

## THE POLITICS OF POLITICAL ECONOMISTS\*

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The professional study of a discipline no doubt has a variety of effects upon the beliefs and attitudes of a person. Not only is he subjected to an intensive and more or less standardized discipline, but he is also subjected to the influence of a set of practitioners who share distinctive beliefs.

One interesting, if minor, example of this is the aversion economists display toward employment in business — even those economists (like myself) who think a good entrepreneur is worth three good bureaucrats. I do not recall ever hearing or giving a lecture on the Nobility of Pure Scholarship contrasted with the Sordidness of Commercial Applications, and yet in innumerable instances I have seen young economists spurn handsome positions in business for devotion to an academic life in which often they will not prosper greatly. Somehow, by a mysterious intellectual osmosis, they absorb the values of the professional academic economist.

I direct my remarks on this occasion, however, to only one effect of professional economic training: the effect on the political views of economists. It does not seem necessary to retread familiar ground to show that economics as a positive science is ethically — and therefore politically — neutral. The corpus of economic analysis can be turned to a thousand contradictory ends. But by and large it is not: my thesis is that the professional study of economics makes one politically conservative.

The support of this thesis is a formidable task. Among laymen it would be formidable because they nurture a stereotype of the economist as the wild-eyed visionary, whispering absurd schemes to Franklin Roosevelt. Among academicians it is formidable because they do not relish this designation. But let me try.

\* This paper was prepared for a lecture at Harvard University, whence its informality and *ad hominem* illustrations.

## I. WHAT IS A CONSERVATIVE?

Before we embark upon the argument that the professional economist tends to be politically conservative, we must establish the usage of the key word, conservative.

A conservative, the dictionary tells us, is an individual who wishes to maintain or preserve the existing social system, and the dictionary also tells us that this meaning of the word is only a little over a century old. The use of language in areas such as this is notoriously lax, and the word is used to denote a much wider range of views than simply the maintenance of the status quo. Those men who wish to undo recent changes are also called conservative, and indeed it is clear that in a period of considerable social change there is hardly anyone who wishes to preserve the state of affairs of the moment — the anti-conservatives have achieved only half their desired changes, and the conservatives possess less than they want of the past. The concept of a conservative or a radical can be applied unambiguously only in a very stable social setting.

But the language stretches even farther. Since no thinking man ever finds his society completely ideal, the conservative is held to be one who accepts the state of society (current or recent past) as desirable in its *basic* outlines, not necessarily in every detail. Since every society has some inconsistent institutions and practices, this element of flexibility is essential.

Once the concept of a conservative is enlarged so that he need support only the basic structure of the society, a new problem arises: what are the basic institutions of the country? Is the gold standard a basic institution of private enterprise societies? It is possible to find economists who quarrel over the answer, although not so easily as it once was. Is an agricultural price support system a basic violation of such a system? What system of progressive — or for that matter, proportional — taxes destroys a private enterprise system? These examples suggest that it is possible for a man to be an inadvertent radical, by proposing policies which are basically in conflict with his general preferences without realizing their fundamental nature. A layman who professes conservatism might possibly propose that the interest rate be held at zero, although this would be no compliment to his intelligence; a professional economist could not make a proposal that has such radical implications for saving and investment under the banner of conservatism. Our examples also show why it is possible, in the absence of complete knowledge of the effects of a policy or institution, for sincere men to disagree whether a given proposal is conservative or radical.

These various difficulties in the substantive definition of a conservative are enough to make it a treacherous tool of analysis. For my purposes, however, a fairly definite content is essential. I shall mean by a conservative in economic matters a person who wishes most economic activity to be conducted by private enterprise, and who believes that abuses of private power will usually be checked, and incitements to efficiency and progress usually provided, by the forces of competition. A gradually increasing role has been assigned to the democratic state even by the conservatives, but they have retained the belief that the individual is normally to be free of public as well as private controls over consumption patterns, occupational choice, and the allocation of privately-owned resources. One would have to specify some limitations on the role of competition, even where it is effective, and upon the freedom of the individual in a variety of activities, but some disagreement about the details of these limitations would be compatible with a generally conservative position.

