
Laurence S. Moss, 1944-2009

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Laurence S. Moss, 1944–2009

By WARREN J. SAMUELS*

I

Introduction

SHORTLY AFTER Larry Moss's death, his widow, Widdy Ho, suggested that I write a memorial essay on Larry. My initial reaction was that I could not produce an adequate paper on Larry in a few months, especially with my worsening health problems. On the other hand, I knew Larry quite well and while we occasionally encountered rough going in our relationship as scholars, we appreciated and liked each other, so I was a logical choice, one of several. It would be difficult to turn Widdy down and I obviously did not.

Larry and I were, in fact, good friends, even though we, with our wives, saw each other only at the annual conferences of the History of Economics Society and during 2000–2003 at the annual meeting in New York City of the Board of Directors of the Robert Schalkenbach Foundation. Even when we disagreed on economics, we appreciated and respected each other. We could disagree—the point to which I have been headed—and did so candidly and in strong, vigorous terms. I confess without serious reservation that I likely was the more outspoken and harsher of the two of us. I think that Larry, too, felt that I was less restrained in my language and/or positions than he.

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Each of us was eclectic. I do not know which of us was the more eclectic or more open; eclecticism and openness, however, neither explains nor condones the use of strong commentary. Larry received a law degree (J.D., 1986) from Suffolk University Law School 15 years after being awarded his 1971 doctorate from Columbia. He may have become more open and more eclectic than he had been earlier; I do not know. I never intended, however, to be unkind in my comments to him. I regretted the occasions when he took offense, and rightly so, at (what he thought was) my position or how I phrased it. Larry and I both misunderstood each other; we were both, as he put it, testy but, in my view, I went beyond Larry in testiness.

After giving the matter some thought and looking through my files I concluded, and Widdy agreed, that a paper presenting the correspondence between Larry and I might be useful to others. The quoted materials have been lightly edited by me, principally for typographical errors and clarity. Certain relevant material is found in Larry's c.v. The following information is relevant to the problem taken up in this article.

Samuels to Widdy Ho, April 6, 2009

Dear Widdy:

Thanks for your call, for this further e-mail, and for Larry's c.v. I now feel more comfortable in agreeing to prepare a paper for the 2009 HES memorial session, to go into the January 2010 *AJES*. I found some correspondence between Larry and I. We certainly were frank with each other! I also found that between the correspondence and manuscript material in my files we read, or read and discussed, not casually, well over a dozen of our separately authored writings. Above all, I do not understand how I could be even the slightest degree critical about anything with someone who said, in his HES presidential address, such wonderful things about my initial article on the legal-economic nexus. I once was involved at a meeting of the Association for Social Economics when the late John Elliot was being honored. I said that, at a time when we had not yet met, he had edited a reader for use in the Principles of Economics course. The first group of three readings comprised excerpts from Adam Smith, John Stuart Mill, and me. I said then that John could do no wrong! The same rule should have applied to Larry.

I think that Larry's strong Austrian leanings may have blinded me to the fact that we both worked principally in the same two fields: the history of economic thought, and law and economics. He several times mentioned

that he felt denigrated by other Austrians for his failure to agree with them on everything Austrian. I responded that I was treated similarly by some institutionalists for the same offense. By our own lights, we could hold all schools' ideas and doctrines at arm's lengths. I think we each recognized this ourselves before we did in each other; though he may well have seen all this before I did. I may or may not have mentioned to Larry that in a then-recent run of several issues of the *JEL*, there were some disagreements between Ludwig Lachmann and other Austrians, and that on each issue being discussed, I sided with Lachmann.

When I read Larry's c.v. I was reminded of the numerous ways in which we interacted—especially, of course, at HES. I made a rough list of the topics in which we both were interested and of our intellectual relations:

- We both worked with Bob Andelson on land-value taxation in the light of Henry George.
- We were both interested in the problems of transition, property, secrecy, economics as preaching, deception, anarchism, the nature of dissent, Robert Lee Hale, classical liberalism and the meaning of laissez-faire, the place of power in Adam Smith's ideas, rent seeking, the status quo, positivism and normativism, the problem of compensation to former slave owners, and others.
- I published his work and he published mine.
- Each of us refereed manuscripts for the other.
- We both published *Vademecum* in Horst Rechtenwald's and later Bertram Schefold's series of *Klassiker Der Nationalökonomie* published by Verlagsgruppe Handelsblatt of Düsseldorf.
- He published a book review of one of my books on law and economics, I was never asked to review one of his books, nor did I elect to prepare a review essay for *Research in the History of Economic Thought and Methodology*.
- We each served as President of the History of Economics Society.
- This memorial essay came about in part because I served as discussant of his paper on the Henry George theorem, and we remained friends thereafter.
- He reviewed for *EJHET* Geoff Brennan and Anthony Waterman's *Economics and Religion*, published in the Recent Economic Thought series I edited for Kluwer Academic Publishing.
- We each reviewed Jim Buchanan's *The Limits of Liberty*, and we each published in Gordon Tullock's second collection on anarchism and in John Laurent's *The Economics of Henry George*.

And then there are our exchanges of candid letters! I can only guess what Larry would have thought of my just-finished book on the invisible hand.

II

On Criticism and Its Structure and Flow

BOTH LARRY MOSS'S and my intellectual careers and our relationship can be examined in the context of intellectual history understood as a domain of criticism. As we shall see, the domain of criticism has been transformed and the conduct of criticism is deeply integrated with other processes, such that the meaning of a criticism is a function of the object being criticized, the people doing the criticism, and the culture and structure of the domain of criticism.

Intellectuals like to argue, with tensions arising more or less readily in such circumstances. "Criticism" itself has at least three discrete forms. These forms are typically combined and often resist differentiation. One is literary criticism, namely, critique that attempts to interpret, deconstruct, restate, and evaluate the nature and quality of texts and ideas, theories, or modeling strategies (hereinafter, idea or ideas). The objective for such critique is to place the documents in a larger context, from one or more perspectives, identifying component elements. Such critique is not limited to, and indeed may not include, passing judgment, finding fault, or criticism per se. The second form comprises effort that is essentially negative. Calling it "destructive" is probably or typically less accurate than "dissenting." The third form of criticism encompasses work that is not overtly critical in itself. Work that articulates a new idea can be logically understood to be critical insofar as the new idea is juxtaposed to an already existing idea. In this sense, all published work is critical in that it corrects, implicitly or explicitly, ostensible error or lacunae in hitherto existing ideas.

Several further points are warranted. One is to call attention to issues that inevitably arise, issues that, so to speak, go with the territory. However inevitable they may be, they are not necessarily predictable on that account alone.

Second, many people do not take kindly to criticism. Historians of economics, or of any field, should appreciate the crucial importance and inevitability of criticism. Without criticism, a major source of change would be lost. Economics, for example, might not have ever gotten to, or past, Adam Smith. For many years it was taught that very little change in thought and practice had taken place during the Middle Ages. This

view may have derived, at least in part, from the affirmation by the Church of England of institutional stability, with the goal being taken for actuality. It subsequently became appreciated how much change, perhaps subtle and officially unrecorded, had taken place.

Several explanations exist for perceived antipathy to criticism. A scholar can believe that what he or she has written should be the last word on the topic under consideration. A person may believe that only one idea, theory, or modeling strategy can be true, proper, or applicable at any given time. A person may so psychologically identify him- or herself with the idea that the presence or even the thought of any rival threatens his or her ego, self-image, or sense of worth. In a world of status emulation, in which individuals want to be recognized, well thought of, and considered to be authoritative, a person may be threatened in a different way but perhaps with the same effect. A person may guilelessly hold on to what he or she has found to be transparently and definitively correct. It is very difficult for some people to envision that, in addition to the existence of levels of comprehension in which ideas may be understood and advanced with or without notice of an alternative, another level of comprehension is formed by the total matrix of meanings enabled or formed by the array of relevant ostensible absolutes. (Take, for example, the matrix formed with regard to the concept "value" by such theories as just price, labor [embodied and command], marginal utility, demand and supply, social, technological, and so on.) Two authors may reach very different conclusions on presumably the same premises. Such differences could point to the presence of implicit antecedent normative assumptions. Finally, and possibly among the most important, a person may not comprehend the precise intention and argument of an author.

Third, historians of economic thought have been increasingly intentionally and conspicuously critical of certain of their subject matter. The comparison is between, roughly, the 1960s and the interwar period prior to World War II, even though the earlier period was critical in the second and third senses identified in the first paragraph of this subsection. It is not my intension to assert an analysis in which a period (or type of work or practice) can be described or portrayed in one and only one way. Moss and I helped form this development and were in turn formed by it.

Criticism may apply to and yet also derive from the object critiqued. The object and its criticism constitute the subject matter of its field. Criticism may derive from the particular standpoint or perspective on the basis of which the criticism is made. For example, assume that five perspectives exist within a field, A, B, C, D, and E. D's critique of B may be based more or less solely on the nature of B and the existence of B-specific problems. Alternatively, D's critique of B may comprise an attempt to demolish the status of B, thereby to substitute D for B.

A key question is whether work in the subdiscipline is used to cheerlead or to criticize the work of economic theorists, of some narrow identification of economics as a whole, and/or of some school or other group of economists. That is to say, historians of economic thought (who may also be members of some other group) may be assumed to aim at having an effect not only on how economists view past economic thought but also how they develop economic thought in the present and in the future.

I am not arguing that historians of economics and others who were writing prior to the 1960s did not criticize, in any sense, the ideas for which the discipline of economics stood in the minds of economists and/or noneconomists. Not only did they criticize, they employed one or more of the three forms of criticism; moreover, they may have criticized an object on its own terms or on the terms of the critic's standpoint. One can imagine B from the standpoints of A, C, D, and E. The criticisms can derive from the object being critiqued or from the standpoint of the critic. Think of how the just price appears differently from the standpoint of each of its several critiques, namely, utility theory, demand and supply, real cost, and so on.

The accurate picture of economics during the modern period (say, since the mid-18th century) has never been one of serenity devoid of criticism, though some periods have had much and others relatively little evident criticism. Of course, the number of economists increased over time, along with enormous expansion of the means and outlets for publishing and marketing articles and books, and libraries for holding and circulating books and other documents. Under those conditions, the enormous growth in the volume of publications eventually exploded.

All of the factors either noted or alluded to thus far in this subsection, and still others, have helped form the substantive content, structure, and orientation of criticism as practiced by various types of economists. To the extent that criticism is considered objectionable, it gives effect to one or another respect in which criticism of any kind is deemed repugnant.

