**The Function of Economics**

**Leon Maclaren, 1952**

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Ladies and gentlemen,

Is any study simpler than economics? A child could grasp it. Our difficulties arise, stream and flow from the superstitions and prejudices with which we surround it.

The Divine Wisdom which inspires all life and form makes this branch of learning easy to follow. Were this not true, we could despair of human progress. A knowledge of economics is essential to good government; and as men are best governed who govern themselves, a general knowledge of economics is necessary to good government.

A voter who votes in ignorance forges the chains which bind him. All who conduct business in ignorance inflict the injustices they suffer and are confounded by the confusion they cause. If the knowledge necessary to good government was vouchsafed only to a few, uniquely gifted to follow it, there would be no end to injustice and confusion. But this is not so.

The book of economics lies open before us. Its language is simple and its message clear. We may read it, not in any library, but in our daily lives and in our essential relations with nature and each other. Let us look at it together. Lend me your imaginations so that our sight may be insight and our seeing understanding.

We find ourselves alive in a universe abounding with life. Like us, rock, plant, fish, animal and bird has each its own nature and carries the imprint of its kind. We live upon them and with them and depend upon them for all our nourishment. With their aid we create new worlds of things, beings, ideas and imagination.

Our strength and quality largely depend upon the correspondence between the life within us and life without; upon our relations with the other creatures of nature, including our fellow men.

We can drain the swamp, water the desert, tame the beast and cultivate the soil. Cities we can build, where grass is lawn, trees are planted, and streets and buildings almost obliterate the face of wild nature. Not merely food consumers, but food producers, we are conscious partners in the miracle of creation. This is our special gift.

Yet our arts do not lessen our dependence upon the life about us. We make nothing, except it is created from, and formed out of the universe and its creatures. Cut off from the earth we could not survive, for our industries would stop, our works crumble, and we ourselves starve. Like the one- eyed giant of the Greek fables we grow stronger while our feet are planted firmly on the ground. Wrench us from this, our source of strength, and all power runs out of us.

This is the first lesson in economics. The human being lives, but depends for nourishment upon the rest of creation.

This limitation springs from our nature. We are all land animals. We cannot long remain away from the dry surface of the earth. Here we are based and from here we work. Access to land and the powers of nature are essential to each of us, essential to our life, growth and achievement.

Every natural limitation upon our activity is a source not of weakness but of strength. Being dependent on nature, we first marvel at it and then study it. We learn to till the soil; and the zest for life, instinct in everything, multiplies and varies our diet. We learn to tame the beast, and it lives and works for us. Slowly, as we learn more deeply to understand the life about us, ever greater powers exert themselves at our instigation, until the electron and the atom lend us a strength which startles and alarms us.

How puny a man's arm beside these titanic powers; yet our dependence on nature and her creatures set us to learn about them, and through this learning to borrow their spirit for the fulfillment of our desires.

Fools and tyrants may abuse these powers but will never win them; they are gained by men in close correspondence with at least some part of the life about them; men who are patient, humble and intent upon understanding.

So every day throughout the generations we go to nature for the bread of life, in search of food, materials, knowledge and inspiration. The more advanced our civilization, the more immediate our dependence. If coal were not hewn, oil not piped, electricity not generated for only weeks, our civilization would be thrown into chaos.

This human necessity makes land of the utmost importance to the human race and to the individual. We need land on which to live; room for a house and garden, places to work, play, study and meet our fellows.

Our individual needs vary with our nature and calling. A farmer requires wide acres, a clerk but a place in an office; but the clerk depends upon the farmer and his acres so that he may work in his office. We have each our individual and social needs of land.

None of earth's creatures can deny us land -- except our fellow men. We have only ourselves to fear. This is the second lesson in economics.

All that I have said pertains not only to economics but to religion and philosophy, for the grounds of economics are the sphere of religion and philosophy. Hence it springs, and its object is to reveal knowledge which is good, just and practical, and dispel superstition which is bad, oppressive and wasteful, so that we may govern ourselves wisely. We need this knowledge because we need to live and work together in communities.

Consider our gifts, for all we have is given. The universe itself, our life and being, our powers and talents, all are bestowed upon us. Our part is to make our contribution, a little to give in gratitude for a plenitude of blesings.

