

ECONOMIC CONCEPTS: CLASSICAL, NEO-CLASSICAL and CLEVELAND

Concept	Classical	Neo-classical	Cleveland
Economic classes or divisions	Three classes: Landlords, capitalists and workers	None	Two: Rich (high ratio assets to people); poor (low ratio assets to people)
Factors of production	Three factors: Land, labor & capital	Two factors: Capital & labor	Three: "Land", labor, & capital
Factor income	Rent, wages and interest/profit	Profit & wages	Rent, wages & interest
"Land"	Land=all natural resources, source of wealth and power	Land=minor subset of capital, usually just farmland	"Land"=natural resources plus socially created resources subject to titles
Commons	Un-privatized "land"	Un-privatized natural resources	All shared natural and social resources, whether or not privatized
Economic rent	Unearned income accruing to landowners; major importance	Minor to non-existent; possibly received by top athletes	Unearned income accruing to title-holders; major importance
Wealth	Man-made material goods, as in Wealth of Nations	Net present value of future income and benefits for individuals=net worth	Net present value of future income and benefits for individuals=net worth
Capital	Wealth used in production of more wealth=buildings, tools, supplies; divided into fixed and circulating capital	Net present value of future income and benefits for corporations =owners' equity	Net present value of future income and benefits for corporations =owners' equity
Manufactured Capital	Same as capital	Man-made material goods used in production and inventories prior to final sale to consumers	Man-made material goods used in production and inventories prior to final sale to consumers
Real Working capital	Circulating capital=inventories of finished goods, goods in process and supplies, continually replaced	Inventories—but not a serious category	Inventories of finished goods, goods in process and supplies, continually replaced
Fixed capital	Buildings, trees, and other durables	Not a serious category	Buildings, trees, and other durables
Natural capital	Land= all natural resources	Natural resources=subset of capital	All natural resources
Financial capital	None	Stocks, bonds, options etc.	Indirect titles, stocks, bonds etc.
Working capital (financial)	None	Cash or liquid securities in the bank of corporation	Cash=claim on real working capital
Human capital	None	Marketable skills	Marketable skills
Production takes time	Central=time capital circulates	Assumed away except in finance	Central=replacement time for real working capital
Advance payment to factors during production	Function of circulating capital	Assumed away except in finance	Function of real working capital
Monopoly and monopsony	Monopoly important	Perfect competition default assumption; monopoly minor	Monopoly and monopsony dominant

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Transaction costs	None	Noted but usually assumed away	Major
Political power	Major	Assumed away	Major
Taxation	Taxes can be harmful or neutral; land taxes are best because neutral and fall on rent	All taxes burden production; no distinction between taxes as to harm or progressivity	Regressive taxes harm production; progressive less so; rent taxes ie land taxes actually encourage production
Tax shifting	Land taxes fall on landowners; sales and like taxes impede beneficial exchange. Shifting not clear.	All taxes are shifted forward to consumers	Taxes are shifted in inverse proportion to elasticity of supply and demand. Taxes on titles not shifted.
Taxes on monopolists	Fall on monopolists	Shifted forward to consumers	Mostly fall on monopolists, due to monopolists' low supply elasticity
Externalities	None	Tax surrogates eg. cars to control pollution	Tax and regulate; encourage higher density
Trade	Eliminate tariffs, quotas, monopolies and other barriers to physical movement of goods	Regulate trade so as to extend national privileges to international trade, eg patents and copyrights. No concern for monopoly.	Eliminate barriers, with careful exceptions for concerns of environment, consumer safety, monopoly, inequality or sustainable development.