Numerous economists have argued that economists should speak with only one voice. That position has been derived from a desire to make the world safe for economists and to promote the status of economics and economists and their influence on policy. That should be unsurprising: economists, like other people, want to be well thought of—recognized and respected—by their peers as well as by others; as Adam Smith observed and commented, they too seek to look good in the minds of others, in part so that they can look good in their own mind. My point is that after about 1960, historians of economic thought not only sought to provide an accurate account of the history of economics and the professional doings of economists, but felt free to laud and cheer in those cases in which economic understanding had been improved, and to criticize—in one or more of the three senses but especially the first and second—the content of economic theory and ideas, how they came into existence and were adopted, the ontological and epistemological status of economic theory, models, and ideas, and so on, whereas pre-1960s historians of economic thought seem in retrospect to have been motivated to generate esteem, in other words, to cheerlead, on behalf of received economic theory; moreover they were expected, by economic theorists and others, to do so.

Another factor that affects the conduct and substance of criticism is the grouping of more or less like-minded economists, albeit aspects of grouping are quite simple: the field of economics is comprised of men and women who disagree on fundamental conceptions and the means of their use. They disagree as to the scope and method and the central problems of economics. They disagree as to the substantive content of the economics they teach and would apply to issues of policy. The foregoing is a formula for mutual criticism.

And there is more. If the groupings just pointed out are considered to be schools of economic thought, then it is also the case that within a school there is likely to be serious divisions or doctrinal formulations. This could be a very unstable situation as entrepreneurial individuals seek to mend old and create new bridges and connections. Clearly, these differences constitute opportunities for criticism.

Let us assume five themes—A, B, C, D, and E—on which economists, in one way or another, define their personal belief systems. Let us also assume an open-ended number of groupings or schools. One school will emphasize A; another, B; and so on. It very well may be that every member of the group emphasizing A agrees on what A constitutes. Here we have no conflictual criticism within that group over A issues. If A doctrines can be stated in several different ways, criticism and conflict about A doctrines will flourish. In our counting of loci of criticism we will add the conflicts among the A group as to the meaning and status of A to the conflicts with their correlative criticisms over which of the five themes is paramount, to wit, A versus B, A versus C, and so forth. Now, when the A group is engaged in criticism with the other groups, those adhering to B, C, D, or E, it is more than likely that they will be contending with different versions of A, of B, and so on. For example, advocates of A will confront the B, C, D, and E versions of A; and those within A will adhere to their own versions of B, C, D, and E.

It is obvious that such a simple example of a model has a highly explosive potential. It is possible that person who is a member of the A grouping may have more in common (more, in their respective subjective valuations) with someone in another group than with the others in the present A group. (When I taught graduate history of economic thought, I often posed one or more test questions along the line of compare and contrast schools B's and C's critiques of A.)

Larry Moss was, in his own way, critical of certain aspects of mainstream, or neoclassical, economics. That type of criticism was made typically from an Austrian school position. But Larry was critical of certain aspects of Austrian school economics as well.

I am essentially a methodological, ontological, and theoretical pluralist who is prepared to hold at arm's length and juxtapose to each

other quite different accounts including my own. I believe that I am eclectic but also so enthusiastic a practitioner of institutionalism, especially the John R. Commons-Wisconsin branch, that I do not hesitate to identify myself as an institutionalist. But I have been critical of mainstream classical neoclassical, Austrian, Marxian, institutionalist, and other types of economics, that is, critical in one or more of the other senses. I undoubtedly am too critical for some people and not critical enough for others, a characterization also applicable to Larry Moss and to most people.

I have taken up the topics of this section to emphasize the vast sociological, linguistic, and substantive origins of criticism and the important place of and limits to criticism in the academic world in general, in economics in particular, and with respect to the relationships between Larry Moss and myself. However economics is defined as to scope, central problem, and methodology, the economy is, to put it mildly, complex. Two people can interpret and comment on the same article and come up with very different views of the meaning of the article, of what the author is saying, and of what the economic world looks like and how it functions. Whose identifications of scope and problem are to control (limit) commentary? Are the premises underlying the author's argument a proper topic? Will the history (however read) of the field (however defined) influence the meaning and significance of an argument? Criticism goes with the territory. But which/whose criticism is to count, and why? Is there any relevance to the idea that contradictory propositions are little truths when one proposition is false and the other true, whereas certain contradictory propositions are big truths when both are true? Are differences of interpretation a matter of modeling strategy or differences in their respective definition of reality?

I explore the aspect of mutual criticism in our relationship, doing so through the presentation of and commentary on our correspondence. I do so with both the permission and the encouragement of Larry's wife, Widdy, who, both before and, especially, after Larry's death was very informative to me about his view of me and of her view of Larry and me. It would be nice to have Larry's take on what I say here.

III

The Correspondence*A. The Meaning of Coordination*

In early 1987, I worked on the concept “coordination” as part of my yet-to-become-enormous project on the use of the concept of the invisible hand. I studied the substantial literature on coordination in general and as a product of the invisible hand. Much of that literature is quite helpful for the questions in which I was interested. But there was considerable variation, some salient and seemingly major and some subtle but not necessarily minor. Larry’s independent Austrian school position and the sophistication of his understanding led me to include him in a small group of colleagues to whom I wrote.

Samuels to Moss, April 20, 1987

Dear Larry,

I have a favor to ask of you. As part of a study (actually concerning Adam Smith, but that is substantially irrelevant to the immediate problem) I am working on the concept of “coordination.” I would appreciate if you could answer, hopefully in some detail but however is convenient to you, the following questions and any others that you think I have missed:

1. What precisely is the meaning of “coordination”?
2. What does coordination mean or signify?
3. What is coordinated?
4. What is the relationship of coordination to harmonization and equilibration?
5. What does the coordinating—what is the coordination mechanism—process?

Any suggestions for reading would be appreciated.

Thanks for your indulgence and assistance.

Yours sincerely,

Larry replied in a letter dated May 2, 1987:

Dear Warren:

I shall answer each of your questions briefly:

1. What precisely is the meaning of “coordination”?

I do not think a “coordinated market” or a collection of buyers and sellers whose activities are coordinated can be defined any more precisely than “children at play” or “men using tools.” Each of these events is what philosophers term a “mental representation” of the world.

Mental representations are not the real world displacement of objects, and so it is difficult to assign objective measures to these representations. In other words, an “index of coordination” seems extremely unlikely. We understand markets are coordinated by considering the dovetailing of plans. For example, if I decide inflation is likely to pick up steam and then borrow funds at a fixed rate of interest to purchase a hedge-type asset (one whose market value will move in tandem with the general level of prices), my plans are coordinated with the behavior of others in the market since “bulls” and “bears” are balanced, but my behavior is not consistent with the behavior of others. If (to use Hobbes’ example) two individuals find themselves two miles offshore in a lifeboat with a referee or umpire to order them around, in a short amount of time, they would learn to row together, stroke by stroke, to shore. In this context, their behavior is consistent and coordinated with regard to each other.

2. What does coordination mean or signify?

It signifies that two or more individuals are able to achieve their plans or purposes concurrently.

3. What is coordinated?

The personal plans and expectations of individuals mesh in some fundamental way.

4. What is the relationship of coordination to harmonization . . .

The term “harmonization,” such as used in a “harmony of interests,” carries with it the broader idea that a collection of persons is moving toward some higher, collective good such as “national economic superiority,” or “living space,” “racial purity” or social justice.” I do not think it appropriate or even fruitful for the student of the market process to get involved in discussion of the relationships between the market process understood as the lattice work or network of plans and purposes with the value-laden notion of society as consisting of a single or small collection of collective purposes.

. . . and to equilibration?

This is a much more specific interpretation of coordination in terms of algebraic quality. Thus, Schumpeter (after Walras) might say that, when $Q_d = Q_s$ the market is in equilibrium. But if $Q_d < Q_s$, the market might be coordinated, in my sense but not equilibrated in Schumpeter’s sense, if sellers intend to increase their inventories. Hence, a disequilibrated market could be quite coordinated.

5. What does the coordinating—what is the coordination mechanism—process?

Schumpeter’s analysis is the best of which I know. Basically, the adoption of routines by way of an evolutionary selection process coordinates when change is smooth and continuous (see my June 1987 HES paper). There

is, however, another sort of change. Discontinuous and based on a creative leap of imagination. Here there is a form of human, intellectual energy qualitatively different from problem-solving, routine behavior. Entrepreneurs have demonstrated this capability in the past. Others may demonstrate it in the future—statesmen, dictators?

Hope these thoughts are of some assistance.

Sincerely,

Larry added the following postscript:

P.S. Incidentally, part of my discomfort with the work of the modern Austrian School is over their emphasis on subjectivism rather than coordination. In 1975–1976, I felt that the “coordination problem” was the key [for] them to unite the research. After 1976–1977, Lachmann, Rizzo, Kirzner emphasized “radical subjectivism” which, in my opinion, pushed them away from Menger, Wieser, Böhm, and Mises toward Shackle. In my opinion, efforts to locate radical subjectivist ideas in the older, Austrian masters have not been entirely successful. My own lasting interest in the coordination problem can best be documented by my choice of a title for Gerald O’Driscoll’s doctoral dissertation which emerged as part of my work as series editor for Sheed, Andrews and McMeel (publisher). The title of the book is *Economics as a Coordination Problem*. After my departure from the Austrian politburo, coordination lost center stage [stage?] in favor of radical subjectivism. The research of the modern Austrian school has lacked a central focus ever since. This may be preferable to a single research program. Time will tell . . .

Best of luck on your project.

Larry’s overall exposition of the meaning of coordination reinforced my sense of what was becoming, if not already, the central thrust of the relevant literature. His discussion of “mental representations” (question 1) reinforced my early sense that terms like the “invisible hand” were used as assertions and were primitive (undefined) terms. “Coordination,” whether or not considered to be one possible result (or function) of the somehow-defined “invisible hand,” was a hypothesis, a conceptual tool. Its meaning was assigned to it and was not derived from the existence and nature of something external and objective. It took on the characteristics and further role(s) that the economic analyst assigned, as it were, to it.

I disagreed with Larry’s view of the subjectivism of the founders of the Austrian school and of the relative positions on its conceptual hierarchy of coordination and subjectivism. As for whether or not

Menger, Wieser, Böhm-Bawerk, et alia were subjectivists, even radical subjectivists, my view is that they were indeed subjectivist (though they did not carry their subjectivism as far as it could go); that, contrary to the Ricardian theory of value, which emphasized real cost, the Austrians' marginal utility theory of value was thoroughly subjectivist; and, moreover, they were understood from the beginning of their relevant writings not only to be but to emphasize subjectivism. For example, John R. Commons both recognized and accepted their subjectivism.

