

## Gronlund and Other Marxists

By FRED HARRISON

The paradoxical relationship of the Jeffersonian individualist, Henry George, to the history of general socialism is a familiar story, well summarized by the following oft-quoted statements by Sidney Webb and George Bernard Shaw, respectively: "Little as Henry George intended it, there can be no doubt that it was the enormous circulation of his *Progress and Poverty* which gave the touch that caused all the seething influences to crystallize into a popular Socialist movement."<sup>1</sup> "When I was thus swept into the great Socialist revival of 1883, I found that five-sixths of those who were swept in with me had been converted by Henry George."<sup>2</sup>

But when we examine the convoluted tale of George's relationship to Marxism as distinguished from socialism in the broader sense, we find ourselves on less familiar yet even more paradoxical ground.

Marx and George never met. Upon receiving three copies of *Progress and Poverty* from various friends, Marx "looked it through" and dismissed it contemptuously as "the capitalist's last ditch,"<sup>3</sup> characterizing George in a letter to F. A. Sorge as "behind the times" theoretically, and marked by the "repulsive presumption and arrogance that invariably distinguish all such panacea-mongers."<sup>4</sup> George's estimate of Marx was equally uncomplimentary; he regarded him as "a most superficial thinker, entangled in an inexact and vicious terminology," and as "the prince of muddleheads."<sup>6</sup> Despite Marx's low opinion of it, H. Hessel Tiltman observes that George's book "achieved the undoubted feat of making Karl Marx into a popular author, for chapters of *Das Capital* were published and read as sequels of *Progress and Poverty*."<sup>7</sup>

During George's lifetime his views were publicly attacked in Marxist circles, not, ironically, by Marx himself, who, as we have seen, considered him "repulsive," but mainly by two men with whom he had maintained friendly connexions, Henry Mayers Hyndman and Laurence Gronlund. Hyndman, a founder of the British Social

Democratic Federation and the first British popularizer of Marx's thought, was introduced to George in 1882 by John Stuart Mill's step-daughter, Helen Taylor. Shortly thereafter, George and his wife accepted Hyndman's invitation to be houseguests at his elegant London home. Although the invitation was extended, according to the host's own account, "because I hoped, quite mistakenly as it afterwards appeared, to convert him to the truth as it is in Socialist economics,"<sup>8</sup> Hyndman entertained a genuine, if rather condescending, feeling of affection toward George long after it had become clear that their theoretical differences could not be reconciled.<sup>9</sup> These differences emerged with increasing sharpness in two published exchanges between them: the first, a dialogue, in 1885; the second, a full-scale debate, in 1887.

George first heard of Gronlund in 1883, when the latter was earning ten dollars a week and saving three of them to defray the cost of publication of his *Cooperative Commonwealth*, which came out the following year. According to Barker, George "admired and encouraged" the impecunious Danish immigrant,<sup>10</sup> and Gronlund reciprocated with generous references in his book to George, which were, however, interspersed with others that announced the principal points of disagreement that he was later to elaborate.

Educated as a lawyer in both Copenhagen and Milwaukee, Gronlund left that profession as his socialist convictions ripened, in favor of an economically precarious career as a journalist and political lecturer. Eugene V. Debs, the labour leader and perennial Socialist Party candidate for president, acknowledged him as his ideological mentor.<sup>11</sup> During the period that concerns us Gronlund was a thorough Marxist, although he sought to play down the more incendiary aspects of the doctrine in order to make it less distasteful to the average American. In time he was to renounce the class struggle, and to move in the direction of Christian socialism.

Gronlund's two tracts against Henry George were issued during the struggle between George and the socialists for control of the United Labor Party in 1887—a struggle that culminated in the expulsion of the socialists. These tracts, *Insufficiency of Henry George's Theory* and *Socialism vs. Tax Reform: An Answer to Henry George*, slight though they be, represent the most considerable effort ever made, so far as

I have been able to discover,\* to refute George on Marxist grounds. For this reason they will, in some measure, constitute the focus of this chapter.

Yet, curiously, Marx's own posthumous writings indicate that before his death he had arrived at analyses in many respects similar to those of George—analyses that, although he of course never repudiated it, run counter to what is generally understood as "Marxism." Hence I shall have occasion to cite passages from Marx in opposition to the principal Marxist critique of George. As we examine these passages, I shall also explore the question of why, in the light of them, Marx did not abandon his earlier conclusions, and shall venture an evaluation, based on evidence that Marx himself laboriously compiled, of the status of socioeconomic systems built on Marxist tenets as the only and historically inevitable alternative to monopoly capitalism.

#### **"Inadequacy" of George's Economic Analysis**

In arguing for the transformation of rights to capital as well as to land, Gronlund had to claim that George's analysis of the effects of monopoly ownership of land was inadequate: that it could neither wholly explain the existence of, nor finally abolish, poverty. Gronlund informed George: "your teachings that private property in land is *the* cause of our social evils and that abolition of land ownership would remedy them are false."<sup>12</sup>

George's central problem, the coexistence of economic progress with poverty, can be broken into two parts. The first embraces those issues that deal with income distribution. The second concerns the

\*George R. Geiger (*The Philosophy of Henry George* [New York: Macmillan, 1933], p. 255 n.) maintains that the socialist position against George is most effectively presented not only in Gronlund's two pamphlets but also in Algie M. Simons's twenty-nine-page attack, *Single Tax Versus Socialism* (Chicago: Charles H. Kerr & Co., 1899). This work, unfortunately, has become so scarce that it is not to be found even in the British Museum or the Library of Congress. Copies do exist in the Henry George Collection of the New York Public Library and in the Harvard University Library, but they are too fragile to permit loan or duplication. I am unwilling to evaluate Simons's work on the basis of someone else's summary, and cannot now make a transatlantic journey to examine it in person.

dynamics of the mode of production itself, the facility with which each factor helps or hinders the growth of wealth, and the cyclical crises that Marxists regard as the inevitable result of the alleged internal contradictions of capitalism.

Gronlund attacked George for suggesting that the landowner was the main beneficiary of the growth of the economy. Preposterous, he declared. "George comes to the conclusion, affirms and reaffirms, that only landholders grow richer and richer by our material progress, while capitalists do not get their proper share and are, in fact, in the same boat as the wage workers. But how, may be asked, can he come to such a preposterous conclusion, since if he but glances at the other side, he will see that landholders constitute but a small portion of our monied class, and by no means the richest portion."<sup>13</sup>

George does not come to this conclusion at all. He explicitly stated: "When I say that wages fall as rent rises, I do not mean that the quantity of wealth obtained by laborers as wages is necessarily less, but that the proportion which it bears to the whole produce is necessarily less. The proportion may diminish while the quantity remains the same *or even increases*."<sup>14</sup> The same applied to interest. George is thus not guilty of the "self-deception" with which he is charged by Gronlund, that "only landholders benefit from our material progress."<sup>15</sup>

As if anticipating this rebuttal, Gronlund switched to a discussion of the declining rate of interest; still, however, he remained on the offensive. "Well, that the rate of interest constantly diminishes, is, of course, a fact: but what of that? This does not at all, as every school-boy knows, prevent the income of the capitalist from constantly growing, from growing at a tremendous rate, from *growing much faster than the income of the landlord* from increasing rent."<sup>16</sup>

Marx would have sided with Henry George on this issue: "in the same proportion as [surplus product] develops, landed property acquires the capacity to capture an *ever-increasing portion* of this surplus value by means of its landed monopoly and thereby, of raising the value of its rent and the price of the land itself. The capitalist still performs an active function in the development of this surplus value and surplus product. But the landowner need only appropriate the

growing share in the surplus product and the surplus value, without having contributed anything to this growth."<sup>17</sup>

Nor did Marx share Gronlund's dismissive approach to the problem of the rate of interest. The ordinary interest rate directly affects the buying price of land. If it fell from 5 percent to 4 percent, then an annual ground rent of £200 would represent the annual realization from a capital of £5,000 instead of £4,000. Thus the price of the same piece of land would have risen by £1,000, or from twenty years' to twenty-five years' purchase. Therefore, given that the growth of loanable capital had the long-term effect of reducing the interest rate, "it follows that the price of land has a tendency to rise, even independently of the movement of ground-rent and the prices of the products of the land, of which rent constitutes a part."<sup>18</sup> The consequences for people wanting to start new job-creating businesses, or build homes for themselves, are evident.

Marx was also willing to concede the possibility that rent in its aggregate may increase proportionately more than industrial profit, by which he meant the "profits of enterprise," that is, after the interest on capital had been deducted from gross profits.<sup>19</sup> If correct, this would have important effects on investment decision-making. It would help to explain the speculative buying of land, which is often kept unproductive until the owners consider the time ripe to "make a killing" by selling out. This behaviour, held George, was a fundamental reason for the periodic crises in an industrial economy. Gronlund rejected the claim, and placed the blame on capitalist plutocrats. "It is to the rule of these selfish plutocrats, and to their wage-system, competition and 'private enterprise' that the so-called 'over-production' and our crises are due, and *not at all* to the speculative rise in the value of land, as George declares."<sup>20</sup> To judge by the vacillations of politicians today in industrial societies, the causes of economic depression are still not determined; this disagreement is reflected in ambivalent policy formation. It would therefore be useful to accord the problem an extended treatment, in the hope of clarifying live problems.

