2. Starting Assumptions: The Philosophical-Economic Foundations for a Political Argument

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Chapter Two

Starting Assumptions: The Philosophical-Economic Foundations for a Political Argument

The free market wouldn’t allow Scrooge to exploit poor Bob.

Assumptions shape perceptions of and responses to the world. This chapter reviews six politically crucial assumptions that form the foundation for conservative political theory and policy recommendations. It does not discuss all of the conservative economists’ assumptions, only those that are relevant to their political theory and model. Some of these concepts are not economic as such but are the structuring beliefs and principles that lie beyond economics. The assumptions discussed in this chapter are: that the theory is (relatively) value free and objective; that human nature or motivation is individualistic; that self-interest is the primary human drive; that self-interest creates order; that the market embodies this order; and that the market is the model for politics. These preconceptions form an untestable “vision” of how the world does and should operate. They structure and dominate the conservative economists’ understanding of politics and political values.

These “working ideas about the nature of the whole of reality” are a mixture of political, philosophical, and economic concepts based on normative and empirical claims. Authors switch between normative and empirical, description and prescription, without alerting us to the change. In most cases assumptions are definitional in nature and presented as universally applicable. They set limits to political possibility, forming the foundations of an alternative design for the democratic polity. The conservatives’ beliefs encourage them to divide the world into either/or terms, promoting absolutist political-social thinking without shadings of ambiguity or the possibility of compromise between values or policies.
Objectivity Claims

Values shape behavior, how people view the world, what they consider important, where they place the burden of proof in controversies, how they decide what is a problem, and what is an acceptable solution to problems. The conservative economic theorists claim that their analysis is objective, and, for Friedman, positive, scientific, and value-free, providing an impartially correct standard by which to judge politics.

The claim of a superior standard entered political theory with Plato, but the modern assertion that economics can be positive and value-free dates at least to David Ricardo in his debate with Malthus and was developed in the late nineteenth and early twentieth centuries by such theorists as Vilfredo Pareto. Friedman takes a strong position. For Friedman, "[T]here are no value judgments in economics." He assumes that wide agreement on technical issues eliminates value conflict. Economic theory is independent of and separate from normative and ethical judgment. "Science is science and ethics is ethics." Economics is theoretically capable of producing knowledge equivalent to the natural sciences—"[p]ositive scientific knowledge that enables us to predict the consequences of a possible course of action." This is a continuing theme, illustrated in his essay "The Methodology of Positive Economics." Friedman's economics "is, or can be, an 'objective' science, in precisely the same sense as any of the physical sciences." It is independent of and the basis for normative judgments, not vice versa. Results are the only test. Are its predictions generally accurate and confirmed by experience? Despite the virtual impossibility of testing his theories, determining what is a result of assumptions, or deciding in a nontautological manner what is an acceptable outcome, Friedman claims that it is irrelevant to look at his assumptions. Assumptions specify when a theory will be valid; they do not determine or affect its actual validity. Friedman undercuts potential criticism by occasionally claiming that he links economic hypotheses to actual behavior and policy recommendations with an "as if" statement. One can examine real-world behavior "as if" people conformed to hypotheses such as always trying to maximize returns: "It is only a short step . . . to the economic hypothesis that under a wide range of circumstances individual firms behave as if they were seeking rationally to maximize their expected returns . . . and had full knowledge of the data needed to succeed in this attempt." He believes that "[t]ruly important and significant hypotheses will be found to have 'assumptions' that are wildly inaccurate descriptive representations of reality."

Friedman intends that this position be taken seriously. Discussion of values is an evasion. Disagreements are related to conflict over scientific economics, not preferences or assumptions. Differences on how to achieve an end do not
result from value judgments. Moreover, he seems to confuse values with motives. He condemn...
of economics is to explain, not predict. As with Buchanan, Hayek is willing to acknowledge that his work contains normative elements, though both authors claim that their conclusions follow from the naturalistic market rather than normative values. Hayek's policy claims, however, are as strong as those of Friedman and Buchanan. More important, despite lack of agreement over the exact nature of science and economics, these authors agree that their economics is scientific and objective and that their policy recommendations are the only possible ones for modern democracies. Their images of order, human nature, and the concomitant market are not hypotheses to be debated but objectively valid statements about an existing, natural system of human relations. Conservative economics is not another ideology but provides lasting principles and a true picture of reality that are valid bases for correct policy advice.

It would be easy to add more examples of this extraordinary claim, which, consciously or not, fulfills two policy objectives. First, it makes the system invulnerable to criticism. Second, it attacks the liberal assertion that there are no neutral policies—that every policy contains normative judgments that make necessary and legitimate choices about who will benefit from what types of public policy. For example, Lester Thurow claims that value judgment is inevitable. Definitive experiments are impossible, and “unobservable variables” are common. Efficiency statements are no different from equity statements. "Both depend upon an underlying set of discussable value judgments." “Prescription dominates description.” It is not possible to rationally or empirically claim that people are rewarded according to contributions in a neutral market; therefore, we have no choice but to make deliberate distribution choices. Traditional economics has become an ideology, “a political philosophy, often becoming something approaching a religion.” The conservative economists vehemently reject this position. Political and economic stability require acceptance of their objectivity claim. Introducing deliberate choice inevitably undermines the efficient operation of the economic system and political values such as freedom and democracy which are based upon it.

The problems with this crude positivism are immense. An objectivity claim reflects acceptance of a particular guiding principle or method of reasoning. The conservative economists deny the structuring impact of context and perspective, claiming universal validity for their theory. There is no outside platform upon which one can stand to look into their model. As with Plato, the only sound test assumes the validity of the starting premises. This model of science presupposes an objective reality, separate from observation, and unvarying, discovered laws of nature. As with spontaneous order, these laws are not created by observers, are not imposed upon reality, and do not change with the observer but are implicit in what is observed. Because they reflect reality, moral injunctions and wishful thinking cannot affect them, nor can
they be modified merely to accommodate temporary desires. The conserva­
tives' premises may be hypothetical (though they rarely say so), but their po­
litical and policy conclusions are not.

The method of analysis is largely a priori, deductive reasoning. Despite the math­ematical talent of several of these writers, there is a strong anti-empirical bias in their thinking. Propositions are often true by definition. Political pro­posals are not offered as hypotheses for analysis but as categorical statements, true because the economic premises from which they are deduced are true. Testing, falsification, and experiment are rarely possible or attempted. Experi­ence cannot prove the validity or invalidity of assumptions or conclusions. There are no explanations of results that are divorced from such normative values as freedom or efficiency.

All theories, especially those dealing with people and values, share the prob­lem that preferences inevitably affect a theorist's work. This does not invalidate the search for understanding but cautions against easily accepting claims of complete neutrality or universal applicability. Except for Hayek's on occasion, the conservatives' objectivity claims ignore the controlling role of perception and the possibility that assumptions may lead to choosing a method of confirmation that confirms the assumptions. Causal linkages, especially between government intervention and economic problems or between capitalism and freedom, are asserted without controlled experimentation or clear causal con­nections. This is a simple picture of science, defined as observation and deduc­tion, which misses the crucial role of deciding what is a fact, how facts are re­lated, and how analytic methods are selected.

