

presented a first sketch of marginal utility. There was also John Rooke who, after having repudiated both the labor theory of value and the Malthusian relation between subsistence and population, emphasized the benefits of machinery as providing the means of obtaining increased wealth and cheaper commodities. Mountifort Longfield and Isaac Butt were also critics of Ricardian economics. They admitted the Malthusian analysis but tempered it with thorough optimism. In this, they remind one of the fashion in which Say thought he followed Malthus. Wages and profits are derived from productivity, and the increase of capital tends to lower the rate of profits. Productivity is always enhanced by the division of labor and by the use of machinery; the benefits thereof extend to agriculture as well as industry.

George Ramsay also popularized French doctrines in England. In his writings, we find the distinction between changes of form and changes of place, drawn from Destutt de Tracy, which Carey was later to make famous. Ramsay adhered also to Say's conception of the entrepreneur and of profits; emphasized the time factor and showed that rent is not only the effect of price, but the cause. Ramsay's work is English in inspiration only by his rejection of immaterial products. He gave his country a pregnant admonition when he wrote, "Malthus has remarked, that it cannot be considered a natural, that is, a permanent state of things, for cotton to be grown in the Carolinas, shipped for Liverpool and again exported to America in its finished condition. The time must come when the United States will fabricate for themselves."¹ Finally, this group included Samuel Road who contrasted Smith (whom he admired) with Ricardo (whom he opposed).

¹ Ramsay, George, *An Essay on the Distribution of Wealth*, London, 1836, p. 496.

Road was an optimist who had faith in capital and in the entrepreneur. His essential critical contribution was that he recognized that the rising tide of socialism was connected with the Ricardian philosophy. This led him to make some notable social concessions, although he was a conservative. His chief proposal was a "land tax" representing twelve per cent of the rent. In spite of this crude formula, Road must be regarded as one English writer who wished to make of political economy not only a science of what is, but an art of what ought to be.

English socialism developed as a complex reaction against the optimism of those economists who wished to adhere to the doctrines of Adam Smith or of J. B. Say and to oppose the pessimism of Ricardo and Malthus. Yet a reaction against Smith and Say is to some extent a return to Ricardo and Malthus from whom the socialists adopted their pessimism. It was because the socialists considered this pessimism as a pure expression of facts that they were disgusted with the flagrant disagreement between Ricardian deductions (which they accepted) and their own notions of justice. In their quest for a theory of economic justice, however, the English socialists did not derive it from Smith or Say; rather they derived it, by way of Smith, from the Physiocrats. Here is just another example of the doctrinal entanglement of which Adam Smith is the center. If English socialism derived less direct influence from Robert Owen than indirect influence from Ricardo, perhaps it derived less from Ricardo than it did from Adam Smith and the Physiocrats. At least, it is important to understand how English socialism, whether it be optimistic or pessimistic, is as legitimate a descendant of Smith and the Physiocrats as classical political economy is. Under a more or less cut and dried Ricardian form, socialism has its roots in the doctrines of the fathers of political

economy. In this Ricardian form and in this physiocratic-Smithian substance, it anticipates the theory of Henry George.

George's philosophy is strangely similar to that of Godwin, whose theories Raymond formally rejected. It is akin also to the ideas of Henry Hall who, more discerning than Godwin, had denounced the imposture of American liberty. To him, this so-called political liberty contained in itself the seeds of a future economic autocracy. Anticipating George, Thomas Paine demonstrated in a comprehensive fashion that progress breeds misery. Other English writers foreshadow George's social economics: Thomson and Gray, adhering to the distinction between productive and unproductive classes, helped turn the emphasis of English political economy from commerce to industry, from production to distribution; Patrick Colquhoun, by 1814, provided socialism with its statistical instrument; while John Bray had an influence on Marx which is particularly clear. Thomas Hodgskin developed the anarchistic vein of English socialism, which he derived from the Physiocrats through Adam Smith. He anticipated Carey's return to Smith and George's return to the Physiocrats. The part of Smith's theory which most impressed Hodgskin was the distinction in Book III of the *Wealth of Nations* between "human institutions" and the "natural order of things." In a cogent sentence, which either Raymond, Carey, or George might have written, Hodgskin said that Smith had carefully distinguished the natural distribution of wealth from distribution which proceeds from the artificial rights of property. Smith's successors, said Hodgskin, have not made this distinction, and in their writings, the effects of this right of property are considered as if they were the results of natural laws.

