. SERIAL . ECONOMICS

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Final Paper.

(*Expressly for the Review.*)

To say that economics, as at present taught,—inasmuch as it wastes time and injures the thinking faculties,—is really worse than useless, is to say no more than some "eminent economists" themselves have either said or intimated. Thus, Bonamy Price, of Oxford, in reply to his own question, "What is political economy?" writes: "It is scarcely possible to put a more difficult question; a precise answer to it will never be given."—"Wealth is its subject. . . . But what is wealth? Here, again, we have a question hard and puzzling as ever."—"But it will be said, must we give up all hope of a scientific definition of wealth? WE MUST." And Perry, because "no amount of definition and explanation and manipulation can make the term, wealth, suitable" (the economic way of saying "wealth cannot be defined"), substitutes the term, "property." (Jefferson Davis, backed by Southern economists, wanted nothing more, he said, than a simple declaration that negro slaves are property.) Other economists, in like foolish effort to fix the nature of a thing by merely changing its name, use the term, "goods," instead. While Professor Newcomb, forgetting the maxim, "It is as well to be in the dark as without light," in declaring that economics establishes no "*universal theories*" and that no "*formula* can be given (the italicized terms being used as synonyms of *principles*) which will save the statesman the labor of working out each case on its own merits," simply reiterates the opinion of Macleod, that "all current works on economics" are "utterly valueless for the great economic problems . . . of the day." And of this Macleod, Perry writes: "His name is sure to stand among the most distinguished of economists in all time to come."

Besides, in being devoid of simplicity, vigor and lucidity, the style of these writers not only causes students to fall into the habit of reading without thinking, but it weakens the power of literary expression. What may be the fate of a youth who is led to respect such a grotesque as this, from Nicholson's "Wealth" in the Encyclopedia Brittanica, where, in the effort to say, "usually every form of wealth," he writes: "Usually, however, it will be found that in most cases anything which can be fairly classed as wealth," or this from Hadley's *Economics,* where in the effort to say, the prince of darkness knows what! he writes: "Private capital is property used for acquiring more property. We can tell with substantial accuracy what property each individual is using as capital, and can estimate its money value very closely. Just as the acquisition of property is usually attended with the production of wealth, so the investment of property as private capital is usually attended with the production of public capital. But there are cases where one takes place without the other." Could students but think *a little* for themselves they would note that such colorless monotony runs through the whole thing. That no one of these economists, to win some respect for himself, even puts his dulness in a new way.

Though still calling economics a "science," most of its professors nowadays, denying that there are any fixed principles of justice, like Seligman insisting that "modern political philosophy . . . has incontestably disproved this assumption of natural rights," have come to deny that there are any economic principles at all; and so fill up their books with extraneous matter—history, agriculture, politics, banking, "profits," "*entrepreneurs,*" speculation, geography, and the conduct of business, changing political economy, that deals with the nature of wealth and the *laws* of its production and distribution, to "economics," defined by Macleod to be "the science of exchange or of commerce in its most extended form.'' While Hadley, calling his book (one of the latest) *Economics*, also writes: ''This book is an attempt to apply the methods of modern science to the problems of modern business,'' making it altogether a treatise upon business, not confined to exchanges, and not treating upon political economy at all!

So it naturally happens that Professor Hoxie, writing on the ''Empirical Method of Economic Instructions'' (45 pp. in the *Journal of Political Economy* for September), says: ''It must be admitted that economics, in the concrete, does not command a full measure of interest or respect. Distrust is, in fact, characteristic of the attitude towards economics taken alike by socialists, students, and practical men of affairs.'' And though this, he thinks, is partly due to prejudice, ''a greater part *rests upon a valid basis*.''

Believing that evolution has overthrown the ''classical school,'' he says: ''Before the middle of the century German economists had anticipated, in part, its economic bearing, by asserting the principle of relativity,'' and in the struggle which followed, ''the evolutionary idea was definitely applied to the *study of society*.'' (Italics mine.) Malthusianism, that was formerly used alone to account for social difficulties, has of late years, been supplemented by evolution.'' When a pig gets his head under a gate its squeal calls all pigs within hearing to its help. But when a man gets his head under a gate and squeals, the professors, his semblables, stand off and say: ''This confirms us in the truth of the evolution theory.''

