The Political Theory of Conservative Economists

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Ideas matter. They are the filter through which people see, organize, interpret, and attempt to change the world. Economic theories, concepts, views, and proposals dominate contemporary public debate over traditional political questions about the meaning and content of the good society and state. Economic issues have always been central to liberalism; indeed, some authors attempt to define liberalism almost exclusively in economic terms. This book examines several such authors. It explicated the political ideas, values, policy prescriptions, and interrelation of politics and economics among conservative economists, emphasizing James Buchanan, Milton Friedman, and Friedrich A. Hayek, with occasional reference to George Gilder, Ludwig von Mises, George J. Stigler, and others sharing similar views on the operation of the market and its relation to politics. These authors—four of whom have won the Nobel Prize in economics—provide intellectual justification for returning to a laissez-faire state, offering support and policy advice for conservative governments in the United States, Britain and elsewhere. The conservative economists present a coherent repudiation of the liberal-democratic welfare, regulatory and interventionist state. Their economic reasoning and policy preferences encourage them to redefine and narrow such political values as democracy, freedom, equality, and justice, reducing popular participation and both the moral and empirical bases for active government.

This book examines the normative political ideas of conservative economists; their definition, justification, and interpretation; and some of the policies that follow from them. It explores the interrelation of political science, economics, and philosophy to bring out the values and assumptions of a significant group of economists, each of whom aspires to influence public policy. Conservative economists have had an enormous impact, but there has been little analysis of their political assumptions, ideas, and proposals. They advocate versions of popular American values, especially in their politically oriented writing, but they attempt to monopolize how these values are defined and applied. Based on their economic model, these theorists claim that their interpretations of
such fundamental political ideals as democracy or freedom are the only legitimate ones for modern liberal democracies. This claim is highly suspect. Words have multiple meanings, and sharing and using the same word, formal value, or principle means nothing until we sort out incompatible meanings and applications, obstacles to the implementation of principles, and opinions about policies that fulfill these principles. People often interpret familiar ideas in new and unique ways, so changing their meaning and application that they gain new substance and advance policies fundamentally different from those supported by another interpretation or set of assumptions. For example, we may all value freedom but strenuously disagree over its meaning. Agreeing that we advocate freedom, or any other value such as individualism, equality, or justice, is the beginning of discussion, not its end. There is no way of knowing what any value means until one knows the circumstances under which a person can and may practice it, acceptable manifestations of the value, obstacles to it, and so forth. Disagreements over these questions amount to qualitative differences in values and ideologies.

In the same way that one can analyze the political ideas of an Augustine, Martin Luther, John Calvin, or Reinhold Niebuhr without writing a book on theology, it is possible to write about economists’ politics without writing an economics text. Conservative political economy can best be understood within the context of other interpretations of fundamental political values. Therefore I occasionally contrast past and present theorists and their arguments with the conservative economists and their arguments. In doing this, I am not commenting on the validity or invalidity, usefulness or lack of usefulness of their economic theories, even though I may have strong opinions about them. I am not concerned whether their economics preceded their political theory and philosophy or their political philosophy is the basis for their economics. But it is important that the conservatives’ politics and philosophy support their economics and that there is nothing in their political theory which calls their economics into question. For this reason, I emphasize political writing and those shared assumptions and predispositions that are relevant to the conservative economists’ political concepts and policy proposals, not each author’s purely economic work. I am concerned more with understanding their rarely studied political theory, and what they are attempting to say to our contemporary world, than with criticizing it.

Conservative economic arguments provide a powerful belief system in the conflict for the soul of modern liberal-democratic government: what will it do, to whom will it respond, what will be its future constitutional structure, who will benefit from what kind of policy, what do citizens—if the word has meaning—owe one to another, what is the good liberal-democratic society. These are political and moral questions. Though they have an economic com-
ponent, they extend far beyond the confines of economic theory. Economists may therefore find parts of this book confusing, dealing with familiar ideas in a different and threatening manner. Political scientists may find parts to be obvious. Perhaps this is inevitable when talking to both groups simultaneously. However, it is economists who will find most that is new or different. They may not recognize all of the assumptions discussed or may claim there is no such thing as natural law or theories of justice in economic theorizing. I agree, if one looks only at words, not their meaning. Conservative theories contain the functional equivalent of these and many other normative political ideas, and it is that which concerns me as a political theorist.

Several people have urged me to make a statement of my political beliefs. I became interested in the conservative economists when I was asked to review one of James Buchanan’s books. I am a liberal, of the reform variety, meaning that I believe that there are many obstacles to realization of fundamental values; that under some circumstances government may be an obstacle to realization of basic values and under others it may be a necessary means to removal of obstacles; that there are few easy answers; that freedom, equality, individualism, democracy, participation, and tolerance are expansive concepts; and that, when circumstances change, modifications of policy are necessary to protect fundamental principles. Some readers may also detect echoes of Burke in some of my comments. They will not be wrong.

A number of people in political theory, economics, and philosophy have made important contributions to this book through their support and criticism. I thank them very much for their help and advice. Daniel M. Hausman, Douglas Rae, and Warren J. Samuels read this book in manuscript. It is a better book because of their diligence, suggestions, and proposals, and I owe them a special debt. I also thank the anonymous reviewers at the Social Science Journal who reviewed an early version of chapter 5 and the editors of that journal, who gave permission to use the material here. Several people have commented on parts of this book that were originally presented as conference papers, once again proving the seriousness with which panelists take their often difficult task. I especially thank Emily Gill, Gerald Houseman, Joel Kassiola, and Paul Kress. David Gay has been a friend and colleague, introducing me to information, theories, and ideas relevant to the authors discussed in this book, while always challenging my perspective. Steven Zega read part of this manuscript and made numerous perceptive comments. My good friend Thomas Hone has enriched my thinking and has been a constant encouragement. So has Booth Fowler. I thank the staff of the University Press of Kansas for their assistance. Finally, I thank my wife, Ann Waligorski. She understood how important this project has been to me. Errors in interpretation and facts are mine.