One other English writer who was similar to Henry

George, as well as to Villeneuve Bargemont, was Percy Ravenstone. Is not political economy questionable, he asked in 1821, when in the heart of the richest countries there reigns the most sordid misery? He anticipated Marx by proclaiming that rent and interest are predatory deductions from value which labor alone has created. Unlike Marx, however, Ravenstone made rent rather than interest the chief deduction. This attitude of Ravenstone symbolizes all the English economic thought in which the Ricardian theory of rent existed side by side with the Ricardian theory of value. J. S. Mill's work was a premature synthesis. While Marx openly opposed the rationalistic French tradition, Mill attempted to fuse the various currents into one large conciliation of individualism and socialism. Mill, as contrasted with George, did not believe that the whole potential social gain was to be found in the confiscation of rent; his scheme comprehended merely the socialization of future rent. Moreover, Mill did not conceive of a tax upon rent as the unique means of bringing about a reconciliation of individualism and socialism. As long as economic conditions in England placed emphasis upon a strict connotation of rent, little room was afforded for a theory of agrarian socialism; as soon, however, as these conditions were modified, it was a particularly favorable soil that the agrarian socialism of Henry George was to find in England. This does not mean that a most generous reception had not been prepared for George's doctrine elsewhere by such writers as Say, Saint-Simon, Proudhon, Colins, Huet, Renouvier, Fouillée, and Secrétan. Moreover, in 1851, Herbert Spencer had published his *Social Statics*, the only work whose influence George admitted. This book carries on a tradition which really goes back to the eighteenth century.

After 1880, English Social Christianity, which easily dis-

placed Marxism, became the means of disseminating Henry George's ideas. Hyndman's book appeared, in 1881, and provided a literary means whereby George's ideas penetrated Social Christianity in England. Single tax leagues were formed in Great Britain, in Australia, as well as in the United States. Moreover, fiscal legislation in Germany, as well as in France, realized, more or less, the idea of a land tax, while in South America, George's socialism gave new life to the old emphyteutic system proposed for the Argentine by Rivadavia in 1826. Curiously, the modern Georgian liberalism of South America, quite contrary to George's theory, repudiates all socialism. It adheres strictly to orthodox economics. It confines its object to a single tax; landed property being for it the only evil which affects the economic organism.¹ Economic conditions of new countries always tend to make rent and the unearned income an extremely significant problem. All these details allow us to understand how essentially American is the work of Henry George, for it is, at the same time, retrograde and advanced; it is bound up with the past and with the future. The idea of a single tax expanded geographically rather than chronologically although the latter may follow. While the youthful Argentine Republic devised a single-tax policy before George's theory existed, old England had meantime conceived the theoretical necessity of the single tax by planting a seed which economic circumstances in America would indubitably nurture.

After 1884, the Fabian Society, although not yet willing to discard the theoretical imprint of Ricardo, at least, renounced the Marxian labor theory of value. Rent, in the Fabian theory, extended from land to capital and to human talents. By its rejection of Marxian theory, the

¹ Baudin, L., "Notes sur L'Amérique du Sud," *Revue D'économie politique*, (Jan.-Fev.) 1925.

Fabians also rejected Marx's social doctrine. They advocated no class struggle. For the time being, the existing bourgeois society should be continued. Meantime, policy should aim at general social interest; public, collective, and co-operative action should be combined. The result would be the slow but constant introduction of socialism. Whole-some optimism replaces Marx's pessimism, while the economic theory, the social doctrine, the very philosophy of Karl Marx is repudiated. Conversely, it is in close agreement with Henry George that Webb has written that the economic aspect of the democratic ideal is, in fact, socialism itself. This emphasis on the economic aspect is only a spiral-like return from social considerations to political. It is, of course, a political task on a higher level, since it comprehends the welfare of the group; passionate naturalism is replaced by social rationalism. For Karl Marx, the invasion of the political sphere by economic factors was an end in itself and his philosophy therefore concludes with the fatal economic naturalism of Ricardo. It fails to conceive of the re-instatement of individualism within the economic structure of the state. It fails to recognize that social utilitarianism should have individual naturalism as its goal.

In George's theory of socialism, the Ricardian theory of value disappears before the Ricardian theory of rent. This separates Anglo-Saxon from German socialism. The pessimistic Ricardian theory of rent, however, is in turn replaced by optimistic rationalism. Individual utilitarianism gives way to social utilitarianism and social naturalism to individual naturalism. By this new emphasis and by this new goal of socialism, Anglo-Saxon socialism is drawn nearer to the French tradition. Henry George, by way of his influence upon the Fabian Society completed the synthesis which J. S. Mill had been able merely to outline.

In Henry George's theory the divergent roots of the physiocratic-Smithian doctrines; optimistic, pessimistic, and socialistic are united in a theory of social economics.

In consequence of this doctrinal metamorphosis, the fundamental physiocratic tradition has assumed a Ricardian form. The formal English notion of rent has been expanded to include the French idea of social gain. This historical confluence of the English doctrinal tradition and the French doctrinal tradition represents also a perfect theoretical reconciliation of individualism and socialism. By developing the social aspects of rent, it has become possible to extend the English doctrine of rent in a theoretical sense. Conversely, this theoretical extension of rent has brought the French rent concept to its social extension. The significance of this complex movement is great. It holds forth hope for a rebirth of political economy. While the socialists see in both interest and rent incomes derived without labor, the economists who follow George see in rent a device which will bring to the members of society an income without labor. For rent in this larger sense is caused by demand. Since social demand is the cause of this income, rent will emerge, but this social product will be partitioned by the state: to each according to his need.¹ The socialist ideal will then have been reached.