And as for the relations of coordination to subjectivism, it is not difficult for me to envision an analysis of or using coordination in which what was being coordinated were precisely (methodologically, not actually) the subjective tastes, perceptions, preferences, expectations, and plans of economic agents. It seems to me that such topics are at the core of Austrian economic thought; and rightly so, given the individuation of socialization (societization, acculturation) as what Frank Knight called the making of individuals took place.

I regret that I did not pursue those points with Larry. Several factors, I think, combined to preclude my taking up these issues. First, Larry had kindly given me what I had asked for and it would have been impolite for me to challenge (or to appear to challenge) what he had added as a postscript. Second, it would be impertinent and out of place for me, an eclectic who stressed institutionalism, to engage in the stipulation and advocacy of what people in other schools deem desirable or necessary to adopt for their work. Third, while the topics of coordination and subjectivism were quite relevant to various aspects of my project on the invisible hand, they were not the aspects on which I was then concentrating my attention. Finally, for some time that year I was very, very busy moving, Moss's letter had been mislaid, and, I suppose, was not enthusiastic about initiating a diversionary discussion.

I do indeed regret not following through with my reactions. Given the enormous size of the invisible-hand project, that I was regularly interrupting work on it to take up another paper or project, and even the latter could be postponed by inserting in my highly flexible work "schedule" still another paper or project, each successive insertion amounting to *e pluribus unum*, in retrospect only the first factor bears the decisional load given it. Because of the activity and contributions

of various Austrian school economists, most notably Friedrich Hayek, of course, that body of work and ideas was no small part of my inquiry into the invisible hand. While I cannot identify what additional help Larry could or would have provided if I had carried further his response to my request, there is no doubt in my mind that I would have benefited. The overwhelming irony of all this is that I allowed the project to expand to such an extent that it became impossible for me to finish the research and write the three-volume opus that I erroneously foresaw for over 20 years. The book I have written on the use of the concept of the invisible hand thus combines several areas of research to reach or state certain controversial conclusions but only hints at the magnitude of the historical detail I have amassed. Larry typically had his feet on the ground; he might have driven some realistic sense into my head. On the other hand, several other friends and colleagues have issued the same warning, perhaps too gently; in any event, I became fascinated with and deeply enamored of the invisible-hand project, not least because it involves so many extraordinarily deep and important topics and considerations. Finally, while I anticipate that Larry would have found my book distasteful, at the least (Jim Buchanan, who knows my work only too well, calls it subversive), discussing its contents with Larry would have been a wonderful experience because he had the mental equipment to make it so.

B. *The Henry George Theorem*

At the History of Economics Society meetings in 2005, I served as discussant for Larry's paper "The Henry George Theorem and the Entrepreneurial Process: Turning Henry George on His Head." The paper was published in John Laurent, ed., *The Economics of Henry George* (Cheltenham, UK: Edward Elgar, 2005: 148–165). By coincidence, also published in Laurent's collection is my article, written jointly with my last two doctoral candidates, Kirk D. Johnson and Marianne F. Johnson, "The Duke of Argyll and Henry George: Land Ownership and Governance" (2005: 99–147). The book was reviewed for EH.Net on May 12, 2006 by Donald E. Frey. Frey calls attention to Larry's argument that:

the increment in land values caused by social progress, which George identified, may provide a way to fund public goods (provided they bestow most benefits on those located closest) and Larry's judgment that "the private provision of public goods . . . is one of the most stunning accomplishments of private entrepreneurs in the post-war U.S. economy." (Moss qtd. in Laurent 2005: 163)

Planned communities have been developed on this principle (the Henry George "theorem"). "Although his interpretation stands Henry George on his head," Frey writes, "Moss credits him with identifying the phenomenon." Of my paper, Frey writes that it is "less about George and his ideas than about the reaction of vested interests to him" and George's reactions to them: "The Duke of Argyll was a class-interest reactionary, who defended the landed aristocracy against George." Frey points out that "Argyll also sought to legitimate existing patterns of land ownership, despite their checkered history" and that the article "also usefully points out how elastic natural-law arguments could be: both Argyll and George made natural-law arguments about land rights, yet drew opposite conclusions."

My comment on Larry's paper, reproduced below, reflected my reaction to Moss's argument. I denied neither the feasibility nor the desirability of financing private provision of public goods by taxing the closest beneficiaries of planned developments. I did deny the argument as involving a negation and finessing of George (rather than a turning of George on his head), the effect of which would further legitimize the process of rent creation and the contest over its acquisition. But I denied neither the importance of the price mechanism (including rent) nor that, given the ownership of resources, engaging in market trade (say, under competitive conditions) is a means of contributing to material progress and a higher standard of living. Larry's response to my comments did not deny the Ricardo-George thesis that rent differs from other distributive streams insofar as its magnitude is governed by the increase in population and the corresponding shifts in the demands for food and for land.

Warren J. Samuels's Comment on Laurence S. Moss, "The Henry George Theorem and the Entrepreneurial Process: Turning Henry George on His Head," HES, 2005

The Basic Problem

Let me begin with Marx. Marx argued that capital receives the surplus value produced by labor. Capitalists compete among themselves to capture this surplus value. They compete, in part, through increasing their exploitation of labor and consumers. The market, competitive or not, is the arena in which that part takes place. Another part of their competition with each other and with labor and consumers is that over the control and use of government to promote both particular capitalist interests and capitalist interests in general.

From Marx's perspective the processes of creation and distribution of surplus value derive from the institutions that enable those processes—i.e., the institutions that form, structures and operate through those processes—in which economic actors of all kinds must act. The process is predatory between and within classes centering on the ownership versus non-ownership of capital.

From a neoclassical perspective Marx's processes involve the possibility of optimizing economic welfare—utility, maximum satisfaction, Pareto optimality, etc.—and the study of those processes using equilibrium analysis. The process is harmonistic. In the neoclassical model, entrepreneurs are seen as making adjustments through which to capture more profit—in Marx's language, more surplus value. In terms of equilibrium analysis, the two stories are identical: In both stories, entrepreneurs make hopefully profit-maximizing or surplus-value-acquiring adjustments within the system and by doing so advance their interests and the performance of the system.

In the terms of distribution theory, Marx's story is an example of an exploitation paradigm and the neoclassical story is an example of a productivity paradigm. The difference in paradigm drives the different stories' normative and linguistic content; otherwise the story is principally the same.

Like Marx, Henry George wrote, but only in part, within the exploitation paradigm. He identified the economy as a process of competition for unearned income from land, income due ultimately to the growth of population, an economy and a form of income facilitated by legal institutions, especially the specific content of the law of landed property. I said that he wrote only in part within the exploitation paradigm. Without unearned income from land due to the growth of population, all else was generally a matter of productivity. George believed that doing away with unearned land rent would strengthen the institution of property by giving full rein to earned-income dealings. George was conservative, conservative of the basic conception of a market economy, though not of certain received rights constituting the institution of private ownership of land.

My long-time, good friend, Larry Moss, does indeed want to turn George on his head. My dear Larry, your analysis is Marx without exploitation, it

is the presumptive optimality of almost any capitalist action, it is George without unearned income, it is Hamlet without the ghost. The pursuit of gain from privately producing public goods is a narrow slice of what takes place within any of our stories; it does not suffice to overturn George—or, for that matter, Marx. It injects neoclassical equilibrium analysis into their stories without changing their paradigmatic script design.

The General Problem in Context

The policy process includes competing definitions of reality, competing theories, and competing policies.

Theories define reality. They also imply policies. A policy presumes a definition of reality and the founding theory to which the policy gives effect. Each definition of reality, each theory, and each policy typically has multiple aspects, hence competing stories and uncertain empirical implications. In practice, the social reconstruction of reality is a matter of working things out through the competition over definitions of reality, theories, and policies. Much of this working out takes place within the legal-economic nexus.

The critical problem is that of whose interests count. To whom does a cost represent a benefit to whom else, and vice versa? This problem is one of structure: the structures of the distributions of costs and of benefits and of the legal arrangements that enable some and not others to capture income, etc. It is Edward Bellamy's problem of the distribution of and access to seats at the banquet table.

George's argument concerning the genesis and capture of land rent as unearned income gives rise to two sets of policies. One set of policies would reform the institution of property in land and the ideological mindset of people in society. Another set of policies would further promote and take advantage of opportunities to capture land rent through strategic investment by real estate entrepreneurs. Moss's argument turns George on his head by using the so-called Henry George Theorem to sanction and mobilize political psychology and to promote and sanction such entrepreneurial activity.

Aspects of Moss's Argument As I Interpret Them

1. Moss pays no attention to who in the past has received land ownership and how that was undertaken: who has been put in a privileged position to capture land rent.
2. Moss argues that real estate entrepreneurs must engage in duplicitous behavior in the context of the modern regulatory state; indeed, they may well become political entrepreneurs. This view ignores the facts that landowners have always been political entrepreneurs and that regulation is a mode of changing property rights—in which respect deregulation is the logical equivalent of regulation, with only the interest being protected changing.

3. Moss neglects the further fact that parties seek to shift costs to others and to receive benefits created by others, using government as a means.
4. Moss emphasizes the importance of local town politics to many people. Not all people, many people. Which people? Those with an interest in real estate development: chiefly the owners of land, the land developers, big commercial interests, and the press. Moss says it would be overstating the matter to say that all local politics involves real estate deals; in my view, it does not exaggerate much. The focus of much municipal legislation is the result of law making being an economic alternative.
5. The activities encompassed within the domain of the Henry George Theorem were well known to and opposed by George. Yes, these activities are observable; George also denigrated them insofar as they involve competition over private acquisition of unearned income from land.
6. The uneven course of economic development and the continuation of economic inequality are extremely complex and recondite topics. But the capture and use of government to channel development and income in certain directions and not others has characterized U.S. history from the beginning. The strategic position of upper hierarchical levels has been both cause and consequence, and George correctly observed them. Whether such should and/or can be changed is another, normative matter.
7. Landowners are not only the ultimate monopolists in regard to the economic significance of land; for much of history down to and including the present day, land ownership has encompassed powers of governance.
8. Moss argues that "the theorem is not really about politics and political reform. Instead, it is about patterns of economic development and how a benevolent city planner might manage a tax-spending policy that would raise living standards for all those residing in a given urban area or else planning to move into that neighborhood" (p. 8). He describes the theorem as describing "an equilibrium where the total utility in a region is at a maximum when an optimal population has moved to the neighborhood" of a central business district. The theorem, he notes, "is an *abstract proposition* that supposes and [*sic*: an] ideal benevolent government apparatus, in that there are no invisibles or unknowns and all government administrators look out for the public interest and not their own private selfish interests" (p. 8). Moss acknowledges that the theorem "is as much fiction as are most *abstract* models in the social sciences," and that "its value is not in the description of everyday life in urban settings" but as an apparatus for detecting "actually [*sic*:

actual] tendencies or patterns at work" (pp. 8–9). No one will be surprised at my noting that the theorem abstracts from all variables that might further complicate or interfere with the attainment of equilibrium; that perfect knowledge is assumed as is administrator pursuit of the public interest, whereas the substantive content of the "public interest" has to be worked out, indeed, is the object of manipulation by actors, and that administrators, like all other actors, must work out and act upon their private interest. It is, as Moss observes, fiction. But it is a narrow slice of fiction/real world and only one such slice. I remind you of the multiplicity of stories that can be told. As for George, he, too, did not cover everything and thus necessarily practiced abstraction. But George was interested in the predatory, non-harmonistic aspects of development and in the range of development paths open to society. One of the features of urban development which he surely would have noted is one totally ignored by Moss: the decline of central business districts, something which the theorem either cannot explain or cannot be used in the glorious way presumed by Moss.

