CHAPTER 8

GEORGE'S RESPONSE TO MARXIST SOCIALISM

Henry George and Karl Marx were roughly contemporaries; Marx died in 1884 and George in 1897. They never met, but had a good deal to say about one another. Both were humanitarian in their philosophies, wishing to put a stop to the exploitation of masses of men which they saw as inherent in the current economic system. George in certain of his statements even went far enough in the direction of socialism to attract the support of Marx's daughter and supposed son-in-law, who spoke for him before socialist groups in his 1886 mayoralty campaign.[1]

Nevertheless George and Marx diverged widely in the essential principles of their economic concepts, and in the concomitant psychological and political implications of their beliefs. To do justice to George's total contribution to economic thought, it seems important to explain just how he answered Marxist socialism, and to weigh his prophetic evaluation of it.

There are two distinctions of basic economy theory between the opinions held by Marx and by George.

The first difference was George's *stress on land ownership as the primary source of economic inequality.* This was based on the perception of land as being in a different category from capital since, unlike the latter, it is a fixed quantity unresponsive to the laws of supply and demand. Marx's failure to

distinguish sharply between "rent" and the other returns to production, and his putting them together in his term "surplus value," inspired George to dub him "the Prince of muddleheads": this occurred in a letter sent in 1890 to an English friend.[2] Six years earlier in writing to his socialist acquaintance, Henry Hyndman, he had said of Marx: ". . . however great he may have been in other respects, he lacked analytical power and logical habits of thought. Whatever he may have been, he most certainly was not the scientific man you evidently regard him. . . . Whatever may be the value of his historical researches, he certainly seems to me . . . a most superficial thinker, entangled in an inexact and vicious terminology."[3]

Marx, in an 1881 letter, had taken a correspondingly poor view of George's mental processes:

"Theoretically the man is utterly backward. He understands nothing about the nature of surplus value. . . . We ourselves . . . adopted this appropriation of ground rent by the state among numerous other transitional means. . . ."[4]

He thought, as did George, that the returns from land should be absorbed by the state, but that this was only one factor in the public appropriation of *all* forms of profit ("surplus value") which should be taken from "non-producers," namely capitalists, and returned to the workers. He did not consider land ownership a unique form of non-productive monopoly.

Herein his disagreement with George was not as total as might be supposed. For George did recognize many sources of monopoly additional to landowning: protective tariffs, extended patents, collusive arrangements; geographically based utilities such as transportation, electricity and communications lines; banking privileges. Nevertheless, his conception of landowning as by far the greatest monopoly makes his difference from Marx on this point crucial.

The second economic contrast between the Georgist philosophy and Marx's system lay in *the method of redressing inequality*.

The theory of Marxism demands that the government alter,

for purposes of equalization, the incomes which people would otherwise get under a free market, by means of State control of the productive process.

The contention is that undeserved inequalities of wealth arise from something in the capitalist system which makes exploitation inevitable. To this, the Marxist prescription for changing the distribution of wealth constitutes a non-discriminating, generalized sort of redress. The Marxist actually despairs of tracing exploitation to its source through the many processes of production, and correcting it in any accurate, specific way.

George's premise was different. It was that inequality of deserved reward arose not from the free market itself, but from violations thereof—of which land monopoly was the greatest but not the only one. His solution was to cut off these causes of injustice at their beginnings, by socializing the natural monopolies through either government control or ownership, and by abolishing the man-made monopolies through legislation. The belief is that inequities of reward could thus be prevented *at the source,* and that any further state restrictions should be minimal—even though they would have to grow with advancing society.

This limitation of state control George felt to be essential to a healthy economic order, for it was his view that best results are achieved only when men freely reap the rewards of their varying talents and exertions. He looked upon competition as beneficial: a force which through the desire to excel produces excellence, and which not only brings satisfaction to those successfully engaged in it, but enhances the caliber and abundance of goods for everyone.

For competition to operate constructively, however, it must be worked out on a background of just conditions. If there is some unfair twist to circumstances which blocks off certain people from equal opportunity with others, their productivity ultimately will be diminished and the whole cycle of social well-being impaired. It was the lack of specific criteria for preventing such unjust circumstances which George deplored in organized socialism:

"Socialism takes no account of natural laws, neither seeking them nor striving to be governed by them. . ." he wrote in *The Science of Political Economy*. "It is more destitute of any central and guiding principle than any philosophy I know of. Mankind is here; how it does not state, and must proceed to make a world for itself, as disorderly as that which Alice in Wonderland confronted. It has no system of individual rights whereby it can define the extent to which the individual is entitled to liberty, or to which the state may go in restraining it."[5]

He rejected Marx's criteria of dividing men into capitalists and workers, since what to Marx were capitalists to George included both men who were earning their profits through managerial work, and those who were enriching themselves chiefly through landed or other monopolies.