George did not advance a monocausal explanation for cyclical crises. He cited the complex interdependence of the interlocking parts

of industrial economies, such as monetary policies and restrictive trade practices. But the speculative advance of land values was “the great initiatory cause.”<sup>21</sup> Before we evaluate this key proposition, we must briefly consider the competing Marxist explanation that crises were caused by the “overproduction” caused by the unplanned output by individual manufacturers all working to advance their private interests and oblivious of social needs, and the converse phenomenon of “underconsumption” arising from the maldistribution of income.

Associated with the early stages of the slow-down of an industrial economy there is a rise in the pile of goods held in manufacturers’ warehouses. But far from causing the crisis, this is a response to it. Manufacturers hope that by building up their stocks they will be able to continue their operations and be well placed to meet the demand in the upswing of the cycle. When, however, the depression continues, there comes a point where they have to either contract their scale of operations (causing unemployment of labour and capital) or cut their prices (reducing profits), or both. When the market is swamped with “surplus” goods, this is interpreted as overproduction based on the miscalculation by individual entrepreneurs of effective demand. This “flooding” of the market, linked with a cutback in output, is then held to be the cause of the crisis; ergo, the need for socialism, to inject rational planning into the system. But the socialist interpretation fails to explain why individual entrepreneurs continually act against their private interests by overproducing in cyclical—and predictable—fashion.

There is an element of truth in the Marxist argument that the division of income causes underconsumption. Some people receive incomes that they do not earn by a simultaneous creation of wealth. Their incomes tend to be high, and their propensity to spend on staple consumer products—those produced by the majority of people—tends to be proportionately low. On the other hand, the mass of people who work for a living, as a direct result of having to hand over part of their wealth to nonproducers (and another slice in taxation to public authorities who do not always spend their revenue productively), consume less of the goods they produce than would otherwise be the case.

This bifurcation in the pattern of consumption, production, and

income distribution has a distorting effect on the productive processes. It is seen in its most unambiguous form in third-world countries that are struggling to industrialize, where “conspicuous consumption” of imported luxury goods is at its most deleterious extreme. A major problem experienced by these countries is the shortfall in the size of the domestic market, allied with unfavourable trade balances and foreign exchange difficulties that arise to an important degree from the import of luxury foreign goods.

Who are the idle income receivers? Henry George said they were the landlords; Gronlund and Marx agreed, but wanted to add the capitalists. The latter, they said, also creamed off part of “surplus value,” and so created the conditions for underconsumption. Yet, despite Marx’s propaganda, he was willing to concede that capitalists played an active role in the production process—a role for which, according to George, they were entitled to receive their income (which they were normally disposed to reinvest in a productive form). This isolates the landlord class, the rent-appropriators who contribute nothing to the process of wealth-creation beyond granting, for a fee, permission to others to use natural resources that they, the landlords, did not produce.

But this is only part of the problem. What about the involuntary nature of most unemployment? Why, asked George, did men and machines stand idle when both could be working for the mutual benefit of all? His answer—speculation in land. This, he found, resulted from the expectation of profit from population expansion (which increased demand for land) and *future* economic growth as a result of technical innovations and capital accumulation. Once people observed a rise in land values, they too wanted to get in on the act; this had the cumulative effect of pushing up buying prices even further.

How does this cause unemployment and human misery? At a certain point in the land boom, buyers realise that the yields on their investments are not keeping pace with the rise in the graph of land values. In other words, current income—the rent paid out of current production—cannot rise as fast as the expectations of the speculators, no matter how hard the land users are squeezed. There follows a levelling off of prices, and panic selling as the speculators appreciate

that their investments could earn more elsewhere, find difficulty in financing loans that they took out to make the speculative purchases, and realise that their property is grossly overvalued. The only way out for them is to sell quickly before prospective buyers realise that the bottom has dropped out of the market.

From this we can see how money is sterilized (buying land does not create machines or jobs), land is kept idle while there is a demand for it, and the less efficient (or least protected) firms and individuals are put out of business. Henry George saw that this situation could not be sustained indefinitely. Eventually, speculative rents had to come into line with "normal" rent as a result of one or a combination of three reactions: (1) a fall in speculative land values, evident in the reduction of rents; (2) the increased efficiency of labour arising from, for example, a change in what Marx called the organic composition of capital—a shift from labour to machine—thereby increasing productivity; and (3) reduced income to labour and capital.<sup>22</sup>

How does this theory stand up to empirical testing? Two French authors, Flamant and Singer-Kérel, have summarized the major economic recessions.<sup>23</sup> Throughout the nineteenth century, speculation in land, or in the shares of companies owning natural resources, is isolated as being directly responsible for the periodical panics that caused economic crises. This was so in 1816: speculation in British land; 1825: speculation in South American natural resources; 1836–39: speculation in land in the Middle West of the United States; 1847: speculation in the French metallurgical industry; 1853–57: speculation in U.S. government land and railway shares; 1866: speculation in German railway shares, land and building developments; and so on.\*

To break the monotony of this list, Flamant and Singer-Kérel note that France escaped an economic depression in the 1870s because

\*Speculation in the shares of the most important leading sector of the early industrial age—the railway companies, especially in the United States—was only superficially associated with the rewards of real capital accumulation. The speculators expected to make their biggest and quickest gains from capitalization of the land acquired by these companies. In the United States the railway companies received federal and state grants totalling about 380 million acres, nearly 20 percent of the whole country!



war reparations to Germany “had absorbed capital resources that might have been devoted to speculation.”<sup>24</sup>

Linked with each or most of these crises were phenomena that make up a consistent pattern: governments using the printing presses to increase the money supply, in desperate attempts to stave off the seemingly inevitable crises (and in doing so, causing inflation); the exploitation of monopoly power to artificially boost profits when these were sagging (the U.K. Corn Laws after 1816, the U.S. tariffs in 1825); and the shock waves feeding into the manufacturing sectors, causing unemployment.

Economists believe that the origins of twentieth-century economic crises have become more complex. If true, this would diminish the contemporary relevance of much of Henry George’s work. But the causal effect of land speculation is still transparently clear. The events that culminated in the Wall Street slump in 1929 were triggered by the great Florida real estate speculation in the mid-twenties.<sup>25</sup> What of the economic collapse of the Weimar Republic, which led to Hitler’s elevation to the chancellorship? This has often been ascribed to various obscure psychosocial causes.<sup>26</sup> But the role of land speculation, which weakened industry and led to distortions in the economy—which were then exploited by the Nazis—has been carefully preserved for us by Bruno Heilig, an Austrian journalist. Heilig saw the workings of the dark side of the German economy as well as (for thirteen months) the inside of Buchenwald and Dachau concentration camps.<sup>27</sup>

The two foregoing cases were individually the most fatal for this century. I cannot review all the others, but it would be instructive to digress just a little further and introduce a contemporary example.

The most depressed economy in Western Europe in the mid-seventies was Britain’s. The case is worth studying. After a cautious start, the Conservative government, which came into power in 1970, decided on a “boom or bust” strategy. Under Chancellor Anthony Barber the money supply was allowed to forge ahead of the economy’s full employment potential. There was a new surge in speculation, and land values boomed. Stuart Holland, a leading British socialist economist, noted the impact of property speculation. “The City of London has been more concerned to invest in office blocks

than in manufacturing companies—for the small firms in the micro-economic sector, such disproportionate investment outside manufacturing means the difference between expansion and relative or absolute decline.”<sup>28</sup>

The way land speculation hit the private housing market gives us a broad hint of how personal spending power was reduced. Families taking out new mortgages during the boom had less to spend on consumption.

*GROSS REPAYMENT FIGURES OF NEW MORTGAGES  
AS PERCENTAGE OF HOUSEHOLD INCOME*

1969	17.9
1970	18.1
1971	18.0
1972	21.1
1973	24.3
1974	22.5
1975	21.1

SOURCE: United Kingdom Dept. of Environment

Added to the domestic trends was the fourfold increase in the price of oil that resulted from the exercise of oligopolistic power by the Organisation of Petroleum Exporting Countries. This had a thoroughly depressing impact on the world economy. The exercise of power over a scarce natural resource is as clear an example of “initiatory” influence of such power as one could wish to find. The huge oil price increases triggered an immediate redirection of income, and so altered the pattern of domestic consumption in the United Kingdom. The oil-rich countries lengthened the order books for Rolls Royce and five-star hotels in London’s West End; but the effect on the factories of Bolton and Barnsley was depressing.

By the mid-seventies the British economy was experiencing precisely those adjustments that Henry George predicted as necessary preconditions for a revival of trade. There was a drop in land values, with owners experiencing difficulty in selling their plots. The owners of buildings had to drop their rents to attract new tenants, especially in London, and the construction industry cut back severely on the

purchase of new land for their “land banks.”<sup>29</sup> Private sector house prices declined sufficiently to take a smaller proportion of personal incomes by 1975.

