



Econ Journal Watch
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Unfortunately Unfamiliar with Robert Higgs and Others: A Rejoinder to Gauti Eggertsson on the 1930s

Steven Horwitz¹

[LINK TO ABSTRACT](#)

I too appreciate Gauti Eggertsson's taking the time to respond to my earlier commentary on his *AER* article. One of the purposes in creating *Econ Journal Watch* was to have a space to have just this sort of dialogue, so that the interlocutors and the readership could learn from the interaction. I think Eggertsson's reply has moved the conversation forward, and I hope this rejoinder takes it another step.

In this rejoinder, I want to focus on five specific points. In my original paper (Horwitz 2009), I was concerned to show the ways in which I thought Eggertsson had missed the bigger story about the similarities between Hoover and Roosevelt, particularly the way in which his claims of Hoover's holding "small government" dogmas were, in fact, misleading, if not just wrong. I argued that there was not an abrupt regime change between Hoover and Roosevelt, at least in terms of substantive policy. I did concede that Hoover was more committed to 20-dollars-to-the-gold-ounce than Roosevelt was, but I think that the difference was more a matter of degree than a chasm. After all, Hoover's commitment was to a rather watered down version of the gold standard and Roosevelt did not complete the dollar's devaluation until January 1934.

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I agree with Eggertsson that the reflation of the money supply prevented the depression from worsening or lingering any longer than it did. I would maintain, as I did in the original article and in line with Friedman and Schwartz (1963) as well as later research by Bordo, Choudhri, and Schwartz (2002) and Timberlake (2005, 210-17), however, that this result could have been accomplished without ending the 20-dollars-to-the-gold-ounce as it then existed. So, in as much as Eggertsson's argument suggests that Hoover's commitment to the 20-dollars-to-the-gold-ounce got in the way of recovery, thereby requiring a regime change and a change in expectations, it overstates the case. Yes, reflation was desirable, given the policy mistakes made during the Hoover years, but that could have been accomplished within the "regime" of the existing gold standard.²

The discussion of reflation leads to my second point. I argued in my comment that Eggertsson seemed to be viewing the Great Depression as having ended by 1937, which I then noted was problematic, given that returning to pre-Depression levels of GDP and unemployment took several more years, perhaps as much as an additional decade if one accepts Higgs' (2006) view that the economy did not get all the way out until the postwar boom. Eggertsson argues in his reply that he agrees that the Great Depression was not over in 1937, but that this point works in his favor because the subsequent 1937-38 recession-in-a-depression resulted from FDR's abandonment of the reflationary policy that had generated the 1933-37 recovery.

But it is wrong for Eggertsson to treat 1937-38 as a separate episode. The abstract of Eggertsson's *AER* article says that recovery was driven by a shift in expectations and that this shift "was caused by President Franklin Delano Roosevelt's policy actions" (1476). One of those policy actions was the Banking Act of 1935, which authorized the Fed to change required reserve ratios. The Fed Board of Governors, chaired by Marriner Eccles, an FDR appointee, and fleshed out entirely by other FDR appointees acted closely with Treasury to make use of the new powers in upping the reserve requirements in 1936 and 1937. These actions were part and parcel of FDR's policy activism (see Higgs 2008). In studying the consequences of New Deal policy, we cannot selectively include some consequences and omit others. In as much as recovery was thwarted in 1937 by the monetary contraction, then recovery was thwarted by New Deal policy.

Explanations of the 1937-38 downturn have gone through several stages. The earliest argument was that it was caused by FDR's reversion to more contractionary fiscal policy just prior to the recession. In the eyes of traditional

2. My own policy preference would have been a more radical transformation of the monetary regime, but given the institutional arrangements of the time, the needed reflation could have been accomplished within them.

Keynesians, this apparent link validated their belief that expansionary fiscal policy was key to recovery.³ Later research cast doubt on this explanation, both because the size of the fiscal contraction was considered too small to have shrunk GNP as much as it actually fell and because monetary policy changes matter more. The decision to raise reserve requirements, from concerns about the inflationary potential of the large excess reserves of banks in the mid-30s, led to a shrinkage in the money supply as banks responded by holding even higher levels of total reserves to replenish their desired amount of excess reserves. There's no doubt that the banks' reaction to the Fed's moves played a role, but this reaction is still this far from the whole story. Indeed, recent research by Paul van den Noord (2010) argues that the combination of changes in fiscal and monetary policy was not enough to explain the 1937/38 downturn. Van den Noord points to other factors as having been "predominant."

One of the other factors involves the labor legislation of the mid-1930s, especially the Wagner Act. These new laws gave labor unions more privileges, encouraged stepped-up organizing and strikes, and resulted in new union contracts that drove wages up significantly, especially in the industrial sector. As Benjamin Anderson (1979[1949], 437-38) said quite clearly, FDR's landslide victory in 1936 solidified powers for the labor unions, especially the CIO unions, emboldening aggressive unionism and exacerbating the regime uncertainty of employers. Again, slicing things up as before and after 1937 is simply bad history. The onset of the subsequent recession seems consistent with the effects of wage increases and the attenuation of the freedom of contract, present and expected. The disproportionate amount of unemployment in the industrial sector is consistent with the labor legislation's disproportionate impact there.

I should note further that the belief that higher wages were the key to recovery and prosperity was perhaps the one idea that Hoover and FDR most clearly shared, along with many other members of the intellectual class, including many economists. One policy that was pursued consistently by both administrations, from Hoover's jaw-boning of industrial leaders and Smoot-Hawley's protection of domestic firms from wage competition to the wage-setting provisions of FDR's National Recovery Administration codes and the aforementioned Wagner Act, was this belief in the purchasing power theory of prosperity. The refusal to let nominal wages fall during the great deflation and the attempt to push them up during the New Deal were, in my view, major factors in generating the enormous human costs of the unprecedented unemployment during the Great Depression, as well as the depression's long duration. The labor

3. Even today, modern Keynesians such as Paul Krugman are making this argument and using it as a rationale for a second, larger, round of fiscal stimulus.

legislation view of the 1937-38 recession suggests, again, that there is much more continuity between Hoover and Roosevelt than some sort of major regime change. Again, Eggertsson cannot treat the 1937-38 recession as apart from Roosevelt's policies, when the Wagner Act and related legislation that caused it were signed by Roosevelt and therefore part and parcel of his 'regime.'

The other major factor that van den Noord points to is Higgs' work on regime uncertainty, which we are getting to. All told, the 1937-38 downturn, rather than helping Eggertsson's interpretation, raises issues about how he has sliced up the history.

My third point follows on the heels of this last observation. Eggertsson continues to maintain that there was a "sharp contrast between FDR and Hoover's views on the size of the government, deficits, and the gold standard" and that this view is the "conventional wisdom," which leads him to be left a little mystified by my insistence on the differences. Eggertsson also argues that all he needs to make his case is that FDR signaled "more" government spending and "higher" deficits than Hoover, and that this signal amounts to a regime change.

It is not clear that simply *wanting* more government spending and higher deficits really constitutes regime change. Eggertsson offers some data on the size of the greater spending and larger deficit. The Roosevelt administration was more activist in these senses than the Hoover administration was, but I think Eggertsson exaggerates the magnitude of the change.

Perhaps one way to see this point is to distinguish issues of scale and scope.⁴ What unites Hoover and FDR is the fundamental belief that activist government is necessary both to prevent and to recover from economic crises. As I document in my original response, the historical record of Hoover's views is quite clear: he was a believer in active government intervention in the economy from his first days in government with the Food Administration in World War I through his time as Secretary of Commerce and as president. His own words are sufficiently clear, as were those of President Calvin Coolidge, who tried to keep Hoover at a distance for just this reason, and of Hoover's biographers, such as Joan Hoff Wilson. We certainly know Roosevelt's views about the role of government. Both presidents substantially agreed on the desirable *scope* of government power: for them, it was far more encompassing than their predecessors' preferred scope.

The historical evidence is consistent with this perspective, including the admission by brain truster Rex Tugwell that much of the New Deal was simply extensions of programs that Hoover had begun: "When it was all over, I once made a list of New Deal ventures begun during Hoover's years as secretary of commerce and then as president.... The New Deal owed much to what he had

4. The following discussion owes much to Higgs (1987).

begun” (as quoted in Shlaes 2007, p. 149). Even though Roosevelt did take a step that Hoover did not by greatly attenuating the dollar’s link to gold, this action was not a campaign promise of FDR’s and, as noted earlier, it was not completed until Roosevelt had been in office almost a year. It seems much more accurate, as I argued in the earlier paper, to view Roosevelt as, to use Shlaes’s (2007) apt term, “the great experimenter” than to see him as having promised an administration that was different in kind rather than in degree with respect to the role of government. It is also worth recalling that FDR, during the campaign, attacked what he saw as Hoover’s fiscal irresponsibility and called for balancing the budget. If the idea is that a “regime change” would shift expectations, then the similarities between the two presidents and the fact that at least some of FDR’s campaign rhetoric was, in fact, marginally less expansionary than Hoover’s reality, suggest that there was not really a regime change; nor could it be said that FDR’s promises would have shifted expectations ahead of his becoming president.

The underlying problem is that Eggertsson defends his interpretation of the differences between the two presidents as being the “conventional wisdom.” And perhaps it is the conventional wisdom. But part of what motivated me to write my comment was that I knew that the historical record showed that the conventional wisdom was mistaken. Whatever the merits of the particular model that Eggertsson constructed, I had hoped to show that it was built on the unquestioned premise associated with that piece of conventional wisdom. Whatever one thinks of model building as a scientific strategy in economics, when one is going to apply a model to historical experiences such as the Great Depression, it is especially important to make sure that the application rests on historically accurate assumptions.

The claim that Hoover was no representative of small government may not be the conventional wisdom in economics, but it is hardly the product of cranks on the intellectual fringes. My original comment cited a number of sources in backing up that claim, including Hoover’s own speeches, a prominent biography, and a Pulitzer Prize-winning book on the New Deal. Claiming that he was just following the conventional wisdom does not absolve Eggertsson of, in view of the evidence, getting things wrong. And those errors of history should at least make us skeptical of the explanatory power of the model that rests on them.

Fourth, I want to raise some issues about Eggertsson’s response to my discussion of Higgs’ work on investment and regime uncertainty. An electronic search of Eggertsson’s *AER* article for the word “investment” shows that the word occurs 12 times. I reproduce serially the first eight of those occurrences:

1. “As if mobilizing the nation for war, the government went on an aggressive spending campaign, nearly doubling government consumption and investment in one year.” (Eggertsson 2008, 1477)

2. “Panels A–C show a one-year window for commodity prices, the stock market, and a monthly investment index ...” (1477).
3. “Similarly, investment nearly doubled in 1933 with the turnaround in March that year.” (1477)
4. The complete heading of Panel A in Figure 1 reads: “Investment” (1478)
5. “Investment, commodity prices, and the stock market rebounded once FDR took office.” (1478)
6. “The federal government’s consumption and investment, for example, was 90 percent higher in 1934 (Roosevelt’s first full calendar year in office) than in 1932 (Hoover’s last).” (1481)
7. “Table 1 also reports total government expenditures. This measure includes several transfer programs and the gold purchases of the Treasury that are not included in the consumption and investment statistic, but which had an important impact on the government budget.” (1481)
8. “Federal government consumption and gross investment” [a line entry in Table 1] (1482)

Occurrences 9 and 10 (of the 12) have to do with the presentation of the model (“there is no investment in the model”, 1485; see also 1504, n. 74). Finally, in Appendix C on the data, we find: “The monthly investment series is an index of new plant equipment orders from the 1937 Moody’s Industrial Manual (a14)” (1513),⁵ and: “The federal government consumption and gross investment component of GDP is from the current NIPA tables” (1514).

In my view, it is paramount to distinguish government and private investment, and explore what is happening to private investment. As one can see from this comprehensive listing, Eggertsson talks of government investment and does not take pains to distinguish government and private investment. To make that point, I reported, accurately, that the expression “private investment” never appears in the *AER* article.

Higgs (2006, 7) argues that the key variable is net private investment. Although gross investment may have improved, when one takes depreciation into account, the picture is much gloomier. To make the importance of this point clear, I reproduce here some information from the Higgs’ paper that I cited in my original comment (emphasis in Higgs’ original):

5. This appears to be the source for Eggertsson’s investment figure in Panel A of Figure 1, p. 1478. Eggertsson does not elaborate on this description of the data. This brief description—“an index of new plant equipment orders”—raises several questions: (1) Orders from whom? Does it include orders placed by government? (2) Orders for what exactly? What does “new plant equipment orders” mean? (3) Were all the orders filled? (4) If this source is meant to gauge national private investment, how good a gauge is it?

In 1929, when gross private investment was \$16.2 billion, net investment was \$8.3 billion. Net investment fell precipitously to \$2.3 billion in 1930 and then became negative during each of the following five years. In the period of 1931 to 1935, net investment totaled *minus* \$18.3 billion. After reviving to positive levels in 1936 and 1937, net investment again fell into the negative range in 1938 (\$0.8 billion) before resuming its recovery. For the eleven-year period of 1930 to 1940, net private investment totaled *minus* \$3.1 billion. Only in 1941 did net private investment (\$9.7 billion) exceed the 1929 amount.

The fact that net private investment stayed negative for the span of 1931 to 1935 shows that the switch from Hoover to Roosevelt did not exactly revive the private sector. That the total of net private investment from 1930 to 1940 was negative and that it did not return to 1929 annual figures until 1941 suggest that it really did take at least the entire decade for the key sector of the private economy to get back to pre-depression levels. A decade with a negative total of net private investment is hard to describe as one in which a meaningful recovery of the private sector took place.

But the story becomes even clearer when we take another step and distinguish types of private investment as Higgs does:

We can divide gross private domestic investment into three components that correspond to differing lengths of the newly created capital's expected economic life: gross private new construction (the longest lived); gross private producers durables (intermediate); and additions to business inventories (the shortest lived). During the last five years of the 1920s, on average, these components constituted the following proportions of private investment: 0.62, 0.32, and 0.06, respectively. During the business recovery that was in progress during the first three years of the Second New Deal (1935–37), however, the proportions were 0.38, 0.44, and 0.18, respectively, showing a marked shift away from the longest-term investments. The proportions remained much the same during the second business recovery of the Second New Deal (1939–41), when they were 0.45, 0.40, and 0.15, respectively. Clearly, the real investments made during the first and second Roosevelt administrations remained far more concentrated in short-term assets than the investments made during the latter half of the 1920s. (Higgs 2006, 22)

As Higgs points out, contemporary observers saw that appreciable long-term private investment was not occurring. For example, Phillips, McManus, and

Nelson wrote in their 1937 book: “conditions in the investment market are still such that extensive long-term investment is not being made” (242; see also 218 n. 2, 219; Anderson 1949, 375, 377, 427-28). Economists of quite different ideological stripes—from Benjamin Anderson, Milton Friedman, and Anna Schwartz to Alvin Hansen and Kenneth Roose—agreed that long-term investment had not revived (Higgs 2006, 22).

