

ECONOMICS AND PSYCHOLOGY

By F. McEachran



THE relationship of psychology to economics is fairly clear if we consider their relative position in the biological scale. Psychology is the science of the mental process in man, and as from our point of view all men are social it will include what McDougal calls "social" psychology. Economics is the science governing the distribution of wealth, and it stands to reason that the two must be constantly influencing each other in the interplay of life. Since, however, economics, much more than psychology, is concerned with the mass background and cannot fundamentally be changed by any psychological remedy, it will be found on examination to be more primordial and in most cases to have the last word. A "slum" mentality depends causally and ultimately on land monopoly in the past, and no knowledge derived from psychological research can do more than help a few exceptional slum dwellers. Moreover, since both sciences are "human" it follows that a world where men were free would be the best world for them to be the subject of study, and we know how far such a world depends on economic freedom.

Plainly enough, if a scientist wishes to study a certain species of plant, he would prefer, at least at the beginning, a number of these plants which had not been frostbitten from birth, or undernourished through living on stony ground or stunted through lack of sunlight. Once admitting this point of view, the inference is not far off that in the absence of monopoly there can be no "class" or "national" feeling and in consequence no artificial sentiments of (group) love and hatred. In fact, a whole series of phenomena which seem to belong and indeed do belong to the psychological sphere would cease to exist, and we should be left with a science much purer and perhaps less bewildering than it is today. It follows that we have really two problems of psychology to deal with, the science of psychology as it would be in a world of free men and the same science as it exists today in an unfree and largely conditioned society.

This dichotomy is paralleled in every department of life of course by the two economies of a partially free capitalist system and a partially totalitarian communist system. But it must at the same time be conceded that the economic discussion, as regards pure theory, is one that is much easier to deal with. The science is at bottom a

much easier science and one about which much more is definitely known. The laws of exchange, of the distribution of rent, wages and interest, are much more definite, for example, than the laws of the structure of the personality as described by Freud (Ego, id, super-ego) or the Behaviourist science of Watson, or the Personalism of Stern, or the vague list of instincts and emotions given by McDougal.

In the world of today, which is constructed on the basis of economic monopoly, the struggle for life is much more difficult than it need be and is getting more and more difficult every day. In proportion to the facilities for production, the acquired skill and inherited knowledge of mankind, life is a poor and precarious thing for millions of people. On their own level it is possible to argue that the beasts that perish make a better show of it. They can keep the food supply going; they can generally keep themselves warm, and they manage to lead a free and largely untroubled life. The poverty and precariousness of human existence is due, of course, not to the conditions of nature, but to the defiance of nature, the refusal to observe the natural laws which are the background of all activity, and which in economics, as in psychology, play the important role. The risk of life has become so great, the fear of unemployment for self and children so deeply felt, that the effects may be seen in every direction, in the lack of enterprise, the struggle for safe jobs, the obsession with "security" and "protection", and in the struggle for self-preservation manifest in the restrictive practices of many trade unions. This fear of life is directly attributable to the maladjustment of the economic background and would afflict nobody in a society where life evolved at a natural speed in natural ways.

The second psychological result allied to this is the growing public feeling of helplessness which leads men to appeal more and more to the State and to surrender the freedom born of centuries of struggle. There are still people in the world who can earn their living as private individuals, who insure for their own old age, who choose the school they wish their children to attend, and insist on their own standards in education and outlook. There may even be people who refuse government help in the form of subsidies, pensions, marketing boards, and tariffs, although it is regrettable that if they exist they are

never heard of. But, on the other hand, there are millions of people, who, as a matter of course, hope for the state pension, compete for a safe state job, send their children to "free" state schools, and regard the State as omnipotent and omnibenevolent.

