

## Rutherford: “The Devil Quotes Scripture”

By CHARLES F. COLLIER

Reuben C. Rutherford’s only book, *Henry George versus Henry George*, is fascinating for several reasons.<sup>1</sup> First, it is a full-length, 326-page critique of *Progress and Poverty*. Second, each of the major elements of George’s system of political economy—labor and wages, capital and interest, population, property rights, human nature and social progress, and so on—is examined at length. Third, Rutherford’s approach to the critique is intriguing. As the title of his book suggests, Rutherford proposed to demonstrate that George’s system was logically inconsistent and filled with contradictions by juxtaposing passages of George’s. That is, he proposed to show that George contradicts almost all of his own ideas and “that all he builds up at one time, he pulls down at another” (p. vi). Fourth, the time element associated with the book is interesting. It was published in 1887, yet Rutherford says that almost all of it was written in 1882, when he first read George’s book. He explains the delay in publication by stating that he was persuaded by friends that the fame of *Progress and Poverty* would be transitory and that, hence, the book was not worth criticizing. When it appeared that the fame of George’s book would endure, Rutherford issued his critique. From an analytical viewpoint, however, several of Rutherford’s main arguments had become obsolete well before 1882.

### Labor and Wage Theory

Rutherford was a staunch defender of the unmodified classical wages-fund theory.<sup>2</sup> It is, however, generally agreed that the unmodified classical version of that theory disappeared from the mainstream of analysis when John Stuart Mill recanted it in 1869. There were, to be sure, numerous efforts to modify the theory to salvage some parts of it.<sup>3</sup> Rutherford seems to have been unaware of the “second round”

of the controversy. At least he never cited, or even alluded to, any of the discussion.\*

The prerecantation version of the wages-fund theory, defended by Rutherford, presupposed an agricultural economy. (Indeed, it was precisely as agriculture ceased to be the main sector of the economy that the theory encountered the most devastating criticism.) It is interesting and perhaps suggestive that when Rutherford speaks of people being paid for a job, he speaks of boys who were paid in apples, an agricultural commodity, for their labor. Later, farming is explicitly mentioned as a characteristic industry (pp. 2, 7, 63). The classical theory assumed that there was a fixed production period—however long it took the crops to grow. Further, it assumed that once the harvest was in, the amount of food available was fixed. No more would be available until the next harvest. That food had to provide for needs of all agricultural laborers until the next harvest since there was simply no other source of food. It then seemed to the classicists that the real wages, or means of subsistence, had to be *advanced* to the laborers. That is, the product of current labor would not be available until the next harvest. But since the laborers had to live day-to-day from one harvest to the next, the food they received could come only from the last harvest. “Last year’s” crops, then, maintained labor until “this year’s” crops were harvested. Since real wages were paid to the laborers before the product of their current labor was harvested, the term *advanced* seemed appropriate. Although Rutherford does not always use the word *advanced*, he surely does speak of labor’s being maintained out of a previously accumulated fund while the product is being produced (p. 8). Once the total amount of food, or real wages, was known, the average amount per worker was found

\*A search of all the standard biographical sources yields only fragmentary information about Rutherford himself. He was born in 1823 to a prominent New York State family that numbered the discoverer of nitrogen among its forebears. Like his ancestor, he seems to have been of scientific bent, for his published writings, apart from the book to which this chapter is addressed, consist of an article on the diffusion of odors and a treatise on the healthful properties of woolen, as opposed to linen, garments. He served in the Union Army, attaining the rank of brigadier general, as did his brothers, Friend and George. His profession remains an enigma to me, and I have not been able to ascertain the date of his death.

by dividing that total by the number of workers. Here Malthusian population theory seemed to fit perfectly. If the means of subsistence were fixed and divided among a larger number of people, the average must decrease. It seemed to be a simple arithmetic problem—and we do find Rutherford claiming it to be just that. "Given so much wood to be pitched into the cellar, and so many apples with which to pay the boys for pitching it in, why is it that if twelve boys do the task, each will get a smaller share of the apples than if two boys had performed it? Is there anything labyrinthian or mysterious about that? And yet that is all, absolutely all that is involved in Mr. George's problem from a purely politico-economic point of view . . ." (p. 2; also pp. 9, 11, 92). Finally, classicists claimed that their model was generally applicable to the entire economy. That assumption was, as later critics indicated, very unsound and misleading. Still, it is the assumption that was generally made. And we find Rutherford claiming that labor in any sector of the economy can never be employed without a prior accumulation of capital from which to make advances (p. 5).