9. Moss's argument is laden with irony in which he is in good company. John Locke's theory of property presumes abundance; most use of his theory presumes scarcity. Moss posits so-called well-defined property rights but concentrates on changes in property rights wrought by developers and other entrepreneurs and by their opponents.
10. I cannot do more than mention my critique of the use of the term "intervention." Also, privately developed public goods are both important and a narrow slice of reality. The notion of "the optimal number of people in a given geographical area" (p. 17) is an unwieldy and arbitrary number.
11. Structural elements are ubiquitous but either minimized or ignored by Moss.

"Law and order" certainly enables an extended division of labor, but "law and order" can take numerous forms, with major impacts on structure and participation; division of labor is both a technological and an institutional matter—to which the logic of Edgeworth-Bowley boxes applies.

Similarly, the production and enjoyment of public goods is a technological and institutional matter. Moss notes that "Any pedestrian can enjoy the public display so long as he or she can get in close proximity" (p. 13). There's the rub: It takes income to enjoy many a public good. Admission and other prices limit who can sit where at the banquet table. And exclusionary policies restrict some people from having entry into the dining hall and any seat.

The legally institutionalized power structure influences who can become a town planner or enterprising entrepreneur, and thus who has the power to determine which public goods, etc., get produced.

12. Moss writes that the theorem “is all about modeling” public goods provision and . . . expected net land-rent appreciation” (p. 16). But, I remind him, George is “all about” the disjunction between progress and poverty, not the equilibrium conditions and paths of those who compete for unearned income. George did not envision “the machinations and the dealings of everyday local politics” as “a brute reality of modern administrative regulation” (p. 20). Such was part of the process of working out local externality problems in the U.S. dating from the 17th century. If anything, modern administrative regulation was an attempt to open up the system, even if it became a new arena in which actors battle. When Moss writes of the entrepreneurial process that “The idea is to capture the enhanced value of the most proximate real estate by playing by the rules of the game” (p. 20), he provides a glowing, idealized, saccharine account. After reading that, I wrote in the margin, “scarcity commands a price.” Turning the page, I read a very different story in which Moss insists he “should not be read as stating that the real estate developer is an innocent and the government is the corrupt extortionist of capital gains. Where there is bribery, there are both those who give bribes and those who take them. It is the classic struggle over the gains from trade.” Moss is amazed by how many great projects are completed by private entrepreneurs “despite the many rent seekers that gang up against them” (p. 21). George’s argument is that these private entrepreneurs are part of the rent-seeking gang. More importantly, George focuses on rent on unimproved land, due to the growth of society, whereas Moss focuses on externalities. Moss and those he cites do not turn Henry George on his head. The private provision of public goods—why concentrate on central business districts?—is indeed a stunning accomplishment by entrepreneurs. Henry George would insist, however, first, that such activity is a part of the socially dysfunctional and morally objectionable private chase after socially created rent; and, second, that the answer to who can undertake such activity is determined by law and the control of the government that makes law favoring certain interests and not others. Those wonderful English parks and palaces, that we tourists like to visit, are due to the law of land which was part of the law of governance.
13. Moss knows better but he often writes as if there were singular determinate unique definitions of reality, rather than issues requiring subjective judgment and interpretation. Some examples can be found in the foregoing discussion. Another example concerns “overpopulation” (pp. 17–18).
14. Moss knows better but his entire argument centers on the economics of equilibrium adjustments. Yet that theory is no substitute for the political economy of institutional structure. Moss sometimes treats the

law as a given but elsewhere he introduces changes in the law. He appreciates that the legal-economic nexus is both the target and the source of efforts to change the law and that the law does change; political action is pursuit of economic gain by other means. The economy has twin processes of adjustment: optimizing actions by actors within the existing legal and moral framework, and comparable actions by actors to change that framework. George wanted to change the framework; Moss wants to further legitimize the existing one.

1. My First Retrospective Evaluation of My Comment

It is certainly obvious that I raised points or made criticisms that, while they are more or less important to a comprehensive critique of George's critics, are not directly relevant to Larry's interest in the paper or his argument. One example is the first point under "Aspects of Moss's Argument:"

1. Moss pays no attention to who in the past has received land ownership and how that was undertaken: who has been put in a privileged position to capture land rent.

It is very much an aspect of George's argument, but it is only negligibly an aspect of Larry's argument.

Points 2 through 4 (regarding duplicitous behavior of real estate entrepreneurs, cost shifting to others, and local politics as land politics) are considerably more relevant to a critique of Moss's argument. The heart of such a critique, however, resides in point 5:

5. The activities encompassed within the domain of the Henry George Theorem were well known to and opposed by George. Yes, these activities are observable; George also denigrated them insofar as they involve competition over private acquisition of unearned income from land.

It is important because George was criticizing incomes from property, not casting luster on the activities of developers seeking to capture land rent, which he considered a moral and economic subtraction from any associated growth, and not a socially laudatory endeavor.

That point is amplified and related to historical substance in points 6 through 11 (the use of government to control the distribution of income; landownership as conveying powers of governance (cf. the article on Argyll and George); the narrow compass of the theorem in

comparison with George's analysis; the irony of positing well-defined property rights but applauding pro-developer changes in property rights; the misleading nature of the term "intervention" (only hinted at) and the selective and subjective distinction between government actions deemed interventionist and those accepted as promoting growth; the relevance of certain structural elements). It is further amplified in point 12 with regard to just who is involved in the chase after economic rent (which led to major changes in land laws over the century, the best known of which are the Enclosure Acts). Points 13 and 14 in effect take note of there being no single equilibrium solution, that law weights different interests differently and thus helps determine the generation and distribution of rent and other factor returns (something that Adam Smith identified early in his *Wealth of Nations*).

My reaction to Larry's paper is not devoid of possible overreaction. The explanation for overreaction lies in two matters that I have had in mind for some time regarding the reactions of economists to George. One is the difference between public criticism and private affirmation of George's analysis. The public criticism was intended to avoid or deflect criticism of George from becoming criticism of economics and economists. The private affirmation was because George's argument built on/extended Adam Smith and David Ricardo on rent.

The second matter concerns George's conservatism. Economists, during the period in which George wrote, led by John Bates Clark, came to emphasize at the highest and deepest levels of analysis the dependence of distribution on productivity. George wrote, along with Clark and other believers in the Protestant ethic, that distribution should, and ultimately does, depend on productivity and not on the exploitation that George associated with land rent: there is a difference, he held, between income as a result of one's own productive activity and income as a result of land law that tended strongly to allow the owner of land to capture the increase in the value of land due to the growth of population. I am not defending marginal productivity as either economic theory or distribution paradigm. I am emphasizing that the position favored by George's landed critics (and their defenders) was precisely the position becoming, if not already, rejected by economic theorists. Hence the disjunction between many

economists' private and public statements was due not to the defense of marginal productivity theory but to concern for the reputation of economics. (The foregoing has been documented by Mason Gaffney and Fred Harrison in *The Corruption of Economics* [London: Shephard-Walwyn, 1994]; Robert V. Andelson, ed., *Critics of Henry George* [Malden, MA: Blackwell, 2004].) Larry's paper seemed to me then, as it does now, to be, either by intention or by unconscious affinity, another in the long line of efforts to publicly either negate or finesse the Georgian analysis. Even if Larry himself had neither intention nor affinity, the article would do again what it had done before. Certainly the real estate entrepreneurs would resonate with Larry's argument.

I believe that the criticisms I made of Larry's paper could, and should, have been more gently stated, with more warmth and less coolness, and more constructively; I had had a sense of these possible reactions at the time I wrote it and when I presented it at HES. Pointedness of expression should not have led to a perception of personal rejection. Larry's argument in effect reflected an implication of Ricardian and Georgian reasoning: since land rent was generated by population growth, real estate development was, *ceteris paribus*, a sensible investment. The argument from public goods was a corollary to that implication.

2. *Moss's Response to Samuels's Comment on Moss's "Henry George Theorem," July 8, 2005*

Larry Moss responded to the written version of my comments shortly after the HES meetings ended. By that point I had become preoccupied, indeed overwhelmed, with moving our home and library and papers from Okemos, Michigan to Gainesville, Florida, and engaged in very little research and other academic activity for most of the rest of that calendar year. Among the mail that was put aside or mislaid and was not discovered until late in the fall, having remained in storage with all of our other possessions for several months. Larry's reply was perceptive and just.

Moss to Samuels, July 8, 2005

RE: A "thanks" combined with some disagreements about fundamentals
Dear Warren,

Thanks for your criticisms at the HES meetings in Tacoma on my H.G. theorem paper. I am especially grateful to you for taking the time to write out your criticisms and print a hard copy so I could review them later.