This sketchy outline of the conservative position on economic policy is sufficiently definite to suggest, what I believe to be true, that the profession of economists has become more conservative in recent decades in the sense of being hostile to an increasing number of innovations in economic policy. But in the last century and a half this conservative position has been widely held in both Western European and North American countries, and substantial as the disagreements within the conservative position have been and are, they are smaller than the disagreements between the conservative and the collectivistic or socialistic position.

## II. THE INFLUENCE OF THE STUDY OF ECONOMICS UPON POLICY VIEWS

The isolation of the net effect of scientific training upon the policy views of a man is a most difficult task. Economists are subject to the coercion of the ruling ideologies of their times, and if they wholly resist them they would lose all rapport with their societies — the expression would become, the visitor from economics, not from Mars. If the discipline of economics has a net effect upon the views of its practitioners, it is only a moderate effect.

Yet I would assert that it has a significant effect, and the effect is to make the economist conservative in the sense I have discussed above. This is not a bold claim, but it may encounter instant objection. It will be asked: what, precisely, is the conservative element common to the views of Hansen, who believes that the marginal

utility of a public dollar far exceeds that of a private dollar, Seymour Harris, who adds to this viewpoint a request for protective tariffs for New England, and Galbraith, whose nonconservative proposals would constitute a fairly complete bibliography of his works — and please notice, all of Harvard. Or Mitchell, with inclinations toward central planning, or the numerous proponents of widespread public housing, minimum wage legislation, federal financing of research, etc.? If these people are all conservative, who besides Karl Marx is not conservative?

I have quite possibly stated this criticism so strongly that my answer will seem unconvincing, but I believe that the economics profession has been basically more conservative than the educated classes generally. Even the extremes of professional opinion have been less than those outside the profession. In the 1930's, when admiration of private enterprise was at a low ebb, no economist participated in the more extreme popular movements, such as technocracy and the Townsend plan. As a group, economists were hostile to the farm program, the extreme forms of pro-unionism of the period, and after a brief period of stunned silence, they became outspoken critics of the NRA.

More broadly, one can say that economists have not been among the leaders of any important movement for the adoption of policies incompatible with the conservative position. They have not been leaders in the sense of being active public propagandists for the non-conservative policies nor in the sense of providing a blueprint of reform or even a trenchant indictment of the real or alleged failures of conservative economic policy. They have been campfollowers, when not critics, in the area of egalitarian policies, in the areas of state intervention in competitive markets, including agriculture, labor, and housing. In fact they have been leaders only in the areas of freer trade policy and antitrust policy, two traditional elements of the conservative position, and in the fields of monetary and fiscal policy, where the paramount role of the state has always been acknowledged although the script for that role has been much debated.

This generally conservative record is all the more remarkable because there are two forces making for radicalism in the members of the economics profession.

The first and much the stronger of these forces is the interest of economists in social reform. Economics has seldom attracted to its ranks the detached and unemotional intellectual who finds the posing and solving of difficult problems satisfying even in the absence of immediate or perhaps even eventual usefulness of the solution. On

the contrary, individuals have chosen this field because they wished to solve live economic problems and felt a need to master the weapons provided by the science which deals with these problems.

The policy orientation of the classical economists does not need to be argued. Indeed there was only one, and he a part-time, economist of importance before 1870 whose interest in economics was predominantly scientific, and he was Cournot. The story has not been greatly different since the study of economics became an academic discipline.