Rutherford used the above model as the basis for his first attack upon George's system. The first page of his book reproduces what he felt to be George's statement of the problem to be investigated: "Why, in spite of the increase of productive power, do wages tend to a minimum which will give but a bare living?"<sup>4</sup> Rutherford immediately ridicules George for posing such a seemingly simple problem as if it were profound.

That George was always an ardent critic of the wages-fund theory is well known. All of book 1 of *Progress and Poverty* was dedicated to a refutation of the theory. But George did more than criticize the wages-fund theory; he offered a well-developed alternative theory—a well-developed marginal-productivity theory of wages.<sup>5</sup> Marginal-productivity theorists claim that the wage paid to the worker is equivalent to the value of the product produced by him during the production period. That, of course, completely contradicts the wages-fund theory, since it makes the wage paid per period depend upon the productivity of labor, not upon the quotient of the wages fund and the number of laborers.

Before marginal-productivity theory can be made operational, there

must be some way, at least in principle, to measure the product of a single laborer apart from the contributions of other factors. George's proposed method was really quite ingenious. First, he imagined a Robinson Crusoe alone on an island. He argued that such a person could always pick wild berries and gather birds' eggs. Those berries or eggs would be the product of labor and hence the real wage for Crusoe. "Surely no one will contend that in such a case wages are drawn from capital. There is no capital in the case. An absolutely naked man thrown on an island where no human being has before trod, may gather birds' eggs or pick berries."<sup>6</sup> Naturally, a more advanced version of the theory was required to explain the marginal land that served as the basis of classical rent theory. Almost by definition, the no-rent marginal land was the least fertile land cultivated or the least favorably located land built upon. Since that land would not be totally barren or completely isolated, it would yield some product. But precisely because it was no-rent margin land, all advantages that could be eliminated would be eliminated. If a laborer were to be a "squatter" on the no-rent marginal land, his income or wealth would never be influenced by increases in the value of the land—assuming, of course, that future developments would eventually give value to the land. If, further, the laborer were to have no special skills and no capital with which to work, there would be no payments for special skills and no interest payments. The product produced, then, would be ascribed to "raw labor power" since all special advantages of land, land ownership, and capital were eliminated. It followed that since all other factors of production were eliminated, all other factor payments would be eliminated. The total product would be the wage of that laborer. That wage, moreover, would become the general wage for all unskilled laborers in the economy because of an unimpeded market mechanism. George always contended that there was a "fringe" of laborers in any occupation who could and would shift from one occupation to another whenever there was any incentive to do so. Thus, if the wages to be earned at the no-rent margin were to exceed the wages in any intramarginal occupation, laborers would move from those occupations to the no-rent margin and cultivate it. Conversely, if the wages to be earned in any intramarginal occupation were to exceed the wages at the no-rent margin, laborers would

flow from the no-rent margin to intramarginal activities. Thus George claimed that the wages of unskilled laborers in any occupation could be identified with the product of laborers at the no-rent margin. The wages of skilled laborers would be higher, said George, because those laborers produced more than did the unskilled laborers. That, in essence, was George's theory of wages.<sup>7</sup>