I have reviewed your comments and offer just several brief responses to what you said and have written:

1. The Henry George Theorem (HGT) is an established part of neoclassical economics. I did not invent the name for the theorem and certainly claim no credit for the theorem itself. There is an issue as to whether Henry George's name should be attached to this theorem at all but I do not address this historical problem at all in my paper. I am quite content to start with the fact that the HGT is now a secure part of neoclassical or orthodox economics. (I might also add that in your comments you define neoclassical economics as the study of those processes that are illuminated with equilibrium analysis and can be shown to optimize economic welfare in one or more of its several definitions. This is a wonderfully brief and focused definition of neoclassical economics. I shall adopt that definition in my own work. Thanks.)
2. As you make clear here and in countless other places, you do not care for neoclassical economics and your comments suggest that you are quite hostile to this mainstream tradition. Does that mean that W. Samuels is incapable of appreciating how something called the HGT can function within neoclassical patterns of reasoning to yield interesting and surprising results? From the tone and severity of your remarks about how I have taken the HGT and used it to highlight the positive features of real estate development providing a rationale for capitalist exploitation, you characterize me as some sort of ideologue for capitalism. I am not that at all.
3. By criticizing my paper (and perhaps its author also) in this way you reveal something about yourself. You showed me that at least on this one occasion in Tacoma, you did not want to appreciate neoclassical economics in the way a logician might appreciate the FORM of an argument even though the *premises* might be false. I was surprised by this refusal to enter into another "school" of thought and play with the logic of that approach. Your refusal to "play neoclassical" seems inconsistent with other parts of your own research agenda—such as the work with Medema on the Coase theorem. Shouldn't a historian of economics be able to speak several languages?
4. To put matters another way. I am a fervent opponent of the Marxist framework because I think that it distorts our understanding of the market economy. Those who have tried to reform capitalist institutions in the name of Marxism have produced several great catastrophes of the 20th century. Still, this does not prevent me from appreciating a good Marxist tract or paper or even recommending that the editor of a journal

publish that paper. You may remember the policy statement on the rear cover of the *AJES*—I really do take that language seriously. In other words, I am a bit disappointed that you will not work within the framework of neoclassical economics in order to evaluate, appreciate and understand the HOT [history of thought, possibly intended to be HGT, Henry George Theorem].

5. You describe me as advancing the claim that there is a singular or unique definition of reality. I am not sure that I hold this view. If I did hold such a view, you would label me “naive” and “foolish.” I do believe that there are particular *social facts* that can be understood and analyzed in useful ways. My early Austrian school training taught me that the purpose of economic reasoning is to understand the social world (rather than try to manipulate or control it). Even institutionalists believe that institutions exist “out there in reality.” Each institution would be a singular part of reality and it is difficult for me to figure out whether you are saying that I only see one part of reality or that I naively believe that social facts exist in some ontological sense. Surely you must believe that social facts exist—what you call “institutions” or else your credentials as an “institutionalist” come into question. Let us move on to another point at issue.
6. Real estate developers do behave in ways that help many individuals enjoy a better life regardless of their personal motivation. Some individuals like to go shopping in the fancy malls with the food courts and adequate washrooms. Some individuals like to play golf on vast expanses of real estate not too far from the suburbs or central city. Some individuals like to walk and skate in Rockefeller Center in New York on privately maintained streets and sidewalks. On my recent vacation in Canada, we went to the Blue Mountain resort and enjoyed the infrastructure that allowed us to climb the mountain and not worry about everything from poison ivy to heat exhaustion. The many personnel at Blue Mountain are part of an ongoing entrepreneurial venture that makes money for the investors and pays salaries. They allow the guests to venture up the mountain but at the same time keep a distant watch on the process so that no one loses life or limb. The resort has a central village—a public space—where the guests can congregate and hang out. Yes, there are stores that pay rent for the purpose of hawking to the guests as well. Your comments suggest that you only see manipulation and rent-seeking by real estate developers rather than actual utility creation. (My reference in the paper to the central business district [CBD] is just an example of something that pioneer real estate developers develop for profit-seeking reasons that if profitable [are so] because it creates wealth by attracting individuals to come to the CBD. The HGT theorem helps us understand how Samuelson’s “pure” public

- goods are never very pure because they have as one of their characteristics “location” and can be produced in adequate supply when their pioneer developers can capture certain types of land rent.)
7. I suppose economics is partly about material living standards and how under certain circumstances large groups of individuals can escape poverty. Property rights and the reshuffling of those existing rights help in this process. Also, the redefinition of the existing rights by regulation or zoning or whatever, can be either pro-developmental or anti-developmental. It is the job of the economist to analyze and decipher which of these two results dominate. Reasonable onlookers can reasonably disagree about the net effect. The tools and distinctions of modern economics can help us analyze and interpret historical events surrounding what you have dubbed the “legal-economic nexus.” You seriously disagree with this in your comments but this cannot be your considered view. Quite uncharacteristically, your comments do not leave much room for a more eclectic view of the problem. My approach is just another “reality” of the Samuels-based-idea of the legal-economic nexus.
 8. But if on reflection you agree with #7 above, your comments become all the more puzzling. You never get much beyond insisting that all entrepreneurial behavior in markets is nothing more than a grab for the surplus. H. George, Marx, and Samuels (?) have just this one story to tell. May I add that the story gets tedious and boring since it overlooks the most obvious fact about markets and entrepreneurship—that material living standards rise! The market process is not only about one “class” or one “group” getting the surplus (rents) to themselves and fighting off another group of contenders for that surplus. Law, culture, economic curriculum are all co-contributors in this rent-seeking process which you described in your comments as “morally objectionable.” But redistributing the “pie” presupposes that there is a pie available to be distributed. The rents that I have in mind are produced by scarcity which is always a relationship between supply *and demand*.
 9. But surely there is progress along with poverty. Even H. George wrote thousands of words about the creative and wealth-enhancing aspects of economic life. It is highlighted in the very title of his most important book. *Progress and Poverty*—not *Poverty instead of Progress*. For the life of me, I cannot understand how you can prepare four pages of comments that never once admit how market processes can help mitigate scarcity and/or produce novel results that masses of people value. Stated another way, real estate development is not all about *redistribution*. Some of economic life is about production and the creation of new ways of living and working with others. Certainly, the avaricious real estate developer probably doesn't

think too much about this distinction. But the fact that the distinction is invisible to the "men and women of the real world of economics" does not mean that an outside observer cannot make this distinction and find it useful when promoting our understanding of the social world.

These are some testy reactions to your testy comments. Hopefully, we can debate the problem or a related problem on many future occasions.

Best wishes to you and Sylvia for a happy summer and for a happy and speedy sale of the family home.

Larry

My reply to Larry was as follows:

Samuels to Moss, December 22, 2005

Dear Larry:

I have finally been able to read your letter of July 8, 2005. That so much time has elapsed since you sent the letter boggles my mind; I am usually manic about my correspondence. It was only last week that I actually read the letter.

As I wrote to several people recently, YOU CANNOT BELIEVE HOW COMPLEX AND TIME-CONSUMING IS THE PROCESS OF CHANGING STATE OF RESIDENCE, LEGAL SITUATION, MEDICAL CONNECTIONS, ALL WITH LEAVING AN OLD HOUSE IN WHICH WE LIVED FOR 37 YEARS, MOVING INTO A NEW HOUSE (WITH AIR-CONDITIONED GARAGE TO PROTECT BOOKS AND PAPERS STORED THEREIN) AND WITH A KING KONG-SIZE LIBRARY COMING AFTER HOUSEHOLD GOODS!

We have now finished unpacking some 400 cartons of books and papers, placing the former on bookshelves we had built and the latter in files, having given away about a third or more of my materials to three people, two former students and one colleague. I am now back at work.

I am very sorry that you took so much offence at my remarks. Yes, I was aware that I was being critical. However, I had intended my criticism to be of your ideas and not of you personally. I apologize for coming on so strong. I want to reply to your arguments but fear that I will cause more, and unnecessary, pain on your part.

My self-perceived view toward neoclassicism as the mainstream position is not one of hostility. My position is complex but includes respect but also dismay at neoclassicists' lack of attention to the limits of their work. I have stressed the point in connection with my own work.

I find that many neoclassicists deploy its paradigm etc. in defense of capitalism. That is a fact as well as a criticism. One example of this defense is the derailment of the survival requirement of agents by Pareto optimality as established by Tjalling Koopmans, Kenneth Arrow, and Frank Hahn.

It seemed to me, Larry, as I read your paper, that the so-called HGT was an attempt to finesse, marginalize, and, literally, turn George on his head.

The issue, as it struck me, is not the form of an argument but its content. And its content, again as it struck me, appeared to be an effort to neutralize George's radical message.

I regret that you interpret this as my failure, my unwillingness, to appreciate another plank in the on-going construction of neoclassical economics. I do work within many schools of economic thought, at arm's length, even institutionalism.

I also do appreciate the entrepreneurial efforts of real estate developers. We have owned several houses. The one in which we lived for 37 years was purchased—two years after construction—from the first owner, but the builder was helpful when he did not need to be. Our new home was built from scratch by a builder who is as attentive to his customers' needs as could be. He stands ready to make perfect, within the first year of occupancy, any defect we find. Our relationships with his people have been constructive and responsive on their part.

Apropos of your argument and my response, I can only say that I felt compelled to defend George and his theory of the unearned increment against a formulation—the HGT—which seemed to me to [be] as I characterize it above. In saying that I have in mind the last paragraph of the first section of my Comment.

I warmly receive the last paragraph of your letter: testy reactions to testy comments. You deservedly replied as you did and I respect you for it. But you must see how I can perceive the HGT as taking a small slice of George's model in such a way as to neutralize his main argument. (I myself have criticized the labor theory of value.) In any event, we must remain friends; neither of us should take personal offense.

By the way, my writings on George make clear that I consider his radical view of the unearned increment to be based on his acceptance of income derived from productivity. In that, he is as conservative as could be. And he certainly accepts builders' productivity.

I look forward to continuing our warm friendship.

Warren

Moss responded, on the same day, to the foregoing as follows:

Moss to Samuels, December 22, 2005

Dear Warren,

.....On to Henry George. I do not think that I am marginalizing H.G. I join others whom I cite in that article praising George's insights about the importance of location. By creating "attractors" and speculating on the real estate appreciation around the attractors, entrepreneurs can create value (albeit market value). To do this they speculate in Schumpeterian/Austrian

fashion about what new combinations are likely to be valued by consumers. Even if George never thought in these terms and only inspired others to think in these terms, that is still an important consideration. When I caught on to this material, I was swept away by its importance.

You should not apologize to me or walk on tip toes not to hurt my feelings. This is no way to run an academic business! My ego does not get so easily bruised in my dotage as it used to get in my youth.

If I cared about these things I would be quite a different style professor than the one you find me. I really want to know how things work and what sorts of policies will raise living standards. My variant of the Austrian school emphasizes this approach even though the radical subjectivists might not find what I have to say as interesting as I do. Please speak freely an[d] openly with me. Do not patronize me because that would mean that you yourself do not feel comfortable in my presence and that would spoil our friendship.

If there were any matter that irks me about you, it would be your unrequited promise to send a paper on Bellamy to the *AJES*. That paper never arrived. I hope that you will finish it and send it on to me someday so I can publish it in the *AJES*. As you know, we are now being scanned into the JSTOR archival system and stuff that I publish next issue will be on-line for the entire world in five short years.

