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CHARACTER ISSUES: CLASSIC REPRINTS

The Present State of Economic Science

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ABSTRACT

THERE IS PROBABLY NO SCIENCE WHICH HAS MADE SO LITTLE PROGRESS IN ITS APPLICATION as the science of economics. The most elementary principles are as hotly disputed today as ever except where despair or boredom has supplanted prejudice and passion. The British electorate fights over “protection,” as exemplified by the Safeguarding of Industries Act, with the same weapons their grand-fathers used in the days of Cobden and Bright. In the United States, the Republican party, favoring protection for reasons that were better expressed by Alexander Hamilton, governs alternately with the Democratic party which favors free trade—perhaps theoretically, but certainly more confusedly and timorously than did Thomas Jefferson.

The debates and arguments continue, from the country store to the street corner and on to the halls of Congress, everywhere speeches, but only the speakers are new. The speeches themselves, at best, are the same as of old, at their worst they but show the progress we have made in fatuity. If Adam Smith, Ricardo and the younger Mill returned to earth they would see no evidence that they had ever written on the subject of international trade.

The monetary theories of Ford and Edison are accepted with the same credulity and enthusiasm as was the “free silver” heresy of the eloquent Mr. Bryan or the “make money ridiculous” theory of the efficient Mr. Lenin. Charlie Chaplin,

¹ For information about Glenn E. Hoover, see About the Author at the end of this document.

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the Sage of Hollywood, adds to his popularity with the masses by joining in the hue and cry against Wall Street, the Gold Barons and the Federal Reserve Board. The solution of the versatile Charlie is the elimination of the gold standard. He would have the government issue paper money “representing” production, just as Mr. Edison would have money issued “representing” the falls of the Tennessee River at Muscle Shoals. Mr. Ford’s *Dearborn Independent*, not to be outdone in vision, advocates the abolition of all interest, “a tax that few ancient tyrants would have dared impose.” This is surely the most appealing reform since Jack Cade advocated hanging all the lawyers. Compared with it, we economists must reluctantly admit we have nothing to offer.

The belief that our protective tariff policy makes possible the comparatively high wage scale in the United States was never more widely held than at present. Labor leaders, industrialists, even the farmers, vie with each other in their advocacy of high tariffs. The bankers, being more intelligent in economic matters, do not give their unanimous support. For the so-called “international bankers” of New York, the crude protectionist arguments are as transparent as a window pane. They are beginning to murmur at our governmental stupidity.

The Economic Bulletin of the Chase National Bank, August, 1925, assures us as follows:

There is no mystery about the high wage scales in America. These high wage scales are not begotten by the tariff, nor are they dependent upon the tariff. They grow out of the high efficiency of labor per individual.

Housewives and others somewhat distressed by the high costs of living should note well the following passage from the same bulletin:

Finally, everybody is hurt by the tariff as a consumer. Everybody in the United States pays more for many commodities than it would be necessary to pay if there were not tariffs on these commodities. This extra payment by the consumers constitutes the price which the country pays for maintaining in present volume certain industries for which the country is not so well adapted comparatively as it is for other industries. It constitutes the subsidy which the country supplies to certain industries to enable them to bid away labor and capital from other industries which could use the labor and capital better if there were no tariffs.

For such un-American heresies as the foregoing, the Chase National Bank is leaped upon by the weekly *American Protectionist* in its issue of September 4, 1925. The *American Economist* [published by the American Protective Tariff League] is an

organ of enlightenment “devoted to the protection of American labor and industries,” as we are frankly advised on its title page. It accuses the bank’s economist “of indulging in so many sophistries that, in the space we have, we cannot point out all of his errors.” No communist could be more suspicious of the bank’s motives in publishing the bulletin. It asks triumphantly:

Where does the money come from to pay such extraneous expenses? What is back of it all? What is the purpose of the publication?

When the protected employers make this attack on the economic theories of Chase National Bank, they can be assured of the support of the leaders of organized labor. The very title of the article in the bulletin, “A World Afraid of Production” is enough to infuriate any group which subscribes to the “make work” theory, limitation of output, five-day week, hostility to machinery, etc. Oddly enough, the workers and those whom they choose to call their “masters” cannot always be united on a plan to increase production and lower prices to the consumer; but any scheme which they think will raise or maintain high prices for their particular product, finds them sticking together like burglars. The “wage-slaves” and their “masters” unite in supporting the tariff as the indispensable prop of the “American standard of living.” And yet, Professor Taussig of Harvard, the greatest tariff expert, perhaps, in this or any other country, says of their arguments:

None put forward in favor of protection are more specious and widely held, none are more fallacious (*Principles of Economics*, 3d. ed., V. I, p. 513).

One explanation of the relative backward state of economics, is that it is applied, in all matters of general concern, not by experts, but by the erratic man in the street, the uninitiated, leaders of trade unions, employers’ associations, and, God save the mark, members of Congress. The failure is colossal; it inspires; but it probably is no greater than would be the failure of chemistry if it were “applied” by the same individuals who apply the science of economics.

The non-social sciences on the contrary, are applied by experts and therefore in their application, they tend to incorporate the best thought and the latest experience that can be found anywhere in the world. It is not necessary that the average voter be converted to some improvement in iron-making before it is put in operation almost simultaneously in Sweden and Alabama, Pittsburg and Essen.

Moreover the advance of the non-social sciences is steady. They do not turn back on their tracks and repeat their stages. We are not confronted alternately with the railroads and ox-cars as systems of transportation, whereas it is just that sort of thing that happens in the application of economics to our social problems.

