

letter from the editor

George observed that the human species is distinguished from all other species through cooperation and exchange: "All living things that we know of cooperate in some kind and to some degree. So far as we can see, nothing that lives can live in and for itself alone. But man is the only one who cooperates by exchanging, and he may be distinguished from all the numberless tribes that with him tenant the earth as the exchanging animal. Of them all he is the only one who seeks to obtain one thing by giving another. (*The Science of Political Economy*, Book III Chap. XI)

Political economy is essentially about the exchange of wealth, or more exactly, the *just* exchange of wealth. This essential nature of economics is generally overlooked in present economic analysis, where the quantity of production or investment are taken as the essential activity. But of themselves neither investment nor production bring about the flourishing of a just economy.

This is especially so when investment and production are regarded as means of private gain. Not only does this distort the economy, it also leads to false assumptions about economics. Again, George writes: "The power of a special interest, though inimical to the general interest, so to influence common thought as to make fallacies pass as truths, is a great fact without which neither the political history of our own time and people nor that of other times and peoples can be understood". (*The Science of Political Economy*, Book II, Chap. II) In this way, George argues, injustices and absurdities become common opinion, and few are able to challenge the fallacies propagated on authority.

The natural end of labour is exchange, not profit, not special interest, not private gain. Where there is just exchange, the increase in wealth becomes general. Then labour *contributes* to the common good where it occurs naturally and willingly. Through exchange labour become reciprocal, not to the advantage of one over another. Where exchange is not reciprocal theft will inevitably be present in some form of misappropriation of another's labour. Yet the legitimization of special interests, of gain to the detriment of the general increase, through monopolies or unjust contracts, is built upon fallacies that have become received opinion.

One way such a fallacy became common opinion was through the slogan 'trickle down economics', which claimed that the richer the wealthy few become the more wealth will trickle downwards to everyone else. On the basis of this fallacious idea market and monetary regulations were removed - dismissed as 'red tape'. The result was a widening gap between rich and poor, a steep rise in house prices as a proportion of income, and eventually the crash of 2008. The idea was sheer fantasy, but it had the power to obscure true economic laws.

Such false ideas arise from misconceptions about the nature of society. One such idea that has ruled since the nineteenth century is that if each individual serves their own self-interest the economy in general will flourish. This idea, promulgated by Herbert Spencer who conceived society as a competition between the strong and the weak, was challenged by Henry George, as it is in the passage we quoted above. Where the ruthless successfully exploit the majority it can *appear* to be the natural order of things, or at least an unalterable fact of the 'real world'. That is how false opinions gain a foothold.

But no false opinion or prevailing injustice can alter the truth of things. Human society flourishes only through mutual exchange. This is the insight that lay behind the medieval theory of 'just price'. Any exchange should be mutually beneficial. That is a law of human nature, and eve-

ryone intuitively knows it. It is true at the economic level, the educational level, the cultural level, and the everyday social level. How can a principle be true at one level and yet not at another level in society?

There is what George calls an 'incongruity' in the notion that the economy flourishes through self-interest. "...injustice and absurdity are simply different aspects of incongruity" (*The Science of Political Economy*, Book II, Chapter II.) The incongruity here is the absurdity that self-interest and freedom go together. George's opponents endlessly called upon 'liberty' as justification of self-interest - freedom of choice, freedom of contract, freedom of usury and so forth. But competing self-interests are incompatible with freedom. The only way to freedom is through cooperation and just economic exchange. There cannot be freedom without justice.

The present pandemic is beginning to bring to light social and economic truths long buried beneath false opinions. Ordinary people have made great efforts to support one another, and in an odd way social distancing has brought them together. Nevertheless, there is also a very dark side to this. Children deprived of school life with their peers has produced great psychological harm for many. Likewise with university students where socialising and working together is of the greatest importance. And those now working from home are feeling the detrimental consequences of isolation.

Freedom comes with participation, not from the pursuit of private self-interests. Human nature is constituted so that it can flourish only through working together in mutual exchange. This is true at the cultural, the social and the economic level. In economic terms it is established through just exchange. Where there is unequal exchange there is injustice. This is neither a 'collectivist' view nor a 'liberal' view. It is simply the natural order, which is a just order. It corresponds with our natural social inclination to share in and contribute to the common good.

On the darker side, we see the growing 'mental health' problems that are emerging in our society through an economy governed by misconceptions. The pandemic has come as a rude reminder that we cannot continue to exploit one another or the environment without serious consequences. Freedom of choice cannot legitimise the self-destruction of society or the ecosystem. Freedom comes through responsibility and, according to George, it is part of our human responsibility to understand the nature of society and the laws of economic exchange. There is a direct correlation between the quality of a nation's understanding of society and its well-being. Fallacious ideas about the nature of society manifest in injustices and economic impoverishment. On the other hand, a just economy nurtures culture and the flourishing of peaceful civilisation:

"If the diversities of climate, soil, and configuration of the earth's surface operate at first to separate mankind, they also operate to encourage exchange. And commerce, which is in itself a form of association or co-operation, operates to promote civilization, not only directly, but by building up interests which are opposed to warfare, and dispelling the ignorance which is the fertile mother of prejudices and animosities." (*Progress and Poverty*, Book X, Chap. 3)



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