basic economic principles; dynamics was too

complex, and muddied the waters. One might study dynamics *after* mastering the basic principles of statics, a mastery somehow never quite achieved in time to get on to dynamics. Ever since, micro-economic theory has been largely lacking a time-dimension: a curious lack for a discipline using calculus and aping the methods of physics. Clark purged time, and relations of sequence, from micro-economic theory.

George was the first economist to address head-on the problem of "recurring paroxysms of industrial depression," as he called them. He made this an integral part of his theory. Even Karl Marx, who nominally recognized the problem earlier, and appeared to make much of it, addressed it mainly with a jumble of press clippings on the suffering of the unemployed (Marx, 1867, Chap. XXV, Sect. 5, Articles d-f). George adumbrated a cost-push analysis of depression, in which cyclical overpricing of land was the prime cause. Veblen's later cost-push model of the upper turning point looks suspiciously like George's, but with the term "goodwill" substituted for price of land. Wesley Mitchell, Veblen's disciple, pioneered further work in business cycles, but in a militantly Baconian way that let his work be compartmentalized, separated totally from mainstream NCE as framed by Clark.

Clark's static state assumed the problem away; NCEists chose to live in a dreamworld free of depressions. Thus, by 1929, NCE stood defenseless against the overwhelming catastrophe that broke. Even Harry Gunnison Brown could only refer to it as a "period of slack business". Brown was in many ways a George supporter, but he tried to reach NCEists in their own paradigm, and became so habituated to it that he had no way to cope with chronic unemployment.

Even when Keynes developed macro-economics to try, at least, to deal with relations of sequence, macro was carefully segregated from micro. To this day, micro, the "core" of economics, remains static and Clarkian. The failure of economists to integrate micro and macro is an ongoing scandal of professional dereliction or incompetence. Compartmentalization has been the profession's response to many of its problems, as we will see further.

During the Great Depression there was some reaction against the NCEists whose self-imposed blinkers had made them lead us into it. With the nation's attention focused on World War II, however, NCEists recaptured

the academies, if they had ever lost them. The reform spirit was safely deflected overseas. Radical land and tax reforms were accomplished in Japan, to the everlasting credit of academic economists like Shoup and Vickrey who worked there under MacArthur. Reforms were pushed (but much too gently) in the Philippines. The Soviets were allowed - who then could stop them? - to crush the Junkers. Economist-reformers crowded into U.N. agencies. It was safe fun, working from privileged sanctuaries, telling little third-world nations how to reform themselves.

Meantime, the home front was a separate compartment. The US invested \$7 billion in the "G.I. Bill" education programs, 1945-52. It was a great transforming event; it opened doors of college training to a generation. Veterans fresh from risking life and losing years and body parts to military service now gave more years to being pumped up with human capital. The pump, however, was firmly in NCE control. The returning veterans received from their grateful nation "human capital" like this:

From every point of view ... land may be regarded as a capital good and the rent of land as similar in every respect to the gross earnings of a produced factor (Scitovsky, 1952: 227-28).

It was everywhere: it hit one from every angle. It was an integral tenet of NCE; you learned to make it part of your reasoning process, or failed your exams. Thus, as far as economic policy went, the great public investment was worse than wasted. The early spadework of Clark and his like came to guide the flow of billions of dollars, and the minds of millions of people.

Clark did not stop at subsuming land in capital. He also makes a great point that wages are rent, too. The policy implication is that wages would make a good tax base. Seligman carried this forward into the income tax, leading to the present tax system which raises much more from payrolls than property.

EDWIN R.A. SELIGMAN

Another debater confronting George at Saratoga in 1890 was E.R.A. Seligman, scion of a wealthy banking family,³⁷ and Clark's future colleague at Columbia. Seligman drew on his powers of rhetoric to assail George with dagger drawn. "... you come to us with a tale that is old as the hills, ... long

exploded, ... unjust, ... one-sided, ... illogical, ... inequitable, ... panacea, ... lop-sided, ... "As Chair of Economics at Columbia, an admirer of Clark, a loyal yeoman of Presidents Low and Butler, and a lifelong antagonist of George, it is reasonable to surmise that Seligman helped Low and Butler identify Clark as their man.

