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REVIEWS

A Transactional Approach to Economic Science

By KARON S. THOMPSON

A VARIETY OF CONFLICTING VIEWS are found among economists on the conduct of inquiry into man's economic behavior. Although few economists have troubled to outline their views on the method of inquiry to be used, the results in the form of numerous textbooks speak for themselves. Outmoded methods are the general rule rather than the exception. Carelessness that lacks even the virtue of poetic license is revealed in the slipshod use of technical terms, procedures that no modern scientific inquirer would tolerate.

One of the outstanding contributions of E. C. Harwood's new book, *Useful Economics,*[1] is the author's demonstration of the methodological and terminological procedures adopted in developing his economic hypotheses.

The author's method of inquiry is what was developed to be the most advanced stage of man's knowing behavior, i.e., the transactional approach as developed by Arthur F. Bentley and John Dewey in *Knowing and the Known.* An important characteristic of the transactional approach is that it is concerned with all significant aspects of quantitative and qualitative changes including the conversion of quantitative to qualitative changes when practicable.

In reporting some of the confusion resulting from inadequate methods of inquiry, Colonel Harwood points out: "Any student who takes the classical demand and supply curves to the mathematics department of his college will learn that the point where the theoretical supply and demand curves cross is without significance because three rather than two variables necessarily are involved. Time, the sometimes unmentioned third variable, cannot be disposed of in practice; and two equations involving three variables are still insoluble. Nevertheless, probably thousands of undergraduates are being required to learn what, to mathematicians, obviously is nonsense."

Outmoded methods of inquiry have long impeded inquiry into man's economic behavior. That such ancient methods as introspection, revelation, and dialectical manipulations or word magic, are still widely used in economics today is illustrated in *Useful Economics:*

[1] *Useful Economics.* By E. C. Harwood, Great Barrington, Mass.: American Institute for Economic Research, 1970, paper, $1.

"Economic textbooks in great variety are available. Perhaps the most widely used at the moment are those emphasizing the secular revelations of the Keynesian school, but others presenting modern versions of the Marshallian marginal analyses and still others based on seemingly intuitive introspections of a 'reasoning mind' likewise are used."

"The existing situation probably is no worse than that in chemistry during the transition from the days of the alchemists or that in medicine when barbers were in the process of being disqualified as surgeons. The vested interest of senior personnel in academic departments, including both their 'capital fund' of acquired 'knowledge' and their interest in continuing the use of current textbooks must tend to delay progressive change. One simply cannot expect any human being to believe that his accumulated learning of a lifetime as embalmed in his textbooks is largely a collection of outmoded notions headed for the scrap pile."

Now, it should be apparent that methodological procedures have certain priorities, in that it is implicit that we know what aspects of economic behavior are revelant to our inquiries.

Perhaps one of the most important characteristics of the transactional approach is that it requires that the investigator describe the entire situation, including events, objects, and relations among events, thereby eliminating much of the confusion resulting from less adequate descriptions.

Rather than proceed to develop a hypotheses with ". . . familiar terms or names that long usage has made less precise. . . ," Harwood begins with the initial selection of three technical terms, that designate aspects of the situations where we find ". . . the behavior of man in obtaining physical things modified by him for his use as food, clothing, shelter, and for other purposes."

For the reader who desires to understand economics as a science, *Useful Economics* is the most rigorous scientific report I have read lately. A summary of that report will further demonstrate the painstaking care the author has taken to communicate to readers a comprehensive and thorough description of significant economic relationships:

Differentiating the human organism, man, from other organisms and things found in the cosmos, the author warns the reader that ". . . ability to differentiate man within his environment implies no ability to study man separate from his environment. What we learn about man's behavior we learn only through observation of the organisms' transactions with their environments, which of course includes their fellow organisms."

The earth, this planet on which the organism, man, is found ". . . including *all* things found in or on earth in a natural state and likewise

including the space aspect of the earth that constitutes the area of man's activities. . . ," is named *terra firma essential,* or abbreviated *ter-fir-ess.* (For convenience in use the technical terms adopted have been shortened by combining the first two or three letters of each word into a coined word.)

