

Economics and Its Enemies

two centuries of anti-economics

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I am honoured to speak tonight to The Institute of Economic Affairs on my recent book, *Economics and Its Enemies*[#]. The IEA is bright star in the firmament of the public culture, both in the United Kingdom, and the world abroad. It has an appropriately illustrious creation story: beginning, the chroniclers tell us, with a conversation between F.A. Hayek and Antony Fisher in 1947.

This date –1947 - reminds us that the origins of the IEA lay firmly in the context of the ideological tensions of the mid century- and, at one remove, the Cold War. Come 1989, the IEA could claim no small part in the victory of the battle of ideas, that was a precondition for the victory in the battle of deeds.

In that year of there existed for liberals a temptation – that claimed not only myself- to believe that the world had reached its happy ending, and we would live happily ever after in a suite of neighbourly societies composed of citizens reconciled to the market, and content to cultivate their own gardens for their own rather pagan, but innocuous, ends.

How wrong I was!

[#] Palgrave Macmillan, 2002.

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In retrospect, it is clear that the Cold War period was a good time for liberals.

We have since 1989 suffered. We have suffered from,

a loss of contrast, between the other system and the West's

a loss of threat, from the other system to the West's

and

a loss of competition, of to the other system to the West's

To explicate the last point, I believe a kind of Liberal Right position was the most attractive counter-offer to Marxism that the established order of West was capable of in the bidding war for ideological allegiance. This suitability of liberal anti-communism meant that Liberal Right posture was *a good way of being right wing*. So much so that a few persons with far-from-liberal Right positions before 1945 attached themselves to the ranks of liberal anti-socialists after 1945.

But since 1989, there have emerged new ways of being right wing (that are not so liberal at all).And since 1989, there have also emerged new ways of being leftwing (that are not so Marxist at all). In my interpretation of the post-1989 world, these new ways of being right wing and left wing have led the (completely unanticipated) charge against liberals in the post- socialist world.

One manifestation of this assault is an ever-rising din of denigration against economics.

Against Economics

Debunking Economics

The Decline of Economics

The Bankruptcy of Economics

The Death of Economics

The Principles of Economics. Some Lies My Teacher Told Me

All these have appeared in the past few years – and it is just a sample.

It is true that this din is less noisy in some countries than in others. But it is everywhere: *Chronicle of Higher Education*. In Cambridge in Trinity St you can peer through the window of Cambridge University Press Bookshop and see their own recent offering to this literature piled high.

I would venture that “anti-economics” is now the leading demonology of the intellect; surpassing by now anti-psychiatry and anti-positivism.

Some Definition

But what is anti-economics?

An anti-economist is whoever sees economics as a bane. To the anti-economist the offence of economics is that it is harmful, it is “pernicious”. The world would be much better off without it.

The anti-economist's attitude is well captured by the anti-economist Clarence Ayres' summary of Veblen's attitude to economics: Veblen, said Ayres,

“criticised accepted economic theories, not as incomplete or even wrong in specific detail, but as utterly false and deluded from beginning to end. Like Dewey he clearly implied that we should be much better off if we were to dispense with the whole question—begging rubrics with no other verdict than ‘good riddance’” .

To hasten that happy day when we can so dispense with economics, the anti-economist seeks to,

eliminate its centres of propagation,
abolish its honours,
efface its institutional identity,
bar its representatives from public institutions,
mute its voice in policy formation

and reduce it to the padding accomplice of social proprieties, and make
it the meek dependent of political processes

But how to secure these ends? At this point there enters The Critique. The anti-economist is confident that the credence or toleration afforded economics will be drastically reduced by a searching examination of its doctrines and method. Anti-economics has, therefore, proliferated critiques and “anti -texts”. So if anti-economics *is* a hostility to economics, then what anti-economics *does* is produce critiques, in copious quantities.

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I will hasten to distinguish The Critique from criticism. Economics finds the world surprising, is in need of criticism (good criticism), and has only grown because of (good) criticism. But the Critique does not want to “grow” economics, it wants to destroy it. As the author of *Against Economics* puts it, “the point ... is not to criticise economics endlessly, *but to dispense with it altogether*’ (Kanth).