Human Nature

All political, social, and economic theories contain and are based upon a theory of human nature or motivation. Assumptions about human nature explain how people behave, provide clues as to how they should behave, set adamantine boundaries to politics, determine the legitimacy and illegitimacy of public action, and hint at desirable public policies. The extent and scope of freedom, the meaning of equality, the nature and content of democracy, the existence of public morality, the nature of obligation and social ties, and the limits and possibilities of public policy and collective action are all con­tained in a theory's picture of human nature. In seemingly empirical theories, images of human nature or motivation affect what is considered proper meth­odology, what can safely be ignored, what behaviors must be attended to, and what requires an explanation.

There are many conflicting theories of why people behave as they do.
Classical liberalism, capitalism, and liberal democracy are based upon a mildly hopeful premise, that improvement is possible. As Thomas Jefferson summarized, “Although I do not, with some enthusiasts, believe that the human condition will ever advance to such a state of perfection as that there shall no longer be pain or vice in the world, yet I believe it susceptible of much improvement, and most of all, in matters of government and religion, and that the diffusion of knowledge among the people is to be the instrument by which it is to be effected.” The traditional liberal emphasis on freedom, tolerance, and education would make no sense unless one assumed that people are, or are potentially, capable of understanding and pursuing their interests and effectively participating in governance. Optimistic assumptions may encourage the conclusion that people can understand and creatively improve their situation, individually or collectively. On the other hand, a pessimistic approach generally entails the belief that people are permanently limited by sin, ignorance, tradition, or fate and that there is little they can do to improve their lot. If people are essentially evil, weak, sinful, corrupt, or irrevocably ignorant, then it makes no sense to argue for freedom; people will only abuse it. Democracy becomes dangerous nonsense—the ignorant masses need strong leadership, or else they will destroy that little bit of order known to the few who have some insight into the nature of reality.

As an example, capitalist and socialist theories are divided by many things, especially by rival images of human motivation—what people may achieve and how they ought to behave. As a child of liberalism, capitalism assumes that people are fairly competent, naturally competitive, and are most dependable when their self-interest is involved. Government policy succeeds when it allows people the freedom to competitively pursue their interests but must otherwise be limited. Socialism, and especially Marxism, has assumed that people are naturally creative and cooperative. Competition is an aberration resulting from defective economic and social institutions that must be corrected to release human energies. In some varieties of this thinking, government may have extensive power to recreate the world in the image of the perfected person.

Assumptions about human nature are not always characterized by such dualism; there are many degrees of shading and complexity among arguments. The crucial point is that conceptions of human nature deeply affect interpretations of what is due to people, what is the nature of obligation, what people consider possible or legitimate, and what is desirable behavior. Whether one looks at the debate over equal rights for women, Burke’s attack on the French Revolution, Lenin’s claim that the unaided proletariat is capable of nothing more than trade unionism, Hitler’s murderous effort to purge Germany of racially “inferior” stock, or the gentle debate between John Adams and Thomas Jefferson over who is a member of the natural aristocracy, assumptions about
human nature and motivation animate each conflict. Will people save or spend a tax cut? Are racial groups equal? Are differences between women and men politically significant? Economically? Socially? Responses to these questions are not graven in stone. Though societies frequently have given incompatible answers, these rival answers have seemed obvious and right from within each society's dominant value system and picture of human nature. To understand a theory and its claims, one must understand its assumptions about human nature and motivation.

Conservative political economy is based on classical liberal theory. While sharing many values with such liberals as John Maynard Keynes or John Kenneth Galbraith, the conservative position has more limits and fewer qualifications. It is closer to Malthus than to Adam Smith, but Smith is the starting point for their analysis. For Smith, in *The Wealth of Nations* (1776), people are fundamentally alike—individuals competent enough to see and seek their own interests within a given setting. They necessarily pursue their own good, but not to the extent of Thomas Hobbes's war of each against all. Cooperation results from seeking one's own ends. Pursuit of economic self-interest—"[t]he natural effort of every individual to better his own condition"—is the motivating force behind the invisible hand, which tends to promote human harmony in market-like situations. Assuming a large number of small producers, sellers, and buyers, with no one dependent upon any other participant, self-interest, if pursued within the limits of legal and moral codes, tends to promote the welfare of others. One could improve one's position only by producing a better product, selling a product at a lower price, or both. Even though man is self-interested, man is also a social animal, and the extensive division of labor which arises out of self-interest illustrates that interdependence.

The conservatives' assumptions about behavior and motivation seem to override their science claims. When discussing political or market behavior, the issue of objective, value-free science is mostly forgotten, and analysis starts from human nature. The economists' assumptions about human possibility and the role of the market in harmonizing human behavior shape all their arguments and conclusions. Given basic human drives, the market becomes the arena of cooperation and safe competition and is the key to reconciling egoistic individuals. The conservatives take human nature as fixed and largely independent of moral, cultural, and social influences. These factors may modify how people seek self-interest but not their inevitable attempt to do so. People cannot be trusted outside the market and need strong spurs to cooperation. Opportunities for satisfying greed are the most productive incentives to proper behavior. In a form of secular Calvinism, life is seen as virtually penal in character. Men are purposeful but isolated, having few ties. Interests and pains are incommensurable.
Conservative man is mired in profound ignorance, overwhelmed by passion for his own interests. Each author agrees that humans can never know enough, or sufficiently divorce self-interest from decisions, to plan for the entire economy. Rather than justifying protective government intervention, ignorance requires that collectively people leave things alone, accepting the results of evolutionary change in the economy. Though ignorant of the larger picture, individuals know the immediate circumstances they confront and are free to attempt to act within that situation if there is no outside, coercive interference. Individuals are thus independent and free to act, because the market reconciles and harmonizes their conflicting efforts. Groups must not be free to act because there are insufficient limitations upon their ability to act.

The conservative economists are in complete agreement about what motivates people. In all environments, regardless of context, individuals compete to satisfy self-interest in market-like situations. Individual self-interest is the key to conservative political economy, providing a powerful explanatory and predictive tool—the only interpretative device needed to understand economics, political behavior, and the inevitable failure of government intervention into economic relations. As the most important element in human nature and politics, pursuit of self-interest provides a "natural" limit to public action. Economics is identified with analysis of the pursuit of individual self-interest. Economic behavior is separated from total behavior. All motivation, perception, and behavior are individualistic. Each person is engaged in self-chosen, utility maximizing, purposeful action, directed toward individual and individually chosen ends. In all circumstances, individuals pursue self-interest regardless of the structuring function of role playing, public opinion, context, or institutional goals which either mask self-interest or represent a temporary coincidence of individual self-interests. These theorists assume a close connection between individual interests and preferences "and social outcomes," i.e., that it is correct to say that politics reflects the psychological and moral makeup of individuals. They look at collectivities—groups, corporations, political parties—and see only individuals. The political or social whole can be understood in terms of the part—individual pursuit of self-interest.