George also denied that there was any "fixed period of production," or that the value produced by the laborer was, in any sense, "crystallized" at harvest time, or when the product was finished. Instead, said George, the creation of value was continuous. He argued that even in the most complicated industrial enterprises, the creation of value was continuous. Even in the construction of the largest of steamships, which required several years for their construction, value was created every day—in fact, with every blow of any hammer used on the job.<sup>8</sup> There was a second sense in which George viewed the creation of value as being continuous. In any economy that had many industries and a variety of agricultural activities, finished products would appear on the market every day. After all, there was no reason to believe that every activity had the identical production period. But if each of a large number of productive activities had its own production period, goods from one industry or another would become available every day. That point is important for two reasons. First, it had a direct bearing on the payment of wages. It meant that laborers, especially those employed in long-term projects, did not have to be paid directly out of the goods they produced. It meant only that they were paid amounts *equivalent to* but not identical with the product that they created. George wrote, "The series of exchanges which unite production and consumption may be likened to a curved pipe filled with water. If a quantity of water is poured in at one end, a like quantity is released at the other. It is not identically the same water, but is its equivalent. And so they who do the work of production put in as they take out—they receive in substance and wages but the produce of their labor."<sup>9</sup> Once that point is understood, Rutherford's claim (p. 26) that the Georgian theory implies that people who haul away ashes should be paid in ashes seems rather foolish. Second, this difference on the period of production is illustrative of a more fundamental difference in views on economic activity. When

Rutherford and other wages-fund theorists argued that the average wage was determined by dividing a fixed amount of crops among a fixed population, they made wages a *stock* concept, or a quantity without a time dimension. When George and others argued that wages depended upon continuous productivity and that products became available continuously, he made wages a *flow* concept, or a quantity with a time dimension. The difference between stocks and flows is vital in economic analysis since it involves the role of time in the production process.<sup>10</sup> As economists know, the failure to distinguish between stocks and flows has produced a great many errors.

Rutherford criticized George's "law of least exertion," although he probably never understood it and certainly never saw its analytical significance. Rutherford interpreted the law as being a "law of selfishness" that set each individual against all others. It was that conflict of interests, said Rutherford, which was primarily responsible for the unequal distribution of income and that was responsible for poverty (p. 107). He later contended that if poverty were ever eliminated and all income were equally distributed, the "law of laziness," as he so called it, would lead individuals to stop working. That would clearly hurt society. Further, Rutherford claimed that poverty was not entirely bad since it was often an effective incentive for people to create and produce. Since Rutherford perceived disincentive effects in George's system, he believed that he had found a reason to reject it (pp. 263–73). Aside from the obvious fact that George never proposed to distribute income equally, Rutherford's objections misinterpret the law. As George made quite clear, his intention was merely to claim that people will attempt to gratify their desires with the least possible exertion—or, simply, that people will not waste effort by working harder than they have to. The law has a corollary that George implies if he does not state: for a given amount of exertion, people will try to get as much product as possible.<sup>11</sup> It is that corollary that is the most vital part of the market mechanism that makes the wage-theory operate. As stated above, the product of laborers on the no-rent margin was to become the general wage for unskilled labor because laborers will flow to, or from, the marginal land whenever wages in other occupations are less than, or greater than, the wage at the

margin. It is the corollary to the law of least exertion that leads those laborers to seek the highest reward for their exertion. Rutherford never discussed that issue at all.

It is accurate to say that George won each point in the dispute over wages. Economists have rejected the wages-fund concept and they have accepted marginal-productivity theory. It is customary—and very justifiable—for historians of economic analysis to claim that the *complete* marginal-productivity theory was developed by John Bates Clark. (Clark's version was complete because it was generalized to all factors of production.) It is not always realized that Clark's version of the theory was heavily influenced by George. Clark explicitly stated, "It was the claim advanced by Mr. Henry George, that wages are fixed by the product which a man can create by tilling rentless land, that first led me to seek a method by which the product of labor everywhere may be disentangled from the product of cooperating agents and separately identified; and it was this quest which led to the attainment of the law that is here presented, according to which the wages of all labor tend, under perfectly free competition to equal the product that is separately attributable to labor."<sup>12</sup> Economists also deny Rutherford's claims about one fixed period of production for all economic activity. We do believe that production is continuous. Scott Gordon claims that the only important economists of the era who advanced the view that there was no lag in production were Clark and the great English economist Alfred Marshall.<sup>13</sup> Clark, in fact, did write of a "full-pipeline of production" such that labor input at one end instantaneously and automatically forced product out of the other end.<sup>14</sup> The idea, its function, and even the figure of speech are strikingly similar to George's "curved pipe filled with water," discussed above. And economists do accept the idea, if not the name, of the "law of least exertion" as an element of the market mechanism. This law implies self-interest, not selfishness at all. The difference is far more than a matter of semantics. In sum, George was quite advanced in his analysis of wage theory. He was an important participant in the debate over the wages fund, and his views were correct. Rutherford, who defended the orthodox version of the theory after other defenders abandoned orthodoxy for more flexible positions, was ineffective in his criticism of George's views.