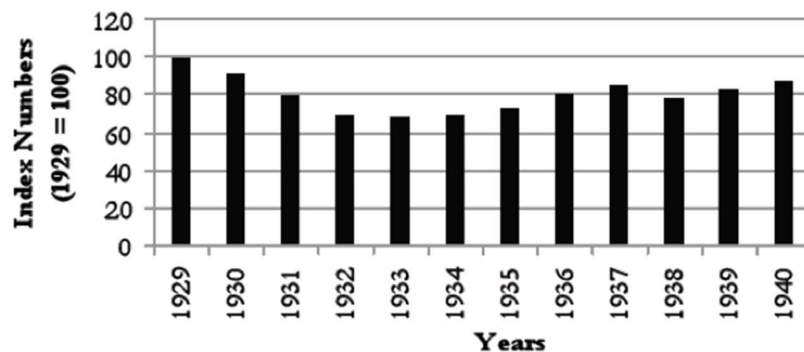
Eggertsson has misunderstood Higgs’ argument. It is not that “regime uncertainty suppressed investment and output suddenly when FDR took power” (Eggertsson 2010, 203). Rather Higgs’ point is that regime uncertainty grew over the course of Roosevelt’s presidency as he both lurched back and forth from one policy to another (amply documented in the historical record, including the memoirs of FDR’s advisors, all of whom indicate that they were groping for possible solutions to the depression) and ratcheted up his attacks on business and economic freedom in general. The combination of these two trends led private investors to be highly reluctant to commit their resources in long-term projects, as the evidence from net private investment indicates. The attacks on the “economic royalists” were a unique feature of the Roosevelt years, especially from 1935 to 1939. Despite the general continuity between Hoover and FDR, these two elements reflect part of the difference in degree that characterized their penchants for government intervention. Roosevelt’s interventions, especially the NIRA and AAA, were more comprehensive than Hoover’s, and Hoover never engaged in the direct attacks on the business sector that Roosevelt did starting in the mid-1930s. When one also considers the relationship between the Supreme Court and the New Deal policies, whereby the court first declared the NIRA and AAA unconstitutional, but then in 1937 began to put its stamp of approval on similar programs, one can understand why businessmen were confused and apprehensive as to the rules of the game and would refrain from investing, particularly for the long run. Van den Noord (2010) suggests that Higgs’ theory “would explain the sharp declines in investment that were the hallmark of the 1937/38 recession.”

The turning point that Eggertsson sees in the broadly defined investment data conceals a much gloomier story in private investment, one that is consistent with Higgs’ argument and supported by the historical record of the Roosevelt administration. Higgs also presents separate data on both the self-reports of businessmen at the time and the interest-rate spread on short- and long-term corporate bonds to support the claim that FDR’s policies were discouraging private investment. It is true that the 1933-37 period was one of significant GNP growth, but the Higgs story suggests that this recovery was largely led by the government and government-related components of GNP, with private-sector investment making scant gains on net. There are a number of ways to create the appearance of growth by raising the government portion of GDP even as the

private sector stagnates. If it is the latter that collapsed during the depression, however, we should be looking for growth there as real evidence of recovery.

Besides private investment, another useful measure of private-sector activity is hours worked. This measure separates out government employment and avoids ambiguities in the changing definition of “employment.” Robert Higgs (2009) has parsed these data. Below I reproduce his figure of private nonfarm hours worked, 1929-1940. (Higgs also tabulates farm hours, but this measure varies little from about 23 billion over the cycle and therefore is omitted here.)

Figure 1: Private Nonfarm Hours Worked, 1929-1940 (billions)



Source: Higgs 2009, 6, from data reported in Kendrick (1961, 312-13).

While evidence on private investment, and especially long-term investment, is the closest thing we have to a decisive signal of genuine recovery, the data on hours worked in private economic activity also patently debunk the mythology of a sharp New Deal economic recovery. In the New Deal’s eighth year, private employment remained substantially below its level in 1929.

Finally, I want to say a word about what one might call Eggertsson’s methodological authoritarianism. His reply seems to assume that unless economic concepts or historical evidence can be put into a formal model, or expressed as a change in the constraints on Eggertsson’s own DSGE model, it probably will not add to our stock of knowledge about the events in question. He makes this point specifically about regime uncertainty, saying that it would be “quite difficult to generate this story in a reasonably calibrated quantitative model” (203). I don’t disagree with that statement, but difficulty fitting regime uncertainty into such a model is not, by itself, reason to dismiss its importance.

In his reply, which followed mine by a full year, Eggertsson writes: “It is true that I do not cite Higgs’ work on uncertainty regarding rules, which I am unfortunately unfamiliar with...” (203). Unfortunate, indeed. What prolongs this misfortune, Eggertsson does not say. His admission that he was and remains unaware of Higgs’ work on regime uncertainty and the Great Depression more generally is a perfect example of the problems that arise when model-building becomes fetishized as it has been in modern economics. It is not as if Higgs’ work were obscure, as it has appeared in the *Journal of Economic History*, *The Independent Review*, and other journals readily available to Eggertsson. Higgs has gathered his series of path-breaking studies in a book published by Oxford University Press (Higgs 2006). Higgs, of course, is not working within the DSGE model-building tradition, but getting outside of that tradition to see what economic historians have to say—economic historians who have dug into not just the standard data, but a whole range of other sources of the era—is precisely what is missing from Eggertsson’s original paper. I had also hoped that his reply to my comment would have included more substantive responses to Higgs’ work, because I think a serious engagement with it could have moved the conversation forward in some interesting ways. Fortunately, Professor Eggertsson is invited to reply to the present rejoinder, so we have another opportunity to overcome his unfamiliarity with Higgs’ research.

The harm such methodological authoritarianism can cause is that our ignorance of the history can indeed doom us to repeat it. As Higgs (2010) argued in the summer of 2010, the weakness of the recovery from the recent recession, particularly the persistence of the high unemployment rate, might well reflect significant regime uncertainty. Private investment is once again quite low, and the Obama administration has gained the enactment of two large regulatory programs (health care and financial reform) whose ultimate effects on the private sector are quite murky. The administration has also upped its anti-business rhetoric as the recovery has faltered. Higgs uses some of the same kinds of evidence he provided to demonstrate regime uncertainty in the 1930s, particularly differences in the yields on short-term and long-term corporate bonds, to offer evidence of such uncertainty in the current recession. The present situation is strikingly familiar, and scary, to those who use economic theory to interpret seriously the narrative historical record of the Great Depression. If we dismiss phenomena such as regime uncertainty because they do not fit certain a priori methodological strictures, we do so at our own peril and that of millions who continue to suffer because economists have not learned the lessons of history.

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Constraints on Housing Supply: Natural and Regulatory

Wendell Cox¹

[LINK TO ABSTRACT](#)

Suppose you had a dog, and a lakeside home with a yard. The lake borders your yard. Now suppose that we wanted to calculate how much area the dog has to run around in. One relevant constraint would be the lake. However, if you put up a fence enclosing the dog, the lake would not in fact bound the area the dog has. The relevance of the lake boundary depends on the fencing in a particularistic way.

Now suppose that we were interested not just in your dog's run-area, but the run-area of homeowners' dogs in general. In each case, the relevance of natural boundaries like the lake depends on the particular fencing and enclosure decisions of the specific homeowner. Simply measuring the distance to natural constraints like the waterfront, without minding the relation it has to local fencing enclosures, would be a problematic approach to estimating the bearing of such natural boundaries.

Moreover, if one were to consider natural boundaries within an invariant distance of the midpoint of each yard, the problems would be compounded. Yards differ greatly in size. A yard might be so small that, applying the invariant distance, far-off lakes would be counted as though they mattered when they do not. Or a yard might be so large that the invariant distance used did not include all the lake boundaries that do matter. This is a second way in which the relevance of the natural boundaries is particular to the case.

If one were to ignore these particularistic factors, one might do an aggregate calculation about the determinants of dog run-areas—how much natural boundaries matter versus how much enclosure decisions matter—a calculation that

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tends to overstate the importance of the natural boundaries. Simply using measurements without minding the particulars to the locale might produce results not merely crude but highly misleading.

Two recent papers examined the association between house price increases and geographical and regulatory restrictions in US metropolitan areas. The first, by Albert Saiz (2010), reviewed natural geographical constraints—water bodies and terrain slopes, while the second, by Haifang Huang and Yao Tang (2010) looked at general regulatory restrictions and also included a natural geographical constraint, using Saiz. Both papers used the Wharton Residential Land Use Regulatory Index (WRI) to gauge the extent of land use regulation in the metropolitan areas studied.

The papers offer conclusions about the extent to which house-price increases are determined by natural geographical constraints. Their conclusions are based on methods suffering from problems analogous to those raised in the thought experiment about dog-runs. I am inclined to think that, in estimating influences of natural geographical and regulatory geographical constraints, the papers do not adequately incorporate the particularistic interrelations between the influences of the two different kinds of geographical constraints, which by their very nature would involve the more proximate constraint nullifying the influence of the other. At the same time, the measurement of the *non-geographical* regulatory constraints may not be sufficiently robust.

The present essay is not intended or designed as a close commentary on the two papers just mentioned (Saiz 2010, Huang and Tang 2010). Rather, it is offered as a comment on some of the core features of those papers. Both are ambitious pieces of work. Moreover, both papers come to conclusions that are consistent with previous research, particularly about regulatory restrictions having a measurably significant impact on housing supply (Saiz 2010) and on local housing booms and busts (Huang and Tang 2010). It is the fundamental methods of estimating the impact of geographical constraints developed in Saiz and their subsequent use by Huang and Tang that I see as problematic. These are not problems of econometrics, but rather of geography and demography, problems that might lead to the *understating* of the impact of regulatory restrictions.

The key points of my critique generally are as follows:

1. Saiz uses an invariant 50 kilometer radius from the urban focal-point of the metropolitan area to analyze geographical constraints. Given the huge differentials in the geographic sizes among the principal urban areas² in the sample of the metropolitan areas over 500,000 population, the invariant 50-km radius is blunt in the extreme. In the largest urban areas, it would seem to be too small to capture fully the impact of geographical constraints, and in the smallest metropolitan areas it is so large that much of the water or steep-areas measured would in fact pose little or no constraint on urban growth.

2. Huang and Tang use both a land regulation restriction and a natural geographic constraint. It seems likely that the presence of restrictions that effectively contain urban development (such as an urban growth boundary or substantial developable areas³ on which new housing is prohibited) would assume virtually all of the impact of any more remote natural geographical constraint—as when the dog is constrained by the fence, not the lake. As a result, any approach that includes natural geographical constraints where there are interior regulatory geographical restrictions would have the potential to virtually negate coefficients for the restrictions and exaggerate coefficients for the natural geographical constraints.

The extent to which geographic regulatory restrictions can drive up prices is illustrated by the differences between the values of undeveloped lands just a few steps from each other, but across the urban growth boundary. In Portland and Auckland, New Zealand, virtually adjoining undeveloped lands value differences have been estimated at 10 times or more (Mildner 2009, 2025 Task Force 2009). My own more recent review on the western Portland suburbs found a differential of 11 times virtually across the road at the urban growth boundary (Cox 2010). Without an urban growth boundary, it would be expected that land on both sides of an urban growth boundary would have similar values. Research in the London area indicates that this difference can be as much as 500 times (Leunig 2007).

2. This paper generally uses the urban area rather than the metropolitan area or sub-metropolitan area (formerly called a primary metropolitan statistical area and now called, more accurately, a metropolitan division). Generally, new housing is built on the fringe of or within the urban area and relatively little housing is built in the more remote, rural areas within metropolitan areas. All metropolitan areas have a principal urban area (called an “urbanized area” by the Bureau of the Census and may also be called an urban footprint or agglomeration) around which the metropolitan area is defined. . This urban area is a continuously developed area that is usually similar in population to the metropolitan area, but excludes the rural territory that constitutes most of the metropolitan area. The urban area is the urban form in its physical sense (excluding rural areas), while the metropolitan area is the urban form in its labor-market sense (including rural areas that are within the “commute shed”). US metropolitan areas are generally composed of complete counties, which means that any spatial comparison tends to be an artifact of county geographical size. As a result, many US metropolitan areas have huge rural areas that can render geographic comparisons meaningless or misleading. For example, the Riverside-San Bernardino metropolitan area covers 27,500 square miles (more than the state of West Virginia). From the focal point in Riverside to the eastern boundary of the metropolitan area can be as much as 225 miles. On the other hand, the Boston metropolitan area, with a slightly higher population covers 3,500 square miles. Much of the Riverside-San Bernardino metropolitan area would be excluded from its definition if its constituent units were as small as in Boston. This is despite the fact that the principal urban area in Riverside-San Bernardino is 50 percent more dense than the Boston principal urban area.

3. Generally, as used in this paper, “developable” land refers to “Greenfield” land that is typically on or near (inside or outside) the fringe of the urban area. While virtually any land in an urban area can be developable through redevelopment, the overwhelming majority of new housing in US urban areas has historically been built on or near the urban fringe.

3. Despite its ground-breaking nature, the Wharton Residential Land Use Regulatory Index (WRI) may not be a reliable indicator of the relative impact of non-geographic regulatory constraints on house prices, because it is based partially on loose, “black box” opinions and judgments, and does not include responses from private housing industry participants.

Background: House Prices

Until the early 1970s, around the nation, housing was priced in proportion to incomes. The Median Multiple (median house price⁴ divided by median household income) was generally in the range of 2.0 to 3.0 in the nation’s metropolitan areas. After 1970, house prices started to escalate substantially relative to incomes in California, a dynamic that Fischel (1995, 218ff) associated with the imposition of strong land use regulation. In later years, various metropolitan areas in other parts of the nation adopted stronger land use regulations and this was generally associated with higher house prices. Saiz (2010) indicates that the previous research confirms the “well-known empirical link between land use regulations and housing price growth” (1272).

Saiz and the Invariant 50-km Radius

Saiz examines house prices and geographical constraints using an invariant 50 kilometer radius from the focal point of metropolitan areas over 500,000 population in 2000.⁵ From this, he calculates undevelopable areas, such as water areas and areas with excessive slopes. The focal point is not at issue and may generally be thought of as a point in the historic central city (municipality), such as city hall.

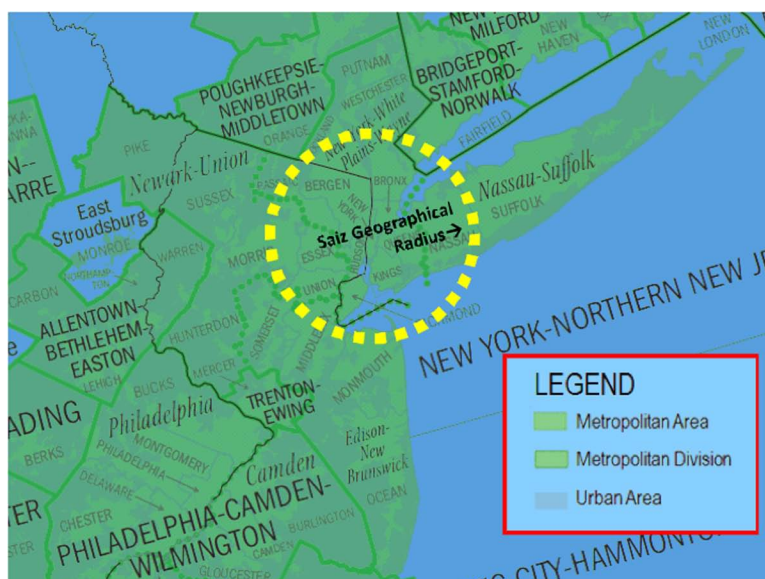
The 50 kilometer radius (7,850 square kilometers) is far too blunt an instrument. The fundamental problem is that it treats all metropolitan areas the same, despite the huge differences in population and land area. Saiz includes the range of US metropolitan areas from a year 2000 population of 500,000 to more than 10,000,000.

