

"THE ESSENTIALS OF ECONOMICS"

By Frank Geary, B.Sc.(Hons.)

In the opinion of the writer of this review the book* carrying the above title and authorship is in many respects a wonderful production. Its logic is far from unimpeachable. What ought to have been the pith or core of the whole construction, namely "The Law of Rent," has been rather badly messed up. To anyone acquainted with the subject matter of the book there will appear to be much that is familiar. Many of the points and phrases are not even disguised under a new dressing. The preface mentions Lord Kelvin and Mr J. Ascher, B.A., but makes no reference to Henry George, although it is abundantly evident that many of the passages are mere paraphrases of text from *Progress and Poverty*, *The Science of Political Economy*, *Protection or Free Trade*, and mayhap other works of that author.

Henry George correlated the erstwhile hidden Law of Wages to the accepted Law of Rent in his book *Progress and Poverty*. That book being necessarily a condensation, he set out in later years to elaborate in greater detail the meaning of Value, the uses of Credit and Currency, and to show the relationship which exists between man and his physical surroundings. In this later book, *The Science of Political Economy*, Henry George conducts us from being to thinking, and through thought to action. In doing so he formulates, as in *Progress and Poverty*, the fundamental law of Political Economy. That law is: "That men seek to gratify their desires with the least exertion." In such a law we have explanations of the sub-division of labour, co-operation, invention and development of machinery, investigations with regard to physics and chemistry, the utilization of power in coal, oil, air and electricity, and the desire for greater and wider education. The use of a money denominator to measure the relative values of all commodities, our international trade, our credit and currency systems are all alike based on the same law.

Most important of all, this fundamental law is represented by the desire to utilize the forces of Nature where they yield the largest result in response to human effort. One does not measure value by the expenditure of human exertion, else war and other immoralities would be valuable. Whether in commodities or land, we measure value by the saving of exertion which possession will ensure. In commodities we see the hand of individual man; in land values we see services which Nature and the community may render, but never the services of the alleged owner. So the Law of Rent is easily apprehensible from a correct appreciation of value itself. Rent depends on the margin of production (land that can be used freely) rising as the margin falls, and falling as the margin rises.

Our author misses the aforementioned essential point. Here is what he has got to say on the matter: "To say that the value of a thing produced by labour tends to equal the cost of producing a similar thing presupposes that the desire is not for some particular thing, but for a similar thing, a thing which cannot be reproduced on account of its sentimental associations or which cannot be reproduced at all, as a picture by an old master or a rare stamp; the value of these is only limited by the intensity of the desire on the part of those who wish to possess them. We shall also see that the value of land in particular localities is determined in a similar way, for it has no cost of production and is only limited by the intensity of desire of those wishing to possess it."

Two points may be noted in the analogy. One is that pictures by an old master or a rare stamp had a cost of production, however unrelated that may have been to existing value. The other is that value does not depend on cost of production but on service rendered to the purchaser. Whether the service made available owes its origin to much expenditure of labour, to little or to none at all, matters not to the party who gets the service. As Adam Smith showed in the *Wealth of Nations*, the service is ultimately measured by a labour denominator and its value depends on "the toil and trouble of acquiring (not producing) it. What everything is really worth to the man who has acquired it and who wants to dispose of it or exchange it for something else is the toil and trouble which it can save to himself, and which it can impose upon other people." The "moral," as "penny-a-liners" would phrase it, is to get possession of fertile land, a centre town site, a thick seam of coal, or something rich in possibilities because of attributes gifted by the Creator, or conferred by the community, and compel anyone who wishes to take advantage of these qualities to put one beyond the necessity of any toil or trouble. Land is not to be compared with pictures. The latter may be valuable or valueless, the former is a necessity. It becomes no less necessary when it acquires high exchange value. All that happens is that man has made something difficult to acquire which the Creator had intended should be of easy acquisition and for the benefit of all.

