

Capital, Profit, and Accumulation: The Perspectives of Karl Marx and Henry George Compared

The centenary of *Progress and Poverty* follows by only a few years that of Volume I of Marx's *Capital*. These two great works of radical economics both appeared in a period of economic turmoil — a long-swing downturn marked by disruption of existing economic relationships, depression, and the rise of new industrial monopolies. Both books proposed systems for analysis of economic conditions and advocated revolutionary changes. Both were based on the classical writings of David Ricardo, although their systems and proposals differ in many ways. Both won adherents, and both still have them, although Marx has had more impact on policy.

In the present paper, I explore some of the differences between the economic analyses of Marx and George. Centenaries are a time for ecumenical dialogue. More important, the modern world's challenges require greater theoretical precision and cross-fertilization of ideas. I shall focus on the treatment of capital, profits, and accumulation in the two theories.

The relationship between Marxist economics and the economics of Henry George has often been an antagonistic one, notwithstanding certain common themes. Rival schools often treat each other only with studied ignorance or calumny. Mutual learning and a clarification of fundamental axioms through confrontation are foregone.

Both Karl Marx and Henry George were capable of careful and penetrating analyses of their predecessors in political economy. Whatever the merits of a description of either man as a "post Ricardian" (surely Samuelson's "minor" is unwarranted), both knew and could explain their differences with Ricardo (1821), Malthus (1798), Wakefield (1849), or Mill (1848). But neither gave the other serious attention. Their followers did even less.

Control over Economic Rents

In *Progress and Poverty*, Henry George presented a cautious attitude toward Socialism. He was skeptical of "demagogues" who argue, "there is a necessary conflict between capital and labor", or that the market should be restrained by government (1879, rpt. 1929, p. 11). Yet he stated that a regulated socialism (as in ancient Peru) might be a better social state "than that to which we now seem to be tending (1879, rpt. 1929, p. 220). Essentially, he felt the scheme was utopian:

Socialism in anything approaching such a form, modern society cannot successfully attempt. The only force that has ever proved competent for it — a strong and definite religious faith — is wanting and is daily growing less Our governments, as is already plainly evident, would break down in the attempt. . . .

The ideal of socialism is grand and noble; and it is, I am convinced, possible of realization; but such a state of society cannot be manufactured — it must grow. Society is an organism, not a machine. It can live only the individual life of its parts . . . (George 1879, rpt. 1929, p. 321).

With the reduction of inequality and the "free and natural development" of society, such socialism might come about. However, George believed that it could not be implemented in his time (1879, rpt. 1929, p. 321).

After the breakdown of the 1886 political coalition of Single Taxers and Socialists, George's attitude toward Marx hardened. In *The Science of Political Economy* he classifies Marxism as a branch of German protectionism, as a "learned bureaucratic and incomprehensible" system (1897, p. 197). But his only analyses of *Capital* are a claim that wealth is never defined (1897, p. 124) and the following comment:

Without distinguishing between products of nature and the products of man, Marx holds that there are two kinds of value—use value and exchange value—and that through some alchemy of buying and selling the capitalist who hires men to turn material into products gets a larger value than he gives. This economic proposition of Marx . . . can hardly be called a theory (1897, p. 197).

The comment suggests that he had read *Capital* but had not grasped the definitions and concepts contained in the early chapters of volume I.

Marx, on his part, suggests a scheme similar to that of George. Some Georgist adherents might be attracted to Marx's comments, primarily directed at Mill's weaker land value increment tax, included in his notebooks on *Theories of Surplus Value*:

Assuming the capitalist mode of production, then the capitalist is not only a necessary functionary, but the dominating functionary in production. The landowner, on the other hand, is quite superfluous in this mode of production. Its only requirement is that land should *not* be common property, that it should confront the working class as a condition of production, not *belonging* to it, and the purpose is completely fulfilled if it becomes state property, i.e., if the state draws the rent . . . The radical bourgeois (with an eye moreover to the suppression of all other taxes) therefore goes forward theoretically to a refutation of the private ownership of the land, which, in the form of state property, he would like to turn into the common property, of the bourgeois class, of capital (1905, rpt. 1963, p. 44).