His method he calls the ''empirical,'' and ''it aims to approach the study of economics from the side of the business man's activity.'' ''In his activity we see the chief formative force of the modern economic world.'' Writing like a pre-Copernican on astronomy, he says: ''The economic organization is not only exceedingly complex, but its *forms* and *processes* are changing. (Italics mine.) In a confused way does he mean to say that its *laws* are changing! He strongly asserts the failure of the older methods (the present methods?), and complains that the universities turn out economists of the closet with a growing tendency towards theory and mathematics.

He ends with thirteen pages of tabulated ''Analysis and Topical Outline,'' where he would study, first, the business units, then the organization of business into higher economic units,'' and then the results of these forces in economic integration. While ''economic integration may be best approached through a study of the activities of the captain of industry!'' But the ''distrust towards economics'' at the beginning of Professor Hoxie's paper is not modified at its end, and he leaves the subject even more dismal than he found it.

In the *Journal of Political Economy* for September is ''Public Policy Concerning Franchise Values,'' 13 pp. by Professor Sikes. He says the most effective way to break up slums ''is to provide cheap means of transit.'' Well! If this is to do it in the future why has it not done so in the past? Since steam was first applied to ships and cars, and while the cities have steadily added to and cheapened the ''means of transit,'' has not the housing difficulty continued to intensify? Are not more crowded tenements, more towering hotels, stores, and office buildings ever before his eyes? Although he is correct, I think, in saying that a tax on a street car franchise is really ''akin to rental for the use of land'' (is really ''rent'' collected for public use), he says that to increase the taxes on franchises instead of requiring a reduction of fares ''is to go about the solution of an ''important problem in the wrong way.'' But is ''rent,'' a mere matter of human arrangement, to be avoided by reducing the fares? Surely, what the street franchisers or the public through taxation might fail to collect the lot franchisers along the streets and at the termini would. The Chicago river is said to be free, and it is dredged at public expense. But—reflect upon the rent of its shores.

In the *Political Science Quarterly* for September, I find ''Monopolies and the Law," 13 pp., by Professor J. B. Clark. As the professor of a *science* one might suppose that he deals with immutable natural law. But the supposition would be wrong. As an "economist" he means only the changeable statutes of men. "In the making of new laws we shall do first what is most undeniably wise—that is, give protection to investors." Now, political economy deals with landowners, laborers, and capitalists; but what is an "investor?" May not the wolf, monopoly itself, be clothed in the fleece of that screening name? "There are four parties who have a common interest in curbing monopolies: . . . The independent producer, the consumer, the farmer, and the unprotected laborer. Is not the farmer an "independent producer?" Why pick out the farmer from all other producers? And surely, if the "consumer" is not also a producer he must be a robber or a parasite. Is not the "unprotected laborer," too, a producer? To folks outside the Department of Economics of Columbia it might seem that, except the monopolists themselves, all men whatever have that "common interest." As an economist, of course, he omits from his theory of distribution the indispensable factor, *land*, and so speaks of the inexorable fate of the "*employer* who cannot get out of *labor and capital* as large a production as his rivals are getting." Professors are fain to please monopolists who do not as a rule choose to have that term used as applying to themselves. So for "land" they substitute some other term, as "employer," "investor," "capitalist," "captain of industry," or, like Carnegie, write that "labor, capital, and *business ability* are the three legs of a three-legged stool." He says that the common law "forbids monopoly, and *there is no possible danger that this prohibition will ever be abandoned*." Cheering news, indeed! There are no monopolies because the common law forbids them. Considering that besides the United States Supreme Court, there are forty-five State supreme courts, each one overloaded with cases, with the ablest lawyers confident of winning on each side of each case, it might seem that the "common law" is rather an uncertain authority to rest upon. He says that law must disarm the trusts; "let the statutes have every chance to suppress them." The monopoly problem is hard, he thinks, but "not beyond the power of the people *if directed with intelligence*."—"But if the people were living always in *a heroic mood* and maintaining *a fierce watchfulness* over their affairs, the thing would certainly be done in any case."—"We are reconciling ourselves to a limited exercise of its power (monopoly's) for evil, in view of *a certain power it has for good*" which he fears "may lead towards the the socialistic management of industries." So monopoly is to be disarmed by: (1) The common law; (2) law; (3) statistics; (4) people directed with intelligence; (5) people in a heroic mood maintaining a fierce watchfulness; lastly, we are reconciled to a limited exercise of its power for evil *because of a certain power it has for good.*

