The Henry George News

VOL. 17—NO. 2 DECEMBER, 1953 10c A COPY—$1.00 A YEAR

What Do Modern Economists Think?

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MANY times we have heard the question, "Why don't more college professors teach Henry George?"

Some of the reasons usually given (mainly by followers of Henry George) are as follows: (1) The professors do not know what George made clear in his writings; (2) Professors fear the teaching of George's analysis and conclusions will endanger their jobs or the status quo in modern economic society; (3) Colleges are subsidized by those who benefit from privilege; and, therefore, the colleges must do nothing to upset the status quo; (4) Henry George was not a college graduate and therefore is alien to the ranks of academicians; (5) Modern economists think that, in view of industrialization, the land-tenure theory is out dated.

Perhaps some or all of these reasons have some cogency. However, we owe it to ourselves to search deeper by reviewing modern writings. Most economists recognize that Adam Smith's *Wealth of Nations,* published in 1776, was the cornerstone of the modern concept of economics, and, if they will agree that economics is a science, this establishes the date of the inception of the science.

Recognizing the comparative youth of this new science they admit that much remains to be discovered and added to the sum total of its knowledge. However, they make some effort to evaluate the individuals who contributed, as well as the data offered and try to view the whole field as a unit.

I shall attempt to set forth some facts I have discovered concerning modern economic analysis. In so doing, I do not identify myself with the validity of the opinions nor do I necessarily agree with any or all of them.

A book from which I learned much, *The Development of Economic Thought* edited by Henry William Spiegel, Professor of Economics at the Catholic University of America, published by John Wiley & Sons, New York and by Chapman & Hall, Ltd., London, is divided into six main sections entitled as follows: (1) The Dawn of Economic Science; (2) The Classical School; (3) Socialists and Reformers; (4) Historical and Institutional Approaches; (5) The Rise of Marginalism; (6) The Growth of Modern Economics.

It is significant that Henry George is discussed in "Socialists and Reformers," in which section, besides George, the following economists are evaluated: (1) Sismondi; (2) Ricardian Socialists; (3) Owen; (4) Marx; (5) The Webbs (Sidney & Beatrice).

The History of Value

Perhaps one of the principal subjects about which many economists dispute is the matter of "value" by which they mean exchange value. Our economy is based upon exchanges, specialization of labor and monetary systems. To explain or to comprehend economic facts, the concept and reason for "prices" "market fluctuatioss" and the reason why people buy or abstain from buying makes necessary an understanding of "value."

Adam Smith believed that labor is both the measure and the source of value.

Ricardo expanded this as follows: "The value of a commodity, or the quantity of a commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production."

Bentham, Say and Mill all followed, adopting the labor theory of value.

The Ricardian Socialists were the forerunners of Karl Marx. Like Marx, they developed theories of surplus value and exploitation on the basis of Ricardo's thought and of the labor theory of value.

Henry George did not accept the Ricardian theory of value as the amount of labor necessary for its production. However, his theory of the labor saved by not producing a commodity as the basis for its exchange value, is in part a labor theory of value.

Later economists, such as Marshal, Jevons, Mitchell and Walras evolved the theory of marginal utility as the basis of value. Most modern economists readily accept the marginal utility theory and feel that those holding the labor theory of value are entirely mistaken.

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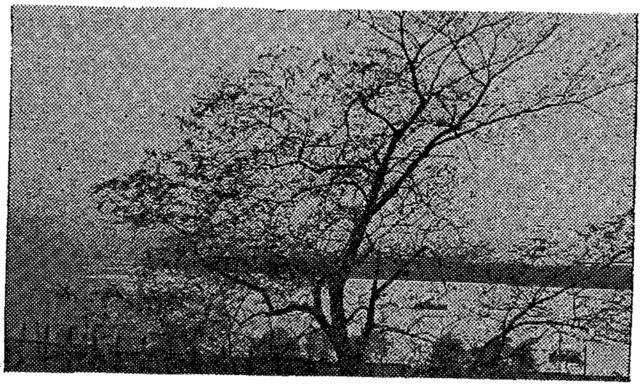
"I am writing these pages on the shore of Long Island, where the Bay of New York contracts to what is called the Narrows, nearly opposite the point where our legalized robbers, the Custom-House officers, board incoming steamers to ask strangers to take their first American swear, and where if false oaths really colored the atmosphere the air would be bluer than is the sky on this gracious day. I turn from my writing-machine to the window, and drink in, with a pleasure that never seems to pall, the glorious panorama.

"'What do you see?' If in ordinary talk I were asked this, I should of course say, 'I see land and water and sky, ships and houses and light clouds, and the sun, drawing to its setting, over the low green hills of Staten Island, and illuminating all.'

"But if the question refer to the terms of political economy, I should say, 'I see land and wealth.'"—Henry George, "The Science of Political Economy."

The Narrows, as Viewed by Henry George



Photograph by Robert E. Allen, Jr.