As for those measures implied in the need to increase the efficiency of labour, Socialist Premier James Callaghan made it clear that his government would sacrifice its social objectives to give priority to the needs of industry.<sup>30</sup> On George’s third point—the lowering of living standards—this was accomplished as a deliberate aim of the U.K.’s economic strategy; it is one of the greatest ironies that the central element in that strategy—the restrictive incomes policy that went by the name of the Social Contract—was proposed by a Socialist government and policed by the Trades Union Congress.

Thus we can see that the impact of speculation in land does have a crucially destabilising impact on an industrial economy, an impact that is grievously neglected by the economic analysts who advise governments. George’s analysis, far from being “far-fetched,” as Gronlund put it,<sup>31</sup> is crucially relevant. With the decline in the popularity of Keynesianism, which amounts to dissatisfaction with the mixed-economy approach, an alternative model for action is required. This would have to be either a free market system shorn of the impediments of private monopoly of ground rent, or a state socialist economy that would meet with Marx’s approval.\*

### **“Inadequacy” of Land as a Revenue Base**

Gronlund levelled one of the stock charges at George: a land tax would not cover all governmental spending. He calculated that in 1880 gross rental income would have been \$1,100 million, with federal and state revenue at \$610 million. From the first figure, said

\*Henry George would have forecasted that the Keynesian model, which seeks to offset underconsumption in the private sector by increased public sector spending, was destined to failure precisely because it ignored land speculation. Keynes did not take this factor into account because he explicitly saw no problems. He relegated the deleterious impact of land speculation on economic growth to earlier, agricultural-based social organisations (J. M. Keynes, *The General Theory of Employment Interest and Money* [London: Macmillan, 1967], p. 241). The land question, he told the Liberal Summer School at Cambridge in 1925, was no longer a problem thanks to “a silent change in the facts.”

Gronlund, three deductions would have to be made to conform to George's proposals:

(1) To allow for the element of improved value.

Gronlund does not say how much he would allow for improvements. One fifth would be a roughly fair proportion for his day; a deduction of two-fifths would have left \$660 million, which would have been more than sufficient to meet public spending. But for purposes of argument, let us err in Gronlund's favour and deduct half of the value, to leave us with an economic rent—what Marx called ground rent—of \$550 million, a deficit of \$60 million.

(2) To allow for the speculative component in the price of much land, which would disappear with the introduction of a land tax.

This was necessary, thought Gronlund, because he based his figure of \$1,100 million annual rental income on the capital value of real estate in the United States (\$23,000 million). The latter sum, he judged, included an element of speculative value that would be destroyed by a 100 percent tax on land values, and that therefore would have to be allowed for when calculating rental income. In fact we need not make any allowance here. Certainly there was an element of speculative value incorporated in the total value of real estate. This, however, would have been offset in part by the undervaluation of land arising from individual errors of judgement, and zoning laws, which comprised restrictions on land use and so reduced the market value of affected sites. Of greater significance, however, under the regime that George prescribed, the level of economic activity would have been very much higher. Aggregate land values, therefore, would have risen in line with the higher level of demand for land, and this would have compensated for the removal of speculative values. Thus for present purposes, total land values (and therefore the rental income that Gronlund calculated at 5 percent per annum) need not be reduced.

(3) To allow for the loss of revenue from agricultural rents that, Gronlund claimed, George said would not be levied.

George did not exempt agricultural land. Where, as Gronlund notes, George said the tax burden on farmers would be reduced, he

was referring to taxes that were a burden on capital and labour. But in one of his *Standard* articles, which Gronlund quotes, George stated explicitly that agricultural land would be “subjected to the same just system.”<sup>32</sup> So there would be no deduction from total revenue to the advantage of agricultural landowners.\*

Our generosity, however, has encumbered the single tax with a deficit of \$60 million. This could have been made up out of new increments in land values following the introduction of land-value taxation. For workers would have been left with their full wages, thereby increasing both consumption and savings. Untaxed profits would have left entrepreneurs with resources to be formed into new capital, thereby increasing productivity and employment. The net effect would have been an economy operating at a higher level of activity, thereby pushing up land values, and so land taxes. From this one would expect that the relatively small sum of \$60 million could have been easily raised, and more besides. In any event, higher disposable incomes would have permitted lower federal and state expenditure, since many supportive governmental measures could have been met by citizens out of their own pockets, exercising their free choice.<sup>33</sup>

Gronlund further argued that labour would still be at the mercy of privately owned capital, and therefore still vulnerable, even if we had land-value taxation. Henry George held that land was the primary instrument of production, and that people would prosper if they enjoyed the kind of access to it that was so difficult under conditions of monopoly control. Gronlund replied by claiming that there was no difference between land and capital, which were twin sisters.<sup>34</sup> He

\*Gronlund, in fact, was an opportunist. His socialist programme it seems, was not so bold as to upset American farmers. “True, land should be nationalized; as part of a comprehensive programme such nationalization is the right thing, but to commence the programme with such demand is, in the United States, *commencing from the wrong end*, it is antagonizing the very class, the farmers, whom we want to benefit, for they, in the first place, will lose the grip on their farms. Why, the nationalization of agricultural land is here the very last thing to be thought of” (*Insufficiency of Henry George’s Theory* [New York: New York Labor News Co., 1887], p. 12). Original emphasis.

was obliged to take this stand in order to sidestep the demand for differential treatment for these two factors, whether in fiscal policy or physical appropriation.

Precisely because both land and capital were undifferentiated in being means of production, said Gronlund, "that is the reason why progress demands that both land and capital be placed under collective control."<sup>35</sup> Land may be prior in time (it being there before man and the capital created by man), but "suppose a normal man had land to stand in and absolutely *nothing else*? He, undoubtedly would be just as sure of dying by starvation, as if he was suspended in mid-air. If land therefore is said to be primary in *importance*, we deny it."<sup>36</sup> In what can only be seen as an attempt at intimidating George in future debates, Gronlund proceeded to caution him that "you may put it down as an axiom to bear in mind in all your further encounters with Socialists, that no class in the community are so logical as Socialists. Logic is their forte."<sup>37</sup>

Marx would not have been impressed by this particular demonstration of socialist logic. In his *Critique of the Gotha Programme*, Marx states that nature *was* "the primary source of all instruments and subjects of labour."<sup>38</sup> In the end even Gronlund had to contradict himself by accepting that people were not so helpless as he would have us believe. He declared that "even half-savages learn sometime or other to manufacture for themselves."<sup>39</sup> Then imagine what "civilized" men could do, given access to natural resources!

Gronlund used distortion in his attempts to thwart the single-tax campaign at one of its critical historical points. We see this in the following statement:

When we object that free land will not enable the workers to become their own employers, because they still have not that other thing which is equally important: Capital, what does he say then? It is almost incredible the answer he gives. He verily refers us to the fact that—"we see the poorest class of labourers building themselves some sort of shanties" whenever they can find some free land. So, thus, that the poor can go down to the river and fish out old, rotten boards with which they build most miserable "shanties" is here to be an answer, worthy of a philosopher, to the most difficult of problems, to the great stumbling block to the execution of his ideas, to the lack in the working classes of capital, of *large amounts* of capital!<sup>40</sup>

We need only read George in context to see the meaning he attributed to his words, which were originally published in the *Standard*.<sup>41</sup> George made two points. The first was that the union of men and land would be sufficient to lead to the creation of capital. The second was that, even under oppressive monopoly conditions, men had the enterprise to put a roof over their heads provided they had access to land, even if they had to do so as squatters (we see this in the third-world urban centres today). What, then, George invited his readers to consider, might men be able to do if land were not monopolized, the economy grew without hindrance from speculators, and wages were not taxed?

Nonetheless, Gronlund raised a fair point when he emphasised the need for “large amounts” of capital to start up a business in industrial society. But this was not the problem that he assumed. Marx showed how the capital-owning class was not a closed one. “The circumstances that a man without fortune but possessing energy, solidity, ability and business acumen may become a capitalist in this manner [receiving credit]—and the commercial value of each individual is pretty accurately estimated under the capitalist mode of production—is greatly admired by apologists of the capitalist system . . . this circumstance continually brings an unwelcome number of new soldiers of fortune into the field and into competition with the already existing individual capitalists. . . .”<sup>42</sup>

### On Factoral Distinctions

Gronlund’s view that there was an identity of interests between the owners of capital and of land was not one that Marx shared. Indeed, a careful examination of *Capital*, vol. 3, reveals that Marx came very close in places to George’s analysis of the problems of industrial society.

Landowners, said Marx, were as much in “mutual opposition” to industrial capitalists as labourers;<sup>43</sup> indeed, landed property was an “alien force,”<sup>44</sup> tending to impede capital formation.<sup>45</sup> Where investment was undertaken, as with house building, “it is the ground-rent, and not the house, which forms the actual object of building

speculation in rapidly growing cities, especially where construction is carried on as an industry, e.g., in London."<sup>46</sup>

The necessity of having to buy land, to produce wealth, "is a hindrance to agriculture, even where such purchase takes place in the case of large estates. It contradicts in fact the capitalist mode of production."<sup>47</sup> Landed property can and does enforce the underutilization of labour and capital resources.<sup>48</sup> "The mere legal ownership of land does not create any ground-rent for the owner," wrote Marx.