Can anything be more indeterminate than these bits of professorial moonshine and straddling? What Professor Clark is paid to teach and does not, is *natural* law, the violations of which result in monopolies, and in civil law to enforce them.

In the *International Journal of Ethics* for September, I find "Monopolies and Fair Dealing," by Professor Devas, of Bath, England. He says: "The great wave of combination has submerged the very sanctuary of free trade."—"The theory of Adam Smith, Cobden, Bright" is undone. Combinations are forming in gas, insurance, water, soap, tramways, meat, railroads, "every day something new." Confusing "monopoly" with "industrial combination," and saying that "the theory of monopoly is no simple inquiry," he notices "two broad facts" which are paradoxical. The first is the savings that in many ways result; the second is monopoly price, besides "lands untilled, mines unworked, and workshops unbuilt."—"So, what is to be done?"—"To leave them (the monopolies) uncontrolled is as foolish as to prohibit them altogether." He thinks that local authorities should have a certain control over prices. He says: "Even economists are not able to alter the *nature* of man and his surroundings." No, but it is often possible for men to alter their *relations* to their surroundings. But, he adds, "in this fixing of prices we should have to ascertain the real cost of production as distinct (to use Marshall's terms) from the expense of production, lest the supply price, which, given the antecedents, is a fair price, may yet imply unfair antecedents. In other words, not merely the private, but also the public costs of production must be scrutinized." A bit of wisdom more enigmatic than Samuel Pepy's bookkeeping: "To my accounts, but Lord! what a deal have I to understand any part of them; for I have sat up these four nights till half-past twelve at night to understand them, and cannot." But it was a saying of Socrates that "So long as the mind lies wrapped up in its habitual mist or illusion of wisdom it is idle to compute any particular error." And as the belief in ecomomics, as Froude remarks of beliefs in other superstitions, "does not rest upon evidence and will not yield to it," I am not writing in the hope of converting professors.

In the *Quarterly Journal of Economics* Professor Hawley of Bryn Mawr, has a "Reply to Final Objections to the Risk Theory of Profit." "The risk theory of profits," he says, "was proposed by the writer as a theory of productive distribution, which accounts for an element of consumer's cost not hitherto satisfactorily explained." (As if anything whatever in economics is satisfactorily explained.) "The theory *stated as simply as possible* is this: The final consumer is forced to include in the price he pays for any product not only enough to cover all the items of cost to the *entrepreneur* (landowner, laborer, capitalist—who is the *entrepreneur*?), "among which items is a sum sufficient to cover the actuarial or average losses incidental to the various risks of all kinds necessarily assumed by the *entrepreneur* and his insurers, but a further sum, without which as as inducement the *entrepreneur*, or enterpriser, and his insurers will not undergo or suffer the irksomeness of being exposed to risk." Simple, indeed! It seems, then, that nothing can induce an *entrepreneur* to take a risk except that he shall not take a risk, and that the consumer takes the risk, and that the insurer takes—— Really, this thing, worse than a forty-five puzzle, is making one's head swim. Besides, will the theory account for the fact that nine-tenths of these *entrepreneurs* ultimately fail? He says, a point involved, "a very subtle one," has been raised by a criticism of Professor Carver; but "so clearly, logically, and concisely put that I quote him in full: 'The proportion of the product that each factor obtains is that which tends to result in an equilibrium between them; that is, which induces each factor to an activity in such proportion to the activities of the other factors as shall result in the greatest joint activity possible under the social and economic conditions prevailing at the time.'" It might seem to outsiders that but *one* factor—Labor—is "active." For unless used by labor, both land and capital are inert—one being the field of nature on which labor is exerted, the other being artificial assistants to the exertion. "This general law," he says, ". . . opens up to us a number of enticing bypaths." Such scholastic trivialities amid the tremendous political movements of our time! In comparison the proceedings of a pug dog society are important indeed.