Seligman was a dogged critic of George, to whom George was almost an obsession, like Jean Valjean to Inspector Javert. His *World Book Encyclopedia* biographer notes his lifelong strife against George and Georgists. His *Palgrave* biographer, A. W. Coats, characterizes him as "a severe critic of Henry George". He is also one who "created the field of public finance in America" - in case there is any doubt how the twig was bent, and by whom. It is not that all academic economists scorned George. The founders of the National Tax Association included Lawson Purdy, and other Georgist names. Rather, those who did favor or tolerate his ideas were gradually isolated, ridiculed, silenced, or, if necessary, proscribed and ostracized.

Clark was the theorist, who set things up; Seligman was "the mailman" who delivered the message at the point of impact. Seligman was a frequent witness before the New York City Council, repeatedly working to stifle proposals from the Manhattan Single Tax Club (Marling, 1916), a large and active organization. He was influential in shaping the new Federal income tax, although, as to that, he was trumped in Congress by Congressmen Warren Worth Bailey, Henry George, Jr., and other "single-taxers" who shaped the original income tax legislation of 1916 along their lines (Brownlee, 1985). Seligman's attitudes, however, dominated the economics profession, and slowly prevailed over the popular position, first in the ivied halls where young minds are molded, and then in the legislatures where these molded minds act on the ideas that shaped them.

In his major work, *Essays in Taxation* (1895 plus many reprintings), Seligman devotes Chapter III, 31 pages, to savaging "The Single Tax". The manner is openly critical; there is not even a gloss of objectivity or impartiality. He gleefully quotes from Voltaire's "*L'Homme a quarante ecus*," a sarcastic attack on Quesnay, who had proposed taxing just farmland (George's tax was aimed mostly at city land, but never mind, any device was relevant and respectable when used to put down Henry George). Voltaire proceeds from the strange position that the poor people own all the

land, an oxymoronic premise that Seligman implicitly endorses without the burden of responsibility. Seligman himself describes the work as “caustic ... mordant sarcasm” - and continues to cite it approvingly through ten or more editions of *Essays in Taxation*.

The spirit of invective is not the spirit of science nor philosophy. The spirit of Seligman’s reference group seems to have been that any stick will do to beat Henry George, for whom decorum may be suspended, and for whom no upright scholar would demand fair treatment or equal time. Again and again we see the arts of drawing-room violence practiced against George: the artful sneer, the sarcasm, the giggle, the condescension, the feigned incredulity, the manufactured data. Seligman is not alone in his attitude: no one could pull this off alone, he would appear outrageous. There must have been an orchestrated campaign of academic terrorism. Its echoes reverberate down to the present. Note, for example, the admission by Prof. Paul Ormerod, who has taught economics at several British universities:

The challenge of constructing an alternative, scientific approach to the analysis of economic behaviour is one to which increasing attention is being paid. The obstacles facing academic economists are formidable, for tenure and professional advancement still depend to a large extent on a willingness to comply with and to work within the tenets of orthodox theory. It is a source of encouragement that more and more economists are willing to look at alternatives, despite the risks they take in doing so. (Ormerod, 1994: xx)

Recall, once again, Karl Marx. Seligman was anything but provincial. He was an historian of European thought on tax policy. Yet, neither “Marx” nor “communism” are in his index. The modern bias is to marginalize George and to characterize all conservatism as a reaction to Marx. That appears to be bad history. Seligman’s guns, like Clark’s, were trained on Henry George, clear through the 1920s. Clark dominated neo-classical theory; Seligman dominated its applications to tax policy.

Seligman, otherwise known as a sober scholar, let his hostile rhetoric lead him into multiple contradictions and inconsistencies. These are detectable with only a modest effort, and have been detailed elsewhere (Andelson and Gaffney, 1979). However, otherwise they have passed unchallenged within the profession: an indication that the “academic

reward system" was luring or driving "objective" scholars in other directions. The most blatant misrepresentations of George, the most superficial arguments, may be and are advanced without rebuke.