If we believed that economics was the golden staph of the great hospital of life then we would find Kanth’s resolution eminently understandable. But if we do not – if we think economics is useful knowledge- then we will be puzzled by the very existence of anti-economics, and led to the question “Why is there anti-economics?”

I will propose an answer that is built on a distinction of two types of forces in the world: material (or venal) and ideological (or ideal)

Material Forces

There is an extremely important material foundation to anti-economics, that lies ironically, on the orientation of economics towards to the public interest.

The paradoxical truth is that nothing is more unpopular than the pursuit of the public interest. For every member of the public is a vested interest who wants preference and privilege, rather than the cold equality before the law of the free market. Barring fortuitous circumstances, for *any* economic interest there is always a regulation/intervention that will improve that interest's position relative to what it would enjoy in the free market. No one, in other words, has a "vested interest" in the completely free market. The completely free market is optimal for no interest. On the odiousness of the free market there will be agreement amongst the interests.

Ideological Forces

But I do not believe that material forces alone direct events. Ideological forces can be strong enough to parry the thrust of material ones. But when ideological and material forces they strike in the same direction. It is my opinion that anti-

economics has been so powerful because material forces have been accompanied by ideological forces.

The leading species of ideological anti-economics I will call Right Anti-economics and Left anti-economics.

Right Anti-Economics

The oldest and most enduring species of anti-economics is Right anti-economics. Emerging in the late 18thc as a reaction to the Enlightenment, this species of anti-economics

sees the market as destructive of a desirable social order,
identifies economists as the market's advocates,
and consequently judges them to accommodate, wittingly or
unwittingly, the destruction of this desirable social order.

To Right anti-economics economists are the apostles of disorder; the ideologists of anarchy, "the wretched procurers of sedition".

Simon-Nicolas-Henri Linguet (1736-1794) who deserves the title of the first anti-economist, on account of his several literary rampages against the French
Linguets talent lay in combative pamphlets, that he prudently issued from
from London He was imprudent enough to return to Paris in 1780, where he

was imprisoned by means of a *lettre de cachet* in the Bastille for 22 months. He wrote a celebrated exposé of that institution, and won the favour of the populace of pre-revolutionary Paris. By 1788 his statuette sold in the streets; his wax work stood in the Madame Tussaud's of the day, sitting between Voltaire and Frederick the Great.

With the advent of the Revolution Linguet came out as an ardent advocate of Royal absolutism, and favoured "complete support for the crown and for its unimpaired authority" (Paskoff 1983, p.31) opposed calling the Estates General. During the Terror he was arrested on account of correspondence between himself and the King. He was "tried and condemned by the Revolutionary Tribunal on June 27 [1794], and guillotined the same day".

Linguet's anti-economics was built on his pessimistic and brutal theory of society. The social order was a matter of inequality. The perfection of this order lay in the perfection of inequality: the division of the population into the powerful and the powerless, masters in command and masses in servitude. The economic freedom preached by economists threatened this division.

"Whatever limits you wish to place on this freedom, it is impossible to prevent it from spreading to the great ends of politics. From wheat, the thinkers of this type will not wait to raise themselves up to the throne".

The Economistes therefore, are, saying say: “authority does not impose anything on us”. They are the ‘panegyrists of English anarchy’.

Such reactionary Right ideas did not fade away with the decay of any hope of restring the Ancien Regime. Instead they were assimilated into certain “visionary” Right ideologies of the mid 19th c, that turned away from the elite and towards the mass, from the past and towards the future, and from repairing an old order to constructing a new one. Principle among these were Thomas Carlyle, John Ruskin, and George Fitzhugh: all fanatic anti-economists, and enthusiastic ideologists of servitude.

Further, right anti-economics is not a museum piece. It has flourished in the 20th century, especially in the “corporatism” of the interwar period , and in the apparently “left” thought of Karl Polanyi: His stress on ties and attachments, and his sometimes frank hankering after the past, it is by our account Right.

Anyone today lamenting in the fashion of Polanyi, how neo-liberal policies are “tearing apart the social fabric of society” is a right anti-economist.

