

Another View By BERNARD ROONEY (Editor, Australasian Georgist Quarterly)

As a teenager I was a keen but narrow-minded admirer of the system of Henry George. I also had a relatively ignorant prejudice against Karl Marx. But Georgist writers Max Hirsch and Fred Harrison opened my eyes a little to the exact merits and defects of the Marxist system. And it seems to me that there are a number of remarkable similarities between the two systems which have probably gone unremarked in the mutual ignorance and antagonism members of each school have shown to each other.

The guts of the Marxist system is the theory of surplus value. The unjust and forcible concentration of the "means of production" in the hands of the few reduces the masses to the subsistence wage, with the property owners naturally enjoying the power to dispose of the product of labour in excess of the cost of reproduction of labour. The theory of surplus value is an attempt to analyse the actual process of the creation

and extraction of this disposable surplus. Wealth produced is divided into "socially necessary costs" (i.e., expenses necessary to maintain the productive process) and "surplus value" (i.e., disposable income owned by the property owners by virtue of their ownership). So far, so good.

But Marx claims that an attempt is made to treat surplus value "independently of its particular form as profit, interest, ground rent, etc." Thus is assumed at the beginning a most vital question that needs to be proved, a question that is to decide the future of the price system: whether profit and interest are socially necessary costs or surplus value. And worse is to come: "surplus value" is supposed to be treated in general form, but in theory it is in fact identified with profit, it is explicitly stated that total surplus value must equal total profit. As "bourgeois" economists have delighted in pointing out, there is a direct contradiction in the internal logic of the theory of surplus value: it is impossible to reconcile the assumption of a uniform rate of surplus per worker with a uniform rate of profit when profit is a function of surplus over necessary costs (wages plus varying proportions of "constant capital"). A fantastic effort is made by Marx in Volume III to overcome this contradiction, but it seems that he cannot escape the trap of his own making.

What then are we to conclude from this? Are we to conclude, as "bourgeois" economists do, that the theory is untenable, therefore there is no surplus value, therefore no exploitation, therefore capitalism is distributive justice per marginal productivity? That is how John Bates Clark makes a stunning and infinitely apologetic trivialization of the most revolutionary and important law of general wage determination by no-rent marginal land. Or ought we conclude that if Marx's analysis of the process of extraction of wealth from a propertyless majority by a propertied minority is untenable, then it needs to be reconstructed?

Georgists have often pointed out that the single tax theory is the saviour of the capitalist system, i.e., that the great ideals of natural liberty, perfect market allocative efficiency and natural distributive justice can be given a new lease of life when the single tax repairs the fundamental inefficiency/injustice of the system. But there is another side to the coin: the single tax can also save all that is good in Marxism/scientific socialism/communism from oblivion.

If the exploitative injustice of class society is created by the concentration of independent means of production in the hands of the few, then classless society can be created by the restoration of the opportunity of production to the people. In other words, the direction of industry by the state is an optional extra in the classless society. If the market system is required for socially desirable purposes (allocative efficiency) then "profit" may need to be subtracted from the category of surplus value and counted as a socially necessary cost. The solution of the "great contradiction" is twofold: profit is not equal to surplus value and surplus value is not constant per worker but varies with location. The Marxist rush to identify profits with surplus value is a fault typical of unsophisticated utopian socialism and a disgraceful jump to a conclusion for "scientific" socialism to make.

Traditionally Georgists have attempted to propagate their views by appealing to conservatives to consider how logically the single tax flows from the fundamental conservative principles (free enterprise, natural liberty, etc.). But it seems to me that the truth is that the single tax theory falls almost exactly between the opposite errors of "capitalism" and "communism", and so we therefore have the option of choosing to approach either radicals or conservatives. And I wonder whether we have not made a fundamental error in not attempting to position ourselves with the radical or "left"? To this end it might be a worthwhile exercise to launch a more detailed critique of Marxism with the object not of "refuting" Marxism, but of reconstructing scientific socialism in the light of the logical untenability of the theory of surplus value and the manifest failure of the pure concept of state control of industry.