Self-interest is the most "dependable spur" to motivate people. Altruism, or "human kindness," always fails before self-interest. Self-interest is whatever people strive for, including money making and peer approval. "It is whatever it is that interests the participants, whatever they value, whatever goals they pursue." Self-interest fuels competition in the market and in politics but simultaneously ensures cooperation. There is one choice: allow individuals to seek their own self-interest in markets which limit the destructive pursuit of self-interest or the vain hope of government beneficence. Trust in government simply loosens restraints. The market performs better than government
because it generates minimum standards of respect for law, property, and the rights of others which curtail destructive expressions of self-interest. When people appear to behave in an altruistic manner, they are engaging in self-interested activity from which they derive psychic income. The only non-market limit on pure, individual self-interest is the recent assertion that a man's family is part of his definition of self-interest.

Self-interest produces competitiveness, and to the conservatives, competition serves several functions. It controls and rewards behavior, makes consumers sovereign, ensures market adjustment, provides the alternative to government direction of the economy, removes temptations for public provision of services, and thus promotes cooperation, freedom, and equality. Given limited human knowledge and ubiquitous self-interest, neither intelligence nor goodwill can create the order and institutions needed by society. Undirected experimentation through competition provides the means by which individuals and societies advance, making it the only way to overcome human limitations. Although competition does not guarantee the best possible outcome, it ensures maximum use of available knowledge and skill.

Self-interest and individualism are not identical, but in the conservative economists' formulation, individualism is reduced to allowing pursuit of self-interest in market-like situations. Self-interest is the key element in individualism as well as in all aspects of politics and public policy, including conservative critiques of democracy, freedom, and equality. The market theory of economics and politics is individualistic. Individuals are the major, perhaps the only relevant, focus of attention. To the extent that a social whole exists, it results from and reflects individual action and behavior. Common interest is Hobbesian, encompassed by the pursuit of self-interest and by the system that forces cooperation—here the market rather than government. Neither values nor relative standing induce behavior, except when envy leads to egalitarian demands.

Individuals and individual ends are the subject matter of economics (and should be for politics), as opposed to "social engineering" which means "the uses of individuals as means to nonindividual ends." Common interest is fulfilled by pursuit of self-interest in the market, individuals invariably seeking self-interest regardless of context. This is the basis of Buchanan's "methodological individualism." Buchanan states that individuals are the ultimate decision makers. Economics and economic analysis of politics focus on individual actions and choices in all circumstances. This supposedly makes economics scientific, gives it superior status to other social sciences, and enables it to be predictive. People are presumed to act according to individually determined preferences. Individuals are the sources of their own valuations and always attempt to maximize autogenously derived conceptions of self-interest, usually envisioned as
increases in wealth but always involving a desire for more. In the absence of individual interest there is no interest. Postulating supra-individual interests is unscientific and allows those who claim to speak for a greater interest to exercise their own self-interest—control over others. Institutions are important because they shape how individual interest is expressed and whether it has a beneficial (markets) or harmful (politics) impact. The conservatives agree, however, that institutional purposes are always subordinated to individual ends, which “explains” the inevitable failure of all redistribution and intervention policies and “proves” that socialism is impossible. Though Buchanan is aware that institutional context affects individual definition of utility maximization, serious analysis of how individuals interact—one of the basic concerns of political science—is missing from each theorist.

The other authors agree that there are no collective goals and purposes, only individual ones, that everything people do is to promote their self-interest, and that this is the key to making political-economic recommendations. Self-interest is a universal motivation, intuitively obvious and the starting point for subsequent analysis. Despite his emphasis on “spontaneous order,” tradition and evolution, Hayek considers himself a true individualist in the traditions of Locke, Hume, Smith, and Burke. Individualism is the alternative to socialism because people understand only their own immediate circumstances, and no one can comprehend an entire social-economic order. True individualism requires spheres of independent action—the economy—where people may attempt to achieve their ends. Like Buchanan, Hayek assumes that analysis starts with individual actions and purposes, which create institutions as the unintended consequence, not the purpose, of most interaction. Order follows from individuals pursuing self-interest and in turn provides the proper framework for that pursuit. Thus only individuals engage in purposeful action, not groups. Social goals are simply the “coincidence of individual ends.” There is no way to adequately compare people. As previously mentioned, individual self-interest is not egosim and includes a man’s family. Friedman accepts essentially the same arguments. Though Gilder rejects much classical theory and adds a creative element to his heroes of capitalism that is missing from the others, his individualism is also contrasted with collectivism and is fulfilled by individual action in the market.

The self-interest dictum does not advocate that people treat one another with selfishness, brutality, or lack of compassion. Nor is it a warrant for law breaking. Rather, it claims that people always put self-interest first, howsoever they define it. Whatever a person does, even if it seems foolish or suicidal to an outside observer, is done in that person’s self-defined self-interest, not for moral or group ends.

Individualism is not necessarily a normative concept. Buchanan’s initial for-
mulation of methodological individualism, when stated in if/then terms, can serve as a fruitful, nonnormative starting point for analysis. It takes on normative implications when it becomes the basis for policy prescriptions—a point Buchanan admits but fails to carry into policy advice—and is operationalized as the only valid expression of individualism. In the conservative formulation, individualism means the right to compete in markets; it does not address many of the classical liberal concerns with allowing and encouraging autonomy and spontaneity outside the market. Indeed, impersonal, natural forces, beyond conscious or collective control, determine general behavior and individual life chances.

Conservative economists claim that individuals bear the consequences and rewards of their actions—as in Malthus's classic argument, even in an overpopulated society, "[h]e who performs his duty faithfully will reap the full fruits of it"—but that they have no power to constructively change the system. The individual may be the focus of analysis, but individualism, like freedom, equality, democracy, and justice, is procedural only. Procedural individualism is not concerned with success or outcomes, only with the existence of procedures that allow individuals to attempt to compete. It is not a substantive concept and has nothing to do with self-development, self-expression, successful achievement of goals, or the valuing of individual differences, all of which open the possibility of legitimate public intervention to help people achieve their goals. As such, it is a system-maintaining concept, because individual fate does not matter as long as the system that allows for interaction is maintained.

Individualism means behavior in the pursuit of self-interest that is never outside the rules of the market. It is satisfied by the assumption that people choose and act based on their own purposes and by allowing them to seek their interests in the free market. Individual valuation is acceptable only if expressed in conformity with the market. Otherwise, pursuit of individual self-interest is destructive and must be limited by constitutional restraints.

This individualism is neither the result of empirical analysis nor a proposition offered for testing, but is the irreducible starting point for analysis. The conservatives may be correct about self-interest and individualism, but they are excruciatingly vague about the content and meaning of self-interest. Self-interest is the conservatives' Ptolemaic earth: Everything circles around it and all counter evidence is made to fit within the system. The concept cannot be refuted or falsified.