After reading your paper in the Laurent book, I can see more clearly what you[r] principal objection is to orthodox economics. Orthodox economists might say that “in equilibrium” factors get paid the value of their marginal product. From this it is a short hop to the conclusion that these factors or their owners are responsible for that productivity and that they themselves deserve the relative share of the regional income that is paid over to them. You point out how anyone’s productivity depends on many facts about the region especially all that infrastructure legal, physical, and moral that has come into place before that claimant even was born.

This is true. At Babson College where we study entrepreneurs, I am always amazed how someone from India who can hardly get an export license in India becomes once they have emigrated to the states so successful and in many cases wealthy! Surely it is the infrastructure broadly defined (Samuel’s economic-legal nexus) that is at work here. It is by preserving certain institutions that human action is channeled by an “invisible hand” to raise living standards. Economics studies those institutions.

If I have at least the gist of your criticism of neoclassical distribution theory, then I am sorry to say that the criticisms cut just as deep into Henry George’s canons. George as I understand him said that labor is productive and the worker deserves his reward. George said that speculation is not productive and the rich speculators do not deserve their capital gains especially on land. But I say, speculation is a difficult activity and can be

something that is worth rewarding quite liberally (the story of Joseph in the Bible comes to mind). If you are a Georgist you can't pick and choose your productivities. It is illogical and simply ideological.

In my paper, I distinguish between creative speculation that creates Schumpeterian value from cronyism and rent-seeking. I insist that my approach to George doesn't finesse, marginalize, and trivialize H.G. If anything it continues the tradition distinguishing the entrepreneurial variant of capitalism (that Mises had in mind) from the cronyism and disgraceful corruption that is so much more evident in many places around us.

I am sorry that you don't agree with me. Again, I have been cast from the Austrian school for my "productivity" orientation, from the Hayek-is-against-equilibrium analysis for my insistence that he was critical but never abandoned equilibrium analysis as a tool for understanding the economy, and now you want to cast me off from the Georgist fold. All I can say is that "this too shall come to pass."

Please consider the Bellany paper as perhaps your first major project now that you are back on line in sunny Florida. Best regards to Sylvia also.

I vaguely remember that you and Mark Perlman are (were) quite close. He is not in a good shape now and if you get a chance, please send him an e-mail.

Widdy sends her warm regards. We both wish you and Sylvia a happy holiday period.

Larry Moss

Samuels to Moss, December 30, 2005

Larry, It is easier for me, and I think for you, if I respond to your reply as I do below.

Dear Warren,

.....On to Henry George. I do not think that I am marginalizing H.G. I join others whom I cite in that article praising George's insights about the importance of location. By creating "attractors" and speculating on the real estate appreciation around the attractors, entrepreneurs can create value (albeit market value). To do this they speculate in Schumpeterian/Austrian fashion about what new combinations are likely to be valued by consumers. Even if George never thought in these terms and only inspired others to think in these terms, that is still an important consideration. When I caught on to this material, I was swept away by its importance.

GEORGE WOULD HAVE BEEN HAPPY WITH PRODUCTIVE BUILDERS BUT NOT WITH SPECULATION, ESPECIALLY SPECULATION IN EFFECT OVER THE UNEARNED INCREMENT.

You should not apologize to me or walk on tip toes not to hurt my feelings. This is no way to run an academic business! My ego does not get so easily bruised in my dotage as it used to get in my youth.

I WAS SINCERE IN APOLOGIZING. WHEN I PREPARED MY COMMENTS I WAS CONCERNED ABOUT HOW STRONGLY YOU WOULD TAKE MY CRITICISMS.

If I cared about these things I would be quite a different style professor than the one you find me. I really want to know how things work and what sorts of policies will raise living standards. My variant of the Austrian school emphasizes this approach even though the radical subjectivists might not find what I have to say as interesting as I do. Please speak freely and openly with me. Do not patronize me because that would mean that you yourself do not feel comfortable in my presence and that would spoil our friendship.

I THOUGHT I WAS SPEAKING FREELY AND OPENLY WITH YOU. I CERTAINLY WAS NOT TRYING TO PATRONIZE YOU: SEE JUST ABOVE. I, TOO, AM CANDID; THAT IS, I THINK WHY I GOT ALONG SO WELL WITH GEORGE STIGLER: HE KNEW THAT I (LIKE WALTER ADAMS) SHARED HIS NORMATIVE VIEW OF THE MARKET BUT FOUND THAT REALITY DEPARTED FROM HIS IDEALIZED IMAGE—AND I MADE NO BONES ABOUT SAYING SO.

If there were any matter that irks me about you, it would be your unrequited promise to send a paper on Bellamy to the *AJES*. That paper never arrived. I hope that you will finish it and send it on to me someday so I can publish it in the *AJES*. As you know, we are now being scanned into the JSTOR archival system and stuff that I publish next issue will be on-line for the entire world in five short years.

I HAVE TOLD YOU WHY NO PAPER HAS BEEN FORTHCOMING: I FOUND THE SEQUEL, 'INEQUALITY', TO BE AN INFERIOR BOOK AND DID NOT WANT TO ALLOCATE TIME TO IT.

After reading your paper in the Laurent book, I can see more clearly what your principal objection is to orthodox economics. Orthodox economists might say that "in equilibrium" factors get paid the value of their marginal product. From this it is a short hop to the conclusion that these factors or their owners are responsible for that productivity and that they themselves deserve the relative share of the regional income that is paid over to them. You point out how anyone's productivity depends on many facts about the region especially all that infrastructure legal, physical, and moral that has come into place before that claimant even was born.

GOOD FOR YOU! (UNPATRONIZINGLY)

This is true. At Babson College where we study entrepreneurs, I am always amazed how someone from India who can hardly get an export license in India becomes once they have emigrated to the states so successful and in many cases wealthy! Surely it is the infrastructure broadly defined (Samuels's economic-legal nexus) that is at work here. It is by preserving certain

institutions that human action is channeled by an “invisible hand” to raise living standards. Economics studies those institutions.

IT SHOULD STUDY ALL INSTITUTIONS BEARING ON PRODUCTION ETC. I HOPE TO USE YOUR INVISIBLE HAND STATEMENT IN MY WORK ON THE USE OF THE CONCEPT. (UNPATRONIZINGLY!!)

If I have at least the gist of your criticism of neoclassical distribution theory, then I am sorry to say that the criticisms cut just as deep into Henry George’s canons. George as I understand him said that labor is productive and the worker deserves his reward. George said that speculation is not productive and the rich speculators do not deserve their capital gains especially on land. But I say, speculation is a difficult activity and can be something that is worth rewarding quite liberally (the story of Joseph in the Bible comes to mind). If you are a Georgist you can’t pick and choose your productivities. It is illogical and simply ideological.

BUT GEORGE WOULD DENY RENT-SEEKING (= SPECULATION OVER UNEARNED INCREMENT) IS NOT PRODUCTIVE; SO TOO TULLOCK (AND MARX—WHY I BEGAN MY COMMENT WITH FIGHTING OVER SURPLUS VALUE)

[Added June 2009: N.B. The immediately preceding paragraph was too hastily written and awkwardly punctuated. It should be understood as follows: BUT GEORGE WOULD DENY RENT-SEEKING (WHICH IS SPECULATION OVER UNEARNED INCREMENT). IT IS NOT PRODUCTIVE. SO ALSO WOULD TULLOCK AND MARX—WHICH IS WHY I BEGAN MY COMMENT [ON LARRY’S INITIAL PAPER] WITH FIGHTING OVER SURPLUS VALUE.]

In my paper, I distinguish between creative speculation that creates Schumpeterian value from cronyism and rent-seeking. I insist that my approach to George doesn’t finesse, marginalize, and trivialize H.G. If anything it continues the tradition distinguishing the entrepreneurial variant of capitalism (that Mises had in mind) from the cronyism and disgraceful corruption that is so much more evident in many places around us.

I QUESTION WHETHER GEORGE WOULD ACCEPT THAT THE DISTINCTIONS YOU DRAW ARE MEANINGFUL, I CONCUR WITH HIM BUT DO NOT QUESTION YOUR SINCERITY OR INTELLIGENCE IN THE MATTER.

I am sorry that you don’t agree with me. Again, I have been cast from the Austrian school for my “productivity” orientation, from the Hayek-is-against-equilibrium analysis for my insistence that he was critical but never abandoned equilibrium analysis as a tool for understanding the economy, and now you want to cast me off from the Georgist fold. All I can say is that “this too shall come to pass.”

WHAT CAN I SAY?! ONLY THAT MY TIME ON THE FOUNDATION’S BOARD LEFT ME UNHAPPY.

Please consider the Bellamy paper as perhaps your first major project now that you are back on line in sunny Florida. Best regards to Sylvia also.

I vaguely remember that you and Mark Perlman are (were) quite close. He is not in a good shape now and if you get a chance, please send him an e-mail.

I HAVE BUT HAVE HAD NO REPLY.

Widdy sends her warm regards. We both wish you and Sylvia a happy holiday period.

WE DO LIKEWISE. I HOPE IT IS NOT PATRONIZING (I DO NOT MEAN TO BE SMUG ABOUT THIS) TO SAY THAT I TOO VALUE OUR FRIENDSHIP (PARA. 4 ABOVE)

WARREN

Larry Moss

3. *My Further Retrospective Evaluation of My Comment*

1. Our two positions, as developed in his original paper, my initial comment, his letter of July 8, 2005, my letter of December 22, 2005, and his reply of the same date, clearly talked past each other, each of us taking a position and criticizing the other on the basis of our own. Larry focused on the creation of gains from land development promoting the creation of positive externalities and financed in part by capturing the economic rent received by relatively close-in purchasers of the real estate developments. I focused on the larger, but different, question of George's view of land rent. From his point of view, I neglected the positive results, within the existing law, arising from entrepreneurial land-development activity. From my point of view, Larry was attempting to finesse George's view of land rent by focusing on the positive externalities generated by land development and financed in part by their creation. *I read too much into his narrower focus and he read too much into my larger, and different, focus.* In retrospect, the fact that Larry's paper on the Henry George Principle was the initial writing should have required that my comment at least deal with his argument before, perhaps even without, taking up the larger questions. I thought that I had done so, but obviously I had not to his satisfaction.

2. I was certainly aware of the creative role of entrepreneurial activity. For one thing, I have relatives who became quite wealthy through land development in the form of shopping malls, having

started out in the scrap metal business. My concern was that George was not writing investment pamphlets promoting the purchase and development of land in order to capture economic rent. In that respect Larry was indeed turning George on his head; again, my concern was that the reader of Larry's paper would get the wrong idea as to what George had actually argued.