Unlike George, who argued that the single tax would allow access to self-employment or the equivalent in benefits for all, Marx argued that tax on landed property, or even its nationalization under capitalist conditions, would not amount to access to the conditions of production for all:

The Ricardian law would prevail just the same, even if *landed property* were non-existent. With the abolition of landed property and the retention of capitalist production, this excess profit arising from the difference in fertility would remain. If the state appropriated the land and capitalist production continued, then rent . . . would be paid to the state, but rent as such would remain. If landed property became *people's property* then the whole basis of capitalist production would go, the foundation on which rests the confrontation of the worker by the conditions of labor as an independent force (1905, rpt. 1963, pp. 103-4).

Later, when commenting on the 1886 political situation in the United States, Engels applied such a view directly to George, arguing that historically the separation of people from the land did not always mean liberation (e.g., feudalism). Engels claims that George's proposed remedy left the present mode of social production untouched and had, in fact, been anticipated by the extreme section of Ricardian bourgeois economists who also demanded the confiscation of land by the state (1887, rpt. 1973, pp. 17-24). However no analysis was offered to explain why George argues that only land values need be expropriated to allow access to land.

All of this does not add up to a careful critique of each school by the other.

Comparative Positions

The Henry George movement influenced American socialism more than is generally recognized. The dominant, reformist branch within the socialist movement of the turn of the century – the so-called “sewer socialists” – appropriated much of George’s program for urban use. The leader of the opposed tendency, Daniel DeLeon, had passed through the Single Tax movement in his political trajectory. There were many occasions, such as the 1893 A.F.L. convention, where Single Tax and Marxist positions on property directly opposed each other; yet there were also cases of mutual participation in local alliances over the next two decades (Edel 1977, pp. 1–15).

I have argued also that these influences and alliances were possible, and sensible from a Marxist viewpoint, because there is considerable formal overlap between the theories of Marx and George on the question of rents. Both argue that rent is not merely confined to a “natural” Ricardian differential. George’s treatment of speculative land values and Marx’s of absolute rent show that certain elements of land ownership can be a barrier to economic development through capitalist investment. Both argue that ownership of land is also a factor holding labor in low-wage employment (although for Marx there are other factors as well). Both suggest cases in which the removal of land monopoly might allow improvements (short run in Marx’s view, but nonetheless real) in labor’s conditions. Where there are differences in detail, Marxists can learn from George’s analysis (Edel 1977).

Wages and Profits

Underlying these similarities in theoretical position (allowing some alliances over specific reforms) there is also a convergence of some aspects of wage theory. Both repudiate the Malthusian population theory and the doctrine of the fixed wages fund. Indeed, their critiques of these theories overlap and reinforce each other, being based on similar optimism about the creative potential of human labor to increase production, if it is unfettered by social institutions. This radical optimism is the strongest bond between the two schools, and their prime difference with conventional “iron law” economics of their century.

There are, to be sure, major differences in their treatment of the specific mechanisms of wage fixing. George, as will be shown, relies on marginal productivity of labor (in a unique way) and Marx on a concept of socially determined subsistence levels. There are even some differences in their projection of the future course of rents under capitalism. George

saw them as rising with technical advancement, while Marx suggested they might fall as the "forces of production" advanced. How these differences relate to the theoretical core of the two analyses must still be examined. They do not, as will be shown below, rest on ad hoc assumptions.

It is not in the treatment of rents and wages that the differences between the theories is most apparent. To understand the basis of their differences, it is useful to focus on the determination of the third major "factor income" — interest or profit, and upon the related, more general question of the nature of capital and its role in economic development or accumulation. This treatment of capital reflects the most fundamental differences between Marx and George; these are differences in the vision of which classes are in conflict with each other in society, and about the economic form of society that should exist in an ideal state. These differences are substantial and in many ways cannot be reconciled.