*But it does, indeed, give him the power to withdraw his land from exploitation until economic conditions permit him to utilize it in such a manner as to yield him a surplus*, be it used for actual agricultural or other production purposes, such as buildings, etc. He cannot increase or decrease the absolute magnitude of this sphere, but he can change the quantity of land placed on the market. Hence, as Fourier already observed, it is a characteristic fact that *in all civilized countries a comparatively appreciable portion of land always remains uncultivated*. Thus, assuming the demand requires that new land be taken under cultivation whose soil, let us say, is less fertile than hitherto cultivated—will the landlord lease it for nothing, just because the market-price of the product of the land has risen sufficiently to return to the farmer the price of production, and thereby the usual profit, on his investment in this land? By no means. The investment of capital must yield him rent. *He does not lease his land until he can be paid lease money for it*. Therefore, the market price must rise to a point above the price of production, i.e., to  $P + r$  [price of production plus rent] so that rent can be paid to the landlord.<sup>49</sup>

This evidence catalogued by Marx was the same evidence that was synthesised into an explanation for economic crises by Henry George, and that formed the foundations for a theory that Gronlund shrugged aside as "most far-fetched."<sup>50</sup>

Yet the material accumulated for vol. 3 was not sufficient to change Marx's mind about a capitalist society shorn of land monopoly. He saw clearly that by defining property one was also defining extant social relations in a given historical epoch,<sup>51</sup> and that the appropriation of land rent by taxation would divest private possession of its noxious power to dominate and exploit.<sup>52</sup> Thus, according to his own propositions, such a rearrangement of property rights would radically alter social relations. Parasitism, and the corrosive influence of envy, would evaporate. Yet right up to the end he was unwilling to take a



more benign view of the potential for a capitalist society reformed along the lines delineated by Henry George.

Let us try to penetrate behind this anomaly by reviewing Marx's views on land-value taxation in more detail. This opportunity arises from the hostility that Marx developed for his one-time friend from the Latin Quarter of Paris, P.-J. Proudhon. The split between the two ideologues occurred finally when Proudhon published his *Système des contradictions économiques ou philosophie de la misère*. Marx replied with *The Poverty of Philosophy*. In this he noted that Proudhon was in fact equating the concept of property with landed property.<sup>53</sup> Proudhon viewed landed property as the original cause of economic instability. In the fifth of ten propositions concerning property ("Property is impossible, because, if it exists, Society devours itself"), he showed how tenant farmers and manufacturers toiling under the burden of the rental claims of monopoly landlords had to turn on each other in attempts to create monopoly conditions, which provided them with abnormal profits—in order to continue to meet the landlords' demands. Workers, as a result, were rendered vulnerable. For to cut production costs, labour-saving machines were introduced. "Under the rule of property, the flowers of industry are woven into none but funeral wreaths. The labourer digs his own grave." And: "It is when labourers, whose wages are scarcely sufficient to support them from one day to another, are thrown out of work, that the consequences of the principle of property become most frightful."<sup>54</sup>

"Property is theft," declared Proudhon, and his solution was a simple one: a tax on rental income. Rent, he wrote, was a measure above the costs of production, yet it could operate as an instrument for distributive justice, serving a higher interest than the private ones of idle landowners.

Marx replied: "We understand such economists as Mill, Cherbuliez, Hilditch and others demanding that rent should be handed over to the state to serve in place of taxes. That is a frank expression of the hatred the industrial capitalist bears toward the landed proprietor, who seems to him a useless thing, an excrescence upon the general body of bourgeois production."<sup>55</sup>

This was the use of psychology in economics that, when it was employed by Proudhon, called forth a rebuke from Marx! But Marx

did advance concrete objections. One was against Proudhon's claim that rent bound men to nature. Marx became pedantic. He showed that rent merely bound the use of land to competition. Proudhon would not have dissented, but was arguing that a tax on rental income followed by a redistribution—thereby also benefiting those not deriving their living directly from the land—would reestablish a harmonious relationship between ALL men and the land of their community.

Marx also marshalled a list of technical problems. Rent, as paid by tenants to landowners, was money that incorporated interest paid on the landowners' capital, which had been invested in and on the land; location, as well as fertility, determined rent—and anyway, rent was not an invariable index of fertility since advances in chemistry and geology constantly altered our appreciation of relative fertility; and the pattern of land use may be a function of social tastes rather than soil fertility.<sup>56</sup>

These represent no difficulty to a Department of Inland Revenue. Pure economic rent can be calculated, for, as Marx himself noted, capital invested in land was a measurable phenomenon that exhausted itself and had to be renewed—and so was capable of being distinguished from the contribution to production made by land per se.<sup>57</sup> Marx was well aware that it was practicable to separate land from capital, rent from interest,<sup>58</sup> why, then, should there be any difficulty for tax inspectors?

If, as he said, "rent is a product of society and not of the soil,"<sup>59</sup> this draws us into a game of semantics that does not alter the facts. Economic rent reflects a surplus above the costs of production, and is greater or less depending on where people chose (or were forced) to live, and the composition of all they chose (or were forced) to consume.

Nor need we be daunted by Marx's mischievous assertion that "for any land valuation based upon rent to be of practical value, the conditions of present society must not be departed from."<sup>60</sup> This is the technique of innuendo: all good socialists, aware of poverty among the proletariat, would of course reject a solution that retained "the present society." In fact, all that would be required was an efficient market that allocated land according to optimum uses based on social

preferences. This would then meet Marx's objection that land valuations were constantly changing; such changes could be computed annually with the aid of a land register and computers, and so constitute no argument against land-value taxation.

Marx's final objection is perhaps the most interesting, because it poses the question of the Marxist alternative to the model of individualism, private property in wealth produced by identifiable people, and exchange through the exercise of free choice in the market.

Rent, he said, "is constituted by the *equal price* of the products of land of *unequal fertility*, so that a hectolitre of corn which has cost ten francs is sold for twenty francs if the cost of production rises to twenty francs upon soil of inferior quality . . . but first to make the price of the hectolitre of corn twenty francs in order then to make a general distribution of ten francs overcharge levied on the consumer, is indeed enough to make the *social genius pursue its zigzag course mournfully*—and knock its head against some *corner*."<sup>61</sup>

An absurd, long-winded process for equalising wealth, thought Marx.

Let us suppose for a moment that the price of corn is determined by the labour time needed to produce it, and at once the hectolitre of corn obtained from the better soil will sell at ten francs, while the hectolitre of corn obtained on the inferior soil will cost twenty francs. This being admitted the average market price will be fifteen francs, whereas, according to the law of competition, it is twenty francs. If the average price were fifteen francs there would be no occasion for any distribution, whether equalised or otherwise, for there would be no rent. Rent exists only when one can sell for twenty francs the hectolitre of corn which has cost the producer ten francs.<sup>62</sup>

The advantage of bourgeois economics is that it enables one to calculate the relative contributions of various factors, and so maximise efficiency. Such calculations and relative performances, however, become obscured if—as Marx suggested—the hectolitre should be sold at the average price of fifteen francs. His solution is put forth in cursory fashion, but on it is built all of socialist economics, bureaucratic administrations, and centralized political control.

This opens up the whole question of political liberties. Gronlund

denied that socialist control of the economy would erode personal freedom. He attacked the competitive market economy as planless, anarchic, and so liable to periodic crises;<sup>63</sup> hence the need for collective, planned action. The state would merely take on the role of General Manager, General Statistician, and General Arbitrator—thereby determining how much to produce, distributing the work and ensuring that it was performed, and arbitrating to guarantee justice between various associations of men.

Russian critics of the Soviet Union have amply demonstrated the brutalities and economic deficiencies of such a rigid social system as developed and operated by fallible human beings. Whether one can fairly compare the economic foundation of this imperial power with George's reformed capitalism depends on whether one accepts the USSR as an example of what happens when men seek to structure society along Marxist principles.

### **Contradictions in Marx on the Role of Land**

Why did Karl Marx oppose capitalism as reformed by land-value taxation? The detailed objections examined above hardly constitute a sufficient case against Georgeism for a man of his intellectual capacity. The answer has to be sought in his personal psychology and his dialectical materialism. These combined to predetermine his concept of civilized man and the structure of property ownership that he could find acceptable. George, in the strong tradition of nineteenth-century individualism, desired the freedom of people to work under conditions that matched their personal preferences. This made for a decentralized system, in which the actions of all men found their aggregate expression in the marketplace. Within that framework, George had faith in the ability of most individuals to provide for all their own needs. Those who, as with the infirm, could not support themselves, could be looked after by society, and their claims would be on the basis of right, not of the charity, which came to stigmatize the Poor Laws. For they, too, were entitled to claim a share of natural resources realised through the medium of state expenditure based on revenue derived from a tax on land values.