If self-interest means measurable financial interest, then the self-interest axiom is clearly false, since that ignores other things of value as well as role playing, conditioned responses, noninstrumental behavior, and accepting group norms. If it refers to esteem, reputation, or psychic income, then we enter realms of higher metaphysics, where every action is of necessity self-interested because that is how conservative economists have defined human nature.
Humans act only in self-interest; therefore whatever a person does, even if it costs a great deal of money, peace of mind, or status, is in his or her self-interest. In this context, only the individual is admitted as judge. By studiously avoiding specification of the meaning of self-interest, conservatives can employ the concept to defend any policy or outcome, such as inequality, which results from market relations, and to attack any welfare, tax, or redistribution policy. Such policies can serve no public interest but instead cloak the self-interest of tax eaters—welfare recipients, majorities, and bureaucrats.

The self-interest argument depicts a world that must either be this way or that, with no possible midpoint. Rousseau or market individualism are the only alternatives. These theorists see only individual behavior and claim that to discuss anything else entails jumping to the fantastical idea that there is a supraindividual entity and that everyone seeks the common interest. Discounting that possibility leaves only procedural individualism.

This perspective overlooks behavior that is neither narrowly self-interested nor altruistic. Goals and values may develop in consultation with others. The act of bargaining may change one's perspective. Reflection on strongly held values and ideals may modify attitudes and behavior. Individuals may internalize group norms; after all, people confront but do not create most of the norms and rules that surround them, a point these authors celebrate under the rubric of spontaneous order. If individual behavior is modified—and the modification is called a tradition, institution, society, or whatever—we are confronted with something new that is not reducible only to single individuals. Political and social institutions, unlike businesses, are not created to advance the interests of entrepreneurs, investors, or employees but have other purposes or missions. Moreover, self-interest is a motive, not a justification acceptable to others. Even if morality is a fig leaf for naked self-interest, people insist that self-interest be justified by appealing to a larger value. That there are rewards for advancing an institution's stated purpose, that individuals must conform their ends to the ends of the institution or tradition or be excluded from it, that they need the institution to achieve their own ends, that advancement requires behavior which seems to advance group norms—these counterassumptions mean that the node, or point, of interaction is important and must be analyzed in itself.

In asserting that all action is self-interested, these authors use self-interest in two ways. It means (a) any interest or gratification, including psychic income, and (b) tangibles—monetary, or occasionally power, gain. The conservative economists focus on the first when discussing general behavior and the second when discussing politics and government. By definition, the possibility of seeing political self-interest in terms of moral values is excluded by shifting the meaning of self-interest. Self-interest (b) excludes upgrading the common
denominator, patriotism, and risking death in the armed forces. It prevents consideration of role playing, collective norms, and customs and depreciates structural limits on how an individual can pursue self-interest. If self-interest (a) were allowed into politics, internalization of group norms and guidance of self-interest by these norms would be possible. This would effectively undermine the political market concept because (a) allows the possibility of something other than coercively self-interested behavior. That would reduce the contrast between the political and economic markets. If only tangible self-interest is possible in politics, the economic market is protected from intervention, and politics should be drastically curtailed.

Even if politics is only self-interest (b), while (a) is possible in economics, and even if the conservatives adequately explained this difference, the model ignores the Aristotelian and Madisonian tradition of limiting political self-interest by pitting interest against interest, passion against passion. These authors make no attempt to explain why some actors do not define self-interest in terms of whistle blowing instead of competing to join in plundering the public or wealthy minorities. Yet the success of their political and constitutional proposals depends upon someone standing aside from the general scramble for place and plunder, seeing their and society’s long-range interest and reinstating economic sanity. If people and politics are as these authors claim, it is unclear where the majority coalition to do this will come from—though a majority in support of their policies may not be necessary if high deficits, low taxes, and reduced popular participation destroy the resources necessary to support the welfare state. Moreover, it is left unexplained why and how these authors have overcome human nature, seen the truth, transcended the general chaos they describe, and avoided charges that their policies are tainted by self-interest. Either they stand above self-interested political struggle or their arguments express self-interest, not an abstract truth. Acceptance of the market may give this ability. Hayek states, “I am as certain as anyone can be that the beliefs set out in it [Road to Serfdom] are not determined by my personal interests.” If it is possible to transcend self-interest in this instance, why not others?

If people are solely rational utility maximizers as the conservatives paint them, the free-rider principle should apply in politics. Why should a rational economic man join a political group, or contribute to mosquito abatement or pollution control, when he will receive benefits whether he contributes or not, as long as others contribute? The linkage between voting or group membership and hoped-for rewards is even more tenuous in politics than in such public health programs. What is being “produced” and “purchased” is less obvious in politics than in the economic market. How votes replace dollars is unclear. Voting is extremely difficult to explain in individualistic terms. Presumably one weighs the costs of group membership or voting against the
likelihood that membership or voting will directly affect the outcome in a way that is personally beneficial. If it is a large group (and in this model, despite Friedman, groups must be fairly large), individual action has little impact. It makes no sense to join a group even if membership is beneficial unless self-interest (a) is allowed, and then civic virtue or ideals or group-think may be operating. To appeal to individuals by saying that if everyone behaved this way no one would get what he or she wants is irrelevant. That is a moral appeal, logically and functionally identical to "be a good citizen," "do your part," "win one for the Gipper," but given the conservative model this is irrelevant, perhaps impossible. Morality is often a cloak for self-interest, a rationalization for the tangible self-interest of politics. Thus, either the conservative explanation of how groups act together is correct, or their picture of human motivation and the free rider are correct—but not both, unless people are irrational.

As with God's will and fate, conservative self-interest is sufficiently broad to account for all behavior while not explaining it. At the same time, these authors reject the possibility of creating institutions to make narrow self-interest serve wider public goals and purposes. The market does this automatically, but it is impossible in politics. However, calling behavior self-interested solves nothing until one specifies how it is self-interested. Instead of a priori assertions, there should be empirical analysis to determine if this or that agency or policy can be shaped to channel self-interest into benefiting others. Regardless of whether conservative self-interest is a hypothesis to be tested or a metaphysical claim, it is presented as axiomatic and carries a heavier weight in shaping and coloring their argument and analysis than any of their other assumptions.

The issue of self-interest can never be resolved. Perhaps it is similar to the old question of whether the glass is half full or half empty. The answer is not important in itself—the glass is both—but tells much about the answerer. How a person conceptualizes interest determines what policies he or she considers possible or legitimate. The conservative economists resolve the problem of self-interest by limiting politics and public policy. Self-interest shapes their image of order and the kind of polity that follows.

Order

Human nature, operating within the market, creates a natural, harmony producing, autonomous order. That self-interest here leads to coordination and harmony is based on the belief that this order exists, separate from human volition, immune from successful intervention or collective manipulation. In a fundamental philosophical assumption, the conservatives insist that instead of chaos, irregularity, or randomness, there is order, regularity, and identifiable
causation which result from individual self-seeking behavior. This belief takes on mythic proportions, providing a basic explanation of reality. Despite a Hobbesian picture of human motivation, the market makes people naturally social. As with such nineteenth-century political-economy, natural-law theorists as Malthus, Herbert Spencer, and William Graham Sumner, the conservative economists believe that this order is both scientific and moral, setting limits to human desires and possibilities. It is an evolved order, not created by any single person or group, independent, and superordinate to politics. It is neither convention, model, nor metaphor and is not imposed by analysis.