Marx writes from the perspective of the organizations and experiences of an industrial labor force, long separated from the land, which was confronted by large enterprises. He sees a return to farming or artisan activity as an undesirable and, more important, impossible goal. The individual proprietor, peasant, or petty bourgeois enters into his analysis only in a secondary position.

George writes with the conditions of the frontier constantly in mind. An individual alone, if unfettered by monopoly, can be an important producer. Farming, mining, and even artisan industry do not inevitably need large enterprises, although George is second to none in his praise for agglomeration. The individual proprietor or petty bourgeois, for George, is not an anachronism — in fact, he is the central actor in many ways. No antagonism is necessary between such proprietors and the wage worker; the two classes, in a better system, would indeed merge.

How these differences in perspective underlie and are exposed in the two theories is apparent if we look closely at several questions. First, what is the definition of capital? Is it a thing or a relationship? What forms of wealth or means of production are defined as not being capital? Second, what determines the rewards received by capital? Are they part of a surplus value? Are interest and profit rates uniform for all forms of capital? What is the relationship between normal and monopoly profit conditions? Third, what role does capital play in economic development?

The differing positions of the two authors on these questions will be explored in the following section, with more general aspects of contrast and connection saved for the final section.

Defining Capital

George

The attempt to define capital formally is one of the most confusing sections in Henry George's work, due to the multiplicity of specific definitions offered. In George's simplest definition, capital refers to a subset of the category "wealth," and wealth is defined as "labor impressed upon matter in such a way as to store up, as the heat of the sun is stored up in coal, the power of human labor to manifest to human desires" (1879, rpt. 1929, p. 42). Capital is only a part of wealth — that part, namely, which is devoted to the aid of production" (1879, rpt. 1929, p. 42). This definition is close to the notion of produced means of production in Marx. George also defines capital in terms of saver's motives ("that portion of wealth which its owners do not propose to use directly for their own gratification, but for the purpose of obtaining more wealth") (1879, rpt. 1929, p. 45). Capital is also defined as "wealth in course of exchange, understanding exchange to include not merely the passing from hand to hand, but also such transformations as occur when the reproductive or transforming forces of nature are used for the increase of wealth" (1879, rpt. 1929, p. 48).

There are some discrepancies here, in that the first definition would seem to exclude inventories of consumer goods held for sale; while the latter two would include them. More fundamentally, George is torn between considering capital as a set of things, and realizing that a definition ought to be oriented to a description of social relations. Thus having stated his first definition, he is forced to exclude some items used in production not owned by capitalists. As he states:

If we must consider as capital everything which supplies the laborer with food, clothing, shelter, etc., then to find a laborer who is not a capitalist we shall be forced to hunt up an absolutely naked man, destitute even of a sharpened stick, or of a burrow in the ground — a situation in which, save as a result of exceptional circumstances, human beings have never been found (1879, rpt. 1929, p. 45).

This consideration leads him to exclude not only laborer's own tools, but also human capital and consumers' durables from the definition. It is for this reason that the production definition must be qualified by consideration of exchange. As will be shown, when George comes to treat *profits* he defines as capital those assets which yield returns after a delay and which are exchanged *in very specific* markets for one particular subset of capital goods. A working definition, in terms of an enumeration of examples, is thus possible. However, it includes some problems,

which emerge precisely because the return to capital, in George's model, may be determined by what goes on in a subsistence sector of the economy that may not fully meet his terms for the definition of capital.

Marx

Marx's route to definition of capital is, in a sense, the reverse of George's. Rather than starting with a definition of capital as a set of assets or things, he defines it initially as a social relationship. Although George apparently missed the point, there is a concept in Marx's argument that is equivalent to George's "wealth" (produced means of production), as well as a broader wealth concept of "forces of production," which would include both produced and natural means of production, as well as technology, human capital, and the like. This second concept is closer to Smith's ideas. However, these concepts are kept separate from the notion of capital.

Capital is defined as such only within capitalist systems, or those with some capitalist elements. Assets are capital only insofar as they exist opposed to things that are not capital; industrial capital can be defined as such only if there is a proletariat to be hired by capitalists. Even merchant capital requires for its existence either a capitalist system or a dominant noncapitalist system with whose producers or exploiters the merchants can trade (Marx 1867, rpt. 1967, part II; see also Ollman 1974 and Sweezy 1964).

