ROBERT CLANCY reports from NEW YORK

Is it time for economic 'wizards' to button up?

AS WE TRY to dig our way out of the economic depression – which has been compared to that of the '30's – what casualties have there been?

Certainly the unemployed, which still hover around the 10 per cent mark . . . the many businesses which have failed . . . the chaos in public finance and fiscal policy.

A minor casualty, by comparison, is the loss of credibility of the economics profession. So unreliable have been the diagnoses and forecasting of economists, that what little prestige they had appears to be waning still more.

This, however, does not appear to be too much of a crisis for them. The economists do not lose their jobs because of bad analysis or advice, any more than politicians get sacked because they don't live up to campaign promises. *It's just one of those things.*

Colleges have to have economics in the curriculum and someone has to teach the subject. Economists in Academia are not much bothered about what goes on in the real world.

And Presidents have to have economic advisers, just as kings of old had to have court wizards, whether or not they could do anything.

Franklin D. Roosevelt, fifty years ago, said: "See those buttons on my sleeve? They don't do anything, but my tailor says I have to have them. Well, my aides tell me I have to have an economic adviser!"

And so we have had Presidential economic advisers, down to Martin Feldstein who is grappling in vain with our problems.

IT WAS also fifty years ago when the prominent economist Joseph Schumpeter wrote about *The Crisis of Economics* (reprinted in the Autumn 1982 issue of the *The Journal of Economic Literature*). It appears that depressions bring on crises among economists, since all their divinations haven't worked.

One would suppose that economists might be ready to study the problems with a little more penetration. Instead, we find the same schools of thought arrayed against one another.

- The supply-siders (Arthur Laffer *et al*) appear to have lost face, although they valiantly contend that they are right.
- The Keynesians are coming out of hiding, and blithely ignoring past failures, economists like Lester Thurow propose a return to Keynesian remedies.
- The redoubtable Milton Friedman, along with his monetarist colleagues, never got off their perch and stoutly preach their monetarism, denying that it's not working.
- Marxists continue to point to all the "contradictions of capitalism" and the chaos of an "unplanned economy", but can't point to a convincing example of the benefits of Marxism in practice.
- The unrepentant Austrian school vaunt their version of the "free market" – which includes private monopoly – and avow that whatever results from it must be good, even if it is economic distress.

Governments continue to tinker with interest rates, tight money and loose money, sliding scales of taxes, regulation and deregulation, oscillating back and forth.

The French magazine *L'Express* (in a special issue, February 25, devoted to the world economy) summed it up: "Today, the nations, each in its way, have tried everything. Devaluation and revaluation; austerity and loosening up; lowering taxes and raising them; cutting purchasing power and augmenting it. Nothing works. Reaganomics beats its wing and French socialism has troubles from the start."

It looks very much as though whatever recovery is on its way is taking place *in spite of* current economic advice and governmental action.

THE YEAR 1983 is a double centenary for economics: the death of Karl Marx and the birth of J. M. Keynes.

Much economic thinking in the world has been dominated by these two, and continues to be – despite the failures.

But economists need to look more deeply. They might be reminded that 1983 is also the centenary of Henry George's book *Social Problems.* In this work, George said:

> **"Who that looks about him can fail to see that it is only the injustice that denies natural opportunities to labour, and robs the producer of the fruits of his toil, that prevents us all from being rich? . . . To appropriate ground-rent to public uses by means of taxation would permit the abolition of all the taxation which now presses so heavily upon labour and capital . . . The enormous increase in production which would result from thus throwing open the natural means and opportunities of production . . . would enormously augment the annual fund from which all incomes are drawn. It would at the same time make the distribution of wealth much more equal."**

If economists would pay heed to these fundamentals instead of staying at the tinkering level, going around in circles with Marx and Keynes, they might secure relief from their crisis – and ours.

Top of the league

CONNECTICUT'S Lower Fairfield County is the most expensive area in which to buy a single-family house in the United States.

Statewide, the average price of a new home last year was $98,000, compared with a national average of about $70,000.

And the gap is widening, according to Mrs. Ruth Price, the author of a report published by the Connecticut Department of Housing.

The reason, she says, is the dwindling supply of land suitable for inexpensive development.

The declining ability of families to buy homes is causing alarm. The plight of one-parent families – especially those headed by women – was particularly serious: 30,000 of them had incomes below the poverty level in the 1980 census.

Published by Land & Liberty International Ltd., 177 Vauxhall Bridge Road, London, S.W.I.
Made and printed in Great Britain by R. Ward & Sons, Dunston, Gateshead, Tyne & Wear.