4. Median house value is used from 1950 to 1970 because median house price is unavailable.

5. Saiz uses primary metropolitan statistical areas (PMSA), which are portions of metropolitan areas, rather than complete metropolitan areas. Early in the 2000s, the Bureau of the Census discontinued reporting PMSAs and now reports “metropolitan divisions,” which are, as a result, more obviously identified as “sub-metropolitan” areas. This article focuses on currently defined metropolitan areas.

The principal urban areas⁶ within these metropolitan areas can vary from 190 square miles (Stockton, California urban area) to 8,700 square kilometers (New York urban area). The principal urban area of New York is more than 45 times larger than that of Stockton. Figure 1 shows the metropolitan areas of New York, and Figure 2 shows that of Stockton.⁷ In each figure, the darkened areas represent continuous urbanization (the Census defined urban area). One can see that urbanization covers virtually all of the land areas in the 50-km radius circle in the New York, whereas urbanization covers little of the Stockton counterpart.

Figure 1: New York Metropolitan and Urban Area, and Saiz's 50-km Radius



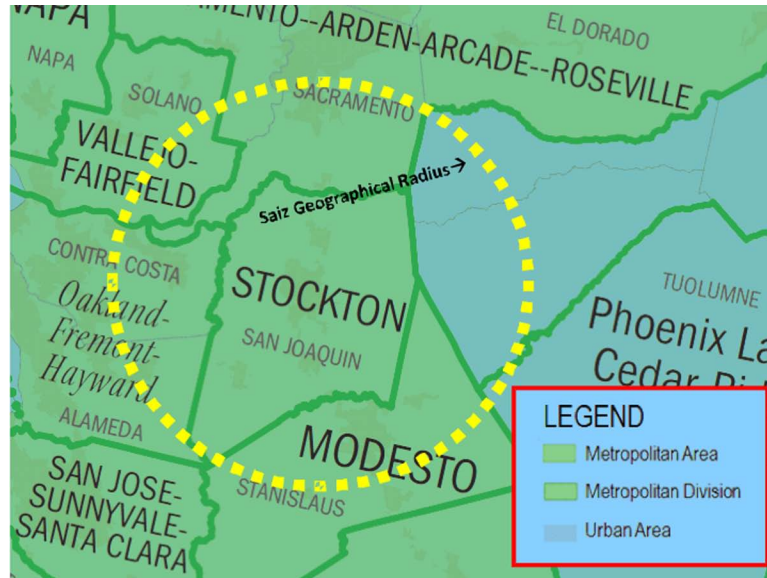
In the case of New York, the 50-km-radius circle's area that is not taken up by water is virtually contained within the present urbanization. If the New York urban area were a perfect circle, its radius would be nearly 53 kilometers. Thus, the 50 kilometer radius cannot measure the effect of geographical constraints, since the radius has already been exceeded. On the other hand, in Stockton, with a theoretical urban area radius of 8 kilometers, an ocean just 15 kilometers, say, from

6. “Principal urban area” is our term to describe the urban area that meets the necessary criteria to justify delineation of a metropolitan area. It is, by definition, the largest urban area in the metropolitan area.

7. Metropolitan areas are defined based upon and generally surround a principal urban area and consist of complete counties excepting the six New England states, where they consist of complete towns (a sub-county jurisdiction).

the focal point would likely have no more impact on house prices than if it were 50 kilometers away. Indeed, as seen in Figure 2, much of the area contained within the 50 mile radius lies in *other* metropolitan or non-metropolitan areas.

Figure 2: Stockton Metropolitan and Urban Area, and Saiz's 50-km Radius



Sources: Idealized radii based upon 2000 urban areas as defined by the Bureau of the Census. Geographical constraint radius is based upon Saiz.

There are two additional difficulties with the Saiz natural constraint area. The first is that, as indicated in the dog example above, there may be enforced regulatory geographic constraints, such as urban growth boundaries or large areas on which development is not permitted that would exert virtually the same influence on house prices as a natural geographic constraint (on the assumption that a suitable geographic area were identified based upon the geographic size of the urban area). It is arguable that the regulatory geographic constraints would have virtually the same impact on house prices as the natural geographic constraint.

The second problem is that the Saiz natural constraint area does not take into consideration the area of existing development (the urban area), which by virtue of it being largely occupied by buildings, also represents a geographical constraint (a development geographic constraint). It is, of course possible, that the development geographical constraint would have a somewhat different impact

than either the natural or regulatory geographical constraints and it could be appropriate to include it in a formula as an independent variable.

Interior Regulatory Constraints Trump Natural Constraints

Huang and Tang attempt to quantify the association between the size of price increases and the restrictiveness of land use regulation. In so doing, they also use the Saiz geographical constraint. But it is doubtful that a natural constraint can impact house prices where there is an effective intermediate urban containment device (regulatory geographical constraint), just as the dog cannot wander beyond the fence to the lake.

Thus, where there is strong land use regulation, especially an imposition of a highly restrictive and stringently enforced-urban containment device, any natural constraint is likely to be of little relevance.

Regulatory geographical constraints are associated with rising and higher house prices even in the relative absence of natural constraints. This is illustrated by Australia, where strong urban growth boundaries have been adopted in all of the large urban areas over 1,000,000 population. The Median Multiple has doubled or even tripled in relation to the levels that preceded adoption (Richards 2008). The Median Multiple in Australia has risen to a point well above that of the US and Canada, despite having been similar before adoption of urban containment devices (Cox and Pavletich 2010).

These house-price increases relative to incomes have occurred in the absence of material natural constraints. While Sydney has the Blue Mountains as a natural barrier to its west, much of the considerable developable land to the southwest and northwest in the Cumberland Plain is off-limits to new housing, likely neutralizing the impact of the more distant mountains.

There is sufficient developable land for Melbourne and Brisbane to grow in three directions for distances well beyond their urban peripheries. Perth and Adelaide have considerable land for growth to the south and across narrow hill ranges to the east. Adelaide's natural barrier to the north is 2,000 kilometers away, though Perth is more constrained at 500 kilometers. Yet, in each of these cases, urban containment devices virtually coincide with the urban periphery,⁸ with the expected upward impact on house prices.

8. In 2010, the state government of Victoria has expanded the Melbourne urban growth boundary significantly, an action largely unprecedented since the adoption of urban containment devices in Australia.

That the highest documented Median Multiples occur in a nation with scant natural constraints illustrates the primacy of the association with intermediate regulatory barriers.

It Doesn't Take Much Land to Keep Down Price Escalation

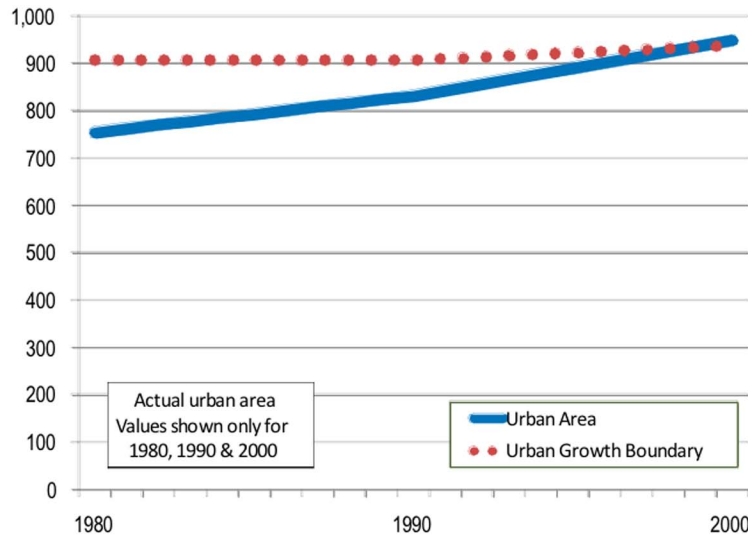
However, US experience indicates that a comparatively small amount of developable land beyond the urban fringe may be enough to keep land and house prices from escalating. This is illustrated by time trends in the cases of Portland, Las Vegas, and Phoenix.

Portland: The Portland⁹ urban growth boundary (UGB) was established in 1979. The UGB in 1980 contained approximately 20 percent more land than the urbanized land that was interior to the UGB. By 1990, the figure had dropped to 10 percent. And, as shown in Figure 3, by 2000 the urbanized area had essentially bumped up against the UGB. There was virtually no land left to develop. The house price escalation only started in the 1990s as the “cushion” had been seriously reduced. Between 1980 and 1990, developable land of just 75 to 150 square kilometers kept fast-growing Portland from having house price escalation relative to incomes. In 1980, the developable ring (that is, land within the urban growth boundary) was the equivalent of a radius of 1.5 kilometers round the urban area. But as the cushion disappeared in the 1990s, Portland led the nation in house price escalation (Cox 2002).

The Portland example shows that a 50 km radius, in an urban area of more than 1,000,000 population is an excessively large measure for natural constraints. Even once we take away the water and steep-slope areas, and then reduce further by taking away the already urbanized area, Saiz's “developable” area is 4,900 square kilometers. As calculated in Table 1, Saiz's “developable” area is from 32 (1980) to 65 (1990) times the area within the 1980 urban growth boundary that had been sufficient to maintain house prices within historic norms.

9. My discussion relates to the Oregon portion of the Portland urban area; it excludes the part in the state of Washington.

Figure 3: Bumping Up Against the Urban Growth Boundary in Portland



Sources: Urban area data from the Bureau of the Census for the Oregon portion of the urban area, land area within the urban growth boundary from Portland Metro.

Table 1: Comparison: Saiz Developable Area with Portland Developable Area within Urban Growth Boundary (UGB)

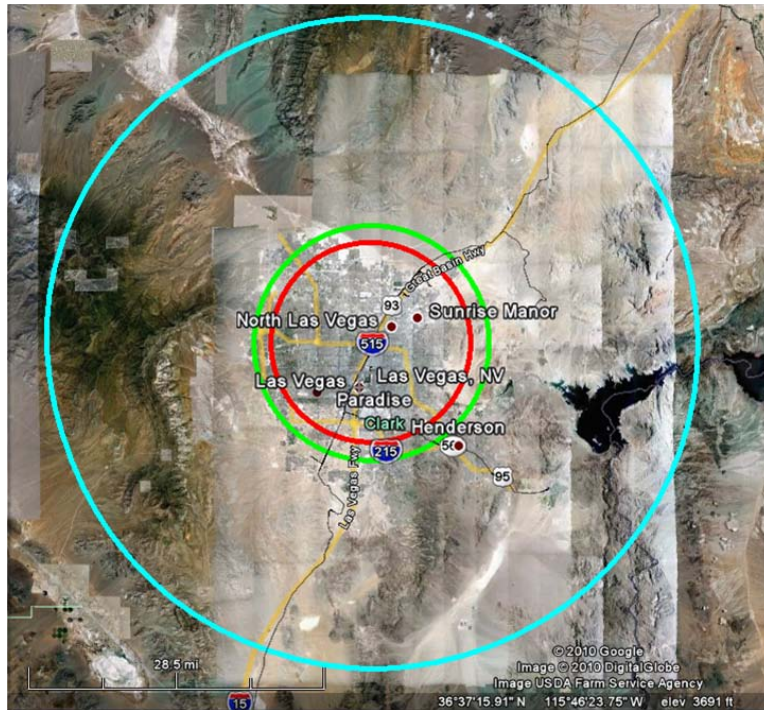
Saiz Undevelopable Area portion (Saiz 2010, 1258)	0.3754
Saiz Undevelopable Area	2,948 sqkm
Saiz Developable Area	4,906 sqkm
Fringe Developable Area within UGB, 1980	153 sqkm
Saiz Developable Area/1980 Fringe Developable Area	32
Fringe Developable Area within UGB, 1990	75 sqkm
Saiz Developable Area/Fringe Developable Area	65

As the developable land became scarcer, house prices escalated. Now, Portland is more than one-third above the historic Median Multiple norm (and Portland 1995 value) of 3.0, and during the housing bubble Portland house prices peaked at more than 60 percent above the 3.0 norm.

Las Vegas and Phoenix: There are *virtual urban growth boundaries* in Las Vegas and Phoenix, namely, the boundaries defined by *circumferential government owned land*. Some government land has been released to the market through auctions intended to maximize revenues, a goal in conflict with maximizing housing affordability.

In 2000, the privately owned, and thus theoretically developable, land on the fringe of the Las Vegas amounted to a cushion of land between the virtual urban growth boundary and the urban area that was equal to 40 percent of the land area in the principal urban area,¹⁰ the equivalent of a 2.7 kilometer ring around the existing principal urban area, which is far less than the additional 35 kilometer ring the Saiz geographic barrier would represent beyond the 2000 urbanization (see Figure 4). Yet, house prices remained near historic norms through 2002. Through the entire period, Las Vegas was the nation's fastest growing metropolitan area above 1,000,000 population, which placed considerable development pressure on this reserve of land.

Figure 4: Las Vegas Developable Area & Saiz Geographical Constraint: 2000



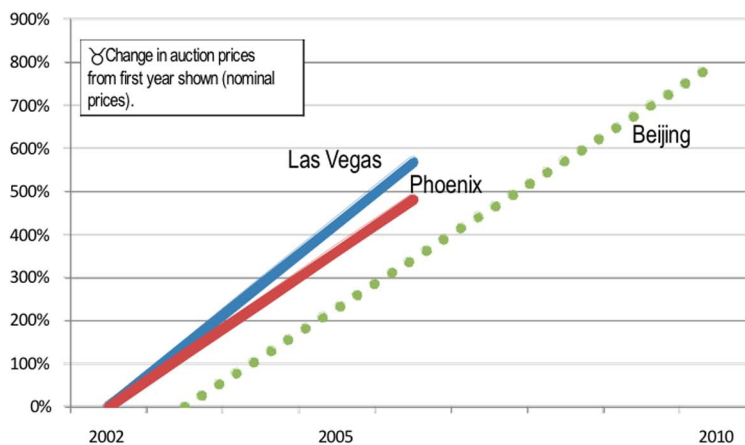
Sources: 2000 idealized radii from Bureau of the Census (urban area) and Bureau of Land Management Las Vegas Field Office data (developable land radius). Geographical constraint radius is based upon Saiz.