Left anti-economics

Whereas Right anti-economics assumes the market was destructive of social order (and therefore bad), Left anti-economics supposes it is constructive of the social order and, therefore (also) bad.

This Left interpretation of the relation of the market to the social order readily suggests a verdict on economics. Whereas to Right anti-economists, economics by its advocacy of the market is disruptive of social order, to the Left economics, through its advocacy of the market, is merely buttressing the social order. Whereas to Right anti-economists, economists are the ‘wretched procurers of sedition’, to radical anti-economists they are the ‘apostles of the rich’. This is the classic interpretation of economics by the Left. Economics is supportive and reinforcing of the norms and structures of existing society. It is an ideological effusion of those structures. It is there to

legitimate,

rationalise

and apologise

for the rule of wealth, capitalism and plutocracy .

Left anti-economics and right anti-economics have opportunistically used other ideological species of anti-economics.

Altruistic anti-economics.

This is one of the most popular strokes of anti-economics is the claim that economics amounts to a doctrine of selfishness. It is a creed of greed. Economics at best condones selfishness. More likely it insinuates its. Worst of

all, by abetting egotism, economics has corroded any general sense of regard for others, and therefore cleared a path for inhumanity and cruelty.

I believe that it was at the opening of the 19th century that egotism became a preoccupation of thought, and the notion of egotism as the great bane of human existence received a sudden charge.

The Left. The anti-liberal Left saw egoism as destructive of the collective existence they were seeking. They identified ‘egoism’ with the ‘modern liberty’; the autonomy, independence, and prerogative of the individual. (Frederic Harrison).

The Right. The anti-liberal Right saw egoism as destructive of the order they were seeking to preserve. Order consisted of ties: ties of those below to those above, and ties of those above to those below. Egotism meant the end of those ties. (Augustin Barruel)

The Left and the Right have also used moralistic ant-economics.

Moralistic anti-economics

‘Moralism’ is the doctrine that morality is the supreme and necessary resource for the comprehension and solution to the world’s problems. It is in moralism

that economics finds one of its most incomprehending, gloomy and malevolent adversaries. This enmity is fated on account of economics' attraction to science, and moralism's repulsion from it. To science the world will be made better by knowing more; to the moralist the world will be made better by becoming more moral. To the scientist, therefore, economics is a system of knowledge. But to the moralist, on the contrary, economics should be 'but a system of conduct and legislature' (Ruskin).

Moralism, too, was resurgent in the aftermath of the French Revolution. The Enlightenment was not addicted to moralising. Good things in the world were the unintended consequence of banal motives. But in the emotionally charged atmosphere of the Revolution the belief in the power of moral agency was stimulated. This renewed belief in the power of moral agency lent itself most easily to the Right, as it suggested the utility of a supreme moral authority. That in turn suggested an ancillary moral authority in economic matters: a 'moral economy' instead of the old 'political economy' of guile and advantage

In the 19th the Left did not draw on moralistic anti-economics: it was confident it would win the battle with science. It was with the Left's loss in confidence, in the mid 20th c, that science would win the battle for it that it turned to moralistic anti-economics. And EP Thompson picks up and runs with Robert Southey's "expression 'moral economy'".

Irrationalism

Irrationalist anti-economics is a horror deductive, quantitative, scientific aspect of economics. Irrationalist anti-economics a Right form, and a Left form. In its Right form, Irrationalism sees scientific reason as destructive of good social order. In its Left form, Irrationalism sees the scientific reason as constructive of an oppressive social order.

From the time of Coleridge (and following Burke) abstraction has been the key bugbear of Right forms of Irrationalist anti-economics. Abstraction, that purges the detail of time, place, history and culture from our reflections. Abstraction, that is prone to take away those differences in humanity on which the social order was built. Abstraction, that leads towards simple conclusions, and therefore simple (‘radical’) judgements.

While right irrationalism sees science as subversive of authority; Left Irrationalism sees it as constructive authority. Left Irrationalism condemns science and expertise as tools of social control, holds scientific authority to be an extension of political authority, and sees technical functionaries, including economists, as the maintenance staff of the technology of power.