Marshall, for example, had started as a mathematician. He has recounted the shifting of interests which led him to economics:

From Metaphysics I went to Ethics, and thought that the justification of the existing condition of society is not easy. A friend, who had read a great deal of what are now called the Moral Sciences, constantly said: "Ah! if you understood Political Economy you would not say that." So I read Mill's *Political Economy* and got much excited about it. I had doubts as to the propriety of inequalities of *opportunity*, rather than of material comfort. Then, in my vacations I visited the poorest quarters of several cities and walked through one street after another, looking at the faces of the poorest people. Next, I resolved to make as thorough a study as I could of Political Economy.<sup>1</sup>

A more striking example is Knut Wicksell. Those who have read Torsten Gårdlund's fine biography will know how radical and even undisciplined he was. At thirty-seven he refused to go through a marriage ceremony when he and Anna Bugge "married"; at forty-eight he endangered his career by refusing to sign a petition to the King for a permanent professorship with the traditional phrase, "Your Majesty's most obedient servant"; and at fifty-six he went to prison for satirizing the doctrine of the Immaculate Conception in a public lecture. He (like Marshall) started as a mathematician, but a deep commitment to neo-Malthusianism led him to economics. I consider it highly suggestive that Wicksell's policy positions in economics — and only in economics — were conservative. In a less dramatic way, the life of Philip Wicksteed seems equally persuasive.

This selectivity of economics is reinforced by a second factor: the science equips its members with a larger knowledge of the deficiencies of existing economic arrangement than the layman is likely to possess. The young graduate student is thoroughly drilled in the iniquities of monopoly in all its myriad forms. He is taught of the variety of special privileges sought and often obtained by particular groups, through tariffs, percentage depletion, exemptions from regula-

1. Keynes, *Essays in Biography*, pp. 165-66.

tory laws, and plain and subtle subsidies. He is acquainted with the existence of a poverty class, and in general his humanitarian colleagues — the profession has been consistently humanitarian throughout its history — are more prone to exaggerate than to minimize the sufferings of particular classes.

It could be argued that there is one powerful factor making for conservatism: the inability of a very radical young economist to get a desirable university post. It is indeed true that a believer in the labor theory of value could not get a professorship at a major American university, although the reason would be that the professors could not bring themselves to believe that he was both honest and intelligent, and I hope they are not improper in their demand that a professor be at least tolerably honest and presumptively intelligent. But this argument is invalid, and not merely because one can be an economist without being a professor. It is improper because it concedes the case: it concedes that economists are conservative, and this is precisely my thesis.

This same conclusion, that economists have been politically conservative, can also be reached by another route, the examination of the authors of economically radical programs.

In the United States, which has not been an important source of movements of economic reform, only two economic programs of fairly radical import have made something of an impact in the last hundred years. The first was the program of land nationalization, bearing the now nostalgic label of "single tax," proposed by Henry George. His knowledge of economics, which never became excessively profound, was acquired after arriving at his basic viewpoint. The second was a series of hostile sketches of our economy and society by Thorstein Veblen, and although they never culminated in a definite program of economic reform they did contribute to the milieu of dissatisfaction with private enterprise which paved the way for some nonconservative policies of the 1930's. It is uncertain whether Veblen's basic viewpoint was formed before he entered (at the age of thirty-four) upon the serious study of economics — his dissertation was in philosophy.

In England the story is much the same. I do not know whether Marx's long exile in England qualifies him for inclusion here, but in any event he is not an exception to the general rule. His general position was developed in the 1830's and 1840's, and it was only shortly before the writing of the *Manifesto* that he began the serious study of economics. The study of economics affected many details of his position, and suggested lacunae, but it did not come early

enough to make him approach a problem the way a trained economist would have done.

The later British socialists of the Fabian School fall into much the same pattern. Bernard Shaw and the Webbs, or perhaps I should say Sidney, acquired some fluency in the language of economics, but for them it was mostly a troublesome set of doctrines, to be twisted to their ends when possible and otherwise ignored.

I cannot speak with even faint authority on the role of economists in the radical movements of the continent. It should be noted, however, that only in select European nations such as Austria, Sweden, and Italy was economic analysis, in the sense in which almost all modern economists use the term, an actively taught and generally understood discipline, in contrast with historical or sociological approaches.

A final word. There have, of course, been well-trained young economists who have become Marxists, communists, socialists, guild socialists, and the like. The fact to be noticed, however, is that they have been relatively few despite the natural selectivity of the study of economics.