10. Calculated from Bureau of Land Management, Las Vegas Field Office data.

But from 2002 to 2006 there occurred an escalation of approximately 85 percent in house-prices relative to incomes. Over the same period, federal government land auctions prices for urban fringe land rose from \$50,000 per acre in 2001-2, to \$229,000 in 2003-4 and \$284,000 at the peak of the housing bubble (2005-6).

A similar situation exists with respect to the federal and state owned land that rings the Phoenix urban area. During the housing bubble, state auction prices rose nearly as much as in Las Vegas. Indeed, the rate of increase per acre in Las Vegas and Phoenix rivaled the rate over a somewhat longer period in Beijing (Wu, Gyourko and Deng 2010) which may have had the greatest price escalation in the world (see Figure 5).

Figure 5: Auction Land-Price Changes for Las Vegas, Phoenix, and Beijing



Sources: Bureau of Land Management Las Vegas Field Office data, Arizona State Land Department data and Wu, Gyourko and Deng (2010).

Experience in Portland, Las Vegas and Phoenix suggests that there does not have to be much developable land beyond the periphery of the urban area to negate the house price increasing impact of a regulatory (or for that matter a natural) constraint. The constraint only needs to leave enough of a “cushion” for there to be sufficient competition between buyers for land sufficiently proximate to the urban area to attract home purchasers at affordable prices. In the examples examined, the cushion was *far* smaller than the area associated with Saiz’s 50-km-radius area minus waters etc. I might add, as an impressionistic assessment, that the cushion needs also to be ample enough so that it cannot be cartelized by large developers. Given those modest conditions, the market itself establishes the

bounds to urban growth. Granted, it does not create a “clear edge” for the urban area, but in return, this relatively free market can keep house prices from escalating ahead of incomes.

All three of these cases suggest that regulatory geographical constraints exert a substantial impact on house prices. It seems likely that any natural geographical influence would be eclipsed by the urban containment device except where the geographical constraint is co-extensive with or less remote than the regulatory geographical constraint.

The Wharton Residential Land Use Regulatory Index

Both Saiz and Huang and Tang use the Wharton Residential Land Use Regulatory Index (WRI) to gauge the extent of land use regulation. The WRI is based upon a questionnaire circulated to municipal officials around the nation and deals only with *non-geographic* land regulation issues, which can, of course impact house prices. Examples of non-geographic regulations are building moratoria, building quotas, inclusionary zoning, and longer and more expensive project approval times.

The WRI includes some questions that should be fairly straightforward and factual, such as whether the jurisdiction places any limit on the number of single family home building permits (Question 5).¹¹ The WRI also includes less straightforward questions, some requiring quantitative data that is generally not available and others relying upon loose judgments alone.

For example, WRI asks “How does the acreage of land zoned for the following land uses compare to demand?” (Question 7). The possible answers are “far more than demanded,” “more than demanded,” “about right,” “less than demanded,” and “far less than demanded.” There are at least two difficulties with such a question. The first difficulty is that the answers are inherently loose and vague (what does “demanded” mean when price is not specified?). The second difficulty is that judgments vary considerably. A planner in highly regulated Portland, for example, would likely consider the land supply “about right” for the demand. Yet land prices for practically adjoining land diverge greatly when the two plots are on opposite sides of the urban growth boundary.

Finally, other questions simply ask for an opinion. For example, question #4, rating of the importance of 11 factors in restricting residential development, asks for a “1-not at all important” to a “5=very important.”

11. This presumes honest answers and that the responders are informed on the matter.

Again the respondents are government employees and officials. Obtaining responses from market participants might have produced a substantially different picture even on the more straightforward questions. It seems unlikely, for example, that home builders and developers would share the views of municipal officials, especially in a highly regulated area, on issues of the sufficiency of land supply or the most important factors in regulating land development. A land developer or home builder who carries out business on a metropolitan or even national scale would probably respond that in Portland the developable land is “far less than demanded.” Recall what I noted about prices of lands just steps away but separated by an urban growth boundary.

Thus, the WRI yields some surprising regulatory scores. For example, Baltimore is rated as having six times the regulation of Portland, yet Portland would be considered by many analysts among the most regulated. The California metropolitan areas of Los Angeles, San Diego, and San Jose, which are generally considered to be restrictively regulated, including jurisdictions with building moratoria and expensive development impact fees, have a lower WRI than Harrisburg, PA, which is generally considered lightly regulated.¹²

For doing nationwide aggregative estimates, the task of developing a regulatory index of sufficient integrity must remain daunting. It would need to include all forms of urban containment devices, from urban growth boundaries to government land ownership. Even if it included containment devices, it would also need a variable to capture the extent of land available for development. As the Portland and Las Vegas cases indicate, an urban containment device’s impact on prices is dependent upon the extent to which a land shortage is created. Similar “cushion” considerations would be required with respect to other restrictions, such as building moratoria. A building moratorium that allows sufficient supply to meet the demand is unlikely to have much of a price impact. On the other hand, a building moratorium that does not allow the demand to be met is likely to materially increase house prices. Such an index would need to include a measure of the restrictiveness of any such regulation.

In light of the current state of the art, any land use regulatory index seems likely to be, at best, predictive of the general relationship of house price changes where there are substantial regulatory differences (more regulated areas will have larger price increases), but the aggregative magnitudes thusly estimated may well be *far* off. Also, such analysis is likely to be unreliable at explaining the price differentials between the specific markets.

12. The California metropolitan areas have routinely been classified as among the most highly regulated (see [link](#)).

Conclusion

The two papers touched on here (Saiz 2010, Huang and Tang 2010) help us to focus our attention on the role of constraints, natural and regulatory, in the level and movement of home prices across a large sample of metropolitan areas. There remains the need, however, to exercise caution in relying on regulation indexes that, for all of their value, have great difficulty incorporating the particularistic factors that really frame a locale. The interaction between different types of geographical constraints—the natural and the regulatory—needs close attention, and I suspect that the procedures employed by the papers have the tendency to understate, at the aggregative level, the pernicious impact of regulatory restrictions. Any such understating would be especially important. In principle, it is easier to alter regulatory policy than it is to level a mountain or push back an ocean.

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[Link](#)

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Wendell Cox is principal of Demographia, an international public policy consultancy located in the St. Louis metropolitan area. He also serves as a visiting professor at the Conservatoire National des Arts et Metiers in Paris. He is author of the *Demographia Residential Land & Regulation Cost Index* and co-author of the *Demographia International Housing Affordability Survey*. He was appointed by Mayor Tom Bradley to three terms on the Los Angeles County Transportation Commission. Speaker of the House of Representatives Newt Gingrich appointed him to a term on the Amtrak Reform Council. He holds a BA in Government from California State University in Los Angeles and an MBA from Pepperdine University. His email address is: demographia2@earthlink.net.

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Dropping the Geographic-Constraints Variable Makes Only a Minor Difference: Reply to Cox

Haifang Huang¹ and Yao Tang²

[LINK TO ABSTRACT](#)

The comment by Wendell Cox (2010) pivots off of two papers, one of which is ours, Huang and Tang (2010). Cox treats a range of issues. Our reply focuses on those most directly related to our work. Specifically, we would like to address the concern that the inclusion of both geographic and regulatory constraints in the regressions could underestimate the effect of regulations on housing prices. We will show that dropping the geographic-constraints variable from the regression has only a marginal effect in increasing the sizes of the coefficients on the regulatory-restrictions variable.

Before replying, we would like to provide a short description of the empirical work in Huang and Tang (2010). The paper studies the US housing price cycle between 2001 and 2009 using data from over 300 cities. We divide the price movements into two phases, an initial boom 2000 to 2006 and a bust 2006 thru 2009. We use the price booms and busts at the local level as dependent variables in cross-sectional regressions. The control variables are city profile and contemporaneous changes in economic conditions. The key right-hand-side variables are the regulatory and geographic constraints on housing supply. The measure of regulatory constraint is the Wharton Residential Land Use Regulatory Index (WRLURI) from Gyourko, Saiz and Summers (2008). The measure of geographic land constraint, obtained from Saiz (2010), is the proportion of undevelopable

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land that is lost to water bodies, wetlands and slopes within 50-kilometer radii from metropolitan central cities. The latter measure is at the metropolitan level; we assigned different cities the same value if they are within the same metropolitan area. From the regressions, we find that more restrictive residential land use regulations and geographic land constraints are linked to greater booms and busts in housing prices. We also interact the measures of supply constraints with variables proxying for the local impact of subprime mortgage credit expansion on housing demand. We find that both the geographic and the regulatory constraints amplify price responses to the subprime expansion in the decade, leading to greater price increases in the boom and subsequently bigger losses.³ Both kinds of constraints are found to intensify the local boom-bust experience.

Regarding the empirical approach in Huang and Tang (2010), Cox (2010) raises the concern that the inclusion of both geographic and regulatory constraints could underestimate the effect of regulations on housing prices:

...any approach that includes natural geographical constraints where there are interior regulatory geographical restrictions would have the potential to virtually negate coefficients for the restrictions and exaggerate coefficients for the natural geographical constraints. (Cox, 2010, 3)

Our view is that geography does not respond to regulations, so the variable of geographic constraints is unlikely to intermediate the effect of regulatory constraints on house prices. To the contrary, we believe that omitting geographic constraints has the potential to over-estimate the effect of regulations. The reason is that geographic constraints lead to higher land values, which in turn give homeowners stronger incentives to protect their housing investments by imposing constraints on new development (see Saiz 2010 and the references within for more discussion). Empirically, Saiz (2010) found that the measure of geographic constraints is correlated with more restrictive land use regulations. In the unlikely extreme case when regulations respond perfectly to geography constraints, the regulatory constraints themselves would simply intermediate the effect of geography and should not be included in the regressions at all.

Uncertainty in theory should be admitted. We can nevertheless assess the empirical relevance of Cox's concern by removing the geography variable from the regressions. This way, we give regulatory constraints all the benefit of the

3. The local impact of the subprime mortgage expansion on housing demand is proxied for by the rejection rates of mortgage applications before the subprime expansion and, alternatively, the prevalence of high-cost mortgage loans during the housing boom.

doubt. We report the regression outputs in Table 1 and compare them to regressions in which the geography variable is present.

Table 1: Regression Outputs

Variables	$\frac{P_{2006} - P_{2000}}{P_{2000}}$	$\frac{P_{2006} - P_{2000}}{P_{2000}}$	$\frac{P_{2009} - P_{2006}}{P_{2006}}$	$\frac{P_{2009} - P_{2006}}{P_{2006}}$
	(1)	(2)	(3)	(4)
regulation	5.64 (2.08)***	6.64 (2.30)***	-4.55 (0.92)***	-5.78 (0.93)***
undevelopable land (%)	0.48 (0.13)***		-0.26 (0.04)***	
reject %	0.11 (0.24)	0.02 (0.24)	-0.43 (0.1)***	-0.43 (0.11)***
regulation * rejection	0.5 (0.15)***	0.59 (0.16)***	-0.31 (0.08)***	-0.35 (0.08)***
undevelopable land * rejection (%)	0.4 (0.009)***		-0.007 (0.004)**	
Δ employment 2000-2006 (%)	1.08 (0.36)***	0.84 (0.39)**		
Δ median household income 2000-2006 (%)	3.85 (0.36)***	4.84 (0.38)***		
Δ employment 2006-2009 (%)			1.28 (0.22)***	1.11 (0.22)***
population density in 2000	0.67 (0.47)	0.82 (0.56)	-0.24 (0.14)*	-0.52 (0.22)**
population in 2000	-0.007 (0.003)**	-0.007 (0.003)**	0.001 (0.0007)**	0.002 (0.0008)**
mean household income in 2000	0.03 (0.08)	0.04 (0.09)	-0.12 (0.04)***	-0.14 (0.05)***
proportion of urban population (%)	0.46 (0.5)	0.6 (0.48)	-0.11 (0.31)	-0.25 (0.3)
unemployment rate (%)	2.64 (1.30)**	2.10 (1.40)	0.31 (0.4)	0.29 (0.44)
proportion of vacant housing units (%)	0.006 (0.78)	-0.07 (0.94)	-0.34 (0.26)	-0.36 (0.24)
Const.	56.89 (2.01)***	57.40 (2.16)***	-25.32 (0.79)***	-25.45 (0.83)***
Obs.	327	327	327	327
R^2	0.62	0.58	0.33	0.23
F statistic	79.53	68.96	12.68	8.73

Notes: (1) The variables shown on the top row are dependent variables. (2) The numbers in the parentheses are robust standard errors. (3) *, **, and *** indicate statistical significance at 10%, 5%, and 1%.

The dependent variable in columns 1 and 2 is the house price boom (changes in house prices from 2000 to 2006). Column 1 includes the measure of

geographic constraints on the right-hand side; column 2 does not. The specifications in the two columns are otherwise identical. The common dependent variable in columns 3 and 4 is the price bust (changes from 2006 to 2009). The specifications of the two columns are again identical except that the geographic measure is present in column 3 but not in column 4. The comparisons between columns show little difference in the point estimates of the coefficients on regulation. When the measure of geographic constraints is included, a one standard deviation increase in WRLURI, holding other variables fixed at the sample means, raises the size of price boom by 5.64 percent and deepens the price bust by 4.55 percent. When the geographic measure is removed, the same increase in WRLURI raises the boom by 6.64 percent and worsens the bust by 5.78 percent.⁴ Thus, removing the geographic measure changes the results in the direction suggested by Cox, but the changes are very minor.

Cox also raises questions about the measure of regulatory constraints (the Wharton Residential Land Use Regulatory Index (WRLURI) from Gyourko, Saiz and Summers 2008). We are not in a position to address those concerns. But given the measures available to us, we do not find evidence for Cox's concern that the geographic-constraints measure soaks up, and thus masks, much of the impact of the regulatory-constraints measure.

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4. Because interactive terms are present on the right-hand side, we removed the sample means from all right-hand side variables before interacting them with one another. This way, we can interpret the coefficients on non-interaction terms as the marginal effects at the sample mean.

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Troubling Research on Troubled Assets: Charles Zheng on the U.S. Toxic Asset Auction Plan

Linus Wilson¹

[LINK TO ABSTRACT](#)

Charles Zhoucheng Zheng's "The Default-Prone U.S. Toxic Asset Auction Plan" (Zheng 2009) seems to be a simple case of getting reality wrong when claiming relevance for a model.

The paper claims to model the policy announced by the U.S. Treasury on March 23, 2009, to buy up to \$500 billion to \$1 trillion of toxic assets through a Public Private Investment Partnership (PPIP). In the model, "moderately poor bidders outbid rich bidders in such auctions," because Zheng assumes that all of a borrower's assets are at risk if they default on the government loan. Thus, says Zheng: "After defeating their rich rivals and acquiring the toxic assets, such bidders will default on government-provided loans whenever the toxic assets turn out to be unsalvageable" (abstract). The chief trouble with the paper is that the assumptions do not fit reality. In reality, the government-provided loans used to buy toxic assets are *nonrecourse*, allowing the borrower to walk away from the loan with no penalties besides ceding the asset that the loan purchased. Thus, there is nothing to make rich bidders less ready to win the auction, and Zheng's equilibrium in which less well endowed borrowers win toxic asset auctions is irrelevant.