"The German mind, learned, bureaucratic and incomprehensible," he wrote in *The Science of Political Economy,* "puts this (the concept of workers as a class completely separate from employers) in the form of what passed for a system. . . . Without distinguishing between products of nature and the products of man, Marx holds that there are two kinds of value—and that through some alchemy of buying and selling the capitalist who hires men to turn material into products gets a larger value than he gives. Upon this economic proposition of Marx (it can hardly be called a theory) . . . political schemes with slight variations have been promulgated after the manner of political platforms."[6]

Marx, as might be expected, deemed George misguided because he did *not* accept the class theory. In the letter cited earlier he continued:

"The whole thing (Georgism) is therefore simply an attempt, decked out with socialism, to save capitalist domination and indeed to establish it afresh on an even wider basis. . . . On the other hand, George's book . . . is significant because it is a first if unsuccessful attempt at emancipation from the orthodox political economy. . . . He is a talented writer . . . also has the repulsive presumption and arrogance which is displayed by all panacea mongers without exception."[7]

So much for the economic differences between the Georgist

philosophy and Marxist socialism. The psychological differences are just as wide, and intimately connected with the economic distinctions.

In his conviction that economic and moral law were both facets of a universal natural law, George felt that justly based competition was ethically as well as economically desirable, that it was essential to the spiritual health of society, and that it should not be tampered with through a spurious altruism inconsistent with human nature;

"Socialism in anything approaching such a (communal) form," he wrote in *Progress and Poverty,* "modern society cannot successfully attempt. The only force that has ever proved competent for it—a strong and definite religious faith—is wanting and is daily growing less. We have passed out of the socialism of the tribal state, and cannot re-enter it again except by a retrogression that would involve anarchy and perhaps barbarism. Our governments, as it is already plainly evident, would break down in the attempt . . . the demagogue would soon become the Imperator."[8]

Marx had no such prescience of the quality of coming dictatorships. It was precisely the lack of competition that appealed to many of his followers, since the competitive system had brought them so little reward. Marx, himself a sufferer from economic frustration, became a leader of thought largely because he expressed, and offered an alleged solution to, a latent psychological bias already powerfully existent in the external world. Wherever oppression was deepest and discouragement most bitter, collectivism had a strong chance of succeeding.

In order to understand the deepest psychological differences between the philosophies held by George and Marx, one may digress a little and consider a certain puzzling aspect of the history of Marxism.

If its attraction for the hopelessly poor is obvious, it is nevertheless a provocative question why a philosophy which denies the value of individual liberty in the area of work should have appealed to so many economically-uninvolved, independent

thinkers. The statements of ex-Communists attest to how many writers, artists and other intellectuals at one time believed in Marxism as the wave of the future.[9]

The beginning of the answer is plain enough. The intellectuals were attracted by the humanism which Marxism apparently embodied—just as the economic humanism of *Progress and Poverty* had once drawn millions of readers. The idealists felt a deep pity for poverty even when they themselves had no personal experience of it; they saw that the so-called advance of civilization was resulting in suffering and stunted lives. But when it became clear that the supposedly transient revolutionary process involved concentration camps, liquidations and lies, a large following of idealistic intellectuals wrenched themselves free of it.[10]

Even so, it seems surprising that the final, permanent goal of communism—a system giving "to each according to his needs"—should have won so much allegiance from them in the first place. Hardworking, individualistically minded writers and other creative thinkers, who had always expected the rewards of achievement to follow upon personal effort and talent, showed little dismay at the restrictive, leveling aspects of the Marxist creed.

Quite possibly the answer to this puzzle is that the proposed lack of economic justice towards individuals didn't bother the intellectuals because they weren't used to associating economic theory and ethics anyway.

One of the mainsprings of this disassociation—to their way of thinking—between economics and ethics may well have been the Malthusian theory. Its cardinal pessimism had left a lingering residue in all economic thought. Without even knowing that it was one of the two things causing Thomas Carlyle to call economics "the dismal science," generations of students could sense for themselves that this doctrine denied any connection between economic law and principles of justice or compassion. If the universe was so ordained that famine and war were necessary checks to expanding population, the irrelevance of moral principle to economic law became seemingly plausible. The sphere of economics was a thing apart; and by the same

token, the ethical precepts and psychological insights of personal life could be set aside in embracing the economic principles of Communism.