The term human processing effort, or abbreviated *hu-pr-ef,* is a name used to describe ". . . all human effort engaged in processing portions of *ter-fir-ess* in order to adapt them to man's use. *Hu-pr-ef* includes what is commonly called 'mental' effort as well as the muscular effort of human beings when thus applied."

The human processing effort, or *hu-pr-ef,* applied to terra firma essential is named *ter-hup, i.e.,* ". . . portions of *ter-fir-ess* that have been modified by *hu-pr-ef.*"

The application of the terminology developed in the beginning of this report is consistent and complimentary in providing a comprehensive understanding of economic relationships in subsequent chapters reporting on processing at wholesale, manufacturing, agricultural, mining, fishing, hunting, and other levels of the retail markets. For example, in the chapter reporting on processing behavior in agriculture, the author states:

"In general, farming is the initial processing of many aspects of ter-fir-ess. Of course, once the processing has begun on any item of what had been ter-fir-ess, the modified aspects of that item (modified in form, composition, place, or time) then would be labeled ter-hup. This is in accordance with the terminology initially adopted."

After the initial selection of terms, discussion begins with the typical processing behavior at the retail level in a supermarket, of which nearly all readers have experience. Questions as to "What do managers of retail stores do with purchasing media received in exchange of goods?," "How do customers of such a retail store get the purchasing media in the first place?," and "Precisely what are the various forms of purchasing media?," are answered in detail.

Monetary economics is purported to be the most difficult and widely diversified field in economics. So divergent are the views held among monetary economists ". . . that communication among them is difficult." As Harwood points out: "Like the several blind men who offered a variety of descriptions as each touched a different part of an elephant, many monetary economists seem to be blind to the economic facts of life. How else can one account for such a variety of findings by people who are by no means ignorant simpletons?"

Contrary to the popular belief that ". . . money-credit matters are too

complicated for all but a few exceptional individuals to understand," Harwood points out ". . . commercial banking is the outgrowth of an evolutionary process that is simple when viewed one step at a time as it must have occurred but that is not so readily understood when one looks only at the results to date."

A detailed description of the evolutionary process of commercial banking is given. Beginning with the bargaining processes of a primitive society, *i.e.*, the grower who exchanges his wheat directly for skins obtained by tribal hunters, to the origination of purchasing media, *i.e.*, claim checks issued by goldsmiths as an exchange value for things offered in the markets. Obviously, as the tribes increased in number, bartering increased, and the need for a meeting place to conduct this activity evolved. "Today we call that meeting place a market or shopping center."

"As the market increased in size and activity men found, to an increasing extent, that gold or claim checks on gold were a convenient medium of exchange. On more and more occasions those who had gold or claim checks on gold found that they could obtain what they wanted with the least difficulty in persuading others to accept what they had to offer."

Such was the first stage of the evolutionary process of commercial banking. Claim checks on gold, and claim checks for other things being offered in the markets were the stock in trade during the initial stage of sound commercial banking.

Today, however, much of the purchasing media or claim checks in circulation represents neither gold nor other things being offered in the markets. When the purchasing media in circulation does not represent things available in the markets it is ". . . excessive or inflationary purchasing media."

Unfortunately, the word "inflation" has become so commonplace that few trouble to inquire into the consequences of its continuation. For over two decades money-credit managers have ignored the catastrophic losses of a continued inflation, and the results recorded in human history are astounding.

"In the United States alone [Harwood points out], continued inflation has 'embezzled' more than $600 billion from the 'forgotten man,' the self-supporting citizen who attempts to provide for his responsibilities by means of savings and life insurance."

The regrettable fact is that few economists feel any responsibility to the public that would incline them to demonstrate the warrantability of their findings. That economic hypotheses are adopted without considera-

tion of the consequences reflects the urgent need that scientists employ methods whereby "all assertions made are scientific hypotheses; that is, they are invitations to check against the facts of economic behavior," if such activity is to be worthy of the name "science."

Behavioral Research Council
Great Barrington, Mass. 01230