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Further Zheng's use of auctions to model these plans is largely inappropriate since only one of the three government toxic asset plans has government backed investors bid for the same toxic asset in an auction format.

The paper's misrepresentation of actual policy is quite noteworthy. The paper is published in *The B.E. Journal of Economic Analysis & Policy*, which, as the title suggests, aims to use microeconomics to tackle policy issues. Apparently, the journal sometimes publishes analysis about policies that do not exist.

Zheng's Treatment of Reality

A remarkable feature of Zheng's paper is how little it says about reality. The opening paragraphs reads:

The United States Treasury Department (2009) has recently published two plans to rescue the financial sector by auctioning off its "toxic assets." One is the Legacy Loan Program (LLP) for risky home loans. The other is the Legacy Securities Program (LSP) for risky mortgage-backed securities. The main feature of the plans is to subsidize the buyers of the toxic assets with government-provided loans and equities.

There then follow three paragraphs that commence his interpretation of the situation. And then he dives directly into the model, and never returns to actual policy. The model leaves out the core feature of reality, that the loans are non-recourse. Had Zheng given just one or two sentences about the key features of the programs he purports to address, he surely would have found the need to mention that the loans are nonrecourse. Instead, the word *nonrecourse* does not appear in his article.

Nonrecourse Loans

The PPIP program is deliberately structured so that it is easy for investors to walk away from loans provided by taxpayers to purchase troubled assets. The loans in all the U.S. Treasury's toxic asset plans were nonrecourse, so the investors need not worry about their assets if they default on those loans. Evidently, *The B.E. Journal of Economic Analysis & Policy's* editors and referees were completely in the dark about the structure of government loans to investors in these asset purchase plans. The nonrecourse loans only allow the government to go after the troubled assets purchased with the loans. The borrower's other assets are comp-

letely safe in the event of default. Thus, there is no extra incentive for less-creditworthy borrowers to buy toxic assets in these programs.

Toxic assets for the purposes of these programs were distressed real-estate bonds or loans. The U.S. Treasury, the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) had hatched plans to band together to provide nonrecourse loans to investors to buy the troubled assets. The online “Fact Sheet” (U.S. Treasury 2009), which is cited by Zheng in his opening paragraph, says, “Through this new program, non-recourse loans will be made available to investors to fund purchases of legacy securitization assets. Eligible assets are expected to include certain non-agency residential mortgage backed securities (RMBS) that were originally rated AAA and outstanding commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) that are rated AAA.”

Zheng must not have read the Fact Sheet or not understood the meaning of “non-recourse.” Zheng (2009, 1) writes in his introduction “a private investor who has bought the toxic asset does not necessarily walk away from the loss, as to walk away he needs to default thereby forfeiting as least part of his own assets including the good ones.” He continues, “The equilibrium analysis presented below shows that, unless bidders initially endowed with moderately poor assets can be excluded from the auction, such bidders will outbid their richer rivals...” This is what is offered as the paper’s core contribution. Yet, in actual government sponsored toxic asset purchases the private investor has no assets at risk except for what that investor contributed to buy the toxic assets.

The key variable in the equations of Zheng’s model is the investor’s endowment, w . This endowment features prominently in all the propositions, lemmas, and corollaries, but it plays no role in the toxic asset programs run by the U.S. Treasury (the Legacy Securities Program, or LSP), by the FDIC (the Legacy Loans Program, or LLP), or by the Federal Reserve (the Term Asset Lending Facility, or TALF). In all three cases, the investor losses are limited to the equity, or haircut, that he or she contributed to the purchase prices of the toxic asset financed with the U.S. government’s money.

A quick perusal of the news when the program was announced would have probably prevented the author and editors from their error. For example, an article from page A1 in *The New York Times* says: “To entice private investors like hedge funds and private equity firms to take part, the F.D.I.C. will provide non-recourse loans—that is, loans that are secured only by the value of the mortgage assets being bought—worth up to 85 percent of the value of a portfolio of troubled assets” (Andrews et al. 2009). Also, the word *nonrecourse* was a standard theme of the blogs debates about PPIP.

Zheng (2009) expends a great deal of effort to show how a bidder with less wealth will be advantaged by a toxic asset auction. This is because the investor is

assumed to give up some or all of his or her assets in the event of default. Yet, the PPIP program only makes the investor give up the troubled assets purchased with the government loan upon default. The private investor gets to keep the rest of his or her assets, less any equity contribution to the public-private investment fund.

A Hammer for a Nonexistent Nail

The other, less serious misconception held by Zheng (2009) is that he is assuming that there will be competitive auctions between government sponsored participants for toxic assets. This is the case for neither the U. S. Treasury sponsored Legacy Securities Program (LSP) nor the Fed sponsored Term Asset Loan Facility (TALF) for commercial mortgage backed securities (CMBS). These programs were originally conceived as auctions in the fall of 2008 (see Board of Governors 2008 or Paulson 2010, 267). In the latter case, reverse auctions—where sellers submit bids—were often mentioned. This is in contrast to the mechanism appearing in Zheng’s model, a second-price auction. Yet, we know that Zheng (2009) is writing after March 23, 2009, because he cites the March 23, 2009 fact sheet for the PPIP represented by U.S. Treasury (2009). At that time, only the FDIC’s Legacy Loans Program (LLP) was organized in an auction format (for a description of the FDIC’s first legacy loans auction see Wilson 2010c). The TALF and LSP programs allow the private investors freedom over which assets to buy within the program parameters. The spreads on both TALF CMBS loans and LSP loans were fixed by the Federal Reserve and the U.S. Treasury, respectively, when the programs were rolled out in 2009 (see Wilson 2010a). In no sense do those programs hold auctions to purchase a particular bundle of toxic securities with government sponsored loans as modeled by Zheng. Mr. Zheng is an accomplished auction model-builder. Evidently he is using the hammer he knows, regardless of whether it pertained to programs he purports to speak to.

Zheng (2009) may have been more interested in extending some analysis from one of his papers, Zheng (2001), than understanding the program that he was criticizing. I believe there is plenty to criticize about the government’s plans to buy toxic assets, if you understand them.² Zheng only cites four references. They are Zheng (2001), an op-ed piece (Krugman 2009), the fact sheet from the PPIP program (U.S. Treasury 2009), and (Yeon-Koo Che and Gale 1998).

2. My criticisms of the government’s plans are contained in Wilson 2010a, 2010b, 2010c, and Wilson and Wu 2010. My criticisms are also noted in press articles such as Condon 2010, Dash 2010, and Keehner and Mattingly 2010.

Conclusion

Tens of billions of taxpayer dollars are still at stake with the toxic asset purchase programs of the U.S. Treasury, the Federal Reserve, and the FDIC. Through July 2010, these programs had spent \$16.2 billion, \$7.3 billion, and \$11.5 billion, respectively, to buy toxic assets. Over \$13.2 billion more is slated to be spent by the former program (Wilson 2010a). Most of the money used to buy those toxic assets came from nonrecourse loans from the government. Nonrecourse loans allow borrowers to walk away from their investments without losing their other assets, which were not posted as collateral for the loan. Yet, analysis such as (Zheng 2009) will only confuse any scholar embarking on the topic. We need research in these big ticket government programs, which mark unprecedented interventions into financial markets. Yet, the confusion of Zheng may be magnified by the fact that he is one of the few authors who have published academic papers purporting to analyze the programs.

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Growth Accelerations Revisited

Guo Xu¹

[LINK TO ABSTRACT](#)

This paper comments on the *Journal of Economic Growth* article “Growth Accelerations” by Ricardo Hausmann, Lant Pritchett, and Dani Rodrik (2005), a seminal piece that seeks to identify significant determinants of growth accelerations. In this paper I respectfully refer to Hausmann, Pritchett, and Rodrik (2005) as HPR.

The contributions of this comment are threefold: First, this comment stresses some methodological issues of turning-point studies by reviewing the empirical strategy of HPR. Second, it corrects the original dataset as well as extends it from 1992 up to 2000, substantially increasing the sample size. Finally, it re-estimates the results using the improved dataset. Based on the evidence from the replication, the paper argues that the results in HPR are fragile to changes in sample and measures. Of 83 growth accelerations originally identified by HPR, only 45 are found robust using two updated GDP datasets. In contrast to the original finding, external shocks and positive regime changes are not significantly associated with growth accelerations. If any robust evidence is found, it is that economic reforms are correlated with sustained accelerations, while negative regime changes are associated with both unsustained and sustained growth accelerations. All the data are provided in the file linked at Appendix 1 at the end of this paper.

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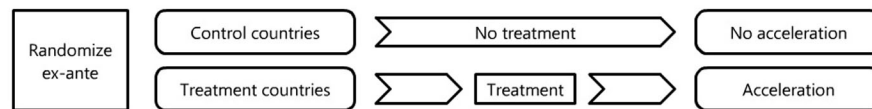
Methodological Issues

HPR use an unconventional approach to identify drivers of differential growth. Instead of running cross-sectional or panel estimations as in Barro (1991) or Islam (1995), HPR first employ a filter rule to identify sudden periods of growth accelerations. By then examining changes in policies and plausible variables around these turning points, the authors seek to isolate robust relationships between changes in policy and growth trajectory. Since publication of HPR, this novel approach has influenced related articles such as Ostry et al. (2007), Dovern and Nunnenkamp (2007) and Jones and Olken (2008). As of September 2010, the article had accumulated more than 50 citations in the Web of Science.

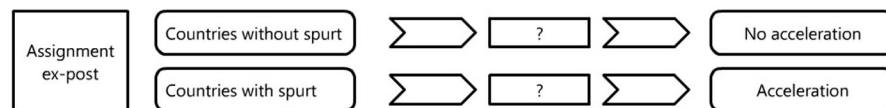
While the longitudinal approach of HPR appears particularly appealing for testing theories beyond averages, it faces familiar methodological weaknesses, such as omitted variables, endogeneity, and measurement errors. Ideally, these concerns could be addressed by a randomized controlled trial (Banerjee and Duflo 2008). To disentangle the effect of policies from shocks, one would randomly assign countries to treatment and control groups, and then manipulate only a certain policy variable in the treatment group. It is hoped that, given the exogenous *ex-ante* group assignment, shocks and other unobserved confounds would be balanced across both groups. Any differential in growth performance across groups would then be causally attributed to the treatment.

Figure 1: A conventional randomized controlled trial (RCT) and the “pragmatic” growth accelerations approach

Classical RCT



Growth accelerations



Even if such macroeconomic experiments are impossible, the growth accelerations article can be interpreted as a pragmatic version of the randomized controlled trial approach (see Figure 1). Similar to a randomized controlled trial (RCT), the strategy in HPR is to isolate effects of policies and shocks by comparing a treatment to a comparison group. The comparison is constrained in several ways, however. First, there are no exogenously created treatment and control groups. Instead, HPR flag countries with accelerations as “successful” treatments only *after* the acceleration is observed. By doing so, the authors compare countries and periods with growth accelerations to those without. Second, the treatment itself (if any) is unknown and, in fact, is the interest of study. Finally, while the validity in RCTs can be improved by repeating the experiment, the macro analysis is restricted to the number of countries and time periods for which past realizations are available.

When comparing episodes with accelerations to episodes without, a crucial assumption is that the groups are comparable. If the probability of a growth acceleration is related to any other (uncontrolled) differences apart from the (unknown) policy treatment, the estimates will be biased. There are also many factors that could possibly have driven the acceleration, posing a degrees-of-freedom problem when trying to find any drivers of growth (Durlauf et al. 2005). Even worse, there are many ways in which a history confound could interfere in one group following the policy treatment, thus temporarily depressing the acceleration so it is not identified as such *ex-post*. And even *if* a robust relationship was found, policies are endogenous. In other words, turning-point studies following HPR

suffer the same methodological issues as typical cross-country regressions, complicating identification.

Measurement and Coding Errors

Extending the GDP estimates

HPR identify growth spurts using three criteria. Let $g_{t, t+n}$ denote the least squares average growth rate from t to $t+n$ and $\Delta g_{t, t+7}$ the change in average growth rate at t over horizon n . By definition, a growth acceleration has occurred if and only if:

$$g_{t, t+7} \geq 3.5ppa \text{ Growth is rapid} \quad (1)$$

$$\Delta g_{t, t+7} \geq 2ppa \text{ Growth accelerates} \quad (2)$$

$$y_{t+7} \geq \max(y_i), i \leq t \text{ Post-growth output exceeds pre-episode break} \quad (3)$$

A growth acceleration is *sustained* if the (least squares) average growth in $g_{t+7, t+17} \geq 2ppa$. Otherwise the acceleration is *unsustained*. If several subsequent periods qualify as a growth acceleration, HPR use a structural break test to date the growth acceleration on the year where the test statistic is highest. As a result, their exercise yielded 83 growth accelerations for 110 countries from the Penn World Table 6.1 (PWT), a “surprisingly large number” (HPR 2005, 307).

Here I apply the same conditions to the newly available PWT 6.3 and Maddison data. The filter was rewritten and tested on the PWT 6.1 to ensure reliability. While all episodes are found, there are minor discrepancies in dating the onset for subsequent qualifying periods. This is due to the ambiguous definition in the original article, which is interpreted as a Chow test (Chow 1960). The difference between the onsets, measured by the average standard deviation, is only 0.32 years and there is no reason why the original rule should be more “true” (Jong-A-Pin and de Haan 2008). If the original results are not artefacts of the filter, such small differences should not cause any significant differences in results.²

Based on PWT 6.3, 128 growth accelerations were found for the years 1957-2001. Restricted to a comparable time period and set of countries that overlap with PWT 6.1, the number of accelerations is cut to only 49. Re-running the filter with the Maddison dataset, 161 growth accelerations are found for 1957-2001. Limited to a comparable sample, however, the number of acceleration

2. Considerable effort has been put in to reverse engineer the original rule. Professors Hausmann, Pritchett, and Rodrik did not respond to my queries about the timing rule.

decreases to 40. If the PWT 6.3 is directly compared to the original PWT 6.1, only 40 of the accelerations are exactly matched in both datasets (see Appendix 2). If taken seriously, this would suggest that more than half of the original 83 growth accelerations could be artefacts of measurement error.

It is discouraging that such errors even show up after heavy averaging (Johnson et al 2009).³ For example, the PWT 6.1 identifies Haiti 1990 as a growth acceleration, with an average growth of 12.7% in 1990-1997. Both recent datasets, however, show throughout the same period an actual *negative* average growth of -1.2% (PWT 6.3) and -4.5% (Maddison). Similarly, the 1973 Chad acceleration was 7.3% in PWT 6.1 but is now revised down to -4.8% (PWT 6.3) and -4.5% (Maddison). These selective examples constitute the largest discrepancies, but the sorts of measurement errors behind them are common.

To account for these errors, a synthesis of all datasets is used to obtain robust cases. I define a growth acceleration as *robust* if it is identified in more than one dataset. When checking the original PWT 6.1 growth accelerations against those found in the two recent datasets, only 16 accelerations are exactly matched. Because the rewritten filter yielded slightly different results for timing onsets, the definition is relaxed by allowing the onsets to differ by two years $[t-2, t+2]$ from the original acceleration at t . By doing so, the number of robust accelerations for three datasets increases to 45. But since the PWT 6.1 is outdated, a growth acceleration is sufficiently robust if the PWT 6.3 can be matched against the Maddison dataset, allowing for two years difference: This yields 51 robust accelerations for 1957-1992 and 19 for the extended period 1993-2000 (see Table 1).

