

## **The Science of Economics: Economics with Justice for the Common Good**

**Ian Mason**, Principal, School of Economic Science, London, UK

*Calls for a more just and fair approach to economics are nothing new. In his book, The Science of Economics, Raymond Makewell brings up to date the thought of Leon MacLaren, one of the most penetrating of thinkers to address this need in the twentieth century. MacLaren's thinking remains completely relevant to the present time offering vigorous challenges to contemporary thought and insights into the realities of modern economics while demonstrating the exciting possibilities that economics based on justice can offer in the best interests of humanity and the common good.*

For far too long economics has been the private preserve of vested interests who direct its purposes to private ends and neglect the common good. The results are all around us and the symptoms all too well known: great wealth alongside terrible poverty; social tension and unrest; wars over oil reserves; forests decimated; pollution and degradation; and more deeply a dulling of the human spirit. All this can be laid at the door of poor economics applied in the interests of a few regardless of the common good.

In the wake of the 2008 financial collapse came calls for a review of economics and even for a new economics with a moral and ethical foundation. Not all these calls fell on deaf ears and there is still a spirit of reform and re-assessment alive, even as the Establishment battles to restore the institutions and methods that failed so spectacularly only a few years ago.

For those with ears to hear, the calls for a revitalised understanding of economics are not new. They can be traced back to at least the middle of the nineteenth century and have been consistent ever since. They come from names like Henry George, John Ruskin, Winston Churchill (for a while), Mahatma Gandhi, Fritz Schumacher and perhaps most recently from Joseph Stiglitz and Herman Daly.

One of these voices was that of Leon MacLaren, founder and leader of the School of Economic Science from its inception in 1937 until his death in 1994. The aim of the School was to study natural laws governing relations between men in society and that was why they called economics a science. So far as they were concerned a science is a study of laws that already exist in nature; economics is a human study; and therefore its heart is the study of human nature and its interaction with the natural universe. The essence of their approach was that laws are discovered from the nature of things and are not the product of human will, although there is human scope for adaptation and elaboration – and error.

They drew this vision of economics initially from the writings of Henry George but declined to be enslaved to his doctrines. Convinced that truth and justice were valid and essential guides in their study they kept their teachings under constant review and developed an understanding of economic laws, and courses for teaching them, which have profound relevance to the modern world.

When the School was founded Britain and the world were struggling to emerge from the worst economic depression in human experience. Poverty was widespread and with it

came disease, crime, shattered morale and frustrated lives. Yet still some were able to amass large fortunes while the great majority of people struggled to establish and maintain the most basic living standards. Some corporations and privileged individuals prospered while ordinary people found their wages reduced to a bare minimum amid cut-throat competition from their fellows for every available job. John Maynard Keynes offered an answer with his *General Theory of Employment, Interest and Money* but it actually took a world war to change the situation.

In the ensuing seventy five years the wheel has turned full circle. After the horror of a world war followed by sixty years of relative peace, the world economy is transformed, but still faces the same difficulties. Britain, America, Europe and their trading partners once again struggle to emerge from the deepest recession since the 1930's and that affects the whole global economy. Once again people, especially young people, struggle to find employment; living standards are compromised; morale is low; and John Maynard Keynes' solution of government intervention and subvention is still seen as the answer even though it is obvious that governments cannot afford it. People everywhere cry out for a new understanding of economics while economists, politicians and business moguls insist on re-establishing the old model as quickly as possible. If there is a difference, it is that the economy is now global, the world population is more than twice what it was then, and the disparities, nationally and internationally, between rich and poor are even greater than they were in the 1930's.

So what do truth and justice have to say about this? The first thing is that there is no excuse for it. There is, in truth, no excuse for poverty and justice requires that human beings find the means to eliminate poverty wherever it appears. There are two factors involved. The first is individual human beings. Where people *will* not work and produce wealth for themselves and others, poverty is inevitable. That is, or should be, a matter of personal choice. But the second factor is equally important and compelling and not a matter of individual choice: where economic systems deny people access to all that they need to work and produce wealth for themselves, poverty is equally inevitable and injustice its inseparable companion.

Leon MacLaren set out to discover and expound principles of economics founded in justice in response to the needs of his time, but also to the needs of human beings in all times, including ours. The result was the courses of which Raymond Makewell's book, *The Science of Economics*, is a distillation. MacLaren was able to expound key principles of economics which, if observed and applied now, can offer a brighter, more secure and more civilised future for the human race living in harmony with each other and the natural world. Throughout it all there breathes a spirit that says that economic opportunity and the freedom to avail it are the birth right of every human being. There are no exceptions to this and a sense of justice is the key to the fairest possible distribution of economic opportunity.