### **Capital and Interest Theory**

Rutherford next turned his attention to George's capital and interest theories. These sections are, quite frankly, depressing and contribute little or nothing to economic analysis. It must be said that both men were quite wrong in all of their main ideas on the topics. Rutherford, as would be expected, adhered to a capital theory that was compatible with the wages-fund theory. He wrote, "The accepted doctrine is, that capital is anything saved or reserved for the payment of labor not employed in, or devoted to the production of the immediate necessities of life. Capital is anything that may be used to support the laborer while performing his task—using the word 'laborer' in the sense of a hired person" (p. 31).

There are at least two major objections to Rutherford's procedure. First, as George noted, it is circular to argue that "labor is maintained by capital because capital is that which maintains labor." Second, from the viewpoint of logic, Rutherford's position was untenable. In his critique of the wages-fund theory George, in effect, challenged the wages-fund theorists to justify their views. But all Rutherford did was repeat, and reassert as true, the old definitions. Since he never did more than reassert definitions, he really evaded the issue entirely.

George's treatment of capital theory is more involved, but equally unsatisfactory. George was often inconsistent and not infrequently simplistic. Rutherford, who was not completely inept as a critic, seized each opportunity to indicate these inconsistencies. At times George defined capital as "wealth devoted to production."<sup>15</sup> Rutherford realized that such a definition differed from his in several important ways. Later, Frank Taussig also accused George of a redefinition of terms and argued that since his refutation of the wages-fund theory relied on that redefinition, it was invalid.<sup>16</sup> That criticism, however, misses the point that George's definition entailed substantive differences from the old definition. If capital were narrowly defined to include only those items of wealth that were used to produce more wealth, then the food and clothing consumed by the laborers during the production period would not be capital. Moreover, George's new definition can be viewed as similar to the now-accepted definition as any input that is itself an output of the economic system.

The problem with George's capital theory is simply that George had many other definitions of capital in addition to the one cited above. Rutherford was, in fact, able to fill four pages of his book with lists of George's definitions of capital (pp. 78, 159–61). He was then able to score a goodly number of points against George by showing that the definitions were inconsistent. To consider only one such instance, George *did* state that capital was "wealth in the course of exchange."<sup>17</sup> Rutherford was able to show that such a definition was not really very different from the wages-fund theorists' definition to which George objected elsewhere. After all, if laborers were engaged in a lengthy project, they would have to live on goods equivalent in amount to their productivity, as discussed above. Such goods, according to George's own definition, would be "wealth." But since these goods were not produced directly by the laborers involved, they could be obtained only by exchange. That, then, would make the goods on which the laborers lived "wealth in the course of exchange"—or capital, as a wages-fund theorist would argue. There are, in fact, so many problems and inconsistencies in George's capital theory that modern economists have rejected his ideas.

