

Varieties of Economic Experience

THE WORLDLY PHILOSOPHERS. By Robert Heilbroner. Simon and Schuster. New York. 1953. 342 pp. \$5.00.

Reviewed by ETHEL H. VAN BUSKIRK

This interesting work endeavors to explain to readers of all classes, the impact several outstanding economists have had on civilization from the beginning of the eighteenth century to the middle of the twentieth.

The term, "economics," is not defined—an unfortunate omission—although in the introduction the authors says economists "were absorbed in the behavior of their fellow man, first as he created worldly wealth, and then as he trod on the toes of his neighbor to gain a share of it."

Worldly Philosophers traces the growth of economics as a science, explaining that until the emergence of the market system game accompanied by the idea of gain, economics as considered today did not exist and did not need to. Rarely emphasized by other writers is the significant fact that the idea of gain in the market system is a modern growth (eighteenth century), originating among Western civilizations.

The biography of each economist, accompanied by revealing anecdotes, is sketched against the background of the time in which he lived. This very human presentation enables the reader to understand why each one reacted as he did to the problem of survival and why in the search for causes of the struggle for survival some fundamental principles were discovered. Very properly, this study begins in 1760 with Adam Smith when he encountered the Physiocrats in France who held to the limited philosophy that only the agricultural classes produced wealth. The *Wealth of Nations*, with its optimistic premise that self-interest and competition of the market place controls society in a rational manner and enables it to grow, is interpreted so clearly the creed can be traced in the thinking of today. The industrial production of wealth was not yet recognized as a contributing factor in society's development.

The Malthus Myth

No concern about the growing persistence of poverty existed until the late eighteenth and early nineteenth century when Thomas Malthus and David Ricardo sought to explain it. The early Socialists were concerned with its alleviation, although disagreement existed about the remedies. In this book Mr. Heilbroner shows that the changes resulting from the rapid development of the profit system, lead us logically to the non-utopian Marx and Engles. These two men saw only inevitable self-destruction in the capitalist method of production and distribution of wealth. Perhaps the author places too much emphasis on the impact of their materialistic philosophy on civilization, perhaps not for the year 1953. At any rate their economic philosophy is carefully separated from the ideas of the Marxist revolution.

Into the Victorian era the author leads us merely by mentioning several economists of the day. He concentrates on Edgeworth, the attempted humanizer; Bastiat, the ridiculer of economic double thinking; Henry George, who outlined a plan to give free opportunity to men; and John A. Hobson, with his prophetic warnings about the political domination latent in imperialism.

The ideas of twentieth century economists, Thorstein Veblen, Alvin Hansen, J. Maynard Keynes and Joseph Schumpeter, he treats fully,

Even Veblen's theories of man's behavior as a consumer are set forth in detail, scarcely a relevant inclusion in a work concerned with his behavior as a producer. In Keynes we find an economist who regarded man's nature and his institutions as a part of the economist's study. With Hansen the economists are beginning to believe the profit system is harnessed to active government support and participation. Schumpeter goes further, pointing to the ultimate decline of capitalism due to the disappearance of the impetus of adventure in the business world and the resulting search for security.

Socialists Get Light Touch

To be valuable as a reference work a volume with such large coverage must be accurate. Meticulously and at length the author presents the market thesis of Smith and the succeeding theories of Malthus and Ricardo and the narrow dialecticism of Marx. With the exception of John Stuart Mill he skims lightly through the teachings of the various Socialists, dwelling more on their personal eccentricities. And he does not hint that the trend of socialistic thinking was a preparation for the "inexorable" world of Karl Marx. The author omits mention of the significance of the key to political economy first exemplified by the French Physiocrats in the seventeenth century. This key: the existence of a surplus product created by society, the Physiocrats applied only to agriculture. But the unearned increment of land values can be discerned today regardless of the use to which the land is put.

In the discussion of Henry George, the personal life is sufficiently covered to prepare the reader for a doctrine that would penetrate to the primary cause of man's unsuccessful struggle to survive. Here again the emphasis is heavy on personal characteristics, imagining him as a dogmatic zealot.

The discussion of George's thesis is confined to his delineation of the workings of Ricardo's law of rent. At no time does the author mention, let alone discuss, George's disproof of the wage fund theory and his convincing proof that wages and interest come from the stockpile of wealth, returned to labor and capital for effort expended in producing it. By omitting this part of George's doctrine, the workings of the law of rent cannot be made clear because rent also comes from this stockpile, even though to secure the return requires no effort but is taken out of the wealth produced by labor and capital. The result of this omission is of course not merely to interpret incorrectly George's doctrine but to fail altogether to interpret it. Again, on page 179, is the statement that George assumed "rent . . . to be a kind of social extortion" and naively equated it with sin (page 180). George, in fact, stated the contrary—that the law of rent is a natural one and land values are created by people, i.e., by their demand for the use of land. The problem was not to rid society of rent but to devise a plan whereby people would secure it rather than a private individual or a political institution. Further, when Mr. Heilbroner states (page 181) "gains which accrue to a well-situated landlord are to a lesser degree shared by all of us" it would be informative to explain exactly how and to what extent you and I share in the return to the private or public owner.

The author becomes more vague in the statement (page 181) that "a vast body of rents goes to small land-holders, farmers, homeowners, modest citizens." What are the figures on

which this statement is based? Even if true, George confined his emphasis to monopolists and speculators of our land sites and resources. To state further (page 181) "in the monopolistic area of rental incomes— . . . —a shifting and fluid market is in operation" is to raise the inquiry of the whereabouts of this fluid market. And if it does exist is the shift among monopolists or from monopolists to the people who have created the "rental incomes"?

Hope for Capitalism

Criticism, of course, can be made by partisans of the omission of certain economists and the inclusion of certain others; and of the distribution of emphasis. But Mr. Heilbroner has included only those persons he believes have affected our civilization. And in his final chapter he offers us hope for the future of capitalism, although not without the necessity to work for its success. It is fitting for him to recommend that we study the work of the great economists and use their wisdom to face the future.

The volume is well-indexed and cross-indexed. It would be a more helpful reference tool if a chronological table were appended showing the birth and death dates of each economist. The book is easy to read, first, because no technical terms are employed; second, because it is not an exhaustive tome in pertinent material; and third, because of its smooth swiftly-moving style.