The best of life is in giving, and by our giving we live. This giving is our labour; and whether it is a labour of love or a grudging tribute is for us to choose. Certainly we shall eat the fruits of our labour, be they sweetened with devotion or poisoned with envy. Such is the significance of labour in economics.

So we live upon and by our gifts. Some are general, showered indiscriminately on mankind - the teeming earth, the sun and rain, all the glory of the heavens, and the recorded wisdom of generations past. Others are individual, the special gifts of each and every one.

Those special gifts are not evenly distributed. The strength of one is the weakness of another. A man is not a woman or a woman a man. Youth and age are differently endowed. Each of us is most suited to play his destined part in creation. We were made to be interdependent; to play our part in reliance on others. Therefore we live in families and communities.

The function of a community is to set men free to follow occupations of their own choice in which they may cultivate their gifts, and grow in strength, skill, understanding and achievement; to give them the opportunity to make their contributions and make them worthily.

If every man had to be his own hunter, farmer, cook, builder and tailor, he would have little energy left to develop his special gifts. To cultivate himself he must specialise and to specialise he must rely on others. The hunter frees the farmer to cultivate the soil; the farmer frees the builder to build; the builder frees the tailor and they all free the cook.

Judged by these standards, most modern communities are failures. People cook, who dislike cooking, and our restaurants are monuments of their indifference. Builders build who dislike building, and the suburbs of London sprawl hideous across our native land. Everywhere the cheap and shoddy of this lack-love civilization proclaims our failure. This is where economics as a special branch learning should play its part

People live not only by giving but by receiving. Just to receive is to die of senility - and the last condition is worse than the first. A proper balance between giving and receiving is essential to human health. To strike this balance and maintain an equilibrium in the moving miracle of life, where the factors are unknown and unknowable and the weights cannot be measured, is the task of government.

Nowadays statisticians seek to measure what cannot be measured and to weigh what cannot be weighed. They do not aid government -- they perplex it.

The problem of government is to preserve an equilibrium in society where the factors are unknowable. Can it be done? It can.

Everything in nature tends to equilibrium. If anything disturbs nature's balance, forces come into play which seek to restore it. These forces are not man-made or with in his control, but they will work for him if he will let them.

Can we fissure an atom? But not secure justice?

The problem of the economist is to understand the balances at work to restore them. Knowing these disruptive actions, our task is to restrain them.

When disease attacks our bodies the pain we suffer at first is our bodies' work in restoring the balance. If the balance is not restored we are maimed or die. So it is in society. When we by our actions disturb the balance, forces come into play to restore it which pay no regard to human life. Our injury is their work. If they fail, society dies; and the worst and most terrible of these correctives are revolution and war. This is the greatest lesson economics has to teach. It establishes our attitude to the problem. Our task is to let nature's balance preserve our social health: to know what disturbs this balance and prevent it.

Justice is restraint. Confucius said: "Do not use your eyes, your ears, your power of speech or faculty of movement without obeying the inner law of self-control. Act as if you were watching over an infant". Justice is this law of restraint. It rises from the nature of man and human society.

The balance between what we give and receive is disturbed when any one of us takes without giving. Could anything be simpler than that? All who steal disturb the balance. All who levy tribute from their fellow men disturb the balance. Let us consider how men are able to do these things.

The impulse of human action is the will to live; and to live man must eat, sleep, mate and rear children. These are his primary needs, and if any one is denied, his whole being is filled with a single longing such as hunger or thirst. He becomes ill, even demented or savage. The urge to gratify these needs sends him to work. That is why he does work; to give, to glory in giving. This urge may raise him to the stature of a god; but it may reduce him to servility and dependence.

Why should a man endure slavery, injustice and deprivation when he could end it all so easily in death? Because something within him tells him he and the race must live. This inner knowledge, known by all creation, drives him on, and is the reason why men endure slavery, injustice and deprivation.

We all know that justice is better than oppression, freedom than slavery, and wealth than deprivation. We all know that our greatest pride is in something well done. We would infinitely prefer to enjoy this better state. Our difficulty is to see how to enjoy it - and live. It is the task of the economist to point the way.