This process of decentralization was unacceptable to Marx.

Societies—according to his reading of history—were constantly moving in the direction of centralization, and the units of economic activity were growing in size. (This theme was also emphasised by Gronlund both in *The Cooperative Commonwealth* and in his last book, *The New Society*.) The idea of people living on family-sized farms was anathema to Marx. In the *Communist Manifesto* he referred to the “idiocy of country life,”<sup>64</sup> and he claimed that it was impossible for “isolated” rural labour—which he contrasted with “social” labour—to develop spiritually.<sup>65</sup> The value of the capitalist mode of production was its development of the productive powers of “social labour,” which thereby abolished “private labour.”<sup>66</sup> The dispersal of free labour onto its own land was a brake on the formation of new capital (independent producers, it seems, consume but do not save).<sup>67</sup> Ergo, farming had to be organised on a factory basis; and capital, which according to his theory was produced by social labour, must therefore be owned socially, that is, collectively in large aggregations.\*

The problem of clarifying Marx’s position intensifies when we consider his specifications of the preconditions for capitalism. We have seen that he regarded landed property as a hindrance to the capitalist mode of production. “Landed property has nothing to do with the actual process of production. Its role is confined to transferring a portion of the produced surplus value from the pockets of capital to its own.”<sup>68</sup> “It is true . . . that landed property differs from other kinds of property in that it appears superfluous and harmful at a certain stage of development, even from the point of view of the capitalist

\*Quite apart from the metaphysics involved, there is also the alleged economic problem of being able to apportion individual ownership to value created in the productive process, where a large number of workers were involved in a complex operation. Marx was not the only one to see this alleged difficulty. It was stated by Bertrand Russell, who thereupon drew the conclusion that “the principle that a man has a right to the produce of his own labour is useless in an industrial civilization” (*History of Western Philosophy* [London: George Allen & Unwin, 1967], pp. 612, 613). I can reply only that tax inspectors charged with levying a value-added tax have no difficulty in identifying incremental value added at each stage of the production process, and that individual workers have no problem in specifying their personal contributions to each stage of that value-creating process.

mode of production,” which contrasts with “the capitalist [who] performs an active function in the development of this surplus value and surplus production.”<sup>69</sup>

Despite this, Marx concluded that the landlord played a role in the capitalist mode of production “particularly because he appears as the personification of one of the most essential conditions of production.”<sup>70</sup> But why must land be personified by an individual or class rather than by the whole community? In fact, private property in land was not a necessary condition for the emergence of capitalism. In practice, it was an obstacle to that mode of production, as Marx showed. Nonetheless Marx argued that landed property arose as a necessary precondition of, and yet somehow as a result of, capitalism<sup>71</sup>—a most improbable situation (even if it were not self-contradictory), since the transformation of rights to land along the social-individual continuum began in the thirteenth century, and was well advanced by the sixteenth century, the period from which Marx dates the rise of capitalism.

The precondition stipulated as necessary by Marx—a market real-locating land—would have been more efficiently met by the refinement of an ancient fiscal system (land-value taxation). Instead, during the Industrial Revolution at the turn into the nineteenth century, income tax was introduced in Britain by the landlord-dominated Parliament in order to shift the burden from the land. Conceived within the Georgeist model of society, economic relations would have been dramatically different: harmonious, cooperative, prosperous. But Marx was not prepared to entertain this outcome, which he chose to dismiss as just a ploy by capitalists to get rid of landlords who were “a limitation on profit, not a necessary requirement for production.”<sup>72</sup>

The outcome that we can predict, using the Georgeist model, cannot be fully elaborated here. But consider the nature of the labour market in a society in which people were not forcibly rendered landless by, for example, mass enclosure of common land. Industrialists, to get the labour they needed, would have been compelled to *attract* rural labour. So wages would have had to have been higher than what a farmer could get by working for himself: conditions would have had to have been acceptable (how many would have voluntar-

ily swapped green pastures for urban society if the best things on offer were slum dwellings and dark satanic mills?). Marx's argument that capitalism *needed* a vulnerable class of landless labourers in the first place—which it somehow created by inducing the inception of landed property—in order to realise higher profits at the expense of wages, is a superficial analysis born of his metaphysics. In the Georgeist model, profits would have been as high, if not higher, along with higher wages, because landholders could not have deterred economic investment and growth for personal reasons.\*

Evidence in support of this interpretation can be derived from Marx himself. In attacking those who dared to espouse a form of socialism that differed from his own, he was led to admit that without land monopoly there would be no monopoly of capital. His *Critique of the Gotha Programme* contains these words: "In present-day society the instruments of labour are the monopoly of the landowners *and* the capitalists."<sup>73</sup> He added in parentheses: "the monopoly of property in land is even the basis of the monopoly of capital. . . ." To understand what he meant, note his further observation: "In England, the capitalist is usually not even the owner of the land on which his factory stands." From this we derive two illuminating points. First, the original monopoly power inhered in land ownership. Second, the power wielded by capital was derivative, of a secondary nature, and *not* intrinsic to itself: if labour was vulnerable to capital, then, it was because workers did not have access to land of their own.

This interpretation is consistent with Marx's account of the vulnerability of capital in colonies where there was plenty of free land for migrant labour: "the capitalist finds that his capital ceases to be capital without wage labour, and that one of the presuppositions of the latter is not only landed property in general, but modern landed property; landed property which, as capitalized rent, is expensive, and which, as such, excludes the direct use of the soil by individuals. Hence Wakefield's theory of colonies, followed in practice by the English

\*Speculation in future capital gains was only one motive for acquiring land. There were strong social reasons as well. The urban merchant sought status by buying a manor, and the landed class required large tracts for sporting pursuits.

government in Australia. Landed property is here artificially made more expensive in order to transform the workers into wage workers, to make capital act as capital . . .”<sup>74</sup>

Marx appreciated that if land were not privately monopolized, men would be able to live as free individuals. This was the conviction behind the following statement: “The nationalization of land will work a complete change in the relations between labour and capital, and finally, do away with the capitalist form of production, whether industrial or rural.”<sup>75</sup>

Marx, of course, saw the next step as being in the direction of socialism. But Henry George insisted on an alternative path forward. For land-value taxation was more than a mechanism for redistributing income; it also destroyed what Marx called “the monstrous power wielded by landed property, [which] when united hand in hand with industrial capital, enables it to be used against labourers engaged in their wage struggle as a means of practically expelling them from the earth as a dwelling place.”<sup>76</sup>

Marx’s account of the redistribution of power following a change in the structure of property rights in land alone is not consistent with his refusal to accept capitalism reformed along the Georgeist model. But the facts, telling though they were, could not override his preconceived notions. A. J. P. Taylor, the British historian, puts it thus: “his later observations, though extremely laborious, were fitted into a system which already existed, a system moreover which was treated as complete once and for all.”<sup>77</sup> (Taylor’s use of the term *fitted* is unfortunate: these “later observations” never could be really made to fit.)

Marx’s philosophy, based on dialectical materialism, promised an end—communism—which would constitute the resolution of all human conflicts. The discontinuities of which epochs are made would come to rest finally in the termination of history itself. Communism, the promised land, the final synthesis, would arrive. Clearly, then, Marx could not allow a realistic appreciation of the economic facts—the relationship between capital and labour, and the distortions interposed by landed property—to disturb his nirvana. To go along with Georgeist reforms, which he saw were sound in relation to the prevailing mode of production, was impossible; for that would delay the



day of judgement, when the proletariat would dictate. Such reforms would enhance the conditions of labour, but would consequently protract the life of capitalism!

A further problem for Marx arose with interest, the returns on capital. Marx admitted that in precapitalist modes of production a portion of the surplus-labour product of the worker could be retained by him and congealed into his "ownership of the conditions of labour as distinct from land, such as agricultural implements, and other goods and chattels"<sup>78</sup>—that is, into capital. Why then, one might ask, in a capitalist society, could not a man who embodied his own labour into the form of a machine be at liberty to employ others to work it (assuming that they willingly agreed to do so, with an eye to their advantage), and enjoy rewards accruing to his embodied labour without being accused by Marx of being exploitative?

Marx might have answered that the prerequisites for a truly free agreement did not exist, since enclosures and other land usurpations had created an industrial reserve army without bargaining power—a proletariat. This, however, was precisely the situation for the correction of which George's remedy was calculated, so such an argument would not be relevant to capitalism on the Georgeist model.

The fact is that to concede a right of this nature would have ruptured Marx's vision of a communist harmony. Men would still have been unequal, in some sense—the employers and the employed. Their wealth would have been unequal; emotions would allegedly be disturbed. Much better that everybody should have everything (more precisely, and utopian, they should altruistically contribute that of which they were capable, and take as much as they needed), to remove all emotions, which might conceivably portend further struggles. Hence all land, capital, and labour had to be conflated into the category of "social"; the uniqueness of individuals had to be dissolved into the homogeneous mass called "social labour"; society, rather than the individual, would direct social intercourse, thereby necessitating central control, the better to avoid the prospect of individuals unilaterally going their own sweet ways. Current realities, practical or theoretical, had either to be fitted into this system or ignored.