MacLaren therefore set out to reveal the natural laws of economics in a way that would allow them to serve the common good of all mankind in harmony with the universe. He recognised that natural laws run deeper than the basic physical laws that govern the physical world. He could see that human nature and human society also had laws, but that these could not so easily be described in the terms of empirical science. His

method was nonetheless based on direct observation of the world and of human responses to their surroundings and economic imperatives and on the use of human reason, inference and induction to describe common principles governing economic life.

The first principle is the simple observation that man is a land animal. From this observation flows the realisation that economics is primarily about the interaction between humanity and the land from which all material wealth is ultimately derived. Therefore the conditions under which individuals and businesses have access to land are crucial to economic outcomes. Allow ready access to land and, with corresponding access to necessary capital, and people can produce all that they need. Restrict access and those who can command access obtain a huge economic advantage over everyone else. The fundamental economic problem becomes that of allowing ready access to everyone who will make use of it while providing sufficient security of tenure once access is obtained.

The second principle is simple justice – to render to everyone their due. This includes the economic opportunity to create wealth for themselves and their families and the right to the full fruits of their labour. With this comes the observation that economic disparities are caused when people are denied the full fruits of their labour allowing some to accumulate wealth at the expense of others. But coupled with this was the clear recognition that not all production was the direct product of any individual's labour.

The third principle is that human beings are gregarious and naturally work together to create and share wealth and improve their collective lives. It has long been observed that human beings are much more economically productive when they work together. This offers the prospect of prosperous communities of prosperous individuals which are the just outcome of economic arrangements in harmony with the laws of human nature.

Since much of the productivity of any individual results from co-operation with others, from natural advantages of location and the presence and work of communities acting for the common good, allowing any individual the full fruits of their labour still leaves a perfectly natural surplus that can provide a ready source of public revenue without depriving anyone of what is properly their own. The surplus shows itself in the difference between what a single combined unit of labour and capital can produce at the least productive location in use and that of the same combined unit at any other location. That difference shows itself in the differences in annual rental values of land at different locations. This 'economic rent of land' is a natural source of public revenue, but where it is not collected for that purpose, it accounts for any of the great disparities of wealth and poverty that we witness in the world around us. The 'haves' and 'have-nots' are properly described as the 'have lands' and 'have nones'. Justice demands a re-balancing of this disparity which becomes more and more pronounced as our modern economies march on.

A fourth principle might be called the principle of development. It is based on the unfashionable observation that both the universe and human society are natural hierarchies accommodating level upon level of ability, scope and refinement. The working out of this principle in relation to society and its economic arrangements, as well as to humanity, is perhaps the single most distinctive and important contribution that Leon MacLaren makes to economic thought. The principle is that all human beings

have immense potential to fulfil and that their happiness and well-being turns on the freedom and capacity to fulfil that potential. Economic arrangements can facilitate or hinder human development, but they cannot prevent it except when they deprive people to the extent of condemning them to ignorance and starvation. But the real aim of economic policy needs to be to allow every human being to develop their creativity and potential to the full with proper regard to the good of all.

Of course, no economic system can make people good or altruistic: but the natural laws that we understand and the laws and systems we build for ourselves can encourage the best or the worst in human nature. The greatest need is to discern what tends to bring out the best and make our economic arrangements accordingly with the good of the whole always in view.

Simple principles such as these provide the basis for reviewing and assessing the problems of modern economics. Money and banking, markets and international trade, public revenue and taxation, human development, the role of governments, environmental impacts, can all be assessed and re-assessed in the light of simple principles that point to the potential for human beings, even in their present and expected unprecedented numbers, to live harmoniously with each other and the Earth in freedom, mutual respect and peace.

Raymond Makewell's book distils Leon MacLaren's thought as it crystallised in a series of courses given in the School in the late 1960's. Brought up to date as it has been the relevance and importance of this approach to economics is abundantly clear. The principles set out address the social and economic aspects of the human problems of living together in harmony and peace. Leon MacLaren spent much of his life and energy addressing the other aspect, that of the choices individuals make about realising their own potential. Ultimately they are two sides of the same coin. Economics and philosophy stand together to point out ways to human fulfilment. This too is a message for the present time. If there is an urgent need to re-assess our understanding of economics, there is an equally urgent need to re-assess our understanding of ourselves. Leon MacLaren's work and thought can help with both.