

To the Editor:

Apparently my letter in the February issue failed to convince Seymour Rauch that I was very favorably impressed by his "rent-interest index," in spite of my expressed opinion that "that article of Rauch's was a fine piece of work. His argument is sound, and the formula and its interpretation are logical."

It is true that I qualified this, but my qualification was not a denial of the formula's soundness. I simply said that we cannot rely wholly on any formula; that there are many factors which are not reflected in its working which must be considered by the economist.

In his reply Mr. Rauch asks, "Can it ever be said that there is some non-economic factor acting on production which does not reveal itself in the action of land, labor, or capital? To answer yes to this question is to argue that there are more than three factors of production. To answer no is to agree that the impact of a force in the world that acts on production must show itself through changes in wages, rent, and interest. That is what my 'index' tries to do."

And I too think that it does just that. But the origin of such forces is often anything but economic, making them impossible to anticipate, and impossible to include in any economic computation. However tremendous it may be, the economic impact of a hurricane, a frost that kills millions of coffee trees, a Black Plague, a great war, or a religious rhu barb such as gripped England in the 1530's, when more than a fifth of the country's land changed hands by statutory dispossession and attainder, can be seen in retrospect only.

And this is true simply because such eventualities are not economic in nature. I agree that everything which touches man's life affects him economically in some way or other, but man is not just an economic animal. He is motivated by many things, and many of his actions are no more economic in origin than the weather is.

In the January News I saw a picture of Mr. Rauch, with the statement that he himself had recently made a decision which must have affected his personal economy profoundly. (Congratulations, Mr. Rauch!) Yet I doubt very much if he thinks of it as an economic decision.

The fact that non-economic factors do become items of economic history does not in any way alter the essential truth of a formula like the Rauch index. But it may, and frequently does, limit its field of practical usefulness. Such an instrument must be regarded as but one tool in the economist's kit, and must be used with the greatest discretion.

—MARSHALL CRANE  
Bedford, N. Y.