The concept of an existing order to which behavior should conform is very old. Plato’s forms, the medieval linkage between human and eternal law through natural law, and the concept of natural law as rational behavioral principles deduced from human nature sound a continuing, though disparate, theme in political analysis. Throughout its varied development, people making this argument have insisted that everything is not convention, that man is not the measure of all things, and that there are relations humanity cannot consciously change for the better.

The Physiocrats first developed the idea that the economy is orderly, forming a natural, independent operating system. Adam Smith’s invisible hand, where a person intending his or her own interest is led to promote the interests of others, and his assumption that the market tends to produce harmony of interests are based on the belief there is an existing order to which people contribute and conform. Malthus made the same assumption, but his order, though it summarized the essential idea of economic order until today, was not so benign. The ratio between food and population growth froze humanity into existing political-economic relations which could not be directly altered or ameliorated. Even political reform depended upon the poor accepting that government could not improve their situation. The natural order of things—including the distribution of property—decreed conformity and nonintervention.

Buchanan, Friedman, and Hayek agree that there is an order—a spontaneous order. This natural order is self-maintaining, in equilibrium in a fundamental sense. Hayek’s concept of order is the most developed and serves as a model for the others. Though he does not consider economics to be as objective as Friedman does, he believes that spontaneous order in human affairs is an objectively true statement. It is the fundamental reality upon which he bases his political economy.

Hayek’s spontaneous order exists “without having been deliberately created.” It is characterized by self-correcting forces, a “self-steering mechanism,” “regularities,” and is “self-generating.” To Hayek, it is impossible for the conscious human mind to produce this kind of order and cooperation. “[T]he unconscious collaboration of individuals in the market leads to the solution of
problems.” Action is possible because the social and physical worlds are “orderly,” but this order is “only partly the result of human design.” Instead, it arises “from regularities of the behavior of the elements which it comprises” and, while affecting them, is “the unforseen effect of conduct that men have adopted” for their own ends. Human actions “take place within a more comprehensive spontaneous order” that rests “in part on regularities which are not spontaneous but imposed.” Thus, it is “a spontaneous order of human activities of much greater complexity . . . than could ever be produced by deliberate arrangement,” evolved by “individuals without their intending to create such an order.” It is the nondeliberate and “unforeseen results of the haphazard activities of countless individuals and generations.” Given human inability to understand complex wholes, this is “an order of much greater extent than we” could create by conscious manipulation. This order is the “outcome of a supra-individual process of evolution and selection.” The “discovery” of this spontaneous order “provided the foundation for a systematic argument for individual liberty.”

Hayek’s order is composed of abstract relations—actually a rationalist construction—though it is the basis for concrete policy recommendations, and “cannot be defined in terms of any particular observable facts . . . not something visible or otherwise perceptible but something which can only be mentally reconstructed.” It does not have a purpose but allows individuals to seek their purposes within it. General rules, equally applied, encourage the formation and maintenance of this natural, spontaneous order, but it is impossible to work out its details or force its development. As the product of long-run evolution and adaptation, the spontaneous order may not be the best that can be conceived, but it is better than anything man can deliberately create. Such an order “may persist while all the particular elements they comprise, and even the number of such elements, changes.” General rules—stripped of reference to existing societies but discoverable through their behavior and evolution—allow people to adjust one to another “through the confinement of the action of each” to those rules. Each person is not assigned but creates his or her own position within this order. Thus relations develop without reference to any known, definite individual.

The concept of order represents a reality superior and antecedent to individuals who must conform to the rules and needs of this order. As with Burke, it compensates for individual ignorance, providing answers for both individual and shared dilemmas. The assumed fact of the order’s evolution is of crucial importance in conditioning acceptance of economic relations as natural, conveying an air of inevitability and creating a naturalistic standard superior to human will by which to judge behavior. This belief in order, evolution of order, and existence of an order of reality structures the thinking of
other conservative economists. To Friedman, the development of “complicated and sophisticated structure . . . as an unintended consequence” of pursuit of individual self-interest explains not only the market but, as in Hayek, language, science, and social values. His monetarism cannot be understood apart from belief in underlying regularity and order. Friedman claims that an invisible hand promotes harmony in economics, while “scientific laws” guarantee failure when government interferes in economic affairs. Nothing can prevent it.51

Like Hayek, Buchanan claims that “discovery” of the spontaneous coordinating properties of the market in the eighteenth century provided concrete support for constitutional democracy, limited government, and economic analysis. This “untouchable” principle of classical political economy “combines freedom and order.” Despite his interest in contractual creation of and limits on government, Buchanan rejects a constructivist position, claiming that the institutional structure and foundation of society are not consciously created, nor are outcomes “purposely directed.” Order in the political economy evolves from the processes that generate it, primarily pursuit of individual economic interest. Order, a central element for each of these authors, has often developed in opposition to government.52

Despite differences with these authors, George Gilder repeatedly expresses faith in the compensating logic of the world and universe. The concept of order, natural relations, and natural systems permeates Wealth and Poverty. Increasing wealth for the rich benefits the poor because it is entrepreneurs who “know the rules of the world and the laws of God.” There is a natural order in human affairs, with the wealthy on top and women in their natural, inferior position with regard to men. Poverty and inferior status for ethnic minorities result from interplay of natural forces. Though it is moved by creative entrepreneurs, not by Adam Smith’s invisible hand, order exists.53

Spontaneous order has profound political implications, which are elaborated in later chapters. Along with self-interest, it is the key argument limiting politics and popular expectations. The concept can conceal political power under seemingly impersonal forces. Despite Buchanan’s contractarianism, spontaneous order rejects the liberal tradition that a social contract is the basis of the political system. Government, a created not evolved institution, is suspect, based on ignorance, and likely to interfere in delicate relations no one fully understands. Spontaneous order limits political choice, setting large parts of public life off limits to political intervention. It considers social and class relations natural. It contends there is ultimate harmony between people. While its promoters avoid the word “equilibrium,” their basic concepts and claims—monetarism, self-adjusting relations, the market as the best protection against market abuses, private gain leading to public good, adjustment of supply and demand—
assume order and equilibrium, negating intervention. How could there be spontaneous order without belief in equilibrium? If people cannot direct outcomes to desired ends, all they can do is maintain the procedures that allow the natural system of spontaneous order to operate.

Order encourages the emphasis on procedures over outcomes that is seen throughout conservative economists' political theory, shaping their concepts of freedom, equality, democracy, justice, and the role of government. Hayek recognizes this. The key danger facing his order is revolt against impersonal forces and necessity—the unwillingness of people to accept “impersonal and anonymous” mechanisms. Conscious efforts to intervene, whether through planning, regulation, specification of collective goals, or vain attempts to impose “high ideals,” inevitably fail—a theme constantly echoed in Buchanan and Friedman—leading to totalitarianism.