Given the fact that neither man had an adequate capital theory, it is hardly surprising that neither man produced an adequate theory of interest. Rutherford's theory was, at very best, old-fashioned. Interest to Rutherford was payment for borrowed capital—and for borrowed capital only (pp. 12, 18–19). That is simply unsatisfactory by modern standards, which recognize that interest is the return to any capital, borrowed or otherwise. George's theory is also unsatisfactory according to those same standards. George argues, in essence, that since labor produced wealth and capital was just a special kind of wealth, capital was nothing more than "stored-up" labor. It then seemed to him that, since labor and capital were related, wages and interest ought to be related. George tried to argue that the ratio of wages to interest was always a constant. The problem was that he so vastly oversimplified that he never even hinted at how we could determine the value of the constant of proportionality.<sup>18</sup>

It is easy to explain Rutherford's failure in these matters; it is harder—and much more interesting—to explain George's failures. Rutherford's definitions were simply obsolete when he wrote them.

Those definitions relied upon the prerecantation version of the wages-fund theory. But since Rutherford wrote during the postrecantation, “second-round” era, his ideas lost any credibility they might ever have had. George’s failures are not so simple to explain. As outlined above, George’s wage theory was remarkably accurate and sophisticated. But George did not generalize his marginal-productivity theory of wages to make it a complete marginal-productivity theory applicable to all factors of production; he simply did not transfer his penetrating insights into wage theory to interest or rent theory.<sup>19</sup> That means that George was really a *protomarginalist*, with a marginal-productivity theory of wages but no other marginal-productivity theories. That, in turn, means that his interest and capital theories were also old-fashioned. It was precisely the old-fashioned elements of the theories upon which Rutherford seized to claim that George’s theories were inconsistent and to claim that even George accepted the concepts of the wages-fund theory despite his denials.

### **Population Theory**

Next Rutherford turned his attention to George’s critique of Malthusian population theory. Rutherford spent most of his time trying to show that the Malthusian theory was correct and that George’s objections were invalid. He overlooked, however, the main flaw in George’s arguments—the fact that the only fully valid point that George raises in his discussion of the dynamics of income-distribution theory implicitly assumes a Malthusian population theory. In book 4, chapter 1, of *Progress and Poverty* George conceded that increasing population would force the margin of cultivation downward and outward and thereby raise rent. He immediately attempted to qualify that statement by arguing that the impact of increasing population has been greatly misunderstood. The second chapter of book 4 attempts to argue that increasing returns to labor occur as population increases. He wrote, “For increased population, of itself, and without any advance in the arts, implies an increase in the productive power of labor. The labor of 100 men, other things being equal, will produce much more than one hundred times as much the labor of one man, and the labor of 1,000 men much more than ten times as much as

the labor of 100 men; and, so, with every additional pair of hands which increasing population brings, there is a more than proportionate addition to the productive power of labor." In the next paragraph he repeats his claim that these increasing returns continue without limit, even after increased population has extended the margin as far as it can go.<sup>20</sup> Clearly, George is arguing that labor is subject to unlimited increasing returns. Equally clearly, his argument is thoroughly invalid since the laws that state that factors of production are subject to decreasing returns, at least after some point, are among the most frequently verified laws of all economics. Chapter 3 of book 4 argues that the effect of any labor-saving improvement will be to extend the margin of cultivation and raise rent. The problem here is that George's analysis is simply wrong—his framework of analysis is incorrect and, not surprisingly, his conclusion is invalid. Interestingly enough, David Ricardo, from whom George derived his rent theory, provided a correct analysis and perfect counterexample to George's argument. Ricardo noted that when a technological advance of the kind discussed by George occurred, the margin of cultivation would contract inward and upward and not extend downward and outward as George assumed. As a result, rent may very well fall both as a share of the product and as an amount. Further, Ricardo claimed that such innovations would automatically raise real wages—again, a result in contradiction to George's.<sup>21</sup> These points greatly damage George's case since they disprove several of the major contentions of the Georgian system—that rent always rises and wages always tend to fall as progress occurs. The final chapter of book 4 takes for granted that progress and technological advance will increase rent and argues that once it becomes known that rent will increase, expectations of further increases arise. Those expectations lead speculators to buy land, evict tenants, and hold the land idle while waiting for its value to increase. That idle holding of land itself forces the margin to be artificially extended and thereby brings about the very rent increase that was expected. There are, it seems, three major flaws in George's arguments on this matter. First, there is simply no reason why land speculators will hold their land idle. There is a wide range of circumstances, including all of the usual cases, in which it would be beneficial for a speculator to use his land productively