This definition is rather abstract. Yet only in a concrete setting can one enumerate those goods or assets that are capital. Then it becomes clear that some goods are capital sometimes and not capital other times. Financial assets, which George excludes from the definition of wealth or capital, are also part of capital, according to Marx, at least at certain points in their circulation. Therefore any attempt to measure a real capital stock in Marx's categories becomes problematic, and indeed Marx makes no attempt to measure such a stock. Operationally, capital is handled in terms of flows when capitalist economies are modelled. As a result, any linking of Marx's definitions for rates of profit with the common definition is subject to much controversy. But its form is useful for concentration on the economic flow and its interruption, and on a capital-labor relationship. In Marx's view, also, it is important to make the definition historically specific, to avoid trying to explain the complexities of modern society by appeals to Robinson Crusoe's island or some other presumed state of nature. Rules for the determination of profits, as well as for the governance of production, will be different economic systems or "modes of production" (Marx 1867, rpt. 1967; Hindess and Hirst 1975).

Role of Profits

If Marx and George differ on their definitions of capital, they are even more clearly apart when explaining the reasons that capital should receive a profit, and what determines the magnitude of this profit. Essentially, Marx sees profit as being determined at the aggregate or macroeconomic level by the extent to which a capitalist class can extract surplus labor (or surplus value) from a proletariat, with some allowance for the distribution of surplus value among capitalists and from them to other nonworking classes. For George, profit is determined by the productivity of capital, not in the aggregate but on a (very literal) margin. Like Marx, George has a theory of surplus value, but he does not see competitive capital as participating in that surplus. In both theories, complications arise from the presence of different capitals with greater or lesser monopoly positions. In their descriptions of monopoly, however, the two writers are closer together in position. To some degree their differences in profit theory are determined by their assumptions as to which fraction of capital (monopolist, competitive, or family level) is most characteristic of capitalism.

Marx

Marx's analysis of the determination of profit focuses on capitalist firms large enough to employ workers but (in the first instance) small enough to be affected by competition. (Application to larger-scale monopolies is a simple extension.) However, the analysis is actually carried out at an aggregate level. For Marx, the value of goods is based on the labor required to produce them, including direct labor in the act of production and the additional labor required to replace the raw materials and depreciating equipment used up in production. The labor used is performed, in a typical capitalist operation, by proletarians who sell their "labor power" (the ability to work) to employers at its value. The value of "labor power" is a cost of production, based on the amount of labor used in producing the consumer goods and services that go to reproduce the labor force. This cost is not determined by physiological subsistence, but rather by social "historical and moral" elements, including the ability of the workers to enforce a decent standard of living through class struggle. As long as the productivity of labor in society is great enough that only a portion of the potential labor time of society can provide the consumption required to reproduce labor power, a gap between the value of labor power and the value produced by labor exist, as long as capitalists can make workers work hard enough (Marx 1867, rpt. 1967, chap. 7, and 1968).

In this model the definition of capital *in terms of a relationship to labor* is central. The relationship actually is that of control over produc-

tion. If "alchemy" is involved, as George claims, it is in production, not in "buying and selling." The surplus is created by the gap between the *productivity* and the *cost of production* of the laborers. Thus anything that has been produced which adds to that productivity—whether through engineering efficiency, or through stricter discipline—is part of the capitalist class's capital (Marx, 1905, rpt. 1963).

Surplus value is, initially, acquired by the capitalists who direct the labor process, hiring workers to produce goods. Portions are drawn off as rents, interest, merchant's profits, and taxes. One complexity arises because in developed capitalist systems, competition among capitalists and the mobility of investment funds between sectors of the economy require equalization of profit rates among these sectors.