This concept of order is a secularized version of natural law, embodying the authority and attractiveness of claims based on necessity and inevitability rather than human volition. It both describes and prescribes human behavior. Any theory that argues that people should follow a prescribed course of action because it flows from basic human nature or relations and is of universal application, is a form of natural-law thinking. Spontaneous order is natural in that it springs from innate human drives, human nature, and motivation but is independent of deliberate human design. Human actions generate relations and institutions, but neither consciously nor according to human wishes. Everything has some purpose and can be explained from within the system by those with knowledge.

The Market Is Spontaneous Order

While many spontaneous orders can exist, the quintessential one is economic, and conservative economists claim they have demonstrated its existence. It is embodied in the market. The market is the single most important social interaction—a model for proper conduct and a goal of public policy. When free of government intervention, the market is orderly and order producing, distributing goods and services in direct proportion to each person's contribution to the self-determined welfare of others. With the exception of rare and necessarily transitory monopolies, no one exercises control. Each participant is equally subject to the same impersonal forces. Outcomes are not the result of any one person's or group's actions or will. The market is fair, just, spontaneous, and voluntary and coordinates self-interested individuals without coercion. It compensates for human nature by channeling self-interested impulses and correcting for limited knowledge and ability. This makes it much
more efficient than any other possible means of organizing people. If the market is not working as it should, something external to the market, such as coercive labor unions or intrusive government, must be interfering to benefit some at the expense of others.

To Hayek, the market ensures “spontaneous collaboration” and order. If left free, the market operates at maximum efficiency, making more “available than could be done by any other known means.” It assures “each will get for the share he wins . . . as large a real equivalent as can be secured.” Since distribution is independent of “anyone's designs or intentions, it is meaningless to describe the manner in which the market distributed the good things of this world among particular individuals as just or unjust.”

Given a “stable monetary framework,” Friedman’s “market system is inherently stable,” more so than any other system. It is characterized by equilibrium. Prices organize activity, provide incentives, and “determine who gets how much of the production—the distribution of income”—through operation of “an invisible hand.” Pursuit of self-interest creates a “finely ordered and effectively tuned system, yet it is not deliberately created by men.” It operates only when people voluntarily agree to trade, exchange, or interact. Everyone is free to enter. Competition peacefully coordinates behavior, prevents abuses, and distributes rewards. Distribution is fair because “market imperfections are not very significant,” and there are fewer imperfections than in any alternative system. In the long run, despite any apparent difficulties, the market must be left to its own self-correcting, autonomous forces, because intervention ruins its intrinsic order. Past instability has “been produced by erratic and unwise government intervention rather than any inherent instability in the system itself.”

The market reconciles “autonomy . . . with coordination and continuity,” or “spontaneous coordination.” “The market is the classic example” of order produced by “decentralized processes.” It creates voluntary cooperation through competitive pursuit of self-interest without coercive imposition of common values. Friedman claims it “permits unanimity without conformity” and allows peaceful collaboration while each person “goes about his own business.” Emphasizing each separate, distinct exchange, rather than the exchange framework and those who may be affected by that exchange, everyone involved benefits from a transaction, or else it would not occur because each person is allowed to choose with whom he or she will exchange. In the absence of government intervention, market relations are “the institutional embodiment of the voluntary exchange process.”

These claims are reflected in Buchanan's identification of the market with moral order. Though admitting the market is not perfectly competitive, he asserts that it embodies consent and unanimity through free exchange, is cre-
ated by cooperative behavior developing over time, ensures that "owners of inputs" receive rewards "commensurate" with those inputs, and prevents "unilateral action" by any one participant.63

These arguments provide the essential justification—an appeal to higher standards to confirm the validity of an argument—of the market. They are a mixture of naturalistic and utilitarian claims. The market is a natural system, resulting from human nature, that has evolved through gradual accretions of unconscious and nondeliberate inputs from millions of individual participants. Fortuitously, the market harmonizes interests, ensuring that pursuit of self-interest promotes rather than harms the interests of others and eliminating the need for exogenous value systems. The market is the model of what people should aspire to be and do as well as a limit upon what they can do and be. By definition the effects of a natural system must be better than those of any possible alternative. Belief in a natural system provides a powerful attraction, since "the order of Nature is unquestionable and good... in order to lead a better life one must conform to the laws of natural necessity."64 Mankind has no choice but to conform to this natural order. People cannot do all they can imagine but must learn to accept the market order as the best they can achieve.

The conservative theorists also make utilitarian claims—even though Hayek and Buchanan reject utilitarianism—that are potentially subject to empirical verification. The market produces long-term desirable results (over time, more people will benefit) and is more efficient than any other economic or political system. Though these authors rarely mention Pareto, their market is Pareto-efficient and cannot be improved deliberately without reducing someone's self-defined welfare. Because it is voluntary and noncoercive, the market promotes more freedom, justice, and equality than politics or governments. It overcomes human greed and limits the worst effects of human ignorance. This produces a form of rule utilitarianism. Regardless of individual impact or outcome, people must follow the rules embedded in the market. Though too ignorant to deal with problems on a day-by-day or even cycle-by-cycle basis, people have been given the primary rule for political and economic behavior in the economists’ discovery of the principle of spontaneous order operating through markets. The hypothetical element in this claim is soon lost, and the market’s rules and injunctions become the only possible (an empirical claim) and legitimate (a moral claim) means to promote welfare, efficiency,65 and such political values as democracy. Even if some individuals, classes, or nations suffer from supposedly temporary dislocations, there are no remedies outside of the market framework. Winners and losers may be different, but the only hope for long-term improvement is to follow the rules and allow natural market forces to operate. Hardships and disturbances are transient, adjustments
occur rapidly, and people are guaranteed the maximally efficient use of all resources.

As a natural, autonomous, noncoercive, self-equilibrating, spontaneous system, the market provides an excellent perspective from which to analyze and critique sociopolitical phenomena. This deterministic portrait is not open to debate, which forestalls any analysis of its value assumptions. If this is an objective description of reality—at least the way reality would be in the absence of public intervention into economic relations—policy conclusions follow with logical inevitability. Rational people cannot debate them. The image of order through the market is the final element in the philosophical foundation for the market critique and model of politics.

The Market as Analytic Model and Challenge to Politics

The market as a political concept consists of three elements: The market is a model for political and social analysis, the basis for interpreting political ideas, and a replacement for and alternative to government and politics. This section briefly examines the market as a means of political analysis, focusing on “political markets,” while later chapters will take up the two remaining themes.

