Georgism vs. Keynesianism

by OSCAR B. JOHANNSEN

THE average economics student, immersed as he is in the economic precepts of John Maynard Keynes, is indifferent to the straightforward economic principles of Henry George. If pressed the student is likely to dismiss these concepts with amused condescension as naive and simplistic, possibly adequate for a crude agricultural economy but hardly appropriate for the modern industrial state. The seeming sophistication of Keynes' approach appears to many students to be more in tune with today's complex economy.

Keynes' *General Theory of Employment, Interest and Money,* published in 1936, introduced the confusions of "macro-economics" which are plaguing us to this day. Professor Samuelson, a disciple of Keynes, boasts that one cannot argue with the master, since one cannot understand him.

What are some of the essential differences between Georgism and Keynesianism?

Probably most important is that Keynesianism holds that the free and open marketplace cannot regulate the economy; the government must control it. Georgism on the other hand recognizes that just as a man cannot consciously control the beating of his heart and adjust it to changing conditions, so men cannot *deliberately* direct the multitudinous activities of a society's economy and adjust them to changing circumstances.

Secondly, Georgism revolves around the individual whereas Keynesianism focuses on the economy as a whole. George taught the natural laws involved in the production and distribution of wealth by the individual, in cooperation with other individuals, whereas Keynes dealt in aggregates. Although the abstruseness of Keynes' work often makes it difficult to understand exactly what he means, apparently he thought it necessary to determine the behavioral patterns of millions of people principally in order to influence the people's "propensity to consume," and thus control the amount of wealth saved.

He believed that unemployment and poor business might ensue eventually if too much were saved. If too much of the wealth saved were invested in capital goods, a nation's capital might become so great that the amount of wealth produced would outstrip the "effective demand" for it. This reasoning led to the now widely held view that too much saving could be an unstabilizing force and therefore it becomes necessary for the state to control it by initiating appropriate monetary and/or fiscal measures.

As "saving" is so important in Keynes' economics, the obvious question arises, of what does it consist? In the main it is economic rent. By and large it is the landlords who are the savers. This is certainly true in England, Keynes' homeland. In America, where a larger proportion of people own land, a middle class of savers arose, many of whom were not landlords. However if a careful analysis of saving were made it is very likely that most of the saving in America would be found to be economic rent.

As Keynesianism deals with aggregates, its analysis must be primarily in money terms, for one cannot add together tons of steel and bushels of wheat and arrive at meaningful totals. Although Keynes introduced terms such as "labor units" apparently in an attempt to avoid dealing exclusively in monetary terms, actually if one combines diverse economic data one must use a common denominator—money. As Georgism is an individualistic appoach, its analyses can be and for the most part are in terms of actual wealth, making it much easier to understand the absurdities and complexities which occur when the distribution of the produced wealth is an unjust one.

Lumping economic data and attempting to generalize behavioral patterns may be of value in marketing, particularly to sales organizations in determining their sales campaigns. In my study of this subject I was increasingly impressed that Keynesianism may be considered a sophisticated form of marketing scheme with the consumption and saving habits of people to be controlled, if thought necessary, by the government. From another viewpoint it appears as a cleverly contrived form of socialism parading under the guise of an attempt to rescue private enterprise from oblivion.

For Keynes it was important that all wealth produced be consumed, and his entire theory of economic behavior may be classified as an under-consumption theory. He admitted that his views did not differ substantially from those of the under-consumptionists. It was probably natural for him to take that approach because his book was written during the depression. It appeared to many that the depression was the result of under-consumption because stores and warehouses were loaded with goods which few were buying. Some methods were being sought to get workers to consume more directly and also to get the savings into their hands so that these could also be consumed. To do this Keynes, with tongue in cheek, in a none-too-subtle attack on that "barbarous relic"—gold—advocated burying old bottles filled with banknotes and having them dug up again to relieve unemployment.

Whether Keynes recognized it or not, it appears that what he was attempting in his deprecation of saving, in his cool complacency toward the eventual "euthanasia of the rentier," and in his desire to have the government control the economy, was really to take the economic rent out of the hands of private individuals and spread it around. His method of accomplishing this was by having the government manipulate money and interest rates, spending prodigious amounts of money and juggling taxes. This was patently unsound for it could result in the socialization not only of rent and interest, but also wages, with consequent reduction in the wealth produced and the creation of a socialistic society.

Suffice it to say that Keynesiansim is an attempt to have the government redistribute the wealth produced, utilizing a complex system which ostensibly favors the preservation of private enterprise. Actually it would result in the eventual disappearance of real private enterprise and in a diminution of the wealth produced, creating a super state and reducing the freedom of the individual to a minimum.

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Applied Economics will be held on Tuesday and Thursday evenings, starting September 24th. Economic Science begins Wednesday evening, September 25th. All sessions are for ten weeks.

Survey of Economic Thought, the new course offered for the first time, for instructors only, by William L. Hall, will be on Tuesday and Thursday evenings, at 7 P. M. starting September 24th. Faculty members are urged to join this group for renewal of background knowledge.