Seligman had the practical sense to use Clark's strongest weapon against George. This was *not* the demonstration that land is productive (has a marginal product). The fact that land is productive does not say the owner is responsible, nor gainsay that land income is a taxable surplus. After all, Quesnay and his group had championed land taxes in the belief that land was not just productive, but the *only* productive factor. Wicksteed, who worked the kinks out of marginal productivity five years before Clark published, continued to favor special taxation of land (Barker, 1955: 382; Steedman, 1987: 915). Actually, the fact that land has a marginal product turns out to be a useful tool of the Georgist case: it shows that the return to land may be separately imputed, and measured for tax purposes.

So, rather, Seligman uses Clark's mystical capital theory. This is the essential, distinctive Clark. Seligman writes that if *land* is taxed, this drives capital out of land, into housing, misallocating capital in favor of housing (*Essays in Taxation*: 92).³⁸ That presumes land is convertible into capital, and *vice versa*, just as Clark said when debating George at Saratoga in 1890. Thus, the essential for neutrality in taxation is uniformity, including uniformity between land and capital. Seligman goes on to apply this to income taxation as well as property taxation. (Others have applied it to excise taxation.) Like Clark, he believes that wages are another form of rent, and just as fully taxable as property income.

Seligman's doctrine of uniformity has grown mighty through the years. It is the theoretical basis for the watershed tax reform act of 1986 under which the American economy briefly boomed before crashing dismally. Neo-classicals were in command, led by Charles McLure.³⁹ *Uniformity* was the touchstone. The 1986 reformers did away with devices like the investment tax credit, which favors new investing. They did this to help lower tax rates that apply to the income from old assets like land. The reaction to Henry George, reached a century through time to mold our tax system in the name of the "level playing field".

Seligman is much more applied than Clark, but his theoretical assumptions are in harmony. Seligman was perhaps the most influential American tax economist of all time. His ideas form the basis of much of modern tax

theory, the cutting edge of neo-classicism in policy. Like Clark, he faults George for thinking capital supply is elastic.

It may be asked ... where all this additional capital which is to be invested in houses is coming from. There is no fund floating about in the air which can be brought to earth simply by the imposition of the single tax [i.e. by untaxing capital - M.G.]; ... (Seligman 1895, rpt. 1921: 92)⁴⁰

Seligman makes the above views even more explicit in "Tax Exemption through Tax Capitalization" (1916). As with Clark, the supply is fixed, by assumption. This is purely static analysis at a point in time. Significantly Arnold Harberger (1968), the more recent Chicago tax theorist, is also known for rejecting the view that housing taxes are shifted off capital, and by the same line of reasoning.

PHILIP HENRY WICKSTEED

Philip Wicksteed is another who knew George personally, but on much friendlier terms (Barker, 1955: *passim*). Wicksteed, upon first reading *Progress and Poverty*, wrote George ecstatically, it "has given me light I vainly sought for myself". You have opened "a new heaven and a new earth," he wrote George, and thanked him for a "freshly kindled enthusiasm" (Barker: 381). He sat with Michael Davitt on the platform during one of George's major addresses in England (Barker, 1955: 397).

George Bernard Shaw, another George fan, also engaged Wicksteed to instruct him in the basic Ricardian economics he needed to extricate Fabianism from Marxist theoreticians. Shaw found these too mystical and cryptic. Wicksteed's and Shaw's common interest in George helped to bring them together, and deeply affected the Fabian Society, which continued to support George after Hyndman and his Social Democrats turned against him. After being tutored by Wicksteed, Shaw attacked the Marxist Hyndman caustically, as Wicksteed never would, but GBS himself could (Shaw, 1889). Concerning rent, he wrote "... profit to the proprietors of the more favourable raw material (is) economic rent, the main source of 'surplus value.' Without a thorough grip of this factor it is impossible to defend Socialism ..." Marx's failure to see this point makes *Das Kapital* "useless" (1889: 196-98).