Modern Economists

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It is noteworthy that Professor Harry Gunnison Brown, regarded by many as among the foremost of modern economists who follow Henry George, accepts, in large part, the marginal utility theory of value.

This controversy as to the proper concept of value may appear to many as an academic difference, but among economists its importance is great. Since George fits into the niche which modern economists class as the mistaken theorists, we can better understand why George is not revered in the modern schools.

But, I do believe the principal reason for the neglect of George is more fundamental. Modern economists largely deprecate the so-called "classical economists" such as Adam Smith. Malthus, Ricardo, Bentham, Mill and Say, on the ground that they used deductive logic to arrive at their conclusions. This deduction they allege, was based upon the premise that there is such a thing as "economic man" a theoretical human being whose actions will be entirely motivated by pleasure and pain in the gratification of desires, and, therefore, their contemplated actions would always follow the course of greatest satisfaction of pleasure with the least pain.

The modern economists hold that such deduction may be useful, but, as Wesley Clair Mitchell, the founder and long time director of the National Bureau of Economic Research, stated "deductive reasoning is proverbially likely to lead the inquirer astray, unless its results are checked and corrected by inductive investigation. Such a theoretical examination as the above might well be complimented by applying the test of fact to the theory. If it were found to offer a satisfactory explanation of the price phenomena of actual life, a strong presumption would be created against the criticisms suggested. If, on the other hand, the theory failed to account for observed facts, the case against it would be more complete."

Another writer, discussing the classical economists stated, concerning Adam Smith: "He knew how to start out with a few dominating causal relationships of great conspicuousness and thus to clear up causes and effects over wide regions. His rationalism broke the path for the practical aims of the century and for the long number of his theoretical successors. While he still combined empiricism and rationalism in a superior manner, the empirical element evaporated more and more in Ricardo's work. Among the later economists the rationalistic element is greatly exaggerated. The increase in acumen and in wealth of speculative thought could not protect the late-comers from losing more and more the ground of reality under their feet. More and more did they turn into completely drab, abstract arm-chair scholars, interested in divisions and definitions; into Socialist visionaries; into calculating mathematicians; into doctrinaire, all embracing theorists of natural law and of Robinson Crusoe stories. In this manner, intellectual rot was the outcome of a rationalism entirely divorced from experience.

Only one remedy offered itself in this situation: The return to empirical reality. "Such a return has set in in many ways," states Gustave Von Schmoller.

Some modernists believe that cultural habits play a large part in the economic life of today. Thorsten Veblen's *The Theory of The Leisure Class* made the phrase "ostentatious waste" a basis for much discussion.

Is Henry George included among the older economists who are criticized as "deductive economists"? John A. Hobson, a prolific writer in the field of economics had this to say: "The adoption of George's theoretic position, so far as it has gained ground, must be imputed to a certain tendency among lovers of abstract reasoning to swallow premises which will yield a compact and portable body of judgments conformable to certain preconceived opinions. Even such notable thinkers as Ricardo and J. S. Mill, we say, stopped only a little short of George's conclusions when they closed their eyes to the facts of industrial life and abandoned themselves to an abstract analysis of rent."

Empiricism Popular

Modern economists concern themselves more and more with the empirical approach. In studying business cycles, they have assembled economic data as to production of goods, prices, quantity of money in circulation, rapidity of circulation, credit, and many other concomitants for the last hundred years in an attempt to evolve a pattern of economic life. Instead of reasoning as to the causes, the moderns work inductively from facts back to general causes. Some use the inductive method as a test of the theories held out by older writers. Some, like Keynes, expound substantially new theories.

Some economists, notably E. C. Harwood, Director of the American Institute for Economic Research, favor the scientific method of empirical gathering of data, hypothesis (generalizing and ascribing cause and effect relationships) and then testing of the hypothesis by factual data as to its truth or falsity. This is a combination of the inductive and deductive processes.

In this "new look" approach to economics, it is more readily understood why Henry George is assigned by some to the "horse and buggy" era and why modern economists view George as pre-eminently a reformer rather than an economist. George's zeal for the fate of the common man recommends him as humanitarian, a devotee of justice. His advocacy of practical political means to assure equality of opportunity rank him with other great reformers, but they did little to enhance his reputation as a scientist.

The sages told us that to know is to understand. If we know why economists, particularly in colleges and universities, ignore George, we may understand our subject matter better. Isaac Newton is not discredited because later scientists learned more about the fundamental law of gravity which Newton enunciated, nor is Farraday discarded because modern electronics is a far cry from the meager knowledge which Farraday possessed.

George need not be discredited because of data made available to modern economists. Rather, we should familiarize ourselves with this data in order to supplement the clarity of George's deduction with inductive proof of the cogency of his arguments.

A knowledge of the theory of marginal utility, the quantum theory of money and other theories expounded by modern writers, will increase our usefulness and hasten the day when the influence of land-tenure on the economy of our nation and the world can be fully understood and the necessary reform accomplished. We owe it to Henry George as well as to ourselves.