If all goods sell at their values, and if the ratio of constant capital expenditures (materials and depreciation) to variable capital (wage expenditures) is different in different industries, rates of profit (surplus value as a proportion of total capital) will be unequal unless rates of surplus value (as a proportion of value produced) also vary. This assumption would require differential wage rates to apply in many cases. Marx holds that untrue. Marx resolves this difficulty by arguing that the price of commodities is determined by what he calls *prices of production*: costs including payment for wages, constant capital replacement, and an average profit on capital (1867, rpt. 1967).

This theory is sometimes considered contrary to the labor theory of value used in Marx's introductory chapters, but as presented it is not inconsistent if surplus value is thought of as an *aggregate* economic concept. At the level of the economy as a whole, the wage rate is still determined by the value of labor power, total produced value is still determined by the amount of labor the capitalists can force from their employees, and total surplus value is still determined by the gap between total value produced and value of labor power. The individual values and profits are a transformed function of this total, as modified by intercapitalist competition and the power of renters to take part of surplus (Laibman 1973-74).

George

George's analysis has similarities to that of Marx at some, but not all, levels. In his attack on the wages fund doctrine George argues that all production is the result of direct or indirect labor. A portion of the product, that received by landlords or certain monopolies, is treated as an unearned value, accrued *because* the social cooperation of individuals (or, in George, small capitals) produces more than they would produce in isolation from each other, and *because* the market does not return all of

the social gains from agglomeration to individual producers. But the determination of wages and competitive profits is based not on an asymmetrical relationship (social subsistence vs. aggregate surplus value) as in Marx. Both are determined competitively by marginal processes.

The institutions of the American frontier permeate the assumptions of George's model. For George, labor's share is not governed by physiological or social subsistence minima. A floor is set to wages by the amount a worker can earn going to the margin of cultivation and working without prior wealth on available and free land:

Wages depend upon the margin of production, or upon the produce which labor can obtain at the highest point of natural productiveness open to it without the payment of rent (1879, rpt. 1929, p. 213).

Competition of employers will keep wages from sinking below this point.

Similarly, the return to capital is given by frontier conditions. Capital here is thought of as real equipment, (or livestock) and not, as in Marx, an abstract social concept represented by the market value of assets. Its productivity, too, is governed by the frontier's location:

The general rate of interest will be determined by the return to capital upon the poorest land to which capital is freely applied — that is to say, upon the best land open to it without the payment of rent (George 1879, rpt. 1929, p. 201).

But how can capital be conceived as being "applied" to land? Herein lies one problem of George's theory. If capital is indirect labor, frontier conditions do not in themselves determine how much above the initial labor cost investment capital will receive in returns. Some reward for waiting must be applied if a non-zero markup is to be justified. Yet George does not take this tack. Instead he conceives of some capital as increasing on its own:

It is true that if I put away money it will not increase. But suppose, instead, I put away wine. At the end of a year I will have an increased value, for the wine will have improved in quality. Or supposing that in a country adapted to them, I set out bees; at the end of a year I will have more swarms of bees, and the honey which they have made. Or supposing, where there is a range, I turn out sheep, or hogs, or cattle; at the end of the year I will, upon the average, also have an increase (1879, rpt. 1929, p. 181).

If some investments increase on their own, their rate of increase must set a floor to other investments, for why would an investor put money into

some assets that do not grow in value if other assets grow naturally?

George's explanation of interest as ruled by such natural forces, which he sees as operating more strongly as the extent of land available for their operation increases, allows a certain symmetry between his theories of rent, wages, and interest. All are set by the location of "the margin of cultivation," with wages and interest rising together and rent falling, as the margin of cultivation "rises" (1879, rpt. 1929, p. 219). This also allows him a theory with no innate conflict between labor and capital. However, even in George's explanation, there are qualms about this "natural" theory of capital.

In the first place, not all capital investments are in assets that will increase on their own. How, then, does George treat the others? Here George comes rather close to Marx's labor theory of value. He writes, following an example of one carpenter lending a plane to another for interest, that such lending could lead the borrower to the point where his whole product was owed to the other, making him "virtually his slave" (1879, rpt. 1929, p. 179). What is loaned here, he says, is not the tool's productivity:

The power which exists in the tool to increase the productiveness of labor is neither in justice nor in fact the basis of interest . . . And I am inclined to think that if all wealth consisted of such things as planes and all production was such as that of carpenters — that is to say if wealth consisted but of the inert matter of the universe, and production of working up this inert matter into different shapes, that interest would be but the robbery of industry and could not long exist (1879, rpt. 1929, p. 180).