SECTION VII

George Rejects the French Naturalistic Form of Economic Theory

As compared with the English doctrine, George's rent theory extends the meaning of rent from the social to the

¹ Cf. Menger, A., *The Right to the Whole Product of Labor*, London, 1899. See also Seligman, E. R. A., "On Some Neglected British Economists," *Economic Journal*, Sept., 1903.

theoretical sphere; as compared with the French doctrine of rent, George's doctrine of rent is extended from the theoretical sphere into the social. Through J. B. Say, he recurs to the eighteenth century Physiocrats.

George reminds one of the extreme individualism of his French contemporary, De Molinari. Both George and De Molinari felt that man's power over himself had not increased in proportion to the increase of man's powers over things. There are differences, however, as well as similarities. George's theory was based upon democratic political theory; in this, he differs from De Molinari. George believed that democracy and socialism were inseparable; here he differs from Guyot, from Sismondi, and from Ville-neuve-Bargemont. Guyot, for example, believed that democracy would exclude socialism. Sismondi and Bargemont accepted socialism, but like De Molinari rejected democratic political theory. It is rather curious to find the advocates of budding socialism and declining individualism both reproving democratic political theory. The advocates of socialism believe that democratic government is inseparable from economic individualism. Conversely, the advocates of economic individualism regard democratic government as bound up with socialism. What Henry George did was to fuse together the economic individualism of De Molinari, the democratic political theory of Guyot, and the socialism of Sismondi and Bargemont. This means that George is related to that branch of French economics which goes back through Christian socialism to Saint-Simon and Proudhon. George's socialism is pre-Marxian: rationalistic, humanistic, and universalistic. We find in George some evidence of what we find in Proudhon: a criticism of both liberalism and socialism, an attempt to reconcile liberty and justice. Marx put George and Proudhon in the same category. Coming down to the present, George's work

finds an echo in Landry, whose socialism is characterized by the predominance of demand; in the idealism of Malon, Berth, and Andler; in the rationalism of Renard, in the synthesis of Jaurés.

The synthetic method of George (which is characteristically French) is the method of Leon Walras. The latter conceives, as Gossen did, of an alliance between individualism and socialism which is strangely similar to that of George. In Walras' opinion, the state and the individual are only two abstract terms by which we designate the social man, depending on whether we consider him in the pursuit of his collective interests or in pursuit of his personal interests. The state is responsible for the common conditions of well-being; the individual is responsible for personal well-being. The consequence must be equality of conditions coupled with inequalities between persons due to personal differences. All revenue from social progress should accrue to the state, rent, for example. To the individual should be guaranteed the income from his labor and from his saving.

With Walras, as with George, the means whereby the reconciliation between individualism and socialism should be effected is the social appropriation of rent which is presumed to crystallize the social gain in appropriable form. But whereas with George the mechanism was to be fiscal (a single tax), with Walras the method should be land nationalization; pure and simple expropriation. The Lausanne economist did not distinguish between earned and unearned income from land. All income from land is legitimate, except that it is only socially legitimate. Here we find the contrast with the Anglo-Saxon economists. The latter carried the doctrine of rent from its social to its theoretical extension. Walras, on the contrary, carried the doctrine of rent from its theoretical to its social extension. His work

recognizes implicitly the necessity of social equilibrium within economic equilibrium. In this idea Leon Walras goes back beyond his father, Auguste Walras, to J. B. Say, although whereas Say treated political and social problems as pure economics, Walras ends by treating pure economics as social economics. Here is the whole trend of French economic thought.

By these multiple bonds, Henry George's economics is connected with the French tradition. Embracing individualism and socialism, George's theory goes back beyond Walras, beyond Bastiat, beyond the Franco-American tradition, and finds its roots in the classical doctrine of J. B. Say. We need only recall Say's criticism of the Ricardian theory of rent: if the Ricardian idea of differential rent rests upon a misunderstanding of the essential distinction between rent and the profits of agriculture, in short, upon a misunderstanding of the functions of the entrepreneur, the Ricardian theory of monopoly rent rests upon a misunderstanding of the essence of value; namely, demand. George substitutes society for the entrepreneur (whom Say considered as the representative of society), and, like Say, emphasizes the predominance of demand. According to Say, it is by a slow transition that the net product of the landed proprietor passes to the entrepreneur and from the entrepreneur to society. George, who was influenced by the precipitous evolution of American economic life, would abruptly capture the net product of the landed proprietors for the benefit of society. Thus although the method differs, the philosophy is the same and this sentence from Say is the proof: "The landed proprietors are easily persuaded that the advantages which they draw from local circumstances are natural advantages which one has no more right to remove than one has a right to remove the fertility of their soil; but the right which other proprietors