Anti-materialist anti-economics

Anti-materialist anti-economics declares that the state of human satisfaction to be a radically insufficient criterion of judgement of any social philosophy. While economics has tended to judge any social system by the degree to which it supplies human satisfactions, according to this species of anti-economics, reverence for the good must often debar the service of human comfort and ease. According to this species of anti-economics, economics, by falsely identifying the defence of the good with a search for human comfort and ease, has facilitated various offences against moral values. Above all economics has approved of the degradation of the natural and cultural environment.

The anti-economics of environmentalism sees itself as Left, but a very slight acquaintance with the history of environmentalism shows that it has often been used by the Right.

In the present climate, however, it is Nationalism that has been the most valuable resource of Right and Left anti-economics.

Nationalist Anti-Economics

The key attribute of nationalism a resentful identification of an aspiration to universalism with a reality of imperialism. Nationalism therefore condemns the universalism economics, and bids the creation of a new national economics, that will see through the sham universalism of mainstream.

National Economics first appeared in the aftermath of the Napoleonic era on on the margins of the metropolitan culture, where there was a resentment of the centre's putative universal culture. The seminal figure of national economics was Friedrich List (1789-1846), and he was in many ways a political liberal.

But the correlation between political liberalism and nationalism did not long survive 1848. After the mid-century national economics was adopted by other forces. Socialism found the collectivism of Nationalism complementary, and there began a collaboration between the Left and nationalism. At the same time nationalism now appeared to the anti-Liberal Right as a resource for conserving the old order, for preserving society from class war, and for securing the integrity of state borders from insurgent minorities. With this broadened appeal national economics was no longer confined to societies that identified themselves as peripheral. It could now take root in even a great industrial and imperial power such as Great Britain, and the young German Empire (the German Historical School).

But it is critical realise that the Left anti-economists of the late 19th c- Thorstein Veblen (1857-1929), Richard Theodore Ely (1854-1943), John R. Commons (1862-1945)- were also nationalists of a sort. They were, in fact racists(like many other ‘progressives’ of the time).

The First World War, however ended the collaboration between Left and Nationalism. Nationalism now caused offence to the Left on the ground of its reactionary aspect; it seemed to represent an atavism rather than progress; the survival of an old, barbaric order.

The First World War also thrust the leadership of the Collectivist Left onto a steadfastly internationalist section of it: Marxism

To a considerable extent the Second World War and its aftermath merely amplified what had already been achieved by the First World War. The association of the Right with Nationalism in the developed world was reinforced, and Marxism as a reference point of the Collectivist Left was reinforced of by the trials and triumph of the Soviet Union. The critical novelty lay in the fact that Marxism was no longer just an ideology; or just the ‘established church’ of one country; it was the gospel of an aggressive world power.

This aggression prompted a worldwide ‘grand coalition’ in the West, centred on the United States. Ideologically speaking, this coalition hinged upon the

Liberal Right, and encompassed (for a time) both the Collectivist Right and the Liberal Left. And this coalition was internationalist. It was a coalition that created “international funds”, and “world banks”, and “united nations”.

The Cold War contest, thus, was internationalist; the rival contestants were internationalist.

The end of the Cold War changed this. The anti-liberal Collectivist Right had been in truce with the Liberal Right during the Cold War. But in its aftermath, with a renewal of hostilities between the Liberal and anti-liberal Right, the anti-liberal Right found nationalism useful in its now revived struggle against liberalism.

And in the aftermath of the Cold War the “Collectivist Left” found nationalism useful as a substitute for Marxism in its continuing struggle against liberalism. To put the point in summary, and doubtless exaggerated, form: in 1914 the Left gave up on nationalism; in 1989 the Left gave up on internationalism.

The illiberal Right and the illiberal Left have seized upon nationalism attack free trade: thus the toxic concoctions of the John Grays, Raulston Sauls and Naomi Kleins.

Review

An exhaustive rebuttal of these species of anti-economics is impossible here .