Defending George, Shaw wrote in the *London Star* "... by his

popularization of the Ricardian law of rent, which is the economic keystone of Socialism, and concerning which the published portion of Marx's work leaves his followers wholly in the dark, Mr. George is doing incalculable service in promoting a scientific comprehension of the social problem in England" (June 7, 1889, cit. Lawrence, 1957: 86). Shaw claimed credit for first putting land taxation in the platform of the Liberal Party in 1892 (Fabian Society, 1950: 208, cit. Lawrence, 1957: 171). The voice was the voice of Shaw, but the hand was the hand of Wicksteed.

George was system-minded and sought to unify the laws of production and distribution in a coordinated harmonious system. His theoretical framework foreshadows the marginal productivity theory of wages, which he integrates with Ricardo's rent law. The idea that the wage rate equals the marginal product of labor is simply George's law of wages formalized and rounded out.⁴¹ The title of Wicksteed's masterpiece, *An Essay on the Coordination of the Laws of Distribution* (1894), is paraphrased closely from *Progress and Poverty*, Book III, Chapter VII, "The Correlation and Coordination of These Laws (of Distribution)," (George, 1879: 218). Wicksteed was formalizing, in more elegant form, an insight from his friend George.

In the process, Wicksteed wrote that land and labor are coordinate and symmetrical, and none yields a surplus any more than any other. He was expressing a mathematical insight, not an anti-Ricardian dogma. He was saying that distribution exhausts the total product when every factor, including land, is paid its marginal product. He showed that the same laws of distribution may be established regardless of whether land or labor is arbitrarily treated as the variable. It is a valuable insight, and fully compatible with recognizing land rent to be a taxable surplus (Gaffney, 1962: 149-54; Alonso, 1964: 46-49).

It has been used by some, like Clark, to claim that land rent is not a taxable surplus, but that was not Wicksteed's purport at all. "... (the logic) ... so far from weakening the position of those who regard rent as a surplus, by showing that the use of land is paid for in accordance with the marginal utility of the service rendered by it, shows what is indeed Mr. Wicksteed's object to prove, that the two views are essentially contained, each in the other" (Flux, 1894: 312). He even credits part of his insight to Graham Wallas (1894: 40, n.1) Wallas, a Fabian socialist, was surely not intent on

justifying private collection of land rent in the manner of J.B. Clark. On the contrary, Wicksteed's life history demonstrates that one can see this element of factor symmetry - one can even discover it, as he did - and see land-rent as a taxable surplus.

Wicksteed remained sympathetic to George and his cause. "He remained always loyal to *Progress and Poverty's* central idea. land nationalization, to be achieved gradually by way of taxation ... remained a conviction to the end, with Philip Wicksteed" (Barker, 1955: 382). The lasting Georgist element in Wicksteed is discussed in Wicksteed (1933) I, vi-vii; II, 686-90, and in Herford (1931: 213-14).

ALFRED MARSHALL

Alfred Marshall is another who debated George heatedly. This was in a meeting at Oxford in 1883. Feelings ran high and sharp words were spoken. Marshall was egged on by Oxford students, including scions of titled landlords. Dignified, scholarly, academic Oxford, of all places, was one of only two venues on George's speaking tours of Britain where there was "organized disorder" evident (Lawrence, 1957: 36). We may surmise Marshall disapproved of the organized disorder, but felt pressed to uphold himself on his home turf against the unpedigreed, upstart foreigner. The mature Marshall wisely never published these immature polemics, so they hardly bent the course of economic thought.⁴² He never reacted so drastically as Clark and Seligman. Marshall is called a neo-classic, but great economists seldom fit tight molds, and it would be hard to identify him with the ideas of Clark and Seligman, as limned above.