For at least two centuries, a single protean idea has guided liberal, and deeply affected socialist, thought: The market is a remarkable coordinating, information producing, and distributive agency. Economists debate its exact nature, extent, and contemporary importance, but it is at the center of most of their analyses—Friedman or Galbraith, Hayek or Keynes. The analytic and prescriptive value of markets is, therefore, the heart of contemporary non-Marxist economic thinking. Political science, on the other hand, has largely ignored the market. That neglect now haunts our discipline, because the market alternative disputes the validity of our normative and empirical enterprise. Some economists, such as James Buchanan, are engaged in virtual economic imperialism with their claim that an individualistic market model explains political behavior. It supplants traditional political analysis that emphasizes institutions, interpersonal and intergroup relations, power (which disappears in the market), authority, role playing, legitimacy, normative analysis, and so forth. In extreme market models, relationships are reduced to individualistic, utility-maximizing, exchange terms that explain “economic” and “political,” individual, group, and institutional behavior. Groups hardly exist as separate entities.

The simplicity, apparent precision, potential quantification, and determinism of the market model have encouraged its application outside of econom-
ics. Though this book does not examine economic (i.e., market) analysis of law, family life, marriage, language, philosophy, crime, anthropology, and other areas, \(^6\) the market metaphor \(^9\) (though it is intended as much more than a metaphor) is widely accepted as a valid and accurate analytic tool and basis for policy prescription. In some cases, individualistic economic analysis has become the sole behavioral explanation and the exclusive input for public-policy making.

Buchanan is very explicit. Economists offer the most valid theoretical explanation of human behavior, which enables them to “unravel the most tangled sets of structural relationships among human beings.” This allows the development of “a meaningful ‘public philosophy,’” \(^6\) in part by undermining collectivist–welfare–policies and in part by “imposing reality upon man’s natural proclivity to dream. The economist, almost alone, takes man as he exists.” This requires that political science change its perspective to that of economics, a “shift from the organizational entity as the unit to the individual-in-the-organization” and his or her interactions with other individuals. The approach of “methodological individualism” thus brings necessary realism and rigor to political analysis. Focusing on anything other than individual, private behavior while participating in decision making simply leads to faulty analysis and wishful thinking. Political science lacks a tradition of analyzing and incorporating “a theory of human behavior into” its study of political processes—meaning its conclusions are prescriptive, not explanatory. Economics can contribute a theory to political science, but beyond gathering data, political science can offer little to economics.\(^7\)

How has the 2,400-year-old tradition of political analysis failed? By ignoring the political market. The economists referred to in this book save their most intemperate language, and the full normative implications of the market approach, for their description of the political market.

Political and Economic Markets: A Picture of Politics

The conservative economists insist on dividing political and social phenomena into mutually exclusive alternatives with no stable resting place in between. This dualism is apparent in the contrast between the political and economic markets. In an extreme restatement of the classical liberal distinction between society and state, there are only two ways to organize people: voluntary cooperation through markets or coercion through politics. These alternatives are irreconcilable, at opposite ends of the spectrum. Though ideal types, these two markets form the basis for conservative policy prescriptions.

The political market is the reverse image of the economic market, revealing
the essentials of politics. For Buchanan, "[T]he political relationship is not commonly encountered in its pure form, that of abject slavery. ... the economic or exchange relationship is, at least conceptually, visualized in its pure form and, in certain instances, the relationship actually exists." Human nature explains the "success" of the economic market and the "failure" of the political market. Motivation—self-interest—and the process of exchange are the same in both the economic and political markets, but they produce distinct results because behavior constraints are radically different. The orderly economic market is the result of spontaneous growth where many individuals over long periods of time separately make decisions; politics is the area of constructivist, deliberate, conscious decisions by the few for the many. The economic market controls self-interest; the coercive political market allows it to operate unchecked. Free individuals dominate economic markets; coercive groups make up temporary, exploitive majorities that dominate the political market. The evolved economic market is supposedly competitive, decentralized, noncoercive, and responsive to individuals and promotes diversity. Unless they have formed contracts, individuals may enter or leave at any time, such movement being the essence of freedom. People act rationally in pursuit of self-interest, each checking the ambitions of others while producing spontaneous order and benefits to others. Relations are always voluntary and expanding sum because people enter a relation only if it is beneficial.

These conditions are absent from politics. In the political market there is coercion and limited choice. Rational pursuit of self-interest is detrimental because groups, not individuals, compete, which opens the way to potential abuses of power. Unlike the economic market which supposedly harmonizes egoistic individuals, politics provides no systematic spontaneous checks on self-interest. There is neither free exit, as in the economic market, nor noncoercive competition. The object is to gain power to force others to comply with one's will. The invisible hand of self-interest leads to dominance and conformity. Coercive groups—usually labor unions and welfare claimants—organize and compete to control decision making, forcing redistributive demands on productive individuals.

How does this political market operate? Western political institutions "threaten to destroy the market economy" by allowing excessive public spending with "a bias toward deficits." Competitive democracy encourages incorrect popular expectations. Vote buying and lack of fiscal restraint create "inherent and fundamental biases" for intrusive intervention which undermines natural economic processes and stability. Because governments "are collectivities of utility maximizers," whose freedom from market control permits self-interest to become exploitive, there is an inherent "propensity to truck, barter and exchange" at the expense of public good. The result is a systematic bias favoring
growth in public services at the expense of the natural economic order. This is inevitable, flowing from human nature, universal suffrage, weak political parties, Keynesian economics, and immoral exploitation of the affluent minority by redistributive majorities.

Why have governments allowed this? Given existing rules and institutions, nothing else is possible. Government as a collective noun does not exist. Government institutions are aggregations of uncontrolled, self-interested utility maximizers who do what is necessary to gain or retain power. Politics is an exchange system employed for private, not public, ends. Public policy serves selfish purposes. Universal suffrage requires responding to whatever satisfies temporary majorities of greedy voters. Politicians and voters act alike; neither sees their real interest. There are neither moral nor institutional restraints as politicians outbid each other by making more and more promises to voters. Electoral competition replaces competition to produce a better product. The political market is created by luring voters into spending their “political income”—votes (which would seem to be expenditure, not income to obtain coercive advantages). Self-interest ordains that politicians promise reduced taxes and increased expenditures, encouraging gullible and unthinking political consumers to follow their natural propensity to demand something for nothing. Politicians literally buy their election—a universal tendency—with funds taxed from someone else. In Friedman’s terms, there is a “policy of spend and spend, tax and tax [someone else], elect and elect.” Frequent elections ensure a short-term perspective, where particular and narrow interests dominate the general interest of cheap government and free markets.

Special interests and group pursuit of privilege are the obvious problem. A special interest is any interest—demands for welfare, redistribution, social security, aid to education—that does not accept market outcomes but seeks gains outside the economic market. Any extramarket gain, such as welfare or minimum wages, is privilege. It does not matter if recipients are rich or destitute; they are privileged if part of their income comes from government programs. Whatever the market distributes cannot be privilege, no matter how much wealth is gained or inequality generated. Thus a welfare recipient or a person working for the minimum wage, if that is higher than wages in a competitive market, is privileged while a successful entrepreneur is not.

