

MARX'S MISSED CHANCE

KARL MARX knew that there was one thing only that would save capitalism: a tax on land values. In a number of letters, he informed friends that this fiscal policy was the "last ditch" of the capitalist system. But the armchair revolutionary fervently believed that the proletariat would overcome any attempt by the capitalists to preserve the free market economy.

In fact, the proletariat are now in the process of actively overthrowing systems that were created in the name of Marxism: witness the events in the Soviet Union, Poland and Hungary. The reactionary agents of communism - in countries like China and Albania - are still using the gun to suppress the proletariat, but they will eventually get theirs, as well.

Meanwhile, it is poetic justice - and, in a curious way, historically inevitable - that interest in land value taxation has been revived. In that context, it is worth recalling the words of Marx.

In one letter, written in 1881, just after he received three copies of *Progress and Poverty* from various sources, he wrote that Henry George was a "backnumber": "His fundamental dogma is that order would prevail were ground rent paid to the state."

Marx reviewed the history of the fiscal policy, tracing it through David Ricardo and James Mill and others, and recalled that he had previously written that they "have demanded that rent be turned over to the state to the end of removing taxation. This is the frank expression of hatred which the industrial capitalist entertains for the landowner who seems to him a useless and superfluous

entity in the scheme of bourgeois or capitalist production."

Ridiculing those European writers who thought they were promoting socialism through the adoption of land value taxation, Marx noted that they believed that "by the conversion of the ground rent into a state tax all the ills of the capitalist system of production would vanish of their own accord. In other words, the whole thing is simply an attempt, doused with socialism, to rescue the rule of capitalism, in fact, to rear it anew upon a firmer basis than its present one."

As for Henry George, Marx wrote that he was a "huckster of panaceas." Well, we now know that Marx - no mean huckster, himself - has been rejected by his ardent followers; and that his solution to the defects in 19th century capitalism has been exposed as a panacea.

It is not surprising that Marx was virulent about Henry George. He could see that land value taxation would, indeed, solve the problems with capitalism. Had such a system been adopted 100 years ago, the need for the experiment in communism would never have arisen. And the world would now be more peaceful and prosperous.

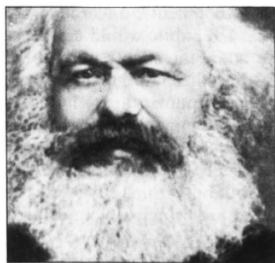
Instead, Soviet citizens, as they queue at the doors of empty food shops in Moscow, presumably realise that they are back to where they started from: 1917.

"The Marxist critique of Henry George is fully explored by Fred Harrison in R.V. Andelson (Editor), Critics of Henry George, Fairleigh Dickinson UP, 1979.

the constitutional crisis of 1909) but won the war (the tax on land values was never levied).

Or did they?

The principle of funding social expenditure out of a direct levy on rent was lost, but the dynamics of the industrial economy compelled redistributive action in favour of enhancing education and providing employees with the level of social and economic security that enabled them - or, put



• Karl Marx

another way, enabled the capital of their employers - to function.

Thus was born the welfare state. The Conservatives in Britain did not like it; nor did the Republicans in the USA. But the welfare state was something they had to swallow, for the sake of

social stability and economic progress.

And so we now know why Henry George was wrong; he did not anticipate the pressures that would lead to the creation of interventionist governments that would champion the citizen.

Free market governments throughout the world emulated this model; they financed welfare out of higher taxes on people's incomes - taxes which, through the pricing system, were passed on down the line until they eventually fell where they belonged (in the view of Henry George): on rental income.

This was appropriation of

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REFERENCES

1. *Progress and Poverty* (1879); New York: Robert Schalkenbach Foundation.
2. "Wealth for only a few," *Northern California Real Estate Journal*, July 31-Aug 13, 1989.