But, while Marx was a collectivist, it would be a mistake to

counterpose Henry George at the other extreme—as an individualist of the atomistic variety. Gronlund, in propagating Marx’s scheme—“We belong to each other, and this rests upon the contention that ALL men are created to work for other men”<sup>79</sup>—sought to distort George’s political philosophy. “George would, if he could, separate the Individual entirely from society. But Society is an organism. . . .”<sup>80</sup> Yet, while George held that “whatever savors of regulation and restriction is in itself bad, and should not be resorted to if any other mode of accomplishing the same end presents itself,” he too insisted that “society is an organism,” and ended book 6 of *Progress and Poverty* by approvingly quoting from Marcus Aurelius: “*We are made for co-operation—like feet, like hands, like eyelids, like the rows of the upper and lower teeth.*”<sup>81</sup>

### **Engels and Hyndman on the Land Question**

Marx thought that he had checkmated Henry George when, in a letter dated 20 June 1881, he asked why it was that America—the nation of relatively abundant land—should have rapidly produced an exploited proletariat when, according to George’s theory, the workers should have been independent producers.<sup>82</sup>

In rebuttal we can turn to evidence produced by none other than Marx’s friend and collaborator, Engels, who reviewed the labour question in the preface to the American edition of *The Condition of the Working Class in England*. Up till 1885, wrote Engels, public opinion was almost unanimous in proclaiming the absence of a European-style proletariat on American soil. From that point on, however, a proletariat rapidly developed. What caused this change? Engels had no doubts: the drying up of cheap land on the western frontier.

While land was readily available, the great mass of the native American population could “retire” in early manhood from wage labour and become farmers, dealers, or employers of labour, “while the hard work for wages, the position of the proletarian for life, mostly fell to the lot of immigrants.” Immigrants were vulnerable—dependent upon employers—during the early phases of each wave of migration, when the newcomers sought to recover from the Old World and adjust to the New; yet as long as land out West was there for the

taking, the immigrants too could expect to lead a good and independent existence. "But America has outgrown this early stage," wrote Engels in the mid-eighties. "The boundless backwoods have disappeared, and the still more boundless prairies are faster and faster passing from the hands of the Nation and the States into those of private owners. The great safety-valve against the formation of a permanent proletarian class has practically ceased to act."

Engels prided himself in foreseeing the consequences of this process. Henry George, however, had anticipated events at an earlier date. An account similar to the one by Engels, published six years earlier, appeared in *Progress and Poverty*,<sup>83</sup> although the predictions and analyses can be traced back to 1871, when he issued *Our Land and Land Policy* as a pamphlet.

Engels, of course, was not interested in lending credence to Henry George. In his account he argued that George's contention that expropriation of people from their land was the great and universal cause of the division of society into two classes—rich and poor—was "not quite correct historically."<sup>84</sup> As evidence, Engels cited the case of slavery in the ancient world. Slavery was "not so much the expropriation of the masses from the land as the appropriation of their persons." The subtlety of the relationship between man and land in a system based on slavery was not lost on Marx, however, and the crux of that relationship was the private appropriation of land. Marx cites evidence from Rome, where the rich appropriated land and *then* sought and used slaves to till the ground and tend the cattle.<sup>85</sup>

So anxious was Engels to qualify George's analysis that he further cited the serfs of the Middle Ages. These were exploited as part of a system that, far from throwing them off the land, actually tied them to it. This does not count against George, but it does reveal a confusion in Engels. The burden of George's analysis was not that people were dispossessed physically from their land, but that the surplus that they collectively created (economic rent) was privately appropriated. It did not matter, therefore, whether people were tied to, or thrown off, land—the end result was the same: an unjust distribution of wealth, and a malfunctioning economy.

Engels declined, on tactical grounds, to deal extensively with George, for he felt that to do so then would only create dissension

within the nascent proletarian movement in America. There is a suggestion (in a letter to his American translator) that he hoped to undertake a full and exhaustive critique of George at some later, more propitious, time.<sup>86</sup> Had he done so, he might have been obliged to reexamine and perhaps alter some of his own key beliefs!

Since Marx and Engels never met or corresponded with George, the opportunity for a sustained colloquy between them never arose. Nevertheless, we do have access to a reasonable second-best: the record of an exchange of views between George and his one-time London host, Henry M. Hyndman, who was for a while a confidant of Marx. In 1889 the two met for a celebrated debate on “The Single Tax versus Social Democracy” at St. James’s Hall, London. (Two years previously, they had engaged in conciliatory dialogue in the pages of the *Nineteenth Century*.) Before examining the report of this event, we must note that in 1882 Hyndman—with the encouragement of Henry George—had edited and published the lecture delivered in 1775 by Thomas Spence, who had proposed that rent should be appropriated for the benefit of the whole community. In his introduction Hyndman referred to “my friend” Henry George, whose book *Progress and Poverty* had shown that the capitalist’s power of exploitation had its foundation in “the monopoly of the soil in the first instance.”<sup>87</sup> By 1906, when he wrote an introduction to the St. James’s debate, this and other insights had become mere “attractive error.”<sup>88</sup> I shall examine three key criticisms advanced by Hyndman during the debate.

Who would benefit from land-value taxation and the concomitant reduction of taxes on earned income? Hyndman contended that the workers would not be any better off—“the capitalist class would pocket every sixpence” of reduced taxation.<sup>89</sup>

His argument suffered from confusion at two distinct levels. First, the new fiscal structure. If taxes on wages were reduced to offset, in part, the revenue from the land-value tax, would that not increase the real value of wages? And if taxes on goods and customs duties were also reduced, would this not reduce prices and therefore further increase real living standards?

Hyndman apparently did not see this. He might have wished to

reply with an argument that he did advance against George: that, because of competition for jobs, workers would continue to be vulnerable to employers, and that therefore a reduction in taxes on wages would simply (through the labour market) result in a reduction of wages to their former levels. Hence there would be only a temporary benefit to workers. This reply would fail on two counts (1) Immediately a land-value tax were instituted, it would increase the supply of land, making its use available to a wider group of people and so contracting the supply of hired labour: wages, therefore, would tend to rise! (2) As Hyndman had earlier noted—and Marx before him—the ability to exploit workers rested on the prior monopoly of land, the removal of which would alter the relative distribution of economic power in favour of greater mutual cooperation.

Hyndman's second major criticism concerned George's theory of rent. He said that an increase in rent in capitalist economies did not necessarily reduce the rate of wages.\* Two pieces of evidence were produced. Rent and wages had simultaneously increased in Australia, he declared. This was no problem for George; for as Marx himself had noted, a land-abundant continent like Australia left workers in a very strong bargaining position. Undaunted, Hyndman noted that real wages in the United States had risen over the previous twenty-five years. This constituted no problem for George, either. "I have, in the first place, never stated anything more than that the increase of rent produces a *tendency* to the decrease of wages, and by wages in all such parts as that, I mean that proportion which goes to the labourer."<sup>90</sup> Furthermore, technical progress in an advancing capitalist economy, which required higher operating skills from workers, would drive up wages. But as Henry George noted: "while land everywhere has been increasing in value in the United States, so everywhere have we become accustomed to what a few years ago we knew nothing about—the tramp and the pauper."

\*If this were true, and given the long-term decline in the rate of profit, where was the inexorable process of exploitation of surplus value that Marxists claimed would impoverish the proletariat to the point of revolution?

Hyndman's third criticism was potentially the most damaging. He claimed that the land-value tax was directly responsible for extensive poverty among the peasants of India. Here was a challenge on which the whole Georgeist movement could collapse, since the central economic case for land-value taxation was the enrichment of all members of a community who were willing to work.

"The full economic rent of the land is taken to the amount of £22 m. or £23 m. a year, and is the sheet-anchor of the taxation of India—yet there is no such poverty in the world as in our great and glorious Empire of India," declared Hyndman. "The land in Madras was nationalised in accordance with Mr. George's views, and was assessed annually to the amount of its full rental value. The result was such an enormous increase of poverty that the Government of India was absolutely obliged to give it up as a complete failure."<sup>91</sup>

Some of the main problems with the Indian agricultural system were described to the Fabian Society in 1902 by S. S. Thorburn, who had accumulated considerable experience as financial commissioner of the Punjab.<sup>92</sup> He made the following points:

- (a) The British landlords who went to India to administer this part of the Empire transformed traditional land-use rights into proprietary rights. This destroyed the communal, cooperative ethos of village life.
- (b) The authorities, in the form of the East India Company until the 1860s, levied a fixed "land tax" irrespective of the effect of the weather on any season's crop. This forced peasants to borrow to make the tax payments after droughts had produced famine.
- (c) The salt tax was severely regressive, since it fell heaviest on the peasants who needed salt to feed to their cattle.