while waiting for its value to increase. Second, even if one were to assume, with George, that speculators did hold their lands idle, it is not difficult to produce a counterexample, one faithful to all of the Georgian principles, especially the principle of least exertion, that demonstrates that rent may fall as both a share and an amount, under the conditions specified by George.<sup>22</sup> Third, given the fact that George was wrong in his analyses of increasing returns to labor and technological advance, it follows that his theory of expectations must be invalid. No reasonable person could expect land values to increase for the reasons George gave. It seems, then, that all of George's arguments are invalid *except* the one that relies on population pressure's forcing an extension of the margin of cultivation. And since George believed that rent increases would be continuous, the pressure of population against the margin must be continuous. That, however, constitutes the core of the Malthusian population theory.

Given that the dynamic theory, as written by George, relies upon a (perhaps implicit) assumption of Malthusian population theory, it is interesting to attempt to explain why George so vehemently rejected the idea in his explicit statements. First, it is undoubtedly true that much of George's hostility to the doctrine rested upon an unwillingness to accept the ethical-religious conclusions that seemed to follow from the theory. George, who was always a religious man, could never believe that a beneficent Creator of the world would ever have created the poverty and desolation that followed from the Malthusian theory. And, since his belief in the beneficent Creator was unyielding, he was almost compelled to oppose the Malthusian theory on ethical grounds. Second, on an analytical level, George apparently never realized that there are really *two* Ricardian rent theories—one for the extensive margin and one for the intensive margin. George's analysis relies exclusively upon the theory of the extensive margin.<sup>23</sup> That, in turn, meant that George had to try to show that all progressive developments extended the margin. The trouble is that much of his discussion, especially that relating to technological advance and local improvements in intangibles, should have been in terms of the intensive margin. Further, many of George's assertions about the extensive margin are simply invalid unless there is a continuous population increase. Thus the only argument presented by George that

is correct is the one that presupposes a Malthusian population theory. It is for this reason that I have stated that the Georgian model, as built by George, requires an assumption (perhaps implicit) about Malthusian population theory.<sup>24</sup>

### **Property Rights and Profit Theories**

Rutherford then attempted to show that the existing distribution of wealth was quite proper because it was the result of a long series of voluntary decisions made by reasonable economic factors acting according to their own self-interests. To try to prove that, Rutherford developed his own "historical model" and contrasted it with George's. Rutherford, as did George, began with a single hypothetical family and then imagined that more and more families came and settled in the neighborhood. According to Rutherford, inequalities in wealth emerged from the very beginning, or as soon as there were two or more families with different preferences. Suppose, he said, that there were just two families, one headed by Andrew and the other headed by Peter. Suppose further that one morning Andrew lingers behind to kiss his wife while Peter goes out to work gathering clams. Peter, by virtue of his early start, is able to find a particularly favorable location, stake a claim, and make the land his property. Then, by virtue of hard work, he is able to become wealthier than Andrew, and may under certain circumstances eventually employ Andrew as a laborer (pp. 114–19). That is all as it should be, said Rutherford, because those who wish to become rich can do so while those who are more interested in family affairs can spend their time in other ways. Each person gets the things in which he is most interested; hence, Rutherford concluded, the distribution of wealth is optimal. The entire example fails, however, since it presupposes private property in sites. Surely part of Peter's wealth is derived from the fact that he could claim private property in the desirable site. Obviously, however, it is just such private-property rights whose legitimacy George questioned. Clearly, it is entirely unsatisfactory to attempt to answer such questions by hypothesizing that such rights are justifiable.