### III. THE CAUSE OF PROFESSIONAL CONSERVATISM

The conservatism of the economists cannot be explained by the vulgar argument of venality: that economists have sold their souls to the capitalists. The current rates of pay for good economists are much below what I would assume to be the going rate for a soul.

The main reason for the conservatism surely lies in the effect of the scientific training the economist receives. He is drilled in the problems of *all* economic systems and in the methods by which a price system solves these problems. It becomes impossible for the trained economist to believe that a small group of selfish capitalists dictates the main outlines of the allocation of resources and the determination of outputs. It becomes impossible for him to believe that men of good will can by their individual actions stem inflation, or that it is possible to impose changes on any one market or industry without causing problems in other markets or industries. He cannot unblushingly repeat slogans such as "production for use rather than for profit." He cannot believe that a change in the *form* of social organization will eliminate basic economic problems.

The impact of economic analysis upon one's *Weltanschauung* is well illustrated by a piece of analysis given by a fine Irish economist, Mountifort Longfield, over a century ago. At that time, wealthy Englishmen sometimes bought wheat in years of high price and resold

it to the needy poor at half price. This was pure humanitarianism, and on its face an effective method of aiding the poor. But Longfield pointed out that it did not help the poor at all, and might even injure them. The poor would have a given demand function for grain, and the lower the price the more they would wish to buy. But the total supply was by hypothesis unusually small so in their attempts to consume the large quantity the subsidized price encouraged, they drove up the price themselves, and of course drove up the price to the rich benefactors to twice this higher level. The whole scheme amounted only to a gift from the wealthy to the grain dealers. Only a knowledge of economic analysis, as Longfield argued, would teach the inevitability of some form of rationing in a period of short supply.

An equally apt example of the effect of economic analysis was given by Edwin Cannan. Consider the perennial charge of profiteering that is levied at the producers or owners of commodities in relatively short supply. As Cannan pointed out, this is a singularly perverse distribution of blame. The only way in which the supplier can benefit by a high price is by selling the commodity, that is, by making the supply larger. If there is a shortage of meat, then we should blame everyone except the members of the livestock industry, for everyone else is not producing the meat which we desire in larger quantities.

These instances illustrate the strong influence a training in economics analysis exerts upon the economist and the way in which he sees the economic world. The intricate elaboration of the basic logic of a competitive price system is the dominant element of this viewpoint, and even if one believes that the existing economy departs far from the ideals of abstract theory, the problems of allocation of resources dwell in the mind of the economist and make him an imaginative and realistic critic of economic nostrums.

Professor Mises, whom many regard as of conservative persuasion, would, I believe, accept the main tenor of the foregoing remarks, but he has argued that it is economic statistics, or more generally quantitative economics, which generates a radical political viewpoint. And I in turn believe that this view is precisely wrong.

The quantitative, or better, empirical study of economic life is the only way in which one can get a real feeling for the tasks and functioning of an economic system. The completely formal theorist does not know the range or subtlety of the economic problems that arise each day, for a man is not as resourceful or imaginative as a society of men. The formal theorist therefore has a much simplified picture of the world and of the complexity of the scientific theorems



required to explain its operation. He fails to realize the extent to which the successful explanation of the workings of the economy demands an enlarged scientific technique, judgment, and information, whereas the experienced empirical worker has had the complexities of the economy burned into his soul. It is not a coincidence that the theorists who have turned socialist or communist have usually been completely abstract theorists, and the more radical wing of the new dealers was not distinguished for its empirical knowledge of the American economy.

#### IV. THE SCIENTIFIC EFFECTS OF CONSERVATISM

Let us grant — or at least, let me grant — that the professional study of economics increases one's political conservatism in the sense in which I have defined it. The question then arises: what effects, if any, does this political attitude have upon the scientific work of economists?

The policy position has first of all a pronounced effect upon the *direction* of scientific work. It poses a set of problems, integral to the logic of the conservative position, and economists devote to these problems an amount of attention that would be quite inexplicable on any other ground than their policy relevance. Let me give a few examples.

