

Economics – the cat's paw

JUST as show business has its jokes about mothers-in-law, so science has its sayings about economists.

George Bernard Shaw, for example, according to popular legend, used to say that if all economists were laid end-to-end, they would not reach a conclusion.

And modern captains of industry, so it is said, are warned to employ only one-armed economists – to guard against receiving advice of the calibre: "On the one hand you could do this, but on the other hand it might be better to do that."

But why *should* economics be the toadstool among the trusty mushrooms of science? Why, before accepting the word of an economist, is it essential to know what "school" he belongs to or, to put it bluntly, which side he is on?

Victor Blundell, a former editor of this journal, throws light on these questions in his new booklet *Economics the Political Science** which he sub-titles "A study of the corruption of economic concepts."

Mr. Blundell has no doubts about the origin of the cancer which has eaten into the vitals of economics and sapped its public credibility. Economics (the housekeeping of the State) is the instrument of politics, and in every country of the world, politics is dominated by special interests.

So, indirectly, economics has become the cat's paw of those interests. And as inevitably, it has split into factions, the better to grind the axes of its respective patrons, so it has forfeited acceptance as an impartial science. To quote from the author's opening chapter:

"Other sciences are comparatively free from political influence – some entirely (mathematics) and others to a more limited extent (medicine). But economics is a necessary tool of politics, which sectional interests utilise with great vigour, producing a cornucopia of economic fallacies to sustain their arguments . . ."

Mr. Blundell's book reveals that the pressures that influenced the thinking of economists were felt at the earliest

Economics the *Political Science*
A study of the Corruption of
Economic Concepts
by V. H. Blundell

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● Vic Blundell

stages of research into economic law.

Even a definition of wealth, the very subject-matter of the science, proved a will-o-the-wisp. Here, one of the critical obstacles was land.

● In some eyes, land was wealth because it manifestly had value.

● In others, land merely gave the owner power to abstract wealth from others for permission to use it.

By Bert Brookes

The latter view clearly challenged the ethics of land ownership and was hardly acceptable to those intent on preserving a privileged position.

Wealth was connected with value, but economists had no more success in defining the latter than they had had with the former.

In this case, the impediment was labour, regarded by Adam Smith, David Ricardo and, with certain qualifications, Karl Marx, as the essential and critical ingredient of value. (Smith wrote in *The Wealth of Nations*: "Labour is the real measure of the exchangeable value of all commodities.")

Reconciling this "labour theory" of value with, say, an easily-discovered diamond (low on labour, high on value) or with an out-of-date creation from an expensive fashion house (high labour, low value) was problem enough. But even without these complications, where stood land rent? If all value springs from labour, how could land claim a share (and what a share!) of the product?

Not surprisingly, the labour theory, defective as it was at the time, fell foul of powerful interests.

IN MR. BLUNDELL'S assessment, it was left to Henry George to perfect the labour theory – to find the flaw towards which his predecessors in economic thinking had laboured in vain.

George's conclusion, that it is not the amount of labour embodied in things that gives them value but the amount that can be commanded for them in an exchange, set everything in place and provided a formula which catered not only for man's products but for those things embraced by the term "land" which exist by virtue of a Creator rather than through the industry of man.

But, records Mr. Blundell, Henry George's theory of value was doomed to lie unhonoured, and to this day it has not been recognised. Based as it was on a labour theory of value it was, and still is, political dynamite.

Once again, powerful interests, reacting to defend an unethical social practice, had blocked the progress of a science.

So, like some of today's agreements between managements and trade unions, the economic issues were fudged in order to avoid the unpalatable. In the case of value, economists turned to the Marginal Utility theory which, while offending no particular interests, made little contribution to understanding.

Today, the fudging and corruption go rolling on. Land, labour, capital, wealth, rent – Mr. Blundell shows how few economic concepts have been free from the distorting sorcery of sectional interest.

The sacrifice of economics on the altar of privilege and special interest, and its destruction as an impartial and beneficial influence in the affairs of man, is a heavy indictment of modern economics teaching.

Such teaching cannot avoid the charge of shiftiness and double dealing. Where astronomy produced its Galileo to stand fast for his science and for truth, economics has been burdened with too many Vicars of Bray.

In surveying the tragic perversion of a unique science, Mr. Blundell's book provides a concise and informative historical guide. For all serious students of economics, it is essential reading.

**Economics the Political Science*. A study of the corruption of economic concepts. V. H. Blundell. London: Economic and Social Science Research Association, 1983.