Majorities are collections of small minorities. In a model reminiscent of John C. Calhoun, “The majority that rules is typically a coalition of special interests.” Choosing a number determined more by the needs of the theory than by any empirical analysis, each interest rarely represents more than “2 or 3 percent” of a constituency, but combined they form temporary majorities. Democratic theory, according to Hayek and Samuel Brittan, holds that whatever majorities wish is just, gives majorities unlimited power to satisfy every
whim, and fails to distinguish between temporary and permanent majorities. Unlimited modern democracy hardly differs from totalitarianism. In both cases, a selfish minority (or minorities, or temporary majorities of minorities) rules the (real) majority, producing government, in Hayek’s mind, that is “[c]orrupt at the same time weak: unable to resist pressure from the component groups . . . however harmful to the rest such measures may be.” The competitive market in votes, to Brittan, means “liberal democracy inhibits government from tackling coercive groups.”

There is no unity of purpose, except to plunder; no limit upon excesses, other than destruction of the economy; no morality, save self-interest; no moral order, only voters and politicians bidding for power in the political market. The result is that each government “must be expected to be generally engaged in operating against the long-term public interest by serving its short-term political advantage.”

Human nature produces the political market and determines that governments must fail when they attempt to satisfy popular demands for welfare, regulation, or intervention. This is inevitable. To Friedman, “[T]here is something innate in the political process that produces this result.” Government must be inefficient; “scientific laws” ensure the bankruptcy of any market intervention. This is no accident but is mandated by the “use of bad means to achieve good objectives.” Spending someone else’s money guarantees it will be spent badly. Friedman’s argument virtually duplicates William Graham Sumner’s: “A person who intends only to serve the public interest is led by an invisible hand to serve private interests which it was no part of his intention to serve.” As with Adam Smith’s invisible hand, this ghostly guide is self-interest.

By denying efficacy to politics and raising the idea of a political market, these conservatives shield the economic market from criticism and intervention. The political market prevents government from either ending or mitigating economic problems. Even if the economic market fails—which is doubtful—politics cannot correct it. Because the political system is preordained to fail, there is little or no likelihood that it could cure market failure, if market failure existed. Apparent problems such as recession, unemployment, or falling living standards must be endured because spontaneous order ensures that correction will occur and intervention prevents natural corrective action. Even if one concedes a market failure with consequent political and social dislocations, this must be balanced against the certainty that collective attempts to address it will also fail, compounding the initial failure. To Friedman, “[P]olitical considerations prevent the effective use of the scientific knowledge we do have for the purpose of promoting stability.” The burden of proof must fall on those supporting intervention—and these authors reject the macroeconomic theory that might allow this. To the extent that markets fail, it is more often
because of government intervention in spontaneous relations than any market defects. The economic market is clearly superior, if only we have patience and limit political intervention. The choice is either consumer protection, diversity, and freedom in the economic market or conformity and collectivism in the political market. Allowing just a little intervention is similar to being a little pregnant. The essence of freedom is being able to “choose how to use our income” and resources, and that, according to Friedman, may be more important than occasionally voting. Politics is virtually defined as coercion, which is lacking in the market; therefore, government and politics are the major, perhaps the only real, dangers to freedom. These authors reject the possibility that consumer preferences might dominate in politics as they claim they do in economics. In politics, preferences—and people have only individual preferences, not considered and collective judgments—must be limited and restrained, because in politics coercive power is added to preference. Intervention concentrates power, and centralization of power increases coercion. Given its many participants—the word implies individuals—the market denies centralizing power to an administrative king. No one is in control, able to impose his or her will; no one person or group makes all relevant decisions; no one must subserve another. Thus, for the conservatives, limiting politics ensures freedom. While economics is variable sum, politics is zero sum and coercive. "If participation were voluntary, one would not observe negative-sum games, since the affected minority could always refuse to participate." This follows from conservatives’ peculiar definition of coercion and their claim that all market relations are and must be voluntary. Ignoring externalities, constrained choices, and the impossibility of avoiding all exchanges, the authors believe that one always must choose the market over politics or collective decisions regardless of apparent inconveniences. As noted above, government use of resources is and must be wasteful because officials use someone else’s assets for their own ends. Thus Friedman charges that “[c]rime has risen not despite government’s growth but largely because of government’s growth.” Given human motivation, aid to education, pollution control, unemployment compensation, and regulation have inevitably compounded the problems they sought to address. Whether focusing on greed, interference in natural relations, or simple carelessness, each author claims intervention inevitably causes inefficiency.

Comments

Assumptions are crucial. Discussing damaging industrial smoke, Buchanan and Tullock argue: “If the externality is real, some collectively imposed scheme
through which the damaged property owners are taxed and the firm's owners are subsidized for capital losses incurred in putting in a smoke-abatement machine can command the assent of all parties. If no such compensation scheme is possible . . . the externality is only apparent and not real. In defining costs, Buchanan and Tullock assign the burden of proof, and therefore the policy decision as to who should pay, not to the persons imposing the fouled air, but onto those who are affected by it. A different starting assumption could easily conclude that the cost of air pollution control should rest on those who produce pollution and their customers.

These authors contrast the ideal of an economic market with the partial reality of politics. They discuss how markets should operate, not how they do operate; how politics must operate, not how it actually does. By definition, the economic market is impersonal. It cannot be oppressive, because oppression is a relation between identifiable persons, and in the market one can avoid such relations. While an unemployed, hungry person may miss the significance of this distinction, these authors are unconcerned with such people if their problems are not the fault of an identifiable other. In economic relations, constraint, lack of alternatives, and inadequate means are irrelevant to freedom.

The market critique of politics is deduced from the starting assumptions about human nature and markets and is presented as a universally valid principle. Though Buchanan, Friedman, and Hayek do not accept all of the assumptions in this chapter to the same degree—there is most divergence over the objectivity claim—each accepts the essential argument. Their most important agreement is over their vision of human nature, spontaneous order, and the market, as they frequently employ identical language to describe similar phenomena. This shared view of the world encourages them to develop similar political and social arguments and recommendations, all converging to limit political possibility.

The market vision is a powerful naturalist and occasionally rule-utilitarian justification for conservative politics. Philosophical justification serves many purposes. The most important one is to convince others, and perhaps oneself, of the validity and superiority of a political, social, religious, or economic position or proposition. A justification establishes principles that can serve as operational statements in policy areas. It may be a sanction for belief or action. The market model produces a presumption for the market and against politics and government. It justifies self-interested economic and social behavior, the minimal state, and little concern for the social-political impact of economic behavior. It narrowly defines fundamental political values, so that they conform to natural market relations. This model leaves aside large parts of social and political reality, especially behaviors that at least seem to involve more than individual preferences and simple exchange. As economists, these authors
are attuned to instrumental behavior, yet noninstrumental behavior is often an important reason for cooperation, political participation, and patriotism. How institutions survive over long periods of time, if they are simply bundles of utility maximizers and unarticulated rules, remains unexamined. Despite grievous problems, the market model defines the great issues of politics. It is the basis for the claims and arguments examined in the rest of this book and will become clearer as we study the role of the market in conservative political theory.