But

- To Right anti-economics, I would observe that the “first capitalist society”- Britain - has been easily the most socially stable
- To Left anti-economics, I would observe that repeated surveys of economists show them to be at peace with the welfare state and progressive income taxation, and at war with some of the pet policies of the “party of wealth” (such as exempting capital gains from taxation);
- To Altruistic anti-economics, I would insist that economics has never “pled” selfishness: it has never recommended, praised or expressed thanks for it. It is *economic freedom* that recommended, praised or expressed thanks for.
- To Moralistic anti-economics, I would observe that the vast improvement in economic welfare over 150 years can only be doubtfully attributed to improved morality, but certainly has much to do with improved knowledge
- To Nationalist anti-economics, I would aver that it is nationalism, not universalism, that is the vehicle of imperialism.

What now?

The anti-economists' case might be feeble, but will their campaign be successful?

I want to put to you the possibility –not the likelihood – but the possibility, that economics – real economics – will die.

It has before.

I ask you think of the country that in 1870 had

the largest population of any Western one

the largest and densest academic system of any country

made in the preceding 40 years distinguished contributions to economic theory including, marginal utility theory, marginal productivity theory, the first supply and demand schedules ever drawn.

That country is Germany, and from the time of the formation of German Empire in 1870 economics, as it is ordinarily understood, died. It was replaced by the German Historical School of Economics, led by Gustav von Schmoller.

Repudiating all theory, the Historical School dedicated itself to eliminating "Smithianism" and "Manchesterism" (the terms of the period for "economic rationalism"), and providing rationalisations for the cartelisation of industry and the establishment of protection. They were keen advocates of 'social

welfare' programs to preserve cohesion of the new state. They also eagerly lent themselves to the collection of colonies in Africa and the Pacific, and the construction of a massive naval fleet.

Giving something to everyone, the Historical School won great esteem. The Kaiser Wilhelm I caused a 'sensation' by attending Schmoller's lectures. Bismarck said he would join Schmoller's academic society if only he had the time. Schmoller was 'well acquainted' with Bismarck, and counted six other ministers as personal friends.

Most important of all, at least for the long run, German lecture theatres were flooded with students keen to absorb the economic wisdom of the Historical School of the day.

Perhaps economics has never been so popular anywhere as it was in Germany in that period. And perhaps it has never anywhere been so bad. The hostility of the Historical School to theory amounted to a program of intellectual disarmament. After 1914 this intellectual disarmament that had two catastrophic consequences. The German hyperinflation of 1922-23 is directly attributable to the precepts of Historical School that had 'proved' the falsehood of what we call 'monetarism'. The ineffectiveness of German economists in dealing with the Great Depression is also attributable in part to the intellectual impoverishment of the Historical School. The most effective responses to the

Depression, recall, came from the centre of mainstream economics, in Cambridge.

But in this sorry tale is also a cause for hope. For in the most unlikely circumstances economics in Germany revived in the inter-war period: this was the Freiburg School of ‘ordo-liberals’ associated with Walter Eucken and Franz Bohm.

The Freiburg School wanted to dump the historicism of the GHS and its aversion to theory. The School also wished economics to adopt a new posture of confidence in public policy formation. The deference of the GHS to non-economic considerations, as well as to political currents, was repudiated. The ‘dethronement’ of economics was protested. Economics was to be valued, and to value itself.

In 1949 the Ludwig Erhard was appointed Economics Minister of a stagnant and ruined Germany. He was advised by the ‘ordo-liberals’ including Eucken and Bohm. He sought to implement economic reform. He did so in the face of determined opposition in German public opinion and in the face of enthusiasts abroad of left Keynesianism. Thomas Balogh condemned Erhard’s policy as a ‘wicked’ act, which ‘tried to apply to real life an abstr act, obsolescent and internally inconsistent economic theory’, and which made inevitable ‘serious crisis and terrible social costs’. Balogh was successfully resisted, Erhard

pressed ahead. What ensued was, of course, the German post-war economic “miracle” .

His admirers grant that LSE is a largely forgotten figure. Look at *Oxford Who's Who in the 20th* . It has 1760 entries. It includes several ungigantic figures from the political life my own *patrie*, Australia (James Scullin, Joseph Lyons). But Ludwig Erhard - the architect of the revival of the German economy and Chancellor 1963-66 - is not there

By sticking to their convictions economists will not find popularity- popularity is for pop stars –but may do some good.