Larry has a point in distinguishing between rent seeking and creative entrepreneurial activity. The historiographic problem, I think, is that when George wrote, in the late 19th century, the problem of uncertainty was unspecified. It hovered around the issues of determinate and indeterminate theory, business-cycle analysis, and some other topics. The first major breakthrough came with Frank Knight's distinction between risk and uncertainty. This problem is different and separate from that of the creative role of entrepreneurial activity. This problem is clearly a resource-allocation problem but it is also clearly a problem of the organization and control of the economy. One facet is the question of who is in a position to become an entrepreneur. Another is which groups of actual or would-be entrepreneurs are able to use government to create new property rights, either through the direct revision of existing rights or the insertion of new rights, indirectly impacting on hitherto existing rights, and in all cases affecting the economic significance of property. In the real world, argument tends to become maudlin and even to cease upon reaching the issue of upward mobility, that is, the ability of new groups to get their interests protected as property by having government protect them as such. In the real world of economic theory, the issues have centered on the applicability and significance of rational expectations and radical indeterminacy.

3. Larry's view of my position on neoclassical economics made me out to be more of a critic than I am. My criticism of neoclassical economics has been its failure to acknowledge and to correct its lack of a sense of the limits of its central strategy of analysis. The immediate cause of that failure has been the narrowness of its central problem, namely, resource allocation. This has led to the neglect of the problem of the organization and control of the economic system. By its adoption of a research protocol requiring the attainment of unique determinate optimal equilibrium results and by

postulating a purely conceptual model of the economy and applying the results of its research protocol to the existing economic system, it has presumed without demonstration that the existing actual system is covered by (applies to) the purely conceptual model. In doing so, it has focused on resource allocation as a function of demand and supply, in which its analysis in itself is sensible, but obscures the fact that it could be applied to a different set of rights and doing it in such a way as to posit the existing set of rights as the only correct one, thereby serving to assume and reinforce its selective picture of the status quo. A more complete approach, one much less open to conservative use, would continue to hold that resource allocation is a function of demand and supply but would go on to add that demand and supply is a function of the structure of rights, which is in turn a function of choices made by government, which are a function of who has the control of government and of the uses to which that control is put. Larry knew and agreed with the foregoing extensions, as evidenced by his approving remarks on my model of the legal-economic nexus.

The neoclassical model thus provides intellectual support, however selectively, to the status quo structure of rights and its correlative structure of whose interests get to count. Its theory of welfare economics gives effect to the foregoing. Whereas the one that Al Schmid and I have developed adds to the neoclassical theory of the market the role of property and of government in determining the actual distribution of welfare, is intended to be purely positive, and cannot be used for selective reinforcement of existing property and other rights or for selective change of such rights.

4. The totality of our correspondence and other documents, including what I have added in this document, seems to be that both of us have been eclectic, that each of our eclecticisms included neoclassical economics, and that we were eclectic in regard to neoclassicism, at least in some respects, in different ways.

5. Larry wrote that a Georgist cannot pick and choose his or her productivities. The problem is that a Georgist believes that certain activity is rent-seeking and does not constitute, at least in its entirety, productivity.

C. The Legal-Economic Nexus

The topic underlying much of the foregoing, if at some remove, is my work on the legal-economic nexus. My basic argument is that neither the legal system nor the economy is independent of the other, that the substantive content and selective perception of each emanates from a legal-economic nexus out of which the two systems and their perception as well as attribution of resulting performances are worked out. As noted above, Moss agreed with its basic ideas and used them in his HES Presidential Address.

Moss to Samuels, January 1, 2006

Dear Warren,

I have a question for you concerning your debate with Buchanan over the cedar trees. Your answer shall also help me better understand your views on H.G. and the interpretation you give to his "land surplus-value" idea and its connection with Marx's similar-sounding idea.

Suppose we have a slave society where the slaves would be willing to borrow against future income and pay their masters \$100,000 cash to be released from their bondage. The problem is that with imperfect capital markets and no collateral they have [a] problem borrowing the \$100,000. Assume also that the masters would happily take the \$100,000 which is more than adequate to compensate the masters for their property losses. This is the Status Quo.

Suppose I published an article making the following argument:

Moss states that Buchanan would now search for some method(s) to facilitate the borrowing and purchase of the slaves' freedom. Buchanan searches for a series of trades that would make us all better off when they compare themselves to their INITIAL POSITION. This means that the status quo is the baseline for the ethical or normative assessment of economic exchange.

Moss also states that Samuels would balk at even the idea of considering this horrific situation of involuntary bondage "the status quo." Why should the masters be compensated for something that was never by rights theirs to own? This means that the status quo is problematic and installs a conservative bias in Buchanan's *wertfreiheit*.

Is this argument reasonably correct? Have I typified your position and Buchanan's honestly and fairly? Is this more or less what each of you mean by the "status quo" from which optimizing trades are evaluated?

Best wishes to you and Sylvia for a happy and healthy new year.

Larry Moss

My reply was the following:

Samuels to Moss, January 6, 2006

Sorry about delay; too many things come up and fatigue is not always overcome; am catching up with my correspondence this evening.

You characterize Jim correctly, I think.

You do not characterize me correctly.

Jim's is a normative view; mine is not.

I descriptively and analytically point out the following:

1. The normative question, on which I take no personal position, is that posed by Rothbard: Should the owners be compensated for losing their property, or should the former slaves be compensated for having had their freedom taken from them. You and Jim base your normative analyses on the former position.
2. As for constituting the status quo, within the bounds of your question to me, the status quo is defined by whether one or the other of the two positions, *supra*, is chosen by authorities with the responsibility of making the choice. More largely, the status quo is defined by having to make the choice. I think Jim would agree with this: the difference is that he would base his normative analysis, as above, on the "former" position in (1).

I hope this is helpful to you.

And a happy and healthy new year to you folks.

Warren

Moss to Samuels, January 7, 2006

In a message dated 1/6/2006 9:28:51 PM Eastern Standard Time, wjsamuels@bellsouth.net writes: As for constituting the status quo, within the bounds of your question to me, the status quo is defined by whether one or the other of the two positions, *supra*, is chosen by authorities with the responsibility of making the choice. More largely, the status quo is defined by having to make the choice. I think Jim would agree with this; the difference is that he would base his normative analysis, as above, on the "former" position in (1).

Dear Warren,

I just slept longer than I should. I know the feeling of just wanting to stay under the covers— especially in January (saves a couple of dollars on heat as well!).

I find your response somewhat helpful. You think that Jim would argue that the slave owners who have the "legal rights" (by which I mean state-made rights ala 'legal positivism') should be treated with respect, dignity, etc., and paid to give up their control over the other human beings to avoid a "detour through anarchism" (paraphrasing Jim's *Logic of Leviathan* book that I studied years ago). In other words, Buchanan's position

is that in order to avoid a “war of all against all” it is morally better to simply purchase the right to freedom from the current owners. Furthermore [the] state promotes social welfare when it facilitates that sort of bargain.

On this normative response, Rothbard, waving the flag of human rights/property rights, would be the rough and ready radical and a supporter of the abolitionists at least in principle. He would not be inclined to worry about the former slave owners’ loss in wealth. Sort of like Mugabe in Zimbabwe—no compensation for the loss of their farms. Several Georgists do not care much if at all about the imposition of the land-value tax disappointing the “legitimate” expectations of a couple banking on selling their property and retiring on the capital gain.

(In actuality Rothbard dislikes Abe Lincoln and his policies because Lincoln used the pretext of the Civil War to push through the despised central banking, the subsidized railroads, and the tariff and other trade barriers, etc. etc.)

All of this is about what “ought to be.” The idea of the “status quo” is non-normative. Here is where I am still confused. In the fierce debate between the slaves and their masters, the status quo is what? The slaves are determined to get out. The slave owners are determined to get their investment back and there are huge expenditures in fencing, attack dogs, guards, monitoring devices, etc. What is the “status quo” here?

In the area of law and economics, I thought that the adjudication of the dispute between the slave and his owner requires the “fact finding” judge to typify the status quo, PRIOR to making a legal decision. In fact there is a literature where, depending on how the judge (or panel of judges) begins their report, you can predict where and how they will end up. I thought that he must do that first—choose a way of typifying the status quo—and, that done, his conclusion is more or less determined.

I think of R. Coase. He mentions distribution effects as a direct and obvious result of the decision about-to-be-rendered about who had the right that is under dispute. Coase or perhaps his followers then minimize the distribution effects and speak mostly about resource allocation. Is that an example of how by characterizing the “status quo” one way and not a different way, the outcome is described one way rather than another way and the normative evaluation of the outcome is now biased one way rather than another way?

Please feel free to recommend something you wrote on this idea of the status quo but help me understand how it pops up in this simple slave-non-slave example.

Thanks for your response.

Cheers,

Larry Moss

Samuels to Moss, January 9, 2006

Larry:

My position is as follows, as clear as I can make it in a few words:

1. In actual circumstances, the slave owner versus slave issue must be and will be worked out in a pragmatic fashion, not on the basis of abstract notions of justice. [The foregoing as stated is] a positive proposition.
2. Buchanan versus Rothbard signifies how two anarcho-libertarians might and here do evaluate the justicial claims differently. [This, too, is] a positive proposition.
3. In practice, the idea of the status quo is used normatively, as by Buchanan and by Rothbard. As a positive matter, even if we all agree that a status quo exists, we each define it differently—because of different selective perceptions and normative positions. So it does not say much to aver that the status quo exists and that we start from it. Certainly it is significant that slavery exists but that is not the issue.
4. As for fact-finding judge, see attachment. [I no longer recall what was sent.]
5. Coase mentions distributive effects but does not make as much of them as, e.g., do I, e.g., in my *NATURAL RESOURCES JOURNAL* article. Coase's reciprocity argument renders it all a matter of what I say supra in (1). (The example of the bakery and the metal-working or laundry shop illustrates the fact that their adjoining existence prevents anyone from meaningfully attributing the externality problem to either of the two. The fact of positive transaction costs, etc., prevents anyone from meaningfully claiming that resource allocation does not vary with changes in the assignment of rights.)
6. I assume you have seen my two pieces on the status quo in *RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY*, vol. 22-A (2004).
All the best.
Warren

IV

Final Retrospective Evaluation

IT IS, OF COURSE, unfortunate that Larry and I never got together and discussed at length both the issues raised here and many others, perhaps preparing a paper indicating wherein we agreed and disagreed, and how each of us explained that situation. We might have added the commissioned comments of some Austrian and institutionalist and even other economists sympathetic to this historiographic project. It could perhaps have been similar to the symposium on

Austrian and institutional economics published in volume 6 (1989) of *Research in the History of Economic Thought and Methodology*. It is even more unfortunate that he is not with us to do it now.