Central to any solution, said Thorburn, was a more elastic land revenue collecting system. There had to be remission of taxes on rain land that suffered from drought.<sup>93</sup>

It would, he said, be easy to devise a system that operated a sliding scale of tax rates based on the harvest and the prevailing prices, and that therefore fell on economic rent only. Henry George anticipated all this in *Progress and Poverty*.<sup>94</sup> But what of the seemingly devas-

tating example of Madras—where land was “nationalised in accordance with Mr. George’s views”<sup>\*</sup>—which Hyndman marshalled in the debate with his American opponent? The tax was a high one on the gross produce rather than the net produce (economic rent). It was therefore a disincentive to capital improvement, and it undoubtedly impoverished the peasants under what became known as the Ryotwari Settlement introduced in Madras by Sir Thomas Munro in the 1820s. Dutt reviewed the consequences of this settlement, and explained the nature of the tax: “What is the Land Tax? The Court of Directors [of the East India Company] declared in 1856 that the right of the Government is not a rent which consists of all the surplus produce *after* paying the cost of cultivation and the profits of agricultural stocks, but a land revenue only.”<sup>95</sup> So much for Hyndman’s knowledge of fiscal policy in India, and the influences that fashioned it.

The British would have done well to have operated a land-value tax of the sort George prescribed, for land that failed to produce a crop because the rain did not fall consequently produced no economic rent; thus, there should have been no tax exaction. Where taxes were levied in such circumstances, these fell not on economic rent but on the ability of peasants to borrow by mortgaging land. This in turn led to indebtedness and eventual loss of land. There were other injurious features of the tax system, such as fixing assessments in perpetuity. As economic rent increased, this surplus remained in private hands; where it decreased, the tax burden fell on the returns to capital and labour, with all the impoverishing effects that this entailed. A sensitive land value tax that appropriated for public use that part of a season’s actual production that could be attributed to nature could easily have been implemented, according to Thorburn; had this happened, the peasants would not have suffered. As it was, the tax fell on the cultivator, not his land.

<sup>\*</sup>Actually, Ricardo was the economist who had had some influence of a theoretical nature over the early nineteenth-century British administrators in India. See F. G. H. Anderson, *Some Facts, Fallacies and Reflections Concerning the Land Revenue Systems in India*, Paper no. 24, Fourth International Conference to Promote Land Value Taxation and Free Trade, Edinburgh 1929, London International Union for Land Value Taxation and Free Trade.

But Hyndman was not particularly interested in the details of the Indian land tax, for he was anxious to show that capital was the culprit in the subcontinent. His misdiagnosis was consistent with the failure of the Left in Western politics to perceive (or where it was perceived, as initially it was by Hyndman, to consistently follow through to the logical conclusion) the original cause of exploitation within industrial society.\* Hence it suited him to erroneously claim that “the land was being taxed up to its full economic value . . . therefore there are very much greater causes of poverty than merely the monopoly of the land.”<sup>96</sup> The role of privately owned land was thus carefully neutralized out of the picture, leaving the Marxist free to single out his favorite target: the capitalist.

After Hyndman, twentieth-century critics in the Marxist tradition had little to say about Henry George. Presumably they thought there was little left to add: this would seem to be a reasonable conclusion after examining Arthur Lewis’s attempt in 1919 in his *Ten Blind Leaders of the Blind*,<sup>97</sup> which embodies certain phrases that appear to have been taken straight from Gronlund’s tracts. Lewis resorted to vilification (George “rails like a fishwife,” and was “a true lackey of capital”), but he provided little fresh analysis. The only point of substance he raised concerned George’s mistaken account of the mechanism by which interest rates were established—but that, as Lewis acknowledged, not even George’s followers accepted.

For the rest Lewis seemed most anxious to demonstrate (as with Gronlund before him) his superior logical faculties. Why, observed Lewis, certain simple-minded persons had argued that if rent was robbery, the thing for the robbed community to do was to take the land away from the landlord and thus put an end to his income from rent. “But Henry George refused to be a party to any such proceedings.”<sup>98</sup> Lewis failed to explain why this drastic action of physical appropriation was necessary, if land-value taxation approaching 100

\*This was true not just of political theoreticians. Time and again the workers who suffered deprivation during economic crises blamed technology rather than land speculation. Hence the cases of destructive reaction, such as the Luddites of 1816 and the weavers in 1827, and the promises of socialist salvation, as from the Chartists after 1836.



percent deprived landlords of rental income. After all, Henry George would have replied, having taken the land away, it would then be necessary to finance a bureaucracy to lease it back and administer its use—a wholly unnecessary solution since better results could be achieved more cheaply (and with no risk to political freedom) by permitting the market to do the job.

### The Verdict of Historical Developments

Thus we have come to the end of this examination of the Marxist critique of Henry George. Before I conclude, however, it is worth taking a brief retrospective view of the historical developments of the century since George wrote *Progress and Poverty*, to see which of the two social science traditions has proved to be the more useful in analysing the affairs of men.

Gronlund, in *The New Economy*, confidently asserted that “because our goal is predestined, it is futile to argue as Henry George does, not very successfully, in the volume, published after his death, that Collectivism is unworkable.”<sup>99</sup> But surely events have vindicated George! For he did not deny that collectivism could be made to work—at a price. Was he not right to warn, in *Progress and Poverty*, that in that kind of system “instead of an intelligent award of duties and earnings, we should have a Roman distribution of Sicilian corn, and the demagogue would soon become the Imperator”?<sup>100</sup> The price of collectivism, as we all know, has indeed been great.

Marx fared no better than Gronlund in his predictions. The most celebrated of these related to the mechanism that he said would cause the transformation of societies from capitalism to socialism. The greatest alienation, said Marx, manifested itself within societies where capital was concentrating in ever-larger aggregations, and it was within these that the proletariat would develop the solidarity and class consciousness that would equip them to effect the most dramatic socioeconomic changes. Henry George, by contrast, held that it was rather in societies where there was a concentration of land ownership that such changes would occur.<sup>101</sup> George was obviously the better prophet. Where the Marxist ideology has successfully reinforced revolution—from Russia and China to Cuba and Vietnam—

these social transformations have been in peasant societies heavily or totally dependent upon agrarian economies. And the major non-Marxist upheavals of the twentieth century, beginning with Mexico, have also been in land-based peasant societies.

### Concluding Evaluation

Thus we are entitled to entertain serious doubts about the value of Marxism as a guiding philosophy. With equal confidence we can assert that, if human existence is dependent on evolutionary adaptation to new social forms in keeping with the needs of man and his natural environment, the Georgeist model has to be regarded in the main as the most attractive and feasible alternative.

### Notes

1. Sidney Webb, *Socialism in England* (London: Swan Sonnenschein & Co., 1890), pp. 20, 21. Marx explained the cause of the excitement stimulated by *Progress and Poverty* to his friend Sorge, who had sent him a copy: "George's book, and also the sensation it has created among you, is significant because it is a first though unsuccessful effort at emancipation from orthodox political economy." Karl Marx and Frederick Engels, *Selected Correspondence*, trans. I. Lasker (1955; 3d revised ed. Moscow: Progress Publishers, 1975), p. 323. Cf. the estimate by R. S. Moffat as revealed in the title of his book, *Mr. Henry George the "Orthodox,"* which is examined by Babilot in the present volume.

2. Cited in Anna George de Mille, *Henry George: Citizen of the World* (Chapel Hill: University of North Carolina Press, 1950), p. 2.

3. Henry M. Hyndman, *Record of an Adventurous Life* (New York: Macmillan, 1911), p. 268.

4. Marx and Engels, *Selected Correspondence*, p. 324.

5. In a letter to Hyndman, 22 June 1884, quoted in George R. Geiger, *The Philosophy of Henry George* (New York: Macmillan, 1933), p. 239.

6. In a letter to Thomas Walker, 25 September 1890, quoted in Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), p. 564.