It has just been said that the Malthusian theory was one of the two reasons Carlyle spoke of "the dismal science." What was the second?

It was none other than Ricardo's theory of distribution, with its belief that rent accrues as an unearned income to landowners. This theory expressed the land situation at its most hopeless, for it pointed to a deep-rooted inequity without any recommendation that it be changed.[11]

Although the Malthusian doctrine is a more obvious source of pessimism, it is possible that a subconscious apprehension of the land situation has caused others besides Carlyle to feel that economic law can have no parallel in natural justice; and hence that the best that can be done with economic measures is to manipulate them at will.

It is, of course, speculative whether these were actually the reasons that many thinkers have disassociated economic theory from their habitual ethical and psychological outlook. But at all events, on both scores Henry George repudiated any such dissociative pessimism. He rejected the Malthusian doctrine, and also Ricardo's implication that private profit from land is an unchangeable institution.

"Political Economy has been called the dismal science," he says in the last pages of *Progress and Poverty,* "and as currently taught is hopeless and despairing. But this, as we have seen, is solely because she has been degraded and shackled; her truths dislocated; her harmonies ignored; the word she would utter gagged in her mouth, and her protest against wrong turned into an indorsement of injustice. Freed, as I have tried to free her—in her own proper symmetry, Political Economy is radiant with hope."

Marx and George both thought that the equitable *distribution* of wealth should be the chief concern of economists—but here their identity of outlook ends. The three main differences

between their systems will now be summarized and briefly commented on:

1) Marx thought that mankind was divided into two classes: capitalists and workers, and that the maldistribution of wealth arose from the fact that the capitalists appropriated as their unearned profits all the "surplus value" created by the workers save the latter's bare subsistence. He looked upon landowners as merely one kind of capitalist.

George held that the maldistribution of wealth arose from monopolies, and that by far the greatest of these monopolistic privileges was the private ownership of land values.

History provides some evidence that George's emphasis on the crucial importance of land has a good deal of validity. According to Tolstoi, if Czarist Russia hadn't denied the peasants the freedom to hold their own land, the Communist revolution would not have taken place. The same has been said of the Chinese Communist revolution (prior to which Sun Yat-sen strove unsuccessfully for the land tax) and of the rise to power of the Nazis. At present, problems of land tenure underlie much social unrest in underdeveloped countries. Nevertheless, in his concept of land as the overwhelming source of injustice, George scanted the importance of other factors which have been major causes of economic maldistribution.

2) Marx thought that the remedy to the maldistribution of wealth was to do away with the capitalist class and let the state control the productive machinery, distributing all wealth equally to the proletariat.

George held that the causes of inequitably distributed wealth were resoluble into specific unfair privileges which it was feasible to correct. He recommended abolition of these privileges at the source, rather than a centralized economic order, as the answer to economic maldistribution. After that free competition was to prevail.

The Georgist solution is doubtless impracticable in assuming that *all* monopolistic profiteering can be nipped in the bud. But it is sound in supposing that this could be done to many profits from land, and that at least some other unearned profits could be cancelled at the source. Just how far this would go towards

eliminating the unfair distribution of wealth is unpredictable, yet it is in line with current liberal tendencies to abolish special privileges as much as possible.

3) The final distinction between the Marxist and Georgist systems lies in their psychological and political implications.

George held that sound economics was grounded in justly based competition; Marx did not. It is plain that George foresaw, as Marx did not, the dangers to which departure from individual competition could lead. Marxism, in its origins was never totalitarianism—that is, absolute control of the masses by dictators—but in many countries it led to totalitarianism when the power vacuum left by the relinquishment of myriad normal individual ambitions was filled with the overwhelming power of a few men at the top.

George's contention, occasionally expressed late in life, that *all* forms of state redistribution of wealth except those prescribed by him—"milk-and-water socialism" as he called this redistribution—would inevitably have dire results for freedom, has not been borne out. The Social Democratic parties of Western Europe which emerged from the Marxist movement retained an adherence to the democratic process and to certain features of individual competition when they gained control of governments in Scandinavia and Great Britain. As usual, George's theoretic concept was extreme. But this very purity of concept made him prescient of the enslaving form which Marxism did take in Russia and Eastern Europe.

His total outlook thus included much more than the desire to outlaw private profit from land through taxation. It really amounted to a distinctive system for the distribution of wealth that was neither capitalism nor socialism in its usual forms. This makes it all the more inappropriate that the legacy of his thought should so often have been bounded by the narrow term "single tax."