The field of industrial organization is devoted to the analysis of the structure of industries, their behavior with respect to variables such as price and variety of product, and the changes in structure and behavior over time. In actual fact, something like 98 per cent of the general literature is concerned, explicitly or implicitly, with the question of monopoly.

This emphasis is surely attributable to the conservative position of economists, which places great value upon dispersion of economic power and determination of resource allocation by impersonal markets. Were it not for this orientation, it would be hard to explain the attention given to competition and monopoly in the analyses of questions such as innovation and vertical integration, and the comparative neglect of questions such as the influence of consumers and cyclical fluctuations upon industrial structure, and the international flow of technology.

The theory of international trade is almost equally appropriate as an example. If one takes a standard treatise in this area, he finds that the larger part of the field is directly or indirectly concerned with free trade. That is, it is concerned with the operation of international trade in the absence of state intervention, and the determina-

tion of the effects — one can even say, distortions introduced by this intervention. In the absence of the conservative influence, much larger attention might have been paid to the effects of differences in natural resource endowments, the use of foreign trade policies to redistribute income, and similar topics, which have only recently been receiving attention.

Not only has the conservative tradition influenced the direction of economic research, it has also given economics much of its *substance*. I mean this in a very special sense. The apparatus of economics is very flexible: without breaking the rules of the profession — by being illogical or even by denying the validity of the traditional theory — a sufficiently clever person can reach *any* conclusion he wishes on any *real* problem (in contrast to formal problems). This was impressed upon me immediately after the war when Milton Friedman and I wrote a little piece, based strictly upon elementary economics, against rent controls. Our plentiful critics reached the opposite conclusion by a variety of paths. Some denied the quantitative importance of the functional relationships we used, others simply argued that rent decontrol would lead to great wage increases and these to extensive inflation, which even conservatives think is bad.

In general there is no position, to repeat, which cannot be reached by a competent use of respectable economic theory. The reason this does not happen more often than it does is that there is a general consensus among economists that some relationships are stronger than others and some magnitudes are larger than others. This consensus rests in part, to be sure, on empirical research. Empirical evidence, and not his conservative bias, is what keeps Seymour Harris from proposing establishment of a banana-growing industry in Vermont.

But some of the consensus stems also from the general acceptance of the same political preference. I ask you to do three things.

1. Write down a list of propositions in economics having substantive content and policy relevance. For example, that free housing (or rather, housing provided without price by the federal government) would lead to an inappropriately large expansion of this sector of consumption.

2. Write down all the empirical relationships relevant to each argument.

3. Write down the places where these empirical relationships are rigorously established.

Rigor being what the econometricians have made it, I am confident that hardly any conclusions will survive beyond a 2 per cent

confidence interval. And yet when an economist plays the game of withholding judgments on the ground that a freshly laundered scientist cannot stake the life of his first-born on the results, we are invariably and properly highly suspicious of the stance.

Of course, I have asserted and not proved that our generally conservative position underlies some of the consensus on the orders of magnitude of empirical relationships and effects. It is not easy to devise a proof, other than a mere mathematical proof, but some support is found in a comparison of American economists with those of other nations. The typical Latin American or Indian economist, for example, appears to differ more from our estimates of empirical magnitudes than one would expect if only empirical evidence underlaid them, and the same is true in some degree even with respect to Swiss or French or German economists.

#### V. CONCLUDING REMARKS

If we are politically conservative, it is not surprising that ours is known as a dismal science in a period when the trend of policy has been strongly anti-conservative. And it is not without relevance that this characterization did not emerge and become popular until what Dicey called the age of collectivism had begun.

Our conservatism, giving the term the special meaning of attachment to private enterprise, has been attenuated. Once violent debates over questions like the propriety of free public libraries have vanished from discussion, and once absurd heresies like governmental support of an agricultural class have won, if not our support, at least a measure of tolerant resignation. We shall no doubt continue to bend before a strong wind, but I consider it a remarkable effect of our professional discipline that we shall not be contributing to the wind.

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