

## Comment on Schools of Thought

This site contains discussions that incorporate some less well-known perspectives in economics including the Austrian school, Marxism, and Georgism.

But Marxism never broke out of the pre-marginalist classical economics that explained price by classes of commodities and saw the source of value to be productive effort (ultimately labor) instead of desires of the user or consumer.

And Georgism, in maintaining that just title to land (and natural resources) rested in the whole of mankind, was in favor of taxing exclusively land and nothing else (hence the single tax), while for expediency, allowing titles to remain in their present hands, with structural improvements such as houses and buildings to be free of taxation.

However, taxing the entire imputed rent from land, which was its ultimate reduced-state position, creates more problems than it solves. It leaves too little for the beneficial allocating and coordinating process that entrepreneurs, who gain from foresight of changing land values in a changing world with uncertainty, provide. Georgism widely opposed market intervention by the state elsewhere for good reason, yet championed empowering the state with an absolute public claim on resources and land.

Even so, some writers applied Georgist-oriented ideas to a revenue neutral tax reform idea without necessarily moving closer to or further from the free market. They further recognized that real estate plays a role in the business cycle. These writers have some valuable insights as to why.

In balance, Austrians supplied a better source of answers to the shortcomings of classroom neoclassical theory. Good ideas were too often overlooked or were in need of repeating.

To be clear, Austrian methodological individualism translates to a *micro* rather than *macro* economics, but does not deny the cautious use of aggregates and averages in

analyzing macroeconomic phenomena; nor does it deny the reality of public or collective interests and actions when carefully defined as individually based.

Economic propositions, strictly speaking, relate cause and effect. They need not imply that any policy should or should not be instituted. One could demonstrate a clear benefit to the economic output by increasing one tax rate and reducing another without thereby making a judgment that it should be carried out. One may want to reduce the output of the economy; one may dislike people altogether and hope their economy collapses. But the economics would not be any different. Like geometry, for a given set of assumptions, you get a given result.

There is no escaping the incorporation of normative political views in discussions of the economic policies of the day. The main theme in any textbook on macroeconomic theory revolves around the application of theory to governing the economy by overriding the market by implying macroeconomic policy for specific normative outcomes such as increasing employment.

However, the economics of a policy action is invariant to interpretations of the advisability of its implementation. The economics must be logically consistent, or exposed as erroneous, just as a proof in geometry is or is not correct.

While others looked for the source of social problems in corporate power and hoped to use state power to interpose corrective measures, it was at that time clear to libertarian writers that first one had to prevent unnecessarily instituting state (coercive) power to avoid attracting capture by private interests; and that, contrary to established opinion, government was not the best means of collective or social cooperative action.

Another way of describing free markets is the withholding of interference with people exercising the freedom to make exchanges with other people. Here the fact that no exchange takes place without ex-ante perceived benefit to both parties implies a system that results in a larger pie, not just a way of dividing the pie.

Authoritative regimes tend to foreclose on the ability to employ that great leveling force

of competition. It can be demonstrated that ordinary people can associate in innovative ways effectively and efficiently through the market to supply their needs. Examples of unplanned emergent order abound, from language to common law to the development of mathematics, to the rules of golf, to insurance. These resemble the results to which proponents of government usually make claim.

Such social (in contrast to political) organizing emerges under freedom of choice. But benefits are not seen at first glance, it is mentally easier to visualize that a new legislated or decreed law will do the needed work.

While it is not possible to forecast the timing for economic events, it is possible to eliminate some unlikely outcomes and to elevate others through the consistent application of causal logic.