Table 1: Growth accelerations by decades and dataset: Episodes/sustained episodes.

Growth accelerations				
Decade	PWT6.1	PWT6.3	Mad	Robust
1950	13/12	13/12	24/13	7/6
1960	23/11	29/16	45/20	18/7
1970	23/7	27/8	33/7	11/4
1980	16/7	21/10	16/10	11/9
1990	8/0	29/0	20/1	15/0
2000	Na	9/0	23/0	8/0
Total	83/37	128/46	161/51	70/26
Countries	110	125	137	121

3. Johnson, Larson, Papageorgiou, and Subramanian (2009) discuss the fragility of findings upon different revisions and also briefly apply the filter to PWT6.2. The changes identified in PWT 6.3. and Maddison are in line with their argument.

Finally, a sustained acceleration is robust if the average growth of a robust acceleration is $g_{t+7,t+17} \geq 2ppa$ for both the PWT 6.3 and Maddison datasets. While 37 growth accelerations were sustained in the original article, the number is reduced to 12 robust cases within the comparable sample. In total, 26 robust sustained accelerations are identified between 1957-2000: Among accelerations previously excluded from the sustained sample (as it was impossible to know if they would turn out to be sustained), four growth accelerations are robustly found as sustained, Chile 1986, Spain 1984, South Korea 1984 and Malaysia 1988. Two accelerations, Mauritius 1984 and Portugal 1984, previously not even accelerations, turned out to be sustained growth accelerations in PWT 6.3 and Maddison.

Extending the regressors

The regressors are extended to prepare the subsequent probit replication. The variables of interest are *tot_thresh90*, *econlib*, *poschange* and *negchange*. The variable *tot_thresh90* is a dummy capturing strong terms of trade changes (defined as being in the highest decile in the sample); *econlib* is a dummy capturing economic reforms, *poschange* and *negchange* capture the direction of regime changes. These variables form the baseline for the original regressions and are meant to proxy the effect of external shock and policy changes. All variables are extended up to 2000.

Polity IV: The variables *regchange*, *poschange* and *negchange* come from the Polity IV dataset by Marshall and Jaggers (2009). By definition, regime changes are changes in the Polity IV index by at least three unit points. HPR, however, misled by faulty data description in Polity IV, have coded *any* change in Polity IV as a regime change, thus interpreting small scale transitions as fundamental changes—the problem pointed out and corrected for by Jong-A-Pin and de Haan (2008).⁴ For example, Ghandi's interrupted rule in 1977, a one unit point change towards democracy, is coded in HPR as a positive regime change. Similarly, the takeover of the more liberal leaning Deng after 1976 is a one unit point change towards democracy but coded as a regime change. In addition to these systematic mistakes, there are some (apparently) random miscodings, particularly when regime reversals occurred. In light of the numerous errors, I decided to recode the Polity IV index from scratch to ensure consistency.

A direct comparison of the original and extended index reveals that about 10% of the observations are miscoded. For *poschange*, 263 observations were false positives—a regime change even though there was none—and 52 false

4. Note, however, that the corrected index of Jong-A-Pin and Haan (2008) itself had some miscoded observations.

negatives—no regime change despite actually being one. Similarly 146 cases were false positives and 47 false negatives for *negchange*. Extending the dataset, there are, overall, 55 new regime changes in the extended sample between 1993-2001, 17 negative and 38 positive.

Economic reforms: The variable *econlib* is derived from the Sachs and Warner (1995) index for trade liberalization. Albeit used to capture economic reforms, it was originally designed for capturing strong policy changes regarding openness. *econlib* can be easily extended by drawing upon the updated Wacziarg and Welch (2003) which extends the dataset throughout the 1990s.

Comparing the adjusted index with the original index, a few minor discrepancies emerged. For 1957-1992, about 3% of the observations in the original data were coded differently. These differentials are based on a few adjustments done in Wacziarg and Welch (2003), where some changes in openness were timed slightly differently. The good fit, however, should be sufficient to ensure that the extension is consistent with the old data. Overall, there were 92 economic reforms between 1957 and 2000, with 16 economic reforms occurring in the extended period 1993-2000. This increases the large number of economic reforms in the 1990s to 38 (largely driven by the demise of USSR), suggesting that including the 1990s could include some additional leverage.

Terms-of-trade shocks: Among the regressors, *tot_thresh90* was the most difficult to extend due to the poor documentation of its construction. The variable appears to be derived based upon Easterly's terms-of-trade data,⁵ but the article does not explicitly mention the source. As a best guess, the terms-of-trade data from Easterly's GDN Dataset is used, even though the data only begins in 1980. In line with the sparse documentation, every change in terms-of-trade is coded as a shock if it is in the highest decile and lagged by four periods.

When comparing the datasets, however, HPR's reconstruction appears poor: 18% of the observations are coded differently across the variables, with the tendency that the new index reports more shocks than the old index. However, there is also evidence that the old variable had some coding errors: Even though the article reports the inclusion of lags, that does not seem to be the case when examining the data.

Nonetheless, the imperfect extension is a serious problem as it will complicate commensurability and possibly downward bias the estimated effect of shocks. Despite my investing a great deal of time in attempting to reverse-engineer the variable, I was unable to reconstruct a more precise variant. For pragmatic reasons, this variable will be used to extend the time series and the direction of bias

5. The naming of the file (*etot_thresh90*) bears similarity to variable names in Easterly's regressions. Professors Hausmann, Rodrik, and Pritchett did not respond to queries about the source of the data.

will be given attention when interpreting estimates. Some descriptive statistics for the new dataset are shown in Table 2.

Table 2: Portion of episodes preceded or accompanied by adjusted regressors.

	PWT6.1		PWT6.3		Maddison	
(a) Growth accelerations	57-92	93-00	57-92	93-00	57-92	93-00
Economic liberalization	12%	na	8%	33%	8%	36%
Positive regime change	10%	na	7%	7%	6%	27%
Negative regime change	13%	na	16%	7%	14%	0%
Positive ToT shock	21%	na	12%	13%	14%	18%
(b) Sustained accelerations	57-92	93-00	57-92	93-00	57-92	93-00
Economic liberalization	15%	na	13%	0%	15%	0%
Positive regime change	12%	na	8%	0%	9%	0%
Negative regime change	8%	na	8%	4%	15%	0%
Positive ToT shock	18%	na	13%	0%	12%	0%

Fragility of Regression Estimates

Overall, the data-gathering exercise increases the sample size by up to 50%, improving the statistical power of the inference. The replication strategy is as follows: The estimation is first confined to the old sample period and the original baseline is evaluated by plugging in the updated GDP datasets and adjusted regressors. The equations are then re-estimated using the full sample size, increasing the sample period to 2000. If the results in HPR are robust, correcting and extending the dataset should not yield any substantial differences.

Basic replication

In line with HPR, the general specification for all models is:

$$prob(episode_{it}=1)=\Phi(\beta_0+\beta_1 tot_thresh90_{it}+\beta_2 econlib_{it}+\beta_3 poschange_{it}+\beta_4 negchange_{it}+T\gamma) \quad (7)$$

where $episode_{it}$ is 1 if there is a growth acceleration within $[t-1, t+1]$ in country i and 0 otherwise. $tot_thresh90_{it}$, $econlib_{it}$, $poschange_{it}$ and $negchange_{it}$ are 1 in $[t, t+4]$ following an event at t . T are time dummies to capture shocks common to all countries and Φ is the cumulative distribution function of the standard normal distribution. All specifications are estimated using a probit model, but the results

do not change substantially when employing a linear probability model. I compute heteroscedasticity robust standard errors.

The replication results are presented in Table 3. Column I forms the original baseline, with terms-of-trade shocks and regime changes as significant predictors of growth accelerations. This original result, however, is fragile once alternative GDP data are used: Even with the original regressors unchanged, the effect of positive terms-of-trade shocks swings from significant to insignificant only by updating the PWT dataset (Column III). This sample dependence becomes even more apparent when replacing the PWT with the Maddison dataset (Column V), where the effect of positive regime changes likewise turns insignificant.

Table 3: Original sample size with different GDP datasets.

Dependent variable: episode based on different datasets								
	PWT6.1		PWT6.3		Maddison		Robust	
	Orig. (I)	Adj. (II)	Orig. (III)	Adj. (IV)	Orig. (V)	Adj. (VI)	Orig. (VII)	Adj. (VIII)
poschange	0.029** (1.97)	-0.027 (-1.64)	0.026** (1.74)	-0.026 (-1.52)	0.021 (1.53)	-0.023 (-1.37)	0.030** (2.48)	-0.016 (-1.23)
negchange	0.108*** (5.80)	0.071*** (3.45)	0.076*** (4.13)	0.083*** (3.93)	0.099*** (5.42)	0.055*** (2.91)	0.089*** (5.38)	0.112*** (5.60)
econlib	0.022 (1.10)	0.04* (1.71)	0.008 (0.36)	0.026 (1.14)	-0.005 (-0.25)	0.005 (0.25)	0.003 (0.20)	0.017 (0.91)
tot_thresh90	0.045*** (2.62)	0.029** (2.29)	0.028 (1.55)	0.031** (2.37)	-0.005 (-0.33)	0.006 (0.51)	0.016 (1.23)	0.005 (0.53)
Observations	2140	2060	2026	1947	1853	1811	1793	1723
Accelerations	51	77	49	91	40	77	26	55
Pseudo-R ²	0.06	0.04	0.05	0.06	0.07	0.05	0.07	0.07

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * $p < 0.01$, ** $p < 0.5$, *** $p < 0.01$. All regressions include year dummy variables.

In order to account for measurement errors in the GDP data, Column VII reports a synthesis of the PWT 6.3 and Maddison datasets. Instead of using either dataset, *robust_episode* captures only those accelerations that are commonly identified in both. As before, an acceleration at t in PWT 6.3 is defined robust if the respective Maddison acceleration lies within $[t-2, t+2]$. Using the more reliable “average” of both datasets, positive regime changes turn up significant again but the effect of terms-of-trade shocks remains insignificant.

Column II, IV, VI and VIII repeat this exercise using the corrected regressors.⁶ The results suggest that some original results could be driven by coding errors. Replacing the regime change variables with the corrected variants, the sign of positive regime changes swings, now turning significantly negative.

While surprising, this change is due to dropping the small scale transitions towards democracy that were previously falsely coded as regime changes (in fact, these small transitions usually capture elections). Negative regime changes remain robustly associated with growth accelerations in all specifications, but now the effect of economic reforms and external shocks is fragile depending on the underlying GDP dataset used.

Full sample

Table 4 reports the extended estimates based on different versions of the dependent variable. As a reference, the estimate in Column I is based upon the PWT 6.1 data and limited to the original sample size: As shown before, negative regime changes, economic reforms and terms-of-trade shocks are significantly associated with growth accelerations. When extended to the full sample, however, the only robust correlate of accelerations are negative regime changes.

Using the PWT 6.3 data, 14 new accelerations are added. Now, positive regime changes exert a significantly negative effect. The positive effect of economic reforms and external shocks turns insignificant, leaving only negative regime changes highly significant (Column II). While the effect of negative regime changes persists when exchanging the PWT 6.3 data with the Maddison data, positive regime changes and economic reforms swing again in significance (Column III). Similar to last replication, Column IV reports a robust synthesis of the PWT 6.3 and Maddison data. Once more, the robust results suggest that the only reliable correlates of accelerations are negative regime changes, with economic reforms now insignificant.

6. A stepwise replacement of the regressors is found in the Appendix 3.

Table 4: Full sample size with different GDP datasets.

Dependent variable: episode based on different datasets				
	PWT 6.1 (I)	PWT 6.3 (II)	Mad (III)	Robust (IV)
poschange	-0.027 (-1.64)	-0.024* (-1.69)	-0.011 (-0.78)	-0.010 (-0.92)
negchange	0.071*** (3.45)	0.046** (2.52)	0.034* (1.92)	0.066*** (4.10)
econlib	0.04* (1.71)	0.027 (1.62)	0.033* (1.99)	0.012 (0.97)
tot_thresh90	0.03** (2.29)	0.015 (1.21)	0.005 (0.40)	-0.003 (-0.36)
Observations	2060	3088	2817	2994
Accelerations	77	91	77	55
Pseudo-R ²	0.044	0.053	0.064	0.054

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * $p < 0.01$, ** $p < 0.5$, *** $p < 0.01$. All regressions include year dummy variables.

Given the imperfect extension of some regressors, however, it is possible that the changes in results are driven by replacing the original regressors. For example, it is possible that the insignificant effect of terms-of-trade shocks is caused by the extended *tot_thresh90*, which was more sensitive in capturing shocks. While this cannot be completely ruled out, the results from the basic replication (see Table 3) suggest that it is unlikely that the extended results are driven by an imperfect extension: Even with regressors and sample period unchanged, replacing the PWT 6.1 with the new datasets causes terms-of-trade shocks to turn insignificant (see Table 3, Column VI and VIII). Based on the extension, the robust effect of negative regime changes remains the only reliable result, while the other estimates strongly depended on the sample period used.

Sustained and unsustained accelerations

Predicting accelerations lumps different types of accelerations together. In line with HPR, accelerations can be classified into unsustained accelerations and sustained accelerations. If both types of growth accelerations are driven by different determinants, it might not be so surprising that not distinguishing between unsustained and sustained accelerations does not yield many conclusive insights.

Table 5, Column I presents the results from HPR for sustained growth accelerations. These results remain robust when accounting for measurement

errors using the combined dataset (Column III). Increasing the sample size and correcting for the coding errors, however, both positive and negative regime changes turn insignificant (Column II and IV). While the adjusted terms-of-trade shocks exert a significant effect in the original sample (Column II), the effect remains insignificant in the extended sample (Column IV).

Table 5: Full sample, sustained and unsustained accelerations with different datasets.

Dependent variable: episode based on different datasets								
	Sustained accelerations				Unsustained accelerations			
	PWT61		Robust		PWT61		Robust	
	Orig. (I)	Adj. (II)	Orig. (III)	Adj. (IV)	Orig. (V)	Adj. (VI)	Orig. (VII)	Adj. (VIII)
poschange	0.051*** (3.74)	0.004 (0.32)	0.041*** (3.33)	-0.011 (-1.10)	-0.004 (-0.34)	-0.022 (-1.52)	(drop)	0.007 (0.71)
negchange	0.038*** (2.82)	0.002 (0.16)	0.053*** (3.72)	0.017 (1.30)	0.076*** (4.85)	0.044*** (2.96)	0.099*** (4.56)	0.061*** (4.23)
econlib	0.170*** (4.14)	0.049** (2.31)	0.225*** (3.51)	0.035** (2.13)	(drop)	(drop)	(drop)	-0.021 (-2.30)
tot_thresh90	0.01 (1.20)	0.042*** (3.03)	0.004 (0.51)	-0.003 (-0.47)	0.065*** (3.63)	0.009 (0.74)	0.081*** (2.60)	-0.006 (-0.67)
Observations	1197	1634	904	2040	1222	1700	555	2290
Accelerations	12	29	12	23	18	27	9	26
Pseudo-R ²	0.11	0.11	0.17	0.07	0.13	0.06	0.15	0.06

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * $p < 0.01$, ** $p < 0.5$, *** $p < 0.01$. All regressions include year dummy variables.