The urge to live debases men only when the balance between giving and receiving is upset. What then upsets it?

Brute force. This we have learnt in Britain to restrain. Men move about on their lawful occasions without fear of the tyrant's gun.

After force, what next? The deprivation of some essential to life. And what is more essential than land? Deprive men of land, and you have deprived them of the most essential thing in life, and they will slave, tolerate injustice and deprivation. When some own the earth, and all the others are but strangers and sojourners upon it, then are the others dependent on the few.

Where land is enclosed, poverty is inevitable. To gain access to the earth and its powers men must pay tribute. Those who pay most will receive the land. The more they pay, the less for themselves and, in the struggle for life, they will be reduced to an animal existence.

The need for food, clothing and shelter for themselves and for their families will dominate their lives. They will not give what they make; it will be taken from them. The joy of giving will be overwhelmed by the fear of losing. What they may retain they will cling to, and who will upbraid them if they too seek to levy tribute from others?

Meanwhile, the doyens of society, the elegant and cultivated, the exemplars to all, will live, not by what they contribute to life, but by what they take from others. They are, of course, the first to complain when the humbled means of their exaltation imitates them, when the building labourer seeks a reward without working.

This primary wrong -- this forced dependence of the landless many on the landed few - - produces a second dpendence.

A human being has the power to make tools to assist him in his labour. It is not only a power but a necessity to his full development His tools are an extension of his physical strength which give full play to his gifts. What use a pianist without a piano? And how many pianists have been lost for just this reason?

Where men are left so little of the riches they make that they with difficulty fulfill their primary needs, they cannot hope to acquire the tools necessary for their work. Thus disabled, robbed of their man-made arms and eyes, they are forced to borrow and to pay a tribute to the lender.

Today the palaces of the moneylender out-vaunt the principal administrative offices of the owners of creation. Lombard Street outweighs, in massive opulence, the rock of Levers on Thames Embankment.

This dependence on the moneylender produces yet another. The moneylender wants security to secure his unearned income. He will not lend to anyone. His fears breed a new class of men, skilled in a special art. Theirs is the gift to raise loans and use them for the benefit of unearned incomes. These men become employers, not because of their special knowledge of the trade, but because of their financial skill. They employ others to run their business for them.

Thus grows up a new dependency of employee on employer for the tools of employment. This completes the enclosure of land, for the new class of employer ousts the small tenant, who is sent looking for employment, and in the end our best engineers, scientists, designers and professors become servants. The direction of work passes out of the hands of those who do it and even education becomes servant to the new masters.

All these dependences on landlord, moneylender and employer, and the tribute of rent, interest and unearned profit, grow out of the first and continuing injustice, the enclosure of land. This is the substratum, the cause of weakness in the many and the power of tribute in the few. Without it all would have to work for their living. The law of property in land is the most important economic institution in any community. If this is wrong, little will be right. It is fundamental.

Every primitive community knows this and guards its customs concerning land with jealous care. Only conquest, or the gradual development of society which outgrows old institutions rendering them useless, can overwhelm these early institutions. Force is always needed to break them, as when Henry VIII enrolled his Swiss mercenaries, and the gentry of the eighteenth century enlisted their sons in the hated Yeomanry.

Only when absolute private property in land is finally established does the economic decline of civilization truly begin. This happened in Britain about 1800. From that date we measure the decline in craftsmanship and creative skill. Then began the growth of hideous towns, populated by rootless, depressed thousands, bred in squalor and ignorance. The way the people have raised themselves from the degradation of that terrible century proclaims the resilience of the human spirit and the power for good in every one of us. But the slow decline in the general standard continues. Not merely the poor, but all classes are infected. What one of us, old enough to remember, is not startled by the drop since 1938?

Fortunately, the will to live goes on, and people in all places there are who are still giving their best. Their are those employers - or managers, if not employers, for the employer is often a limited company - those who have the management of concerns, who try not merely to do their part but instill in others a sense of responsibility and pride, to waken in those who work for them the spirit of endeavour. There are those in the schools who humbly plod to discover the truth, and refuse to be distracted from it by promise of advantage or threat of penalty. Everywhere throughout society, men there are who are giving of their best; and, whether they be receivers of unearned income or not, for what they give we are grateful, for by their giving are we all enriched.

