

WHY ECONOMISTS FAIL

Thus far, I have been critical of the current teaching of standard school economists. They ought to be the people who study the overall picture and give advice about public policy. Their doctrine is the background of the principal political parties, and also the "liberals" and "conservatives" and the demand-siders, supply-siders, and lovers and haters of the Federal Reserve System—all of these are derived from the same system which is taught in our standard school courses.

All of these factions and thought packages, along with their fiercely recommended and defended remedies suffer from the fatal flaw of not knowing how an economy works when it does work. I suppose a good comparison could be made; if your car is running poorly and you take it to a mechanic who does not know the difference between the workings of a spark plug and a carburetor. He may claim that they are both the same because you need to buy or rent both in order to make the car run.

Something similar happened in the history of economic thinking about the time of Karl Marx and it is hard to say just who is responsible. Before that time, most economists knew the difference between improvements and land, but in most modern textbooks the distinction has been largely lost. They are considered to be the same thing because a person wanting to start up a business has to acquire some of each before he can start.

An economist trying to figure out what is wrong with the economy has a pretty poor chance of success if he can't tell the difference between land and improvements. Each has a market price, but the two do not get their prices from the same cause. And the result of a land price rise and an improvement price rise are vastly different.

The prospective, or the newly inspired, or even the older established business man may not need to care if there is a difference of type between some two of his unavoidable expenses. He only needs to balance out the quantities of those things he needs to buy or rent so as to keep total costs down or sale value up, or both.

Sometimes, and often without his knowing it, the balance he chooses has a damaging effect upon the rest of society while benefitting himself almost none at all. A nation as a whole might suffer very little total harm if only one or two made such choices. But too often public policy arranges the total set of rewards and penalties so that if you benefit other people by building more improvements, you will surely try to stop before your own tax penalty increases faster than your rewards.

All of us as voters, at least in this country, are responsible for our public policy which too often overtaxes people for those actions which benefit other people, and undertaxes us when we damage our community the most.

Most of said voters are not acting from evil intentions. I blame it on the lack of knowledge of what really is beneficial and what is harmful.