Similarly, exchanging the GDP dataset does not substantially change the original results for the unsustained growth accelerations (Column V and Column VII). Once regressors are corrected, however, positive terms-of-trade shocks are no longer significantly associated with unsustained accelerations. The effect of negative regime changes for unsustained accelerations, on the other hand, remains robust across all tests (Column V to Column VIII).

The result—that economic reforms produce sustained accelerations, while autocratic transitions produce unsustained accelerations—is in line with HPR and seems intuitive, but there is some evidence of an omitted variable bias: Since sustained accelerations occur mostly in developed countries, whereas negative regime changes never occur in high income countries (Przeworski 2008), it is likely that the effect of negative regime changes on sustained accelerations is downward biased as it also captured the effect of the income level. Indeed, once the level of

GDP per capita is controlled for, the effect of negative regime change turns significant, once again (See Appendix 4).

Discussion

Even though replication is often considered tedious nitpicking, the results of this replication challenge some findings of HPR. By correcting and extending the dataset up to 2000, the paper provides evidence of fragility: Neither positive terms-of-trade shocks nor regime changes are robustly associated with unsustained or sustained growth accelerations.

Nonetheless, some robust evidence remains. In line with HPR, economic reforms, proxied as the beginning of trade openness, are significantly associated with sustained growth accelerations. The arguably most robust finding, however, is that negative regime changes are associated with both unsustained and sustained growth accelerations. This effect remains robust across all specifications and is large. While the “zero-effect” of democratic transitions is in line with findings such as Rodrik and Wacziarg (2005), the positive effect of autocratic transitions has not gained much attention. HPR did not offer any explanations after arguing that the effect disappears once distinguishing between sustained and unsustained accelerations. As sustained accelerations mostly occur in high income countries, however, there is some evidence of an omitted variable bias.

The surprisingly robust result for negative regime changes is not an artefact of the Polity IV index: When exchanging the Polity IV index with alternative indices such as the Freedom House index, the results do not change substantially (see Appendix 5). Furthermore, the result is not likely to be caused by a misspecification described in Easterly (2001), whereby regressing a stationary variable (dummy for acceleration) on a non-stationary variable (initial conditions proxied as GDP) results in biased estimates. When controlling for the level of income using a simple dummy denoting low or high income, the results become even stronger (see Appendix 4).

Implications for Further Research

This paper highlights a few areas for further research. First, the exercise has once more shown that replication should be taken seriously. In growth literature, there is a temptation to data mine and run “kitchen sink” regressions. By doing so, *“the choice of period, of sample, and of proxies will often imply many effective degrees of freedom where one might always get what one wants if one tries hard enough”* (Bhagwati and Srinivasan 2002, 181). Examining the original HPR dataset alone, one finds a vast

variety of controls and alternative proxies that have perhaps been regressed but not reported. Although replication is often considered as tedious nitpicking, it is a defining feature of scientific research and progress (Kuhn 1996). The coding errors found in the paper alone justify an extensive replication.

Second, turning-point studies are vulnerable to problems arising from the poverty of the data. Unlike cross-sectional studies, turning-point studies require long time-series which are often unavailable. If most of the missing values are either dropped or coded zero (as is done in HPR), selection biases could occur, as missing values are often correlated with country characteristics. Turning-point studies focusing on rare events are particularly prone to missing values, as the approach often involves the loss of valuable observations. In the original article, the regressions included only 51 (60%) of the growth accelerations at most, with important cases such as China 1978 even dropped in the extended specifications. While utmost effort has been put in to fill the gaps, further research could focus on compiling longer and more complete indices. As current proxies such as Sachs and Warner (1995) are crude at best, it is possible that many policies were simply not picked up.

Concluding Remarks

Despite countless cross-country regressions, researchers have been unable to isolate the drivers of growth and explain the persisting income gap. While a turning-point study such as HPR proved promising in answering the question on which policies to pursue for growth, this paper suggests that even these findings are fragile upon changes in period, sample, measures, and inclusion of controls.

Even though not dismissing the utility of growth regressions altogether, the paper once more illustrates the pitfalls of macroeconomic growth empirics and contributes to falsifying—or at least challenging—some extant findings.

Appendices

Appendix 1: Zip file containing data description and all data used in this paper. [Link](#)

Appendix 2: Doc file of growth accelerations in three datasets. [Link](#)

Appendix 3: Baseline with corrected and extended regressors, stepwise replacement

Dependent variable: episode (PWT 6.1)				
	Original (I)	Polity (II)	Reforms (III)	Shocks (IV)
poschange	0.029** (1.97)			
negchange	0.108*** (5.80)			
econlib	0.022 (1.10)	0.034 (1.57)		
tot_thresh90	0.045*** (2.62)	0.047*** (2.66)	0.047*** (2.63)	
adj_poschange		-0.028* (-1.72)	-0.028* (-1.72)	-0.027 (-1.64)
adj_negchange		0.072*** (3.47)	0.071*** (3.46)	0.071*** (3.45)
adj_econlib			0.038* (1.65)	0.04* (1.71)
adj_tot_thresh90				0.03** (2.29)
Observations	2140	2060	2060	2060
Accelerations	51	50	50	77
Pseudo-R ²	0.059	0.044	0.045	0.044

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * p < 0.01, ** p < 0.5, *** p < 0.01. All regressions include year dummy variables.

Appendix 4: Sustained and unsustained accelerations with income controls

Dependent variable: robust_episode						
	Sustained accelerations			Unsustained accelerations		
	Base (I)	GDP (II)	Dum (III)	Base (IV)	GDP (V)	Dum (VI)
adj_poschange	-0.011 (-1.10)	-0.009 (-0.95)	-0.003 (-0.26)	0.007 (0.71)	0.007 (0.72)	0.005 (0.50)
adj_negchange	0.017 (1.30)	0.026* (1.81)	0.031** (2.19)	0.062*** (4.23)	0.062*** (4.07)	0.057*** (3.94)
adj_econlib	-0.003 (-0.47)	0.001 (0.18)	0.005 (0.64)	-0.005 (-0.67)	-0.005 (-0.64)	-0.007 (-0.79)
adj_tot_thresh90	0.035** (2.13)	0.03* (1.91)	0.021 (1.46)	-0.021** (-2.30)	-0.021** (-2.29)	-0.020** (-2.36)
log_rgdp		0.008*** (3.15)			0.000 (0.12)	

low_income			-0.037*** (-4.90)			0.006 (0.98)
Observations	2040	2040	2040	2290	2290	2290
Accelerations	23	23	23	26	26	26
Pseudo-R ²	0.074	0.086	0.104	0.057	0.057	0.058

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * p < 0.01, ** p < 0.5, *** p < 0.01. All regressions include year dummy variables.

Appendix 5: Replacing Polity IV with Freedom House Index

Dependent variable: episode based on different data versions					
	Original sample period				Sustained sample
	PWT 6.1 (I)	PWT 6.3 (II)	Mad (III)	Robust (IV)	Robust (V)
poschange	0.028* (1.67)				
negchange	0.081** (3.40)				
tot_thresh90	0.025 (1.27)				
econlib	0.010 (0.43)				
fdmhouse_pos		0.028* (1.74)	0.023 (1.64)	0.014 (1.46)	0.022** (2.21)
fdmhouse_neg		0.082** (2.54)	0.057** (2.14)	0.078*** (3.73)	0.142*** (4.53)
adj_econlib		0.047*** (2.61)	0.038 (2.48)	0.001 (0.19)	0.003 (0.47)
adj_tot_thresh90		0.008 (0.26)	0.054* (1.71)	0.034 (1.59)	0.312*** (4.56)
Observations	2410	1551	1533	1551	775
Accelerations	51	48	40	25	10
Pseudo-R ²	0.06	0.02	0.05	0.05	0.25

Notes: Estimated by probit. Coefficients shown are marginal probabilities evaluated at the sample means. Numbers in parenthesis are robust t-statistics. * p < 0.01, ** p < 0.5, *** p < 0.01. All regressions include year dummy variables.

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Advanced Placement Economics: The Good, the Bad, and the Ugly

Tawni H. Ferrarini¹, James D. Gwartney², and John S. Morton³

[LINK TO ABSTRACT](#)

Every year thousands of high school students prepare for the Advanced Placement (AP®) exams in microeconomics and macroeconomics. Several studies have shown how well AP students perform in college and similar courses. Other studies have focused on the effectiveness of AP courses and the construction of the exams. Few studies have analyzed their content. This paper will address the following questions. Do the AP microeconomics and macroeconomics materials put too much emphasis on diagrams and mathematics? Do they give short shrift to “economic intuition” or “the economic way of thinking”? Are there biases toward particular theories of economics? Are the exams representative of the current scholarship in the field?

What Is an Advanced Placement Economics Course?

AP microeconomics and macroeconomics are two of the 33 courses and exams offered by the College Board. Founded in 1900, the College Board is composed of 5,400 schools, colleges, universities, and other organizations (College Board 2008). According to the College Board (2010a), 1,845,006 students who attended 17,861 secondary schools took 3,213,225 AP exams in 2010.

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The exams, which consist of multiple-choice and free-response questions, are developed and administered by the Educational Testing Service (ETS®). Materials developed by ETS must, however, be approved by the College Board. The final responsibility for decisions about course outlines and AP exams is invested in the 26-member board of trustees. Members are elected to four-year terms by the membership and are mainly college administrators, high school administrators, high school guidance counselors, and college admissions officers.

Microeconomics and macroeconomics are separate courses and exams. The courses are supposed to be representative of introductory-level college courses in micro and macro. In developing the AP course outlines, the Economics Development Committee of the College Board surveys economics departments throughout the country. Each AP exam presumes one semester of college-level economics and is graded on a 1-5 scale with 5 the top score. Although individual colleges and universities decide the score required to grant undergraduate credit, the College Board generally considers a 3, 4, or 5 to be a “passing” grade. Nevertheless, some colleges and universities grant credit only for AP scores of 4 or 5. Others may permit AP students with high scores to enter advanced-level courses by substituting the AP courses for prerequisite courses. Still others may not grant credit at all, but the AP experience, credit, and score improve the quality and overall competitiveness of the college application.

The number of AP economics exams administered has grown rapidly. The AP economics course debuted in 1989, and 5,781 micro and macro exams were administered in the initial year. In 2010, 134,747 exams were administered, a 23-fold increase from 1989. In macro, 55.3 percent of the students “passed” the test with a 3, 4, or 5; 14.4 percent received a 5. In micro, 63.8 percent of the students “passed” the test; 16.6 percent received a 5 (College Board 2010a).

The Institutional Structure of AP Economics

Before turning specifically to economics, we review the structure of AP programs generally. AP exams are products of the College Board, which is a not-for-profit membership organization whose “mission is to connect students to college success and opportunity” (College Board 2008). The major impact of the College Board is through testing high school students with exams such as the SAT®, the PSAT®, and AP exams. The results of these exams are very important in admissions decisions at competitive colleges and universities.

As stated above, the actual content of the exams is developed by ETS, a test-development company based in Princeton, New Jersey. It develops and scores 50 million exams annually in 180 countries. ETS develops many of the exams

administered by the College Board. The College Board and ETS play a substantial role in the process of college admissions and placement.

AP courses are taught, not by the College Board or ETS, but by staff at the local school. The paramount goal of the student is to pass the exam, and, therefore, regardless of who does the teaching, the student has a strong incentive to learn the content of the course.

The College Board influences classroom teachers not only by controlling the exams themselves but in other ways. Every AP teacher must submit a syllabus for approval. Also, the College Board trains teachers at workshops and summer institutes through its regional offices and cooperating universities. Workshop instructors must be approved by the College Board. Teachers also receive advice and resources and chat online at the College Board Web site. All schools wishing to label a course “AP” must submit the subject-specific AP Course Audit form and the course syllabus for each teacher of that AP course. AP-approved courses must be periodically renewed and may be transferred with teachers to new high schools on College Board approval.

Turning now to economics, the micro and macro exams—again, the only two AP economics exams—are developed by ETS assessment specialists with the help of the AP Economics Development Committee, which is appointed by the College Board. The committee consists of six experienced teachers from secondary schools, colleges and/or universities (College Board 2005a, 2005b).

The exam development process works as follows: First, ETS develops a curriculum survey and distributes it to the economics departments at 200 colleges and universities. Using the responses received, the committee develops a course description for the micro and macro courses, which is available from the College Board on its Web site ([link](#)) and in print. The course description lists content areas covered and even specifies the percentage of the multiple-choice questions devoted to each content area.

Next, multiple-choice questions, written mainly by college instructors and committee members, are selected and then revised and pretested by ETS’s content experts (College Board 2000a, 2000b). The committee then finalizes the multiple-choice exam based on the content specifications of the course description. Finally, the committee writes three free-response or essay questions, and the entire exam is finalized. Each exam consists of a 70-minute, 60-question, multiple-choice section and a 60-minute, three-question, free-response section.

On a single day at a single time, the exams are administered to students in high schools across the United States and around the world. The testing sites have stringent rules to assure against cheating.

Then the exams are scored. The multiple-choice section is scored by machine at ETS. The free-response questions are scored by “faculty consultants.”

They are experienced college economics and high school AP economics instructors. They meet in a group process dubbed “the reading.” The “readers” develop a detailed scoring rubric for each question and proceed to score the answers.

Finally, ETS aggregates the scores, develops a curve, and determines a score (1-5) for each student. The multiple-choice questions count for two-thirds of the final score, and the free-response questions count for one-third.

AP Economics: The Good

Both the micro and macro exams cover many of the topics of a representative college-level introductory economics course.

The micro exam begins with scarcity, choice, and opportunity cost. Comparative advantage, absolute advantage, specialization, and trade are covered. Production possibilities curves and marginal analysis are prominently featured. Most of the micro exam covers the nature and functions of product markets. Topics include supply and demand, price controls, marginal utility, elasticity, tax incidence, consumer surplus, and producer surplus. This section also covers production and costs, firm behavior, and market structure. Questions cover price and output under perfect competition, monopoly, oligopoly, and monopolistic competition. Other questions cover factor-market behavior, including derived demand, marginal revenue product, and the market distribution of factor income. Finally, market failure and the role of government are covered, stressing externalities, public goods, and antitrust regulation.

The macro exam begins with a few questions on basic economic concepts such as scarcity, opportunity cost, comparative advantage, and supply and demand. Measuring economic performance is covered, including real and nominal GDP, inflation, and unemployment. The bulk of the exam is on national income and price determination and features aggregate demand and aggregate supply analysis. This analysis includes the financial sector, and there are numerous questions on monetary and fiscal policies. There are a few questions on economic growth, productivity, and international trade and finance.

