

Review: Economic Theory and Public Policy

Reviewed Work(s): Basic Principles of Economics, and Their Significance for Public Policy  
by Harry Gunnison Brown

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## · B O O K R E V I E W S ·

### Economic Theory and Public Policy

By GLENN E. HOOVER

#### I

ALTHOUGH PROFESSOR BROWN'S NEW BOOK<sup>1</sup> was presumably designed as a text, it deserves a wide reading by those who would understand our economic system and recognize both its defects and its potentialities. If this were an ordinary economics text one would hesitate to recommend it to the general reader, for the American tradition prescribes that college texts should be dull. Most of them have the literary style of the Infantry Drill Regulations; but Dr. Brown's book is replete with exclamation points and teems with "rhetoric and wrath."

He is reputedly as gentle as St. Francis, but when fools and knaves close in on him, he fights valiantly. There are the self-styled "liberals" who are either Marxians without knowing it or who have grabbed a protective sheep-skin. There are the honest but naïve, who subscribe unquestioningly to a kind of socialism that, according to the late Samuel Gompers, "bears the same relation to economics that astrology bears to astronomy." There are, too, the politicians who are beneath contempt but not beneath ridicule, the labor racketeers and always, of course, the greedy and hypocritical protectionists who pretend that protective tariffs benefit their victims.

#### II

It will be observed from the title that Dr. Brown is chiefly concerned with the science of economics as a means of influencing public policy. In this he is in the grand tradition of Adam Smith and John Stuart Mill, but is poles removed from those who think they are dealing with economics when they are evaluating various advertising devices, or sales methods for retailers of ready-to-wear. This book is not "practical" at all in the sense that it will help us to increase our incomes which are already too often in excess of our capacity to spend them with intelligence and dignity. It is a book for statesmen and students of statecraft rather than the money-getters.

No one who is familiar with Dr. Brown's writings will adjudge him free of prejudices. He is not content to describe our economic system with an

<sup>1</sup> Harry Gunnison Brown, "Basic Principles of Economics and Their Significance for Public Policy," Columbia, Mo., Lucas Brothers, xvii + 542 pp., \$3.00.

Olympian detachment. He wants very much to do something with it and he particularly wants to increase the rewards that go to workers and savers, and reduce the rewards that now go to the "permitters" (land owners). That theme occurs again and again but your reviewer regrets only that he does not encounter it more often. It is especially good to hear it at a time when some economists are speaking of "quasi-rents," "capital rents" and even "rents of ability" until they have obscured the fundamental fact that land, the free gift of nature to each succeeding generation, yields a revenue (rent) which can be sharply distinguished, conceptually at least, from either wages or interest.

With respect to the desirability of the social appropriation of land rents, Dr. Brown is proudly heretical. But he is no "radical" as that term is now improperly employed. He is a staunch believer in the system of private property, free enterprise and competitive prices. In his final chapter he argues, with much cogency, that those who wish to preserve that system in its essentials, and protect it from the socialist attacks from the left and the fascist attacks from the right, should bestir themselves to eliminate the unearned incomes that result from monopoly prices and the private appropriation of socially-created land values. If his critics were as wise as they are captious, they would realize how essentially conservative he is—in the best sense of the word.

### III

But a reviewer, to avoid suspicion of collusion, must not be content with the accolade, but must go on to the unpleasant task of pointing out possible blemishes in whatever *chef-d'oeuvre* is assigned to him. The following specks are tiny, and may in fact be mere optical illusions, but I shall report them for what they are worth. The first is really a matter of terminology. Dr. Brown says (p. 69):

It is sometimes supposed that the banks mysteriously "manufacture" credit since they seem, thus, to lend more than they have. In fact it is not really the banks which lend, except in name. The banks are intermediaries. They bring borrowers and lenders together. And the lenders are the bank depositors.

It is of course obvious that banks are enabled to lend only because depositors do not exercise their right to demand of the banks, in legal tender, the full amount of their deposits, but it seems a bit far-fetched to call the depositors, for that reason, the lenders. In the common speech of men the term "lender" is limited to one who enters into a contractual relation-

ship with a borrower, and notwithstanding my complete agreement with Dr. Brown's analysis of deposit banking, I shall not accord him the privilege of re-making the English language, except where the emergency is greater than it seems to be in this case.

Some of the sections dealing with labor unions seem to be quite divorced from reality. Dr. Brown says (p. 41):

Labor monopoly, like other monopoly, operates adversely to the general interest. But labor unions as such and collective bargaining as such, or even strikes, do not necessarily mean monopoly. If the striking employees of a company are seeking wages very much above a normal competitive level, if no monopolistic limitation of the number in the trade is attempted, and if no intimidation is applied to possible competitors, the employer will probably find that he can fill the places of the strikers at lower wages than the strikers are demanding and the strike will be a failure.

If there was ever a union which operated with no intimidation of strike-breakers, where strike-breaking was possible, I do not know of it. Moreover Dr. Brown neglects the threat of considerable financial loss to any employer who may try to break the strike, a loss that measures the "nuisance value" of the union. It is this "nuisance value" that a union may secure for its members which roughly measures the difference between union wage rates and the wages which would result from a free market.

#### IV

Your reviewer does not know to what extent Dr. Brown is accepted by the "official" Georgists. He seems (p. 123) to question the propriety of applying the word "monopoly" to the private ownership of land, a practice followed by the Georgists which your reviewer believes makes only for confusion, and (p. 124) he criticizes the claim that such private ownership is the cause of business depressions. He rightly points out that the evils complained of are chronic in character and could therefore not account for the oscillations in business which only a money-credit theory can explain.

But whatever may be the differences between Dr. Brown and those who believe the final truth was revealed in the writings of Henry George, it is not too much to say that he is, in academic circles, the leading advocate of the social appropriation of economic rent. Those who have heard that doctrine expounded only by the economically naïve, owe it to themselves to read the arguments for it which are to be found in this latest work of a very competent, professional economist.