The *Essentials of Economics* with a little revision would have made a fine syllabus of the writings of Henry George. Chapter I. follows the reasoning of Book X. *Progress and Poverty*, and complementary passages in Book I., Chapter II., *The Science of Political Economy*. In the last named we read: Were man only an animal he would "be an inferior animal." In our author's text the phrase is: "Man as an animal is in many respects an inferior animal." Chapter II. of the book under review condenses ideas expressed in Book I., Chapters VII. and VIII. of *The Science*. Chapter III. opens: "The word Economy is derived from two Greek words meaning 'house and law.'" The opening words of Book I., Chapter IX. of *The Science* are almost exactly the same, and both go on to explain that the word was originally designed to describe "household management." Both books also point out that the addition of the word "Political" has reference to the Economy of the body politic. Our author says Political Economy or "Economics" as we shall now call it. Why? For no better reason than those who have already outraged grammar and logic by adding "s" to an adjective and assumed it to be a substantive. Thus does language become degraded and counsels are darkened.

In Chapter IV. we read the author's opening sentence: "We have seen that in Economics we are concerned with human actions." Book I., Chapter IX., of *The Science of Political Economy* has led us towards that conclusion and the opening sentence of Chapter X. is comparable with that quoted above. Henry George begins his chapter: "The only way man has of satisfying his desires is by action." Some comparable sentences on the irksomeness of labour may be traced in the respective books and chapters to which we have referred, and then we reach the contention that: "A consideration of man and his desires affords another illustration of the great gap between man and the animals." We suppose the author means other animals. "The animal's desires," we are told, "are limited, for given food and shelter it is satisfied." In Book I., Chapter XI., of *The Science of Political Economy* we find the same differentiation described in almost the same words. Man "is indeed the never-

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satisfied animal," says Henry George. "Man is the unsatisfied animal," says Frank Geary. So ends Book I. of *Essentials of Economics*.

Comparisons should then be made of Book II. in each of the works already quoted. Both begin by pointing out confusions as to meaning of the term Wealth. In each reflections on Value follow, and Henry George seems to have his ideas on that question fairly epitomized. One line from *Essentials of Economics* seems worth emphasizing, namely: "It is value which gives a thing exchangeability and not *vice versa*." Numerous implications will be recognized if that becomes clear, and it appears to us that a number of estimable people have not grasped that truth.

The sentence in *The Science* reads: "It is not exchangeability that gives value; but value that gives exchangeability," and here George threw a light on the theory of value that no other economist has done. His other notable contributions, such as the distinction between "value from production" and "value from obligation," are given place in Mr Geary's *Essentials*, where later there is reference to the ideas "we have called" by those terms.

From *Wealth and Value* *The Science* and the *Essentials* proceed to a consideration of Production and the Factors of Production; to Space and Time in Production, after which the author of the *Essentials* gives a new Law of Population in contradistinction to that of Malthus. Thereafter we read in both books the same phrase, namely: "Co-operation means joint action; the union of efforts to a common end." Chapters on Exchange and Competition continue the sequence, which suddenly breaks down where our author discusses Supply and Demand. As it happens, the chapter in *The Science of Political Economy* headed "Demand and Supply in Production" shows a blank page, because the chapter was not written, the book itself not being completed when Henry George died. Mr Geary is at this point without his anchorage and he sails off to a consideration of the so-called "Law of Diminishing Utility" and the question of "monopoly price" and how it is determined. These are the weakest pages of the book. He returns to his anchorage to explain the "Laws of Distribution" and makes adequate use of Louis F. Post's well-known charts of Wages and Rent, pictured exactly as they appear in the *Outlines of Lectures* (except for the colouring) and without acknowledgment.

With chapters on Money and Credit these companions finish their journey. Henry George and the author both point out a cause of confusion of thought on international trade in the wrong use of the terms "sales" and "purchases." Each points out a further confusion of mind caused by thinking that money is one of our exports. On the question of Free Trade and Protection the text and sequence of Henry George's work are not closely followed.

In the "Republic of Letters" one must allow for much in the way of coincidence. Ideas have a way of becoming socialized, while phrases are seldom protected. Nevertheless the thought intrudes that the book entitled *Essentials of Economics* should have a subtitle such as "The Student's Henry George." With so much that is borrowed simple acknowledgment would be apropos.

WILLIAM REID.

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