The danger of this latter point of view must be obvious to all who have watched the collectivist development in Europe in recent years. *Quis custodiet ipsos custodes* is an ancient adage which has not lost its truth even today and which cannot be answered. Nothing can guarantee the State, and it is perhaps the supreme delusion of modern times (in comparison, say, with the eighteenth century), to suppose that governments are more right than individuals. It has led, amongst other things, to the totalitarian conception that the State has the right to stifle all individual speculation and so block the way, if it so desires, to the free evolution of the spirit. The half-free economy of the nineteenth century did at least allow speculation to go on to some extent, affording under the worst tyrannies, to a Karl Marx or a Henry George, the chance of teaching the race. And lest the reader should complain that this tendency is European rather than British he should reflect that it appears everywhere in all sorts of insidious ways. The idea that the State should conscript for war every able-bodied citizen inside its boundaries even against his will would have seemed inconceivable, or at least very remote, to the England of the Stuarts. It is very nearly taken for granted in the contemporary world.

The helplessness which we have been describing may be regarded as part of a national psychology which can only be described as infantile regression. It is manifest today that millions of men are actually being forced to sacrifice to the State or the herd the right to free production and self-expression with which, as individual biological organisms, they were originally born. The result of the sacrifice is not, of course, to destroy individual self-expression, since that is primordial in life, but to drive it deep into the subconscious, where it inevitably seeks a new form of outlet. In consequence, it tends to project itself into magnificent symbols of natural power and prestige such as the "hypostatised nation", the "Leader" and the "Hero" myth. The very intensity and even fanaticism with which the herd clings to the pronouncements of its Hero as ultimate truth, even when they are flagrantly contradictory, reveals the instinctive depths of feeling involved and its subjective source. This type of behaviour is individual freedom and choice, as they see it, or rather its *ersatz* in the present age. No one in these circumstances feels antagonistic to it because once having accepted the herd philosophy it is the only psychological way out.

We must remember that by this identification with a class or a system the individual regains vicariously the power he has lost, and so feels temporarily able to face the world which was too much for him. The infantile regression referred to earlier is seen in the fact that thwarted people full of fear for the future find refuge in concepts such as the United Nations, a Conservative

Government, Socialism, or more personally, in a Churchill, a de Gaulle, or a Khrushchev. To concern oneself primarily with being a good Socialist again implies a shifting of responsibility from the individual to the system. Moreover, when physical conflict arises it intensifies and seems to justify violent and even brutal methods. Men will do for the group, whether as a concept or symbolised individually, what they would not dream of doing for themselves.

Enough has been said about Collectivist philosophy to make it unnecessary to stress the point further, but one feature, which is, of course, not new in the world, is worth mentioning. This is the habit, now grown into a disease, of talking in terms of *collective* or *abstract* nouns such as Russia, Germany, the working class, the bourgeoisie, capitalism and so on, which defy analysis and are as misleading as they are vague. Psychologically they are partly the outcome of the desire to cover up unsavoury facts, partly a result of the hard projection just described; and the fact that they have become even more unreal and unreliable in the modern era may be simply an index to our modern degeneration. A term such as Russia, which involves many nationalities, a stretch of territory with indefinable boundaries, a historical past reaching no one knows where in time, legends and fantasy, gives no clue to the real conditions of the human beings involved and is not meant to. It is meant to do precisely the opposite. On the other hand, it serves as a convenient safety valve to sublimate into nationalism of a fervid religious kind all the thwarted urges of the "Russian" people, in which function, we must reluctantly concede, it has been amazingly successful.

A final intellectual outcome which illustrates the psychological abnormality of the present situation is the contempt for reason and its offspring "science" which is so widespread today. Contempt for reason, and faith in instinct, are psychological states of mind of an abnormal kind which are episodic and need not necessarily arise. They are usually absent, for example, in a society where men are earning their living adequately. No doubt in the best possible society there would still be cases of psychological maladjustment, but these, like errors in mathematics, or the illnesses of childhood, could safely be left to the practitioners of their several sciences.

It is equally true that the psychological evils we have mentioned are due in an enormous number of cases to the economic maladjustments behind social groups and that their rectification lies in that sphere. Mass fear of life, mass unemployment, mass poverty, "mass" nationalism, etc., are phenomena which depend almost entirely on the economic background which will one day be eliminated as a cause of such mental abnormality. Obviously a man who suffers from an inferiority complex due to chronic unemployment will only be finally cured by getting a permanent job, and psychology alone cannot procure that for him. The man who suffers from a nervous disorder

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FEAR AND FAVOUR IN AGRICULTURE

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"Where there is a substantial departure from these conditions it is necessary to consider other approaches."
(Our italics).

