

The Georgist Journal

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Comment ENCOURAGING OUR NATURAL INSTINCT TO PRODUCE

"How do you get your employees to do what you want them to do?" Thus begins a circular soliciting subscriptions to the Harvard Business Review, and it continues: "Cut their work hours? Raise their wages? Add fringe benefits? Improve sensitivity training? How about a swift kick?" After a lingering look at the last remedy, the circular instead recommends "job enrichment."

So this is the word from a magazine associated with the most prestigious school of business in the country. It illustrates the gap between current economic thinking and our own Fundamental Economics. The current view is that entrepreneurs hire employees who constitute a "cost of production." Since this cost may have a mind of its own, a lot of gimmicks have to be tried to make it more efficient.

In our analysis, on the other hand, labor - all labor, including entrepreneurial - is the active factor in production and wages come from their production. One person who applied this simple principle to business was the Georgist John C. Lincoln, founder of the successful Lincoln Electric Company. Wages are paid according to what each laborer produces - enough incentive to lead to higher efficiency and increased production. This was the one "remedy" not considered by the Harvard Business Review.

This may also serve as a clue to the difficulties of putting across our message. Fundamental Economics says "labor employs capital." Current economics says "capital employs labor." Fundamental Economics says labor provides wealth or services in exchange for other wealth or services. Current economics says capital "creates" employment, "provides" jobs and "pays" for them.

Interestingly, both the right wing and the left wing agree on what is happening. Right wingers say this process is a good thing, left wingers say it's bad - depending on the degree of leftness, calling for government intervention or takeover. In both left and right thinking, "capital" includes land. This confusion is a key factor in our differences with current thinking. We say that labor, working on land, using capital, produces all wealth - throughout the complexities, this relation obtains. Access to land is of prime importance.

These basic principles are concealed due to the difficulty of getting at natural opportunities due to monopoly, which is often disguised. Thus "capital" is perceived as the initiator and provider of jobs. Once the fundamental relations are pointed out, most people assent - unless they have been too "educated" by current economics. May we hope that the halls of economic learning will take another look at the fundamentals? Then the rest of our message may be easier to understand - including the Single Tax.

- R.C.

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