The same theme is pursued in a chapter entitled, "Wages, Interest and Profit" (pp. 120–51). All that should be said about wages and

interest has been said above. It is interesting here to note that there is no discussion of rent theory in the chapter. One can only speculate as to whether or not Rutherford accepted the theory. Since his book was dedicated to discussing disagreements with George, the absence of discussion might well indicate agreement on the issue. Rutherford does spend a good deal of time trying to resurrect the classical theory of profit as a fourth, independent, factor payment. This contrasted sharply with George's view that profit was not a separate payment at all and that anything called profit could really be broken down into some combination of wages, rent, or interest. While George was by no means the first to argue that profit was not a separate factor payment, he was among those who so argued. It is sufficient to note here that modern economists have accepted the view of George and others on this issue. Today there is no fourth factor payment called profit—at least not in the classical sense of the term.

### **Theory of Human Nature and Social Progress**

Rutherford's inquiry concludes with an alternative view of human nature and its role in social progress. George, of course, believed that if society implemented his land reforms and fiscal reforms, poverty would be abolished. Then, since immorality was said to result from poverty, it seemed that immorality would also vanish. That is to say, George believed that moral reform would be a result of property reform. Rutherford, as might be supposed, took exactly the opposite view and argued that there was nothing good to be gained from a revision of property rights until there had been moral reform. The problem as Rutherford saw it was simply that the vast majority of individuals in society had no sense of responsibility and no social conscience (p. 188). He agreed with George's claim that moral character was degenerating, but he denied that private property rights in land were responsible. Instead he saw the evil as stemming from the perceived selfishness of individuals (p. 308). That selfishness was said to pit one individual against all others and to lead each individual to think that he was separate from the social whole. Poverty resulted from that conflict and from the fact that all individuals were not

equally gifted in talent or ability. Therefore, in the competition among the individuals, some would win and become rich as others would lose and become poor. What seemed worse, the dominant social attitudes were such that those who became rich felt no responsibility to those who became poor. It then seemed to Rutherford that George was quite wrong in advocating more personal liberty, because individuals would simply use that liberty to do unjust things (p. 317). Instead, Rutherford chose to move in exactly the opposite direction. That is, he proposed to add more and more restrictions on all private property and on all individuals to compel people to act in desirable ways. These restrictions were designed to force moral reform before any Georgian revision of property rights in land was implemented. It seems that the men disagreed because they had fundamentally different views about human nature. George's view, essentially "optimistic," was that people would readily become moral if they were given the opportunity; Rutherford's view, essentially "pessimistic," was that people would resist becoming moral and therefore they must be forced to become so.<sup>25</sup> It is probably impossible for scholars to decide which view is correct. The issue is really one of differences in values and outlook, which cannot be resolved in any objective fashion. One might note, however, that if Rutherford were correct in his pessimistic view of human nature, it still would not be clear that governmental officials should be given broad powers to restrict personal freedoms. For such officials might well be as fallible and selfish as anybody else.

While the main issue discussed above may be unresolvable, there is one subpoint that can be resolved. Rutherford insisted that liberty and equality could not cure poverty until there was moral regeneration. The point is that Rutherford used the word *equality* in a sense quite different from George's and that led Rutherford to attribute to George ideas that he did not hold. Specifically, Rutherford argued that in the absence of moral reform it would do no good to try to augment wages by distributing rent equally among all of the laborers in society (p. 253). But George's position was more subtle than that. George viewed his proposals as a way to free all supramarginal land for use, thereby raising the margin of cultivation, thereby increasing the yield to labor on the marginal plot, thereby raising wages. That, not any

equal division of rent among the workers, was the way in which wages were to rise. Since Rutherford never understood that, and since he attributed to George ideas that he never had, his critique is invalid.<sup>26</sup> The same comments apply, almost without modification, to Rutherford's charge that equality, in the sense of giving everyone the same income, would stifle progress because poverty often inspires people to be especially productive and innovative (p. 299). The point, of course, is that any faithful reading of George's work would show that George never proposed "equality of results." Instead, he proposed only "equality of opportunity." Even Rutherford seems to have realized that at one point (p. 322 n.). Rutherford's claim is, therefore, misdirected.