Marshall's reaction to George is rather one of caution, compromise, ambivalence, and gradualism. It was the lack of these qualities in George, the importunate activist (plus a touch of xenophobia and caste-feeling in Marshall?) that exercised Marshall at the Oxford debate. Marshall's imprint on neo-classicism is his two-handedness, that notorious quality of economists that later disturbed President Harry S. Truman. In one of the 1883 lectures, Marshall grants the merit of nationalizing land after 100 years. At the time it must have seemed safely temporizing; it is a sobering thought that that centennial is now eleven years behind us.

George Stigler (1969) seeks to invoke Marshall against George, but that is to misrepresent him. Marshall actually supported Lloyd George's land-

tax budget of 1909, accompanied though it was with Henry Georgist oratory, political upheaval, and social ferment (Hutchison, 1969). It is possible that Marshall had weathervane tendencies. This tradition, too, is powerful in the profession. In the end, however, George could hardly ask for a more useful, constructive critic than Marshall. Marshall was cautious to a fault, and surrounded by rent-takers with whom he had to live, but in spite of all, quite sincere and honest.

Marshall actually accepted much of George's case, although probably preferring to trace its provenance to others. His opposition was not simply captious, but thoughtful and constructive. He even improved on the case with his concept of "the public value of land" (1891, rpt. 1947). Marshall's public value is what George means by "community-created value," the joint result of nature, location, public works and services, settlement, and community synergy or "urban linkages". Marshall saw that urban values were outgrowing rural values, and provides an appropriate concept.

He also spotted (along with Cannan, 1907) the flaw and upper limit on raising *local* land rates (in Britain, local property taxes are "rates") to high levels, noting that this would distort locational decisions by over-attracting people to jurisdictions with higher rate bases - a kind of "tragedy-of-the-commons" effect, working through the rating system and locally financed public services. He leaned toward a benefits-received limit on rates, describing rates in excess of benefits-received (narrowly construed) as "onerous". The viewpoint is that of the upper middle class or retired landowner in a suburb.

This was not an unplanned problem, to be sure. The Tory political leader Austen Chamberlain (Neville's half-brother), thinking ahead, saw this as how to keep down public charges on land.

It is certain that if we do nothing the Radical Party will sooner or later establish their national tax, and once established in that form any Radical Chancellor ... will find it an easy task to give a turn of the screw. ... On the other hand if this source of revenue ... is once given to municipalities, the Treasury will never be able to put its finger in the pie again, ... (cit. Douglas, 1976: 150)

That was by no means the limit of Marshall's horizon, however. If we shift to national land taxes, the "overused commons" problem disappears.

George has been faulted for not specifying in *Progress and Poverty* what level of government should collect land taxes, but his later career made clear that he wanted national governments to rely heavily on land taxes, for approximately the same reasons that Austen Chamberlain wanted to keep them local. George opposed tariffs in large part to force national governments to turn from them to land taxes. His followers in both Britain and the United States pushed for national land taxes after Marshall wrote and, as noted above, Marshall supported the Lloyd George land tax budget in his own country in 1909. Marshall's successor, A.C. Pigou, wrote favorably (if hypercautiously) of land taxation (1949). The core of overt anti-Georgism is not to be found in British economists, but American.

FRANCIS A. WALKER

General Francis A. Walker, first President of the American Economic Association, President of M.I.T., and Director of the US Census was another who confronted George personally. He engaged George in a furious, cutting debate in the semi-popular press over the concentration of farmland (1883a). In a word, Walker thought in terms of simple means and George in terms of Lorenz Curves⁴³ (a term not then yet invented). Walker, waving his credentials, led with his chin in an arrogant, condescending, offhand manner, and was demolished. If he had any sense of the situation, he must have been dreadfully embarrassed.

Walker's first reaction was to go into denial. He wrote of George's proposals, "I will not insult my readers by discussing a project so steeped in infamy" (1883b, rpt. 1888). Walker soon discussed it anyway (1883c), and with some slow return toward objectivity. In spite of his initial arrogant approach to George, he was perhaps too large-minded to nurse a grudge for years, or let it reshape his entire way of thinking. He was a person of leadership qualities, soon to be demonstrated when he pulled together dissident factions to launch the American Economic Association (see discussion under Richard T. Ely, below). For others, however, silence has become a pillar of the neo-classical tradition. It has proven effective, but how sturdy a structure can be supported, and for how long, by silence and denial?