In the *Political Science Quarterly* for September, Professor Keasbey, another sage of Bryn Mawr, writes ten pages on "The Principles of Economic Geography." Like most of his kind, rarely using the forms, "I incline to believe," "Does it not follow?" "Is it not possible?" "This would seem to suggest," Keasbey is, I suspect, more a positive than an inquiring spirit." Thus, "biography starts from biology, and describes organic phenomena; and economic geography starts from economics, and describes superorganic phenomena."—"But where biography . . . overlaps economic geography . . . confusion prevails."—"Facts which should be explained by economics are constantly being referred to biology, and *vice versa*."

"Supply," he says, "arises from the fact that the earth provides pleasure-giving products, which, because they satisfy men's wants, are, in economic terminology, called 'goods.'" Would not the idea that the *earth provides* products—hardware, flour, dry goods—do for *Alice in Wonderland?* But on another page he writes: "Outer nature, it is true, affords a few free goods, but by no means enough to satisfy men's quantitative wants."—"The economic sequence runs accordingly as follows: Demand tends towards utility, utility leads to utilization, and utilization results in supply." "Bless me!" said Æsop's fox, attentively contemplating a visor-mask it had found. "Bless me! what a goodly figure this makes; 'tis a great pity that it lacks brains." Perceiving that such papers as the foregoing are the offspring of "education," one cannot wonder that a real thinker, Descartes, tried to forget all that had been taught him in the schools. "Superorganic development may . . . be regarded as the outcome of the economic sequence dynamically applied; expanding demand tends toward the augmentation of utility; the augmentation of utility necessitates increasing utilization, and increasing utilization results in the differentiation of supply." Thus, he says, the course of superorganic development leads to improvement.

When a school boy writes, "the theory, that intuitive truths are discovered by the light of nature, originated from St. John's interpretation of a passage in the gospel of Plato," we are amused at the nonsense. But had Professor Keasbey written it, or Hadley, other economists of the quarterlies would surely have commented upon the acuteness of the remark and its depth. And you, reader, seeing attached to the author's name M.A. or Ph.D., would probably lack the courage to confess that it was all Greek to you, and, in consequence, would affect to comprehend and admire it. So it goes in this world. Ignorance seems triumphant. Rather than by a study of logic, Locke thought that right reasoning could be gained by studying good models of it. Heaven help them whose models are the "quarterlies!" As to the A.M's. and Ph.D's., one may draw some comfort from the great thinker and *political* economist, Adam Smith, who had small opinion of "degrees" conferred by teachers, that are really nothing more than opinions conferred on their own handiwork, and that must necessarily, in general, be worse than useless, and very often mere cloaks for ignorance.

Standing like evening geese,—on one leg, head tucked under wing, oblivious to the facts about them,—economists have little influence except in school, and there only to injure minds and prepare new broods of teachers. Politically, they possess no more power than the negroes now do, since, "in being buried face downward, they can no longer dig out at election times." However, they often wonder that parliaments don't consult them. Thus the Oxford economist, L. L. Price, in complaining of this neglect, writes: "Its laws are set aside with ill-concealed distrust; though at a time when important changes in the framework of society are recommended, it would seem but natural to consult the judgment of experts." EXPERTS!

In Egypt, the Hebrews had worked seven hours a day, as workmen still do in the delta. The Fourth Commandment was a labor statute, establishing a six-day week, just as we pass laws fixing an eight-hour day. In Illinois they have declared the eight-hour factory law for women unconstitutional, because it takes away their inalienable right to work twenty-four hours a day. On that principle they would have to declare the Fourth Commandment unconstitutional, too.

—ERNEST H. CROSBY, in *Pilgrim*, for December.