Men have powerful secondary needs, the needs of the artist. No sooner does a man feel that he can feed, clothe and shelter himself and his family with reasonable security, than he turns his energy to culture, to the arts of cultivation and to self-development. He needs to do this, for it is his special human power and his special human need to develop this higher cultivation in his work and life.

Those who are fortunate enough to be able to pursue this end may be grateful, for just as denying men food reduces them to hunger, illness, and to savagery, so to deny men these powerful secondary needs is to reduce them in sensibility, balance and morality. The disorders of this age, the neuroses, the frustrations, are just that. They are the hunger of the soul.

But nature is kind. Pain dulls sensibility, and those people who are condemned by poverty not to pursue their special gifts, who find themselves doing work they do not like and are not fitted for, who live in poverty, with difficulty raising their families, those people are often saved the pain of the denial of their real humanity by becoming unaware of it. They go about almost under an anaesthetic.

How many of us walk about in a kind of twilight sleep, neither waking nor sleeping, our sensibility dulled? In peace, if it endure for about half a generation, we grow sensible to cruelty, to sudden death and disaster; but let a major war be in being for a year, and we eat horror for breakfast, dinner and tea, and think nothing of it. Our sensibility is dulled because otherwise we could not endure the pain.

So it is that when men are denied their human development as human beings, their sensibility is dulled. Do not let anyone blame these people who are dull, dim, unresponsive. If they were responsive they would be in revolutionary armies; indeed that is where the revolutionaries come from, the men who gave not been dulled and who cannot endure what they suffer. If we deny human beings some essential elements in life, we create a condition where men give their labour and what should be theirs is taken from them; at one end of society the denial of life, and at the other end people living wrongfully. These last set the standard for the whole community, and foster a condition where more and more people regard what they obtain from others as important and what they give as secondary, until this valuation becomes the ethos of the whole community. When this happens civilization is doomed.

Such is the importance of Justice; and the function of economics is to point the way to Justice.

Meanwhile, what of the government? Here again the Divine wisdom which shapes and forms you and me and our society, has made provision for government. I need not weary you with it, because you have been through it all. But from land, the value of which grows as one moves from the fringes of the community to the centre, springs the natural fund to sustain government.

There it is, produced year in and year out. What is more, by taking it, the government would preserve a kind of equality. A farmer on poor land cannot produce as much as a farmer on food land, and not everyone can be on good land. A farmer cannot produce as much as a merchant anyway, and not everyone can be a merchant. And in a sense it is not the farmer on the good land or the merchant who are producing the surplus of good things which give value to land, for they could not produce this abundance without the community. Now let me turn about, and look at the picture from the other side, from the end of economic events as they appear to-day.

What I have been saying to you works itself out in every detail of our economic life, and expresses itself most clearly in prices and employment.

Now, what has happened in these spheres? As we came through the post-war boom, employment became more plentiful; trade expanded; ;the number of people at work increased; wives went to work; sons and daughters went to work; the hours they worked lengthened; and with each consequent expansion in the family income they grew richer and stimulated their own industry to answer their own needs.

But, all the time the unearned tribute of rent, interest, taxation and unearned profit were rising faster and driving wages down. The people gained in wealth only because they worked more and worked longer. Their rate per hour or week or month was all the time falling in real terms. Rising prices more than absorbed increases in money rates of pay.

Prices are determined by what the producer at the fringe of each industry must earn to keep in it. The charges he has to meet have to be met out of the prices his produce fetches. As the charges on his business rise he just passes then on and as he passes them on, prices throughout industry rise, and as prices rise, real wages fall.

Recently, a time was reached when the rising tide of prices was checked. It went on rising but not so fast. At that time, marginal industries failed because they could not carry the burden of unearned income. The amount of land under production was reduced. Agriculture, Forestry, Fishing suffered. Now in this period people were hungry. There was not enough food, and the contraction of production caused by these impositions on the margin sent prices of food rising faster than ever.

Other prices followed suit until men could work no longer, there were no more members of the family to go to work, they were all working as long as they could.