There the movement is not so much circular or spiral as it is a see-saw, teeter-board affair. We first exert every effort to induce a period of rising prices, which we associate with increased production, business optimism and “boom” times. (All this, of course, is but another way of saying we are decreasing the value of money.) We then become appalled by the perfection of our handiwork, and, with equal effort, retrace our steps, with the object of increasing the value of money, lowering prices, launching attacks (mostly verbal), against that perennial monster the H.C. of L. [a popular abbreviation at the time for the high cost of living], until we are back where we started ready to go again. It has been said that the only thing we learn from history is that we learn nothing from it and this is particularly true of the average man in the field of economics.

The loss to society by reason of our failure to utilize the best scientific thought in the solution of our economic problems is incalculable. It is probable that a scientific application of sound economic theory offers by far the greatest prospect of increasing the social income. The most evident proof of waste and inefficiency at present are found in the following phenomena:

1. Failure to utilize to the fullest the advantages of division of labor and large scale production, by our prohibition of imports and exports and protective customs duties.
2. Involuntary unemployment, chronic in some of the industrialized countries and intermittent in all the rest of them.
3. A monetary system that is inadequate to provide us with a stable standard of value for payments over a long period of time. This lack of a monetary unit, comparatively stable in value, is in large part the cause of our industrial crises and the resultant unemployment.
4. The toleration if not the encouragement of monopolies among both capitalists and laborers, which restrict the free movement of labor and capital to the industries where they are most needed from the point of view of society as a whole.

The enormity of the losses indicated above leave the average man strangely unmoved. Even when assured by economists that some or all of these evils are not inevitable features of the social order, but could be eliminated with intelligence and good will, he remains cold. Such things are important perhaps, but they are everybody’s business and must be neglected accordingly. Besides it is difficult to visualize the losses due let us say to a defective monetary standard, and anything that cannot be visualized is difficult to comprehend for the second generation of cinema folk. If the eruptions of Vesuvius drive fewer Italian farmers from their plots of ground on the mountain side, it attracts the attention of the world and yet, all the losses caused by Vesuvius since the beginning of time is probably insignificant compared to the loss suffered by Great Britain each week that her million unemployed stand idle.

In accounting for the backwardness of any social science such as economics, we must realize too that they have their peculiar and inherent difficulties. Social phenomena are so complex that it is quite impossible to isolate causes. One cannot put a modern society into a test tube or a closed room and, excluding every other factor, give it a dose of “free silver,” “deflation” or “protection” and observe the results. Social experiments can never be repeated under exactly the same conditions, hence it is not surprising that fools learn nothing and wise men little from the accumulated experiences of mankind. If the application of economic science were turned over by us to experts with the same gracious abandon with which we have abdicated in favor of the chemist, the surgeon or the engineer, our progress would still be limited by these inherent difficulties.

We do not wish however to hold the economists quite blameless for the backwardness of their science. On the contrary we think their responsibility is large. The fundamental difficulty is that most university economists are little interested in the advancement of their science in the sense of working for a more general acceptance of its truths. They have a professional interest in advancing themselves in the science, they prefer research to teaching, they purify, qualify and rarefy definitions and doctrine until they are accused with some justice, of indulging in the sterilities of medieval scholasticism.

Their professional journals are spotted if not filled with articles whose authors may well pride themselves both on the high quality and uselessness of their research. They are usually dull and without exception, very meagerly read. No average man, however keenly interested in a vital economic problem, would think of looking there for light. The economists are too far ahead to give him the help he needs. [The public] are quite out of touch with the people whose help is indispensable if public economic problems are to receive a rational and scientific solution.

There is a school of economics, now in high voyage, which stresses what it calls practical economics, as opposed to the scholasticism of the older theorists. But, as so often happens, a commendable revolt has gone off in the wrong direction. This school is practical, not in the sense that it deals with actual economic problems of public importance, but that it gives such a view of the actual operation of economic society, that students look upon it as a valuable preparation for their business career. Naturally enough, this school is most highly developed in the United States, where the courses in economics are often given in the departments or schools of business, and consist in large part of such subjects as industrial management, accounting, foreign trade, traffic management, advertising, and other subjects calculated to train young men to participate advantageously (to themselves) in the business world. This, of course, is economics in the spirit of the trade school or business college. Such instruction has no more to do with the consideration or solution of social problems than has instruction in a barber college.

We should like to conclude optimistically, but as we do not now see either the

men nor the movement which might popularize economic truths in our time, we shall content ourselves with pointing out the direction whence they may come. We must wait for some man of ability and sound judgment, capable of crusading for economic truth with the same fervor that Marx, Bryan, Samuel Gompers, Lenin and the American Protective League have displayed in their advancement of economic darkness. It is doubtful if he will come from the *professorial* class; they lack the apostolic fervor. We need a Turgot, a Cobden or a Henry George. Why is it that Truth may not secure the same zealous devotion that Error so frequently inspires?

ABOUT THE AUTHOR



Glenn E. Hoover (1887-1961) was a professor of economics at Mills College in California and author of *Twentieth Century Economic Thought* (1950). A JSTOR search shows that he published ten articles in *American Journal of Economics and Sociology*, three in *Social Forces*, one in *Political Science Quarterly*, and one in *American Economic Review*. Readers interested in the present article are encouraged to consult his 1943 article “The Failure of the Social Sciences” in the *American Journal of Economics and Sociology*. (Photo Credit: *Mills Quarterly*/Alumnae Association of Mills College)

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