

## Classical Analysis of Political Economy

By Harry Pollard

As the Los Angeles High School "Interstudent" Program gathered strength, it became evident that the content of our teaching required important revision: the reconstruction of Henry George. The *Progress and Poverty* course was inadequate as a basis for an encompassing and satisfying philosophy, serving mainly as a vehicle for land tax reform propaganda, with any educational role underplayed or forgotten. The deeper implications of the classical political economy of which George was so articulate a spokesman was lost to all but a few of the thousands who completed our courses.

No one can doubt the importance of the Rent theory in the classical analysis, and few object to the Rent Fund as a source for community revenue. However, the time spent on land value tax discussion must be subtracted from the total available, leaving little for the other important aspects of the science. This is not to deny the assertion that if *we don't, who will?* Rather it is to emphasize the nature of our courses as advocacy and instruction, and therefore their unsuitability for philosophical education.

Yet the need among students for philosophical understanding of Man, and his relationships with his own kind and with his world, is obvious. Generations of social studies have done little to reduce a mountainous ignorance of Man's behavior, a failure evident in the aftermath of every electoral contest. But the teaching of philosophical ideas requires consistency. An incoherent philosophy withers under attack; a coherent philosophy displays a cohesiveness that encourages not only understanding, but confident excursion into unknown areas.

In preparation, the study known as "The Classical Analysis" required little addition to previous writings, but called for the extraction from the voluminous literature of political economy of that skeletal reasoning we call "science." Henry George, perhaps the last of the great "classical" analysts, achieved his renown not from his great leaps forward, but from his ability to press the essence from their complexities. He gave the potential for understanding by simplify-

ing the ponderous; but the providing of a brilliant solution to revealed problems led to its burial beneath the popular campaign for the "Single Tax."

The whole structure of classical political economy rests on the recognition of human nature reflected in the two axioms: "Man's desires are unlimited" and "Man seeks to satisfy his desires with the least exertion." "Desire" is not the same as "want," but implies intent to satisfy. Political economy is concerned only with actions outwardly discernable. The contention that all value is subjective is a startling statement of the obvious, for everything is subjective to us. Our desires will form a pattern of priority in which the strength of the desire will be measured against the ease of its attainment.

The important word in the second assumption is "seeks." The implication is not that Man exerts least, but that he *looks for* the least exertion. The market place is the arena where this is most readily seen. Both assumptions are observations and are not the same as describing Man as greedy or lazy, which are value judgments. They are natural laws (recognitions of experience) which indicate that Man has purpose. Animals obey the "economy of effort" principle because those who do survive, but choice is not involved. Man may choose his direction, and his survival indicates an effective reasoning ability.

Now we must make some concept definitions, and attach names to them. For example, a group of co-operating free men would be likely to agree to equality, each desiring to be more equal, and refusing to be less equal, than the others. Though perfect equality may not emerge, cooperation is advantageous and its price is (approximate) equality. We can call this defined concept by the name of "Justice."

When a group of people cooperate, they accept a code of conduct, which constitutes their "morality." Of course, moralities vary under differing circumstances, and we can conceive not only a better morality, but a "best." The study and practice of the best morality we can call "Ethics."

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To illustrate the effectiveness of carefully defined and appropriately named concepts, we can trace the relationship of Law and Privilege. We begin with Natural Law, which is a recording of experience, an observed natural regularity. As one high school student said, disregard a natural law and you get zapped! To avoid the "zap," we adopt rules, which are home-ly guides to action. People obey the rule to reduce speed when driving around a corner because they know it is in their interest, even if they are unaware of Newton's laws of motion, the natural laws that give authority to the rule.

Rules may be made into laws by legislatures. Such laws are sensible and fair, and are accepted by most of us, since the deterrent penalty is less crucial than the "zap" of a disregarded natural law. The speeding driver, caught in a school zone, does not curse the law, but his own stupidity; and the community offers him scant sympathy. But not all things legal are laws; some are "private laws" or privileges, and these are neither sensible or fair. They spread resentment and evasion, and a cynicism which tends to include even valid laws. Those most responsible for the breakdown in law and order are those who support *privilege* and order.

The most important characteristic of a privilege is the benefit it provides one at the expense of another. Values move in one direction without recompense — a "one-way exchange." George called these "values from obligation."

Civilization is synonymous with cooperation, which may be voluntary or involuntary. The extent of a civilization may be measured by the amount of cooperation, and its quality by the percentage of cooperation which is voluntary. A community is either free or not. Any interference by force with a free community makes it not less free, but unfree. Similarly, a slave is still a slave no matter how comfortable his condition. When non-contractual values pass without recompense from one to another, the payer is enslaved, his community is unfree, and statism erupts in one form or another.

The most complex matters may be simplified by using the tool of classification. The entire universe may be reduced to the four concepts labeled Land, Labor, Capital and Wealth. George followed the example of his predecessors and used these concepts, albeit with some revision, and with careful precision.

Political economy is not concerned with a situation where producer and consumer are one. The "science of the natural social order" examines cooperation, and therefore exchange in the community of

Man. The completion of exchange is the limit of examination. The description of the science as a "study of the nature, production, and distribution of wealth" implies that when production is completed, so also is the interest of the scientist. But the *incomplete* product is called capital, and is said to be "not in the hands of the consumer" or "in the course of exchange."

We may say that in simple pre-political economy, the two factors of production, land and labor, produce wealth. When cooperation (civilization) begins, and thus political economy, time enters as a third factor and combines with the other two to produce capital, which is produced until the product reaches the consumer, when it becomes wealth and is used.

Rent and Land-Value are not the same, unless they are so defined. However, they are useful terms to attach to values of land that occur under different circumstances, these being values that occur in a free and in an unfree market. In a free market there can be no obstacle to production, or to contact between buyer and seller. In such case, the "price mechanism" effects an equilibrium. A shortage causes a price increase, stimulating production and supply, which satisfies demand and lowers price. An oversupply works in a reverse manner to accomplish the return to balance.

It is not so with land. The conditions of a free market are mobility and unrestrained production, but land is not mobile, nor can its supply be increased. Not for land is there the urgency that impels labor and capital to the market. The "price mechanism" regulates the returns to labor and capital, but the return to land is not a payment for productivity, but a premium for possession. I suggest this return is not comparable to wages and interest, and should be given the name "land-value," it consisting of rent plus a speculative premium arising from natural monopoly. The free market return to land should be called rent. Anything will be held if there is potential gain and no cost, but it will not be held if cost offsets any potential gain. If there is a charge on land-holding, and it is sufficient, the land will not be held for an anticipated benefit. This is the economic justification for the full collection of rent.

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