Then the rising tide of prices meant to them a falling income. That began about eighteen months ago. Then the housewife had to pare her budget. When she did that, trade failed. The first failure was, of course, in clothes, because there she could save most easily. Now you see this pathetic spectacle - you see Lancashire hit. The employers appeal to the Government for help; the Government considers reducing taxation on cotton goods; it does make some concession - a small one. The employers themselves look desperately around to see how they can stimulate trade and they slash their prices. But when they do that, when they slash their prices, when taxation on cotton is eased, that does not substantially increase the sale of cotton, it only means the housewife has more to spend on food, rising fares and housing. And every relief in the cost of clothes goes there. So the cotton industry finds that its price slashing policy does not work well. Instead of increasing turnover (sales do increase of course, but they do not increase enough) instead of increasing, turnover drops. That is the situation now in cotton and it is coming on fast in other industries - wool, furniture, radio sets and the like. They are all going to suffer.

Why? Because the earning power of the people has been reduced every day that prices rose, and it was that reduction in the earning power of the people that has made them too poor to buy the fruits of their own industry, and has thrown them out of work.

Now they must look for work working for unearned incomes (which to-day means armaments and a few luxury trades, because most of the excess is now taken by the Government). But notice this - they are put out of work by their own poverty. What is the Government's solution? - wage restraint! "Keep wages down," they say. "Put interest rates up." I tell you it is lunacy. Falling earned incomes and rising unearned incomes was the cause of the trouble. When the financial crash comes, remember that. In this country we are victims of our own idea that the profit of industry depends on how much is taken out by people who are putting nothing into it, and the only way to make industry profitable is to ensure that those who are putting their life's work into it take as little out as possible. Such is our attitude; it is taught in the schools of economics, preached by the Government, whether labour or conservative. How ugly it is, how sterile. What a sad reflection on our economy.

Here we are, impelled to live by some power we do not understand. To live we must give, and once you start giving - once you start working and expending your talent - it grows upon you until it becomes your chief occupation in life, like the mother with her children. She does not count what she receives; nor does the man once he has found his calling. The more important his calling becomes to him, the less important the reward he receives becomes. That is natural, and that way of life is only being defeated because our society has so far disturbed the balance that there is as much taken out by people who contribute nothing as there is by all the people who work. Those are the facts when taxation is included in the calculation.

The Government's taxes and the unearned incomes paid in Britain equal the whole of the earned incomes in Britain.

Now see where it has led us to. Watch the corrective forces of nature at work. Unearned incomes have gone too high, our economy is out of balance. How are they to be reduced? Simply by smashing industry. Let industry stop and then there is no unearned income, and that is what happens every depression. The balance is restored by depression or war, one or the other, or revolution.

That balance will be restored, make no mistake about it, but the restoration is very painful. It hurts, and if by any chance it failed and did not restore the balance, then our little civilization would be gone. Not, I suppose, that that is important.

Surely we can add our little line to the poem of creation. Surely we can bring justice into our economic dealings, restore nature's balance; for economics is simple. There is nothing difficult about it once you have seen it, once you have overcome the difficulty of removing preconceived ideas, prejudice and superstition. It is so simple; so wonderfully balanced that you know that all men could understand it. It has that simplicity, which all truth has. It has that strange quality. But it is profound, it lies beneath the surface and is not at once self-evident.

I have tried tonight to put before you a broader concept of what the principles of economics really are. Justice consists in permitting the natural balance of society to maintain itself. We cannot maintain it but we can restrain ourselves from upsetting it. The best government lies less in what we do than in what we do not do.

You may have observed that government can only act by restraint, it has no other power, and it has no other power because restraint is its function. The best of all government is self-government; and that is what Confucius meant when he said, "Never use your eyes, your ears, your tongue, your faculty for movement without obeying the inner law of self-restraint. Act as though you were watching over an infant." He meant what he said literally. To put it in other famous words - "Do unto others as you would they should do unto you." Economics teaches the same lesson.

Would you go and seize another man's land and turn him off? Would you willfully reduce a man into poverty, and see his children uneducated and ill-clad? You would not do any of these things knowing you were doing them; but we are doing them and we must cease doing them. That would be justice.