Walker was generally forthright, but clumsy and heavy-handed. He lacked the kind of sneaky subtlety Clark used to undercut George by

recasting economics. He remained a Ricardian in methodology. He flirted with the notion of Leroy-Beaulieu that rent was declining in importance, but then seemed to dismiss it (1883b: 147, 191). Later in the same year, however, he came back with the interesting point that public works that raise the value of specific lands have the reverse effect in the aggregate (1883c). This is the doctrine now identified with the name of Robert M. Haig (1926). Haig was the Seligman *protégé* who had earned his spurs at Columbia by minimizing the benefits of the then-popular movement to exempt buildings from property taxes (Haig 1915a, b, and c). This idea from Walker has been much used by others then and later, to trivialize Henry George (Seligman, W.I. King, 1921, 1924; Ely, 1922; Schultz, 1953). Ely was to italicize it as (what he calls) a “formal definition”: “... *in a progressive society, ... with increasing wealth and stationary population, land values will decline* (Ely, 1927: 131).

Walker also criticized George for alleging that the progress of technology was always labor-saving and land-using. George had overstated this case in a rhetorical flourish (1879: 253), even though Mill, his classical mentor and foil, had written that technology might also be land-saving (1872, Article 4). Granting that Walker wisely corrected an overstatement in George, however, Walker went to the other extreme and remained there. To him, capital formation is the salvation of labor.

Since then NCEists have presumed that capital is always complementary to labor, and a substitute for land. They present it as such a perfect substitute for land that they may eliminate land as a separate term. They thus remove from their purview such events as the disemployment of labor by sheep-capital during the enclosure movements in England, the mechanization and chemicalization of American farming, automation of assembly lines, ATM bank cashiers, bar-code checking-out, etc. If there are only two factors of production, as in the NCE dreamworld, then capital must always complement labor. In the real world of three factors, capital may preempt land from labor, as in the cases noted.

J.B. Clark entered in on Walker's side, writing on “The Law of Wages and Interest” (1890d). As a rule Clark assumed the supply of capital is fixed, but he departed in this case. Clark concluded that a rise in the supply of capital acts to lower interest rates, and thus to lower all property incomes, thus transferring all the gains from capital formation to labor.

This leads to "the workman's paradise that we have sought ... more attractive than an ideal vision, since progress toward it is assured by natural law" (1890d: 64-65). The problem with this forecast is that lower interest rates act to raise land rents, whenever land use entails heavy use of capital. Lower interest rates do not eliminate property income, but transfer it from capitalists to landowners. The relationship of rent and interest is clearly inverse, a matter totally lost in NCE by virtue of its identifying land with capital.

Lower interest rates do not just raise land rents in general, but specifically in those land uses that are most capital-intensive, some of which are labor-saving. This important aspect of distribution theory may have been overstressed by Henry George, but NCEists have surely overreacted. They have simply wiped it out of NCE without a trace.

The net result has been a polar contrast between Georgism and NCE. George stressed that land complements labor, and labor may find more jobs by taxing land into use. NCE stresses that capital complements labor, and land taxation may prejudice capital formation. Saving may be fostered by limiting taxes to consumption.

In the hands of modern NCEists, theory teaches that any withholding of good land from use can be no problem. It is easily offset by developing new lands. In the hands of Keynesians and "NCE-synthesists," land monopoly becomes a positive benefit: it creates new investment outlets for capital to develop new frontiers. Alvin Hansen saw public works as the new frontier, replacing the old. Imperialists saw new military and naval frontiers. In all these variations there is a constant: economic land can be created by creating capital, with no limits imposed by nature. In this view, the world is an infinite reservoir of raw land, needing only the touch of mankind and capital to make it into economic land. It took the modern environmental movement finally to blow the whistle on this nonsense (Gaffney, 1993c, and 1994).