

BOOK REVIEW

ECONOMICS: BEYOND IDEOLOGY

Land and Taxation

Nicolaus Tideman (Editor)

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THAT there is a need for a "new economics" must now be uncontroversial. The facts provide ample demonstration that governments cannot "manage" the industrial economy. Contrary to the claims in knock-about popular politics, that is not - by and large - the fault of any one Treasury minister at any given time. The problem is a systemic one. The booms and slumps of the economy cannot be smoothed out on the basis of current orthodoxy, for the good reason that conventional policies reinforce the chaotic conditions.

What is more, professional economists now concede that conventional economic theory - in the neo-classical tradition that dominates the universities and business schools - is one of the sources of contemporary problems.

And yet, running through the thread of economics as a social science over the past 250 years has been a clear awareness of what it takes to establish a sound - efficient and fair - system of economics. Prof. Tideman reviews that tradition, to demonstrate that - despite the hostility to the rational policies - economists have time and again affirmed the correctness of the original insight of the Physiocrats.

The French economists realised that the rent of land constituted the correct source of public revenue. With that policy, people would be free to enjoy maximum personal liberty within a finely integrated social system. Without that policy, people would be divided by the rich/poor conflict, and society would be increasingly crushed by burdensome taxation and all the other crises that have, indeed, come to pass.

So what are we to do now? Nothing can be done until the concept of land has been reclaimed for economics. This service is brilliantly executed by Prof. Mason Gaffney. Not until we retrieve a clear understanding of the distinctive qualities of land as a factor of production can governments define appropriate policies - as evidenced by the self-defeating policies adopted by successive postwar Labour governments, a history reviewed here by Vic Blundell, a lifetime observer of the British political scene.

Once the debris of neo-classical revisionism has been cleared away, we can rebuild economics. One start is offered by Dr. Fred Foldvary, who christens

the new approach "geoclassical" economics. He takes wages as his theme, to demonstrate that the current pessimism about unemployment is unwarranted. We can re-create the conditions of jobs for all - with decent wages - if we restructure public finance.

That economics has been led down a blind alley by its neo-classical exponents is neatly illustrated by Nobel Laureate Wassily Leontief, who observed: "...econometricians fit algebraic functions of all possible shapes to essentially the same sets of data without being able to advance, in any perceptible way, a systematic understanding of the structure and the operations of a real economic system".

But consigning the neo-classical paradigm to the dustbin will not be easy. Cambridge economist Geoffrey Hodgson has warned: "...a crisis in the subject should not be taken to imply....that the orthodox or neo-classical paradigm is about to be overturned. The questions and controversies are so basic and important that the response is often to reassert belief in the fundamentals with renewed vigour, and to attack heresy with increasing force".

The only way to eliminate the ideological passions that now disfigure economics is by a new elaboration of the truths buried in classical economics. This book makes a significant contribution to that process of renewing economics as the art of uniting people in the pursuit of their daily bread.

PETER POOLE

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