### Summary

It is probably reasonable to conclude that Rutherford vastly overstated his critique of *Progress and Poverty*. He literally set out to refute every major point in George's book. He was destined to fail because there are many points in the book that are analytically valid, or that were accepted at the time they were written. Rutherford did, in fact, find some flaws in George's analysis. Interestingly, however, the ideas that Rutherford proposed to substitute were often obsolete or wrong. Much of the force of the critique was therefore lost. For these reasons Rutherford's attempt to refute George's ideas was not very effective.

### Notes

1. Reuben C. Rutherford, *Henry George versus Henry George* (New York: D. Appleton and Co., 1887). Because this is the only work of Rutherford's cited and because it will be cited often, subsequent page references to it are in parenthesis in the text.

2. That theory will be discussed below.

3. The most useful account, and one that notes but perhaps underestimates George's role, is Scott Gordon, "The Wage-Fund Controversy: The Second Round," *History of Political Economy* 5 (Spring 1973): 14–35. The best summary statement by a defender of the modified theory is made by Frank W. Taussig, *Wages and Capital: An Examination of the Wages Fund Doctrine* (New York: Appleton, 1896).

4. Rutherford does not specify the edition of George's *Progress and Poverty*, but his citations always agree with the Appleton edition of 1882. Since the 1882 edition may be uncommon, all subsequent citations of *Progress and Poverty* will be given in terms of the 75th anniversary edition (New York: Robert Schalkenbach Foundation, 1954). See p. 17 for the passage cited here.

5. For a more complete discussion of George's wage theory and its place in his system of political economy, see Charles Collier, "Henry George's System of Economics: Analysis and Criticism," (Ph.D. dissertation, Duke University, 1975), esp. pp. 16–22. Hereinafter cited as "George's System."

6. George, *Progress and Poverty*, p. 51.

7. This whole paragraph relies heavily upon Collier, "George's System," pp. 16–22.

8. George, *Progress and Poverty*, p. 65, and Collier, "George's System," p. 18.

9. George, *Progress and Poverty*, p. 79.

10. See Scott Gordon, "Second Round," for a discussion of stocks and flows.

11. George, *Progress and Poverty*, p. 204; idem, *The Science of Political Economy* (1898; reprinted ed. New York: Robert Schalkenbach Foundation, 1968), p. 91; Collier, "George's System," pp. 14–16.

12. John Bates Clark, *The Distribution of Wealth: A Theory of Wages, Interest and Profits* (London: Macmillan and Co., 1924), pp. v, 9. The work first appeared in 1899. For a fuller discussion of the George-Clark relation, see Collier, "George's System," pp. 108–15.

13. Gordon, "Second Round," p. 28.

14. Ibid.

15. George, *Progress and Poverty*, p. 47, and Rutherford, *Versus*, p. 46.

16. Rutherford, *Versus*, p. 48, and Taussig, *Wages and Capital*, pp. 26–27.

17. George, *Progress and Poverty*, p. 78, and Rutherford, *Versus*, pp. 31, 49.

18. George, *Progress and Poverty*, pp. 216–22, and Collier, "George's System," p. 23.

19. It remained for P. H. Wicksteed and others to show that Ricardian rent theory is equivalent to the marginal-productivity theory of land and for J. B. Clark to develop the complete theory.

20. George, *Progress and Poverty*, pp. 229–30.

21. David Ricardo, *The Principles of Political Economy and Taxation* (New York: Dutton, 1965), pp. 43–44, and Collier, "George's System," pp. 252–59.

22. Collier, "George's System," pp. 247–51.

23. George, *Progress and Poverty*, pp. 169, 239, 243, 247–250, 253–58.

24. It seems to me that any arguments other than those written by George himself cannot be considered in this inquiry, which deals with George's writings and the critics' reaction to them.

25. The use of the words optimistic and pessimistic implies nothing about which is the better description of reality.

26. Interestingly, William Torrey Harris made the same mistake. See my analysis of Harris's critique in this book.