We need hardly remind readers of how "a substantial departure from these conditions" comes about and how we should *prevent* it—not adapt ourselves to it.

What the Committee overlooks is the true meaning of *laissez-faire* which must be understood to mean not only the removal of legislative restrictions to production but also that deadly restriction to production brought about by the superstitious belief that individuals and groups can own for their private enjoyment the natural resources of the country. With true *laissez-faire* there will be no need to fear any departure from the conditions outlined and thus no need for the synthetic *laissez-faire* described in the Adaptive Approach.

The best that can be said of the Adaptive Approach is that it makes a genuine attempt at a compromise. And if we could ignore the land question and the multifarious forms of legalized privileges which bedevil our economy we might agree in a mood of compromise that the Committee's approach has *something* to commend it. But there can be no compromise with justice and with the natural laws of economics.

(Note: Some members of the Research and Policy Committee submitted memoranda of comment, reservation or dissent.)

FREEDOM THE ONLY END

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Owing to the speed and noise of modern civilisation may of course be greatly helped by a psychological practitioner, but he will only be finally cured by a change in that civilisation, which, in fact, need be neither speedy nor noisy. Again, the man who enjoys the power instinct vicariously in a national dictator will be cured finally only by the removal of the background which makes despotism possible, and which is far from being a permanent background.

In conclusion, the science of psychology seems to have an immense field of operation waiting for it which it has not yet tackled and which badly needs its co-operation. This field is the field of monopoly economics in so far as the economics has succeeded in warping the natural emotions of man. It has been shown in these pages that man, as a free producer of wealth in society, should receive wages and interest in proportion to what he contributes in labour and capital as his part of the total wealth produced, and society as a whole should receive the "earnings" of land, that is, its rent. On that basis the whole psychology of property, if nature is to be followed, should be built up, and if it is not built up, human psychology may well be warped. If then, the rent of land

does not go to society but to private people; if man is robbed of his proper wages by monopoly, wrong taxation and privilege, it is likely that a deep resentment comes out in curious forms. The task of a psychologist, as a sociologist at least, should in that case be to lay bare the *depth and structure* of this resentment and link it up with other branches of knowledge. To this task I recommend the psychologist of the future.

Land Values

(From *The Estates Gazette*)

"... PURELY FOR SPECULATION PURPOSES"

(Cornwall)

Again, a very good demand, although, of course, prices realisable are entirely dependent on the location. In general we find that sites are in extremely short supply and exceptionally good prices are obtainable for good coastal sites. The average price realised for four freehold sites each of about one-third-of-an-acre, at auction in June, was £1,600. These sites were at a popular holiday resort, with sailing facilities within easy reach. . . .

A difficulty is that although the Cornwall County Council have zoned certain areas for residential development, much of the land within these areas is still unused, because the owners are wishful to retain it for "protection" purposes or in the hope that it will increase even more in value; or it is owned by builders who are building, all too slowly, purely for speculation purposes. As the Cornwall County Council will undoubtedly refuse to make other land available until the "zoned" areas have been developed the position is not an easy one.

Unless some unforeseen crisis arises we anticipate that conditions during 1963 will be much the same as in 1962. With the existing shortage of houses we see no possibility of a fall in prices. Possibly there may again be some increase.

Button, Menhenitt & Mutton, Ltd.

"INCREASING DEMAND"

(Cheltenham)

High prices are still prevailing for the limited amount of building land offered for sale in acceptable positions. There is an increasing demand from people wishing to live a little farther out, and speculative builders are now prepared to develop estates in the country districts up to seven miles or more from Cheltenham or Gloucester, whereas a few years ago they tended to restrict their activities to within a couple of miles of the centre.

Engall, Cox & Millichap,
Chas. C. Castle & Son.