In other words, George feels that it is only a particular subset of capital which through the "interchangeability of wealth" sets a general rate of interest. Without this special case, no positive interest would be justifiable. Like the rent of land, it would then, if it persisted, be considered part of the unearned surplus.

In the second place, even if some profits are justified as equivalents to the natural increase of wine, hives, trees, or cattle, these profits do not exhaust the category popularly thought of as profit. George devotes a chapter to "spurious capital and . . . profits often mistaken for interest" (1879, rpt. 1929, book III, chap. 4). Assets seized by force or threat (including political privilege) and by monopoly power he equates *not* to assets accumulated by indirect labor or by their own natural increase but rather to a monopoly such as landownership. He writes:

The belief that interest is the robbery of industry is, I am persuaded, in large part due to a failure to discriminate between what is really capital and what is not, and

between profits which are properly interest and profits which arise from other sources than the use of capital. In the speech and literature of the day everyone is styled a capitalist who possesses what, independent of his labor, will yield him a return while whatever is thus received is spoken of as the earnings or takings of capital (1879, rpt. 1929, p. 189).

Their returns, George argues, are not returns to capital.

Thus, George reads out of the category *capital* those assets most characteristic of the portfolios of capitalists:

Now, taking the great fortunes that are so often referred to as exemplifying the accumulative power of capital—the Dukes of Westminster and Marquises of Bute, the Rothschilds, Astors, Stewarts, Vanderbilts, Goulds, Stanfords, and Floods—it is upon examination readily seen that they have been built up, in greater or less part, not by interest but by elements such as we have been reviewing (1879, rpt. 1929, p. 194).

It is of course, precisely such fortunes, made initially in the course of the “primitive accumulation” of assets by force (and the concurrent dispossession of workers from access to the means of production), which Marx finds most characteristic of capitalism (1867, rpt. 1967, part I). The difference between capital theories stems, to a great extent, from differences about whose capital is being described.

Although Marx’s typical capitalists are not capitalists in George’s view, there is no real disagreement that these people do receive surplus value. Disagreement remains concerning the basis of their monopolies—George relates it to control of land and proposes to cure it by fiscal land reforms, while Marx relates it to control over labor and suggests that land reform or the single tax, if it did anything, would strengthen the major capitalists. But this disagreement itself stems from different appreciations of the role of self-employed petty capitalists in the economy. By making them the typical capitalist of his model, George is reaffirming his basic populist position that these are the economic beings who should be the backbone of the economy (Marx 1905, rpt. 1963, part II, p. 43–44).

Of course, not all small proprietors were out of business, even in Marx’s Europe. In George’s frontier California, they were quite important. George took them as the norm for capitalism, and Marx did not ignore them completely. He recognized, as did George, that the small proprietor might not have the same profit rate as the larger operator. Yet this did not mean for Marx that the system in which the working proprietor functioned was not exploitive capitalism. In Marx’s eyes, the artisan, peasant, storekeeper, and other petty capitalists were theoretical hybrids who embodied aspects of workers and capitalist in one person

(or family unit). The capitalist side of the unit sought a competitive return on investment in vain (because of inefficient scale, low capitalization, state favoritism, and so on). In the process, the "capitalist" side was forced to drive the "laborer" side to the utmost to avoid bankruptcy. Hence the "self-employed" often worked harder and longer than did wageworkers, even though they earned less profits than other capitalists.

Sources of Accumulation

The process of economic development is a major concern of both Marx and George. This, indeed, is one factor that sets them apart from their contemporaries, who were turning from the classical dynamics to marginalist statics. Both place some emphasis on the role of capital in the development process (Marx refers to development as the accumulation of capital), but neither sees development as simply the piling up of capital goods.