7. H. Hessel Tiltman, *J. Ramsay MacDonald* (New York: Frederick A. Stokes Co., 1929), p. 18.

8. Hyndman, *Record of an Adventurous Life*, p. 226.

9. See Hyndman's obituary article on George in the *Saturday Review* (London) 6 (November 1897): 485–86.

10. Barker, *Henry George*, p. 495.
11. See Stow Persons's introduction to the Harvard Library edition of Gronlund's *Cooperative Commonwealth* (1884; reprinted ed. Cambridge, Mass.: Harvard University Press, 1965), p. xxii.
12. Laurence Gronlund, *Socialism vs. Tax Reform: An Answer to Henry George* (New York: New York Labor News Co., 1887), p. 15.
13. Laurence Gronlund, *Insufficiency of Henry George's Theory* (New York: New York Labor News Co., 1887), p. 3. Hereinafter referred to as *Insufficiency*.
14. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 216; emphasis added. In the preface to the fourth edition, written in 1880 but reproduced in the edition cited, George said: "What I have done in this book, if I have correctly solved the great problem I have sought to investigate, is to unite the truth perceived by the school of Smith and Ricardo to the truth perceived by the schools of Proudhon and Lassalle; to show that *laissez faire* (in its full true meaning) opens the way to a realization of the noble dreams of socialism . . ." (p. xv).
15. Gronlund, *Insufficiency*, p. 3.
16. *Ibid.*; emphasis added.
17. Karl Marx, *Capital*, trans. not indicated (Moscow: Foreign Languages Publishing House, 1962), 3: 623; emphasis added.
18. *Ibid.*, p. 609.
19. *Ibid.*, pp. 237, 366.
20. Gronlund, *Insufficiency*, p. 15; emphasis added.
21. George, *Progress and Poverty*, p. 264.
22. *Ibid.*, p. 281.
23. Maurice Flamant and Jeanne Singer-Kérel, *Modern Economic Crises* (London: Barrie & Jenkins, 1970), chap. 1.
24. *Ibid.*, p. 31.
25. J. K. Galbraith, *The Great Crash 1929* (Harmondsworth: Penguin, 1975), pp. 32–35.
26. "In a word, the explanation of Hitler's success both in attaining power and office and in carrying out a programme laid down in 1925 can only be found in psychology" (J. A. R. Marriott and C. G. Robertson, *The Evolution of Prussia*, rev. ed. [Oxford: Clarendon Press, 1968], p. 486).
27. Bruno Heilig, "Why the German Republic Fell" in A. W. Madsen, ed., *Why the German Republic Fell and Other Studies of the Causes and Consequences of Economic Inequality* (London: Hogarth Press, 1941).
28. Stuart Holland, *The Socialist Challenge* (London: Quartet Books, 1975), p. 394.
29. Articles by J. C. Cook, D. S. Sayer, and E. L. Norman in *Chartered Surveyor: Urban Quarterly* (London) 4, no. 2 (1976).
30. *The Times* (London), 16 November 1976.

31. Gronlund, *Insufficiency*, p. 15.
32. Gronlund, *Socialism vs. Tax Reform*, p. 10.
33. Thomas Spence anticipated this last point as early as 1775 in his lecture *The Nationalization of the Land*, ed. H. M. Hyndman (London: E. W. Allen, 1882), pp. 17, 18.
34. Gronlund, *Insufficiency*, p. 7.
35. Ibid.
36. Gronlund, *Socialism vs. Tax Reform*, p. 18; original emphasis.
37. Ibid., p. 23.
38. Karl Marx and Frederick Engels, *Selected Works* (Moscow: Foreign Languages Publishing House, 1951), 2: 17.
39. Gronlund, *Insufficiency*, p. 16.
40. Gronlund, *Socialism vs. Tax Reform*, p. 29; original emphasis.
41. Ibid., p. 10.
42. Marx, *Capital*, 3: 587.
43. Ibid., p. 604.
44. Ibid., p. 743.
45. Ibid., p. 792.
46. Ibid., p. 755.
47. Ibid., p. 790. Ernest Mandel, a leading contemporary European Marxist, states: "private property in land, far from being a condition for the penetration of the capitalist mode of production *into agriculture*, is a hindrance and brake upon it" (*Marxist Economic Theory* [London: Merlin Press, 1968], p. 286). Original emphasis.
48. Marx, *Capital*, 3: 603, 630, 727, 732.
49. Ibid., p. 739; emphases added.
50. Gronlund, *Insufficiency*, p. 15.
51. Karl Marx, *The Poverty of Philosophy* trans. not identified (Moscow: Progress Publishers, 1966), p. 134.
52. Marx, *Capital*, 3: 771 f.
53. Marx, *The Poverty of Philosophy*, p. 134. See also George Woodcock's introduction to P. J. Proudhon, *What is Property?* (New York: Dover Publications, 1970), p. xiv.
54. Proudhon, *What is Property?*, p. 192.
55. Marx, *Poverty of Philosophy*, p. 140.
56. Ibid., p. 141.
57. Ibid., p. 144.
58. Marx, *Capital*, 3: 755. See also pp. 608, 729, 762.
59. Marx, *Poverty of Philosophy*, p. 144
60. Ibid., p. 141.
61. Ibid., p. 140; original emphasis.
62. Ibid.
63. Gronlund, *Insufficiency*, p. 16.

64. Karl Marx and Friedrich Engels, *Communist Manifesto*, trans. Samuel Moore (1888; reprinted., intro. A. J. P. Taylor, Harmondsworth: Penguin Books, 1968), p. 84.

65. Marx, *Capital*, 3: 792, 793.

66. *Ibid.*, p. 261.

67. Karl Marx, *Grundrisse* trans. Martin Nicolus (Harmondsworth: Pelican Books, 1973), p. 279.

68. Marx, *Capital*, 3: 801.

69. *Ibid.*, pp. 608, 623.

70. *Ibid.*, p. 801. Gronlund, in an attempt to contrast himself with George, also ascribed teleological value to landlords. He claimed that "private ownership of land was instituted, when it was, because it was an advantage to society at large and is not such an *absolute*, universal evil as George wants to make it out" (*Insufficiency*, p. 14; original emphasis). Mandel (*Marxist Economic Theory*, pp. 286, 287) also repeats Marx's point: "The private appropriation of *all cultivable land*, which prevents free settlement of new peasants on the land, nevertheless remains an absolutely indispensable condition for the rise of *industrial capitalism*. So long as there are vast expanses of land available, urban labour-power has a refuge from the factory prison, there is practically no industrial reserve army, and wages may well rise in consequence of competition between industrial and agricultural employment." Mandel undermines his case, however, by conceding in the next sentence: "The high wages which existed in the U.S.A. before the disappearance of the Western 'frontier,' which definitely established a wage scale higher than any in Europe, are to be explained to a large extent by this factor." The high wages, of course, did not retard the industrial system—they merely recognised that a weak monopoly of land worked in the bargaining favour of labour!

71. Marx, *Grundrisse*, p. 278; *idem*, *Capital*, 3: 582, 602, 603, 792, 801.

72. Marx, *Grundrisse*, p. 279.

73. *Ibid.*, p. 19; original emphasis.

74. *Ibid.*, p. 278. See also Marx, *Capital*, 1, trans. from 3d German ed. by Samuel Moore and Edward Aveling and ed. by Frederick Engels (Moscow: Foreign Languages Publishing House, 1962), chap. 33.

75. Karl Marx, *The Nationalization of the Land*, in *Selected Works* (Moscow: Progress Publishers, 1973), 2: 290.

76. Marx, *Capital*, 3: 754. Marx, in also thinking that a redistribution of property rights would fundamentally alter the distribution of economic power, contradicted himself when he claimed that those who supported land-value taxation were trying "to bamboozle themselves or the world into believing that by transforming rent of land into a tax payable to the state *all the evils* of capitalist production would vanish of themselves" (Marx and Engels,

*Selected Correspondence*, p. 323; emphasis added). Not all the evils, perhaps, but the remaining ones would be tolerable!

77. Taylor's introduction to Marx and Engels, *Communist Manifesto*, p. 10.

78. Marx, *Capital*, 3: 776, 777.

79. Gronlund, *Insufficiency*, p. 19.

80. *Ibid.*

81. George, *Progress and Poverty*, pp. 320, 321, 330.

82. Marx and Engels, *Selected Correspondence*, p. 323. This argument is repeated by Sir Eric Roll in his *A History of Economic Thought*, rev. ed. (London: Faber & Faber, 1973), p. 424. The superficiality of Roll's knowledge can be gauged from this statement on page 423: "Nor was George's impression on the working-class movement very profound."

83. George, *Progress and Poverty*, pp. 390–94.

84. Preface to the American edition of Frederick Engels, *The Condition of the Working-Class in England*, in Karl Marx and Frederick Engels, *On Britain*, 2nd ed. (Moscow: Foreign Languages Publishing House, 1962), p. 10.

85. Marx, *Capital*, 1: 680. See also p. 86, where Marx says of the Roman republic that "its secret history is the history of landed property."

86. Marx and Engels, *Selected Correspondence*, pp. 376–77.

87. Spence, *Nationalization of the Land*, p. 6.

88. *The Single Tax versus Social-Democracy: Which will most Benefit the People?* Debate between Henry George and H. M. Hyndman (London: Twentieth Century Press, 1906), p. 3.

89. *Ibid.*, p. 27.

90. *Ibid.*, pp. 14, 15.

91. *Ibid.*, pp. 11, 12.

92. S. S. Thorburn, *Problems of Indian Poverty*, Tract no. 110 (London: Fabian Society, 1902).

93. *Ibid.*, p. 14.

94. George, *Progress and Poverty*, pp. 117–21.

95. Romesh Dutt, *The Economic History of India*, 2d ed. (London: Routledge & Kegan Paul), 1: 169; emphasis added.

96. George and Hyndman, *The Single Tax versus Social-Democracy*, p. 20.

97. Arthur M. Lewis, *Ten Blind Leaders of the Blind* (Chicago: Chas. H. Kerr & Co., 1919).

98. *Ibid.*, p. 33.

99. Lawrence Gronlund, *The New Economy: A Peaceable Solution of the Social Problem* (Chicago: H. S. Stone & Co., 1898), p. 297. The posthumous volume to which Gronlund refers is, of course, George's *Science of Political Economy*.

100. George, *Progress and Poverty*, p. 321.

101. *Ibid.*, p. 327.