I wish I could prepare a set of propositions indicating wherein we now agreed and disagreed on the Henry George Theorem and on its relation to the legal-economic nexus. I am not confident, however, that I am competent to compose propositions that accurately represent Larry's views. The reader might attempt their own list. I do have some further points to make principally concerning topics discussed in Section III.

There is no status quo that exists independent of people like Jim Buchanan, Larry Moss, Murray Rothbard, and Warren Samuels, or anyone else. In the positive sense we can identify, to a point, various institutions, mores, legal rules, moral rules, and so on that exist as or part of the totality of the status quo. One difficulty is that the status quo is rarely discussed solely, and possibly even primarily, in positivist terms (see Moss's characterization of Buchanan's and my definitions). Thus, returning to the discussion in Section III, the status quo can be, in part, indicated through the fact of slavery. There is no normative issue here. There is no issue of fact as to the existence of slavery. We must here assume that the hypothetical respective demands or reservation demands of slaves and slave owners are fact. Other persons could indicate the status quo through, say, the tariff. Someone could say that, while slavery is fact in the same sense that the Washington Monument is fact, slave ownership is reprehensible and evil. In that sense then, a market solution is possible but possibly excluded by expropriation (freeing the slaves without compensation to the slave owner) on the ground that the slaves had been improperly considered property, and if anyone should be paid compensation or reparations it is the former slaves and their progeny. The immediate foregoing constitutes a different frame or different baseline.

Not only, therefore, can the status quo be identified differently by different people, a further conclusion, oddly enough, is that for practical purposes a singular status quo does not exist or is irrelevant. People have a use for the term "status quo," however much its substantive content is ambiguous due to the multiplicity of possible identifications. The term "status quo" serves a framing function in

discussions addressing the normative issue of changing or not changing something. Let's critique Larry's example:

Suppose we have a slave society where the slaves would be willing to borrow against future income and pay their masters \$100,000 cash to be released from their bondage. The problem is that with imperfect capital markets and no collateral they have [a] problem borrowing the \$100,000. Assume also that the masters would happily take the \$100,000 which is more than adequate to compensate the masters for their property losses. This is the Status Quo.

As I say in the second paragraph back, there is no normative issue here and there is no issue of fact as to the existence of slavery. We must here assume that the hypothetical respective demands or reservation demands of slaves and slave owners are fact. Larry continues:

Suppose I published an article making the following argument: Moss states that Buchanan would now search for some method(s) to facilitate the borrowing and purchase of the slaves' freedom. Buchanan searches for a series of trades that would make us all better off when they compare themselves to their INITIAL POSITION. This means that the status quo is the baseline for the ethical or normative assessment of economic exchange.

Moss's baseline is my framing. For Buchanan, however, the status quo is understood as (1) the fact of slavery, plus (2) the respective positions of the parties with regard to potential contracts to change from slavery to freedom, and (3) the exclusion of noncontractual solutions. Slavery that commenced through violence and force is to be eliminated only by contract in the market but possibly also by charitable actions and/or government taking/freeing the slaves and compensating their former owners. (1) is a positive fact, (2) is factual but illusive given that the situation is one of bargaining, and (3) is normative. Notice that the status quo is identified solely with regard to slavery. When, two paragraphs later, Larry writes that "optimizing trades are evaluated," he aligns himself with Buchanan and Pareto optimality as the normative frame or baseline. Again returning to Larry's example:

Moss also states that Samuels would balk at even the idea of considering this horrific situation of involuntary bondage "the status quo." Why should the masters be compensated for something that was never by rights theirs to own? This means that the status quo is problematic and installs a conservative bias in Buchanan's *wertfreiheit*.

Is this argument reasonably correct? Have I typified your position and Buchanan's honestly and fairly? Is this more or less what each of you mean by the "status quo" from which optimizing trades are evaluated?

The typifying applies much more to Rothbard. I am normatively more sympathetic to Rothbard's position than to Buchanan's but would expect and hope for a solution that frees the slaves, whatever else it does. Actually I am less interested as a positive policy analyst in the result per se and more interested in understanding the operation of the process of working things out. My personal normative position, however, includes recognition of the need and the desirability of overcoming the impact of slavery on the psyches and lack of human capital. I would prefer not to only turn the slaves loose to fend for themselves as is.

The concept of the status quo is relevant insofar as individuals identify with what they think it is. This enables people to (selectively) invoke "the status quo" in marshaling support for their particular desired continuity. The concept of the status quo is a means of introducing political or normative preferences into a discussion or analysis. Larry, therefore, I would say, does a better job of articulating Buchanan's definition of the status quo than he does mine. There is no "the" status quo.

Invocation of the "status quo" seeks to selectively activate sentiments of continuity rather than those of change. The concept of the status quo is backward-focusing. Decision making is forward-looking. The attempt is not so much to reinstate some past set of arrangements; it is to create the status quo of tomorrow—insofar as it enters into their thinking. Laws may be legislated or cases decided on some mythic notion of the past. But doing so does not change the past. Doing so engages social constructivism, ironically oriented to the future. The definition of the status quo is not an essential issue.

I wonder if instead of speculating about the compensation problem in the slaves versus slave owner case, in which slavery had been in place for some time, we went through the same exercise in cases such as these:

The compensation problem or, as some might call it, the ransom problem, when bargaining with Somali pirates who have hijacked oceangoing oil tankers and taken their crews hostage.

The compensation problem when it is sought for the lord of the land no longer to have the right to have intercourse with a vassal's daughter on her wedding night (*droit du seigneur*, also *ius primae noctis*).

The compensation problem when a *Droit de Naufrage* is revoked or repealed, the right of a seigneur who owns the seashore, or the king, when a vessel is wrecked to take possession of the wreckage and to kill the crew or sell them as slaves.

The compensation, or ransom, problem in the event of shanghaiing men for work on ships.

I conjecture that different answers would be forthcoming, characterized by such factors as length of time practiced; membership of social class; gender; ethnic grouping; social structure; overall political climate.

v

Conclusion

LARRY MOSS echoes Friedrich Hayek in considering the unintended and unexpected consequences of human action to be the central problem of social science. I would agree that it is a, though not the, central problem. It is not mysterious, as it sometimes seems said to be (as, for example, in the phrase, "magic of the market"). It is due to interaction and the aggregation of actions and of the results of interaction. From Adam Ferguson and Adam Smith to the present day, it has been considered both amenable to rational discussion and conducive to human well-being. Such a view has at least two problems. One arises because Hayek thought that nondeliberative collective decision making (to wit: the market) yields results superior to those generated by deliberative collective decision making. The other is that no guarantee exists that any of these results is necessarily conducive to human well-being. I think that, analytically, this view of Hayek's principle goes very far in explaining the differences of opinion that pervade the issues discussed by Larry Moss and Warren Samuels. Larry is in good company.

I now understand (finally!) why Larry and Widdy could not fathom my reactions to his paper and correspondence. Larry's view vests in the real estate developer and speculator some of the sources of entrepreneurial growth, and understandably so. These people have introduced in the United States and elsewhere housing subdivisions

and shopping malls and thereby have been instrumental in the promotion of economic growth. Larry seems as if he could not care less about the checkered history of land acquisition and landlord powers of governance, of the advantage to those who benefited under capitalism in Europe and elsewhere from what Smith, Ricardo, George, and, inter alia, Achille Loria recognized as preemptive grabbing of the land of this planet, such that capitalism was conducted with seemed to them considerable unfairness. Not only those four economists but also the economists who signed the famous "open letter" to Mikhail Gorbachev advising the adoption or revision of tax and land law that captured Ricardian/Georgian economic rent.

Larry seems as if he could not care less about those things. He is, however, concerned with the contributions made by real estate developers and speculators. He is concerned, too, with indigent immigrant owners of land who were taken advantage of by savvy and greedy tenants. He represented them as their attorney pro bono. Along the way he encountered corruption and the myopia of people who, in seeking certain reforms, created problems, which underscored his antipathy to central planners, politicians, and bureaucrats. He understood that the free market is fraught with imperfections.

Larry strongly felt that he was neither dogmatic nor an ideologue. He nonetheless expressed his reading of the open letter as urging Gorbachev "not to distribute the land to the common man." He believes that Georgian ideas and policies "show how simple classical-school ideas about land rent and its origin can fuel wholesale packages for radical reform and even earn the imprimatur of no less [than] three Nobel Prize winners in economics!" (The quotations are from Larry Moss's review of Richard Noyes, ed., *Now the Synthesis: Capitalism, Socialism, and the New Social Control* [New York: Homes & Meier/Shepherd-Walwryn, 1991], in *Southern Economic Journal* 60 (July 1993): 363–365.) Such a position and its exposition can readily be seen as overreaction.

People can overreact to each other's arguments and do so on both sides, especially if neither knows or appreciates the context in which the other writes.

There are generic situations that arise due to the nature of the problem being discussed. In water law, the advocate of riparian rights

sees some evil results consequent to following prior appropriation rules, and vice versa. The advocate of applying contract law to doctor-patient relations and the advocate of protecting patients from contract terms limiting medical liability in standardized contracts written and required by doctors point to the undesirable results of their opponents' proposals. The idea of reciprocal externalities, promoted by Ronald Coase, has boggled the minds of people who think one side or the other is to blame. Different land-registration systems will each be criticized and defended by their respective supporters.

Here we have a somewhat different generic situation. An institution with which we have grown up, lived, and taken for granted as part of the natural order of things is opposed by a proposal for a significant change—to be added much as previous proposals have made more or less incremental changes. The situation is made both more complicated and more explosive because of wholesale condemnations of important groups of people: landowners, speculators, politicians, bureaucrats, and so on. The situation is rendered still more complicated and explosive because views that may well apply to one set of policies are applied to a very different set, for example, condemnation of mercantilism and of socialism as political-economic systems being applied to particular laws or policies, thereby committing at least two errors: one error is to neglect the fact that some law will control, no matter what one may think of law and government; the other is that all laws produce winners and losers.

It seems to me that the situation represented by the Henry George Theorem is such a generic instance. Such conflicts cannot be solved by completely rational means, by which I mean talking it over until we all agree. There are always different circumstances, different problem definitions, different goals.

Consider the following. The constructed spaces of American cities, suburban and rural areas are much more attractive than they were a century or so ago. The improvements are due to technology, mass production, and marketing, and to a variety of entrepreneurial and other skills. May it not have been possible, conceptually, for Henry George, had he lived into the post-World War II period, to have evaluated the real estate-developer entrepreneur differently, along Larry's lines, while retaining much of his other insights and ideas?