

THE GREAT FAILURE OF LOGIC COMMITTED BY KARL MARX

By Edward J. Dodson / November, 2019

In his analysis of “capitalism,” Marx failed as an historian. How did he fail? He asserted that the world had experienced a dramatic system change. In reality, the fundamental system of agrarian landlordism that had existed everywhere following the establishment of permanent settlements, merely evolved in response to population growth and technological innovation that allowed for a level of goods production beyond what was necessary for mere subsistence.

Hierarchical societal structures enabled those who held power (e.g., landed aristocracies and monarchies, most often allied with and served by organized religion) to claim what others produced.

With the introduction of law endorsing and protecting private claims to land, the redistribution of wealth from producers to non-producing “rentier” elites accelerated. To agrarian landlordism was added a commercial element – raising cattle and sheep for domestic and foreign markets. To agrarian and commercial landlordism was added an industrial component dependent on an expanding financial system. With each evolutionary stage the one common denominator was the escalation of land rents, most of which were privatized, rather than collected by society to pay for public goods and services.

Over time, this systemic structure became the norm except in those society where violent revolution introduced state-socialism was adopted. Yet, even in these societies, hierarchy still drove how wealth was distributed. Land was not allocated to potential users based on competitive bidding subject to an annual payment equal to rental value, which meant that under state-socialism there were no market signals at work to bring land to its highest, best use.

The new China has also failed to incorporate the full collection of the rent of land as a fundamental reform. The result is that China’s economy has a serious and fundamental weakness that dooms the Chinese to boom-to-bust cycles as occur in countries where property markets have long been a primary economic driver.

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