George

In treating development, George is much in the tradition of Adam Smith, when he considers the wealth of a nation to consist of its productive potential in the broadest sense. Agglomeration effects achieved through the extension of the market, through development of techniques and ideas favorable to growth, and through efficiency of labor are all more important than the accumulation of a stock of capital goods. True, George states that to speak of a community increasing in wealth means "an increase of certain tangible things — such as buildings, cattle, tools, machinery, agricultural and mineral products, manufactured goods, ships, wagons, furniture, and the like." However, once he is past the establishment of definitions, he insists several times that this physical wealth is relatively unimportant. Citing several natural and man-made disasters, George shows that a developed society can rebuild this physical stock of capital quickly — a forecast of the rapid development of Germany and Japan after the destruction of World War II.

Note that there is nothing in this picture to prohibit development by a community of petty proprietors. Large production units play a small part in progress; machinery is useful but not central. Urban growth, population increase, and increasing communication allow small businesses to contribute fully to progress.

Marx

For Marx, too, development is defined as more than just the piling up of physical capital. The development of the forces of production, defined

abstractly, involves much more than construction and the making of machines. All of the elements cited by George play some role. Yet there is also an historical progression involved. The division of labor between trades leads to a division of labor within branches of industry and firms. The scale of cooperation and of complexity in production increases. This historical tendency toward a socialization of the productive process makes the role of small-scale operations marginal. In addition, tendencies toward centralization and concentration undermine small proprietor competitiveness. Thus, apart from any relation of scale to the use of capital equipment, the process of development undermines the sorts of firms thought normal by George.

Indeed, in Marx's presentation of the basic dynamics or "general law" of capitalist accumulation, the process of growth in a capitalist system is described as involving *both* the growth of a stock of capital goods (arising from technical composition of capital) and the expansion of the proletariat, as increasing numbers of people are pushed out of positions of small proprietorship. For both Marx and George, development under unreformed capitalist rules involves a growing surplus, combined with increasing poverty; some of this surplus is invested in capital equipment. However, whereas for Marx it is inevitable and progressive that this process squeezes out the petty capitalist, for George such a squeeze is regressive but reversible.

Conclusion

The previous three sections have analyzed some key points of difference between George's and Marx's theories of capital. Some aspects of those theories have been shown to be less divergent than they first appear: both theories involve inventory and social relationship concepts of capital; both suggest that there are differences in returns to petty, large competitive, and monopoly capitals; both accept the notion of surplus value accruing to at least some capitalists. Their differences, however, seem irreconcilable on other key points, notably the role of small capitalists in the formation of the profit rate, in the growth process, and in the class composition of society. Putting the matter most simply, George's theory reflects in its structure the implied unity of workers and working petty capitalists; Marx sees capital and labor locked in eternal conflict, even within the same individual.

This conclusion gives some perspective on the reasons that, at certain times in history, collaboration between proponents of the two theories has been possible. There are historical conjunctures in which, even from a pure Marxist viewpoint, alliance between labor and small-scale

capitalist is desirable. Opposition to landlord or monopoly interests is the basis of such an alliance. However, when conflict with landed property or monopoly is not a principal problem, the latent conflict emerges. Urban land policy at the turn of the century was one field in which such alliance was beneficial; present-day monopolization of energy-producing resources may be the occasion for another such alliance.

In any such alliance, greater awareness of similarities and fundamental differences between the paradigms of the participants is, I believe, desirable. While ignoring fundamental differences may lead to greater enthusiasm in the short run, in the long run it leads to disillusionment. Yet, clarification of differences and exploration of tactical collaboration is not the only proposal for dialogue that emerges from a confrontation of the two theories of capital. Rather, the confrontation suggests to both theoretical camps certain areas in which self-examination may be necessary.

While I am not optimistic of any easy solution, I think relationships between the theories should be explored. The economics of Henry George is directed toward the preservation of a highly decentralized system, faced with internal pressures to decompose. It would be ironic if, having grown obsolete through the decline of its original frontier world, it found a new life in some future socialism. This is not to say that the single tax is alive and well and living in Yugoslavia, but perhaps it should be.

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