The AP economics program benefits students and high schools with AP courses in at least four ways.

AP Economics Prepares Students for College.

Dodd, Fitzpatrick, Ayala, Jennings (2002) and Breland and Oltman (2001) find evidence to suggest that AP economics students do as well or better in higher-

level micro and macro undergraduate courses than students who complete only a college principles-of-economics course. Melican, Debebe, and Morgan (1997) attribute this better performance of the AP students to four factors: (i) the preparatory experience in high school directs high school learning efforts toward passing the AP exam; (ii) highly specialized AP teachers with common training backgrounds are committed to designing comparable courses and identifying similar learning objectives; (iii) many college instructors, by contrast, have many degrees of freedom in designing and teaching their courses as well as setting course objectives and designing tests; and (iv) because the success of college students in their courses is dependent on a broader set of factors, they are less likely than high school AP students to be intensely focused on answering questions like those found on the AP exam. Of course, high school AP economics students are usually atypical students and ranked higher academically than many of their typical college counterparts. According to Bradt (2006) and Dougherty, Mellor, and Jian (2005), we should keep this and other intangibles in mind when investigating the college performance of students taking the initiative to tackle the AP opportunity in high school. Nevertheless, many studies claim to control for this.

AP Students Are Held Accountable for the Designated Material.

Student achievement increases when a course has well established standards and a relatively narrow set of objectives, and when the teacher has high responsibility and accountability. AP economics does well on all of these counts. The AP economics courses are based on the Economics Development Committee's selected college courses. There is a standardized exam taken by all students. Answers to questions are carefully constructed and graders are selected based on qualification. So students are under some pressure to perform well on the common exams, and the exams have measurable outcomes. This puts pressure on teachers to invest in enabling their students to perform well. Also, numerous resources are available to assist both teacher and student.

Students in Other Economics Courses Benefit from the AP Program.

AP teachers must have additional preparation in the teaching of economics to be successful. This preparation increases the quality and rigor of all classes taught by AP instructors. Many teach one or two sections of AP economics while also teaching regular economics during the rest of the school day. The teaching of

AP courses may well create positive spillover effects in the form of improved teaching in the regular economics courses.

AP Economics Provides Valuable Feedback on School Success.

Many individuals, organizations, groups, and local, state, and federal governments require that schools be accountable for achieving measurable results. Voters want records of solid performance when asked to fund schools. Private donors want results. Parents want measurable outcomes when shopping for schools. AP's curricular and resources requirements are rather clear, and such clarity assists in helping schools, administrators, teachers, and students succeed in getting quantifiable results.

AP results provide valuable feedback about the success of school programs because they are reported by school, teacher, and student. These results are also used when media companies such as *Newsweek* and *U.S. News and World Report* rank high schools.

AP Economics: The Bad

Despite the positive effects of AP economics on high school economics programs and students, we believe the exams can be improved by putting more emphasis on economic reasoning while reducing the emphasis on mechanics. A review of the sample questions in economics posted by ETS (College Board AP Website, [link](#)) clearly reveals that most of the questions involve little or no economic reasoning. Instead, they are mechanical, abstract in nature, and narrow in application. By moving away from the “engineering” approach of the current AP exams and leaning more on economic-reasoning skills, AP economics could help students to improve their skills in economic reasoning. Cultivating the economic way of thinking will help students to provide answers to a wider variety of exam questions, to make strategic decisions in their different roles in life, to appreciate the complexity of economic systems, and to explain how economic forces change and evolve over time. Moreover, a strong foundation in economic reasoning will better prepare students for undergraduate courses in economics.

Tables 1 and 2 highlight features of the micro and macro exams. In the construction of each table, we asked ourselves the following questions: Do the exams focus on an economic way of thinking or do they stress a mechanistic, engineering approach to economics? Do the exams favor certain schools of economic thought? Are important concepts such as the protection of property

rights, the legal institutions supportive of economic freedom and growth, and the imperfections (or “failures”) of government included in the exams?

Table 1: Analysis of Content of Released AP Microeconomics Exams

Topic	1990 Exam	1995 Exam	2000 Exam	2005 Exam
Number of questions with the indicated feature				
Scarcity, choice, opportunity cost	1	0	2	2
Economic reasoning	0	2	1	3
Mechanics	35	42	42	42
Market failure, government correction	4	5	3	2
Public-choice theory, government failure	0	0	0	0
Monopoly behavior	4	4	6	5
Benefits of trade	2	0	1	1
Consumer and producer surplus	0	1	0	1
Income redistribution	1	1	1	2
Benefits of private property protection	0	0	0	0
Benefits of economic freedom	0	0	0	0
Economic systems	1	1	0	0
Price ceilings and floors	2	3	3	1

Table 2: Analysis of Content of Released AP Macroeconomics Exams

Topic	1990 Exam	1995 Exam	2000 Exam	2005 Exam
Number of questions with the indicated feature				
Scarcity, choice, opportunity cost	1	0	0	0
Economic reasoning	0	0	0	1
Mechanics	17	27	32	26
Macroeconomic statistics	6	2	6	8
Keynesian economics	12	17	18	13
Classical economics	2	1	1	2
Monetarism	1	1	1	0
Expectations	1	1	1	3
Supply shocks/supply side	2	1	2	2
AD/AS	4	5	5	10
Government deficits and debt	1	2	2	3
Balanced budget multiplier	0	0	1	1
Phillips curve	2	1	0	2
Benefits of trade	1	3	3	2
Balance of trade, exchange rates	3	3	3	5
Monetary policy	6	7	11	13
Economic growth, productivity	2	3	0	2

On close review of the multiple-choice sections of the released exams, the reader notices a number of interesting features in Tables 1 and 2. There are few questions on expectations, monetarism, or classical economics on the macro exams. The benefits of protecting private property and promoting economic freedom receive no coverage. Economic reasoning is lightly covered on both exams.

The micro and macro free-response questions have a mechanistic approach similar to that of the multiple-choice questions. The micro free-response questions generally test the student's ability to construct and manipulate diagrams involving demand, supply, or production possibilities curves. Some questions involve the interactive effects of change in the firm and industry under different market structures, as well as interactive effects of changes in product and factor markets. Monopoly and perfect competition are often compared. There is gen-

erally a question on the effects of externalities on efficient allocation. Almost all free-response questions involve a diagram. The macro free-response questions also focus on diagram manipulation, mainly aggregate demand and supply curves. The effects of federal monetary policies or government policies often must be diagrammed and explained. Other free-response questions focus on the mechanics of comparative advantage and of exchange-rate changes.

The exams largely omit those questions that test how well students can use economics to explain the monetary and fiscal policy world around them or how well they can use the knowledge to make better decisions as consumers, savers, investors, entrepreneurs, job seekers, and voters. By focusing on the nuts-and-bolts of “blackboard” economics, three unintended consequences emerge.

First, the AP exams stress mechanical exercises at the expense of the economic way of thinking. Outside of a few basic topics like scarcity, opportunity cost, comparative advantage, and gains from trade, very few of the exam questions test the ability of students to reason, to systematically compare and contrast different choices in a variety of settings, to interpret the economics of current events, or to identify the errors often present in articles in the popular media. Thus, the exams give students the impression that the job of an economist is to grind out solutions about the optimal price and output in a static world, to compute the proper size of government spending and the budget deficit under various specified conditions, and to impose taxes and subsidies in a manner promising to maintain efficient allocations, stable prices, and low rates of unemployment. This mechanistic approach leaves students with the false impression that economics is like engineering. A large segment of economists who tend to favor freer markets and less governmentalization of the economy would adamantly object to the mechanistic orientation, as would many heterodox economists who lean more to the left. All such economists see shortcomings in the mechanistic engineering approach and are apt to regret the impressions it often leaves students with regard to the precision and determinateness of economic analysis.

Admittedly, the engineering-type questions are easier to design and grade. This is particularly true for the free-response questions, the grading of which is very labor-intensive. Nonetheless, it would be relatively easy to modify existing questions or introduce questions that involve reasoning ability, analysis, and application of general concepts into the multiple-choice portion of the exams.

Second, AP economics ignores the importance of property rights and their impact on incentives. Clearly defined and enforced property rights exert a major impact on the present and future use of resources. When goods, services, and resources are owned privately and securely, owners have a strong incentive to (1) take care of their property, (2) develop it in ways that are highly valued by potential

trading partners, and (3) conserve for the future, particularly if the price of the resource is expected to rise as the result of increased scarcity. In contrast, regulation often weakens private ownership rights and undermines the ability of owners to direct their resources toward their highest valued uses. Similarly, common ownership of property leads to overuse and a failure to invest and conserve for the future. The latter is discussed in a very limited fashion in the materials supporting the micro exam but is not included in the macro exam. The micro and macro exams reviewed from 1990, 1995, 2000, and 2005 did not include even a single question on private property rights. While there is a brief reference to property rights in the AP Microeconomics Course Outline (College Board 2008), the reference is buried. Furthermore, three out of the four representative micro online syllabi posted at the AP economics Web site do not definitively mention the topic of property rights. The track-record gives little impetus to AP instructors or students to pay any attention to this vitally important topic.

Third, the concepts of entrepreneurship and dynamic competition are omitted in both the micro and macro exams. Economic progress is largely a story about dynamic competition, innovation, and the discovery and development of improved products and lower-cost production methods. When markets are open and competitive, entrepreneurs have a strong incentive to discover and develop improved products that eventually replace older ones and render them obsolete (Schumpeter's *creative destruction*). Examples abound. The smart phone is replacing the land line; the Global Positioning System (GPS) is replacing maps; the auto replaced the horse and buggy; the word processor replaced the typewriter; the phonograph was replaced by the cassette tape player, which was later largely replaced by CD and now MP3 players. During just the past 60 years, the list of new products that have transformed our lives would include: MP3 players, high-definition televisions, microcomputers, hybrid cars, the World Wide Web, microwave ovens, video and digital cameras, hand-held devices, Blue Ray players, heart bypass surgeries, hip replacements, Lasik eye surgery, and auto air conditioners.

The omission of dynamic competition and entrepreneurship along with property rights means that AP students will have little understanding of the forces underlying economic growth. Further, their knowledge of why some nations prosper while others stagnate over time will be extremely limited. The growth process is largely about secure property rights, gains from trade, open access to markets, use of improved products as a competitive tool, monetary and price stability, and investment in both physical and human capital. Of course, the AP course covers investment in capital and improvements in technology as sources of growth, but there is no tie-in with property rights and dynamic competition. Without well-defined and enforced property rights, the incentive to invest is

undermined. Similarly, without open markets and dynamic competition, the spread of technological improvements throughout the economy will be slow. The AP exams simply do not cover any of this. Instead, students are left with the construction and manipulation of the good old production possibilities curve, the identification of equilibrium price and quantity, or the calculation of the spending multiplier, real GDP, nominal GDP, or something else. Once again, economics as engineering triumphs over real-world analysis and economic reasoning.

The failure to consider the key factors underlying the growth process is particularly tragic because AP economics will be the only economics course many students will ever take. Moreover, our experiences and the study of Rocca and Pruitt (2009) indicate that students have a strong interest in dynamic change and entrepreneurship. It is relatively easy for them to see how both affect their lives.

AP Economics: The Ugly

Tables 1 and 2 indicate that the AP economics courses and exams reflect views that were highly popular in the 1970s. During that era, it was widely believed that market forces were the primary source of economic instability, that fiscal policy could smooth the ups and downs of the business cycle, and that the job of the economist was to make wise engineering decisions that promoted economic stability, corrected market failures, and achieved a socially desirable distribution of income. Economics, including macroeconomics, has grown and developed since this time. Our point here and in the paragraphs that follow is not to discard the historical importance of this period of economic thought. Instead our goal is to broaden and update it to include the theoretical advancements and scholarly research of recent decades.

The AP macroeconomics exam and resources largely reflect the simplistic Keynesian view from the 1960s and 1970s. This view asserted that market economies were inherently unstable and that fiscal policy in particular was a powerful tool with which to correct this deficiency. The view was popular four decades ago, and several of its core elements have been resurrected as a justification for policies designed to promote recovery from the current recession. However, many economists, if not most, now recognize that the use of fiscal and monetary policies to promote stability is far more complex than presumed by the Keynesian-engineering approach, especially as represented in AP materials.

Well-rounded economics courses highlight the potential of fiscal and monetary policy as stabilization tools. But they also cover their limitations and the historic fact that policy errors have often been a source of macroeconomic instability. Modern economics recognizes the difficulties involved in forecasting

the future direction of the economy, timing policy shifts correctly, and the time lags between when a policy change is instituted and when the change will exert an impact on the economy. The modern view also recognizes that changes in macro policy often alter incentives and generate secondary effects in addition to those stressed by the Keynesian model.

Unfortunately, this modern view has not made its way into AP macroeconomics exams, preparation materials, and courses. Table 2 shows that 21-30 percent of the questions emphasize Keynesian analysis. Graphical questions on the simple Keynesian aggregate expenditure model and/or aggregate demand changes in a horizontal or Keynesian range of the aggregate supply curve of the economy were present on the 1990, 1995, 2000, and 2005 exams. These exams also contained several questions on the multiplier effects of government spending and the balanced budget multiplier. The 2005 macro exam shows slightly more respect for classical economics and the effects of expectations in implementing monetary and fiscal policies. However, the exam is still heavily Keynesian, and about half of the questions involve shifting curves and other mechanistic procedures. None of the macro exams contain questions on the imperfect information, limited forecasting abilities, and timing problems that complicate the choices of policy-makers. Neither were there any questions about the political incentive structure that, for example, tends to bias policy shifts toward budget deficits and fiscal expansion.

Like AP macroeconomics, the AP microeconomics course and exam highlight the deficiencies of markets and the potential of government as a corrective agent. The course description covers externalities, public goods, antitrust policy, and income distribution. When markets fail to achieve ideal efficiency conditions because of externalities, the government can correct the deficiency by levying the proper tax or subsidy. Similarly, government action can provide the efficient quantity of public goods and regulate monopolies or apply antitrust legislation when competition is absent. It is fine to cover these topics. However, there is no coverage of the linkage between externalities and poorly defined and enforced property rights. Neither is there any coverage of the fact that government regulations are often the source of non-competitive markets. In the AP world, markets fail and the government provides the solution.

The terms social efficiency, social benefits, and social costs are peppered especially throughout the micro materials. The term “social efficiency” is never clearly defined in the AP resources, and it is sometimes used interchangeably with allocative efficiency and productive efficiency. But the AP materials do make a connection between social efficiency and an equitable distribution of income. Thus, the term reflects the idea of a social welfare function and an “ideal” distribution of income. The designers of the AP materials do acknowledge the dif-

difficulties involved in determining whether a distribution of income is equitable. Thus, only equitable (or inequitable) income distributions are formally recognized. The Lorenz curve and Gini coefficient are introduced as tools that will help to represent the inequality of income distribution. As previously mentioned, redistribution of income is presented as one of the major functions of government, and students are left with the impression that a more equal distribution of income is also more equitable. There is no coverage of how levying taxes on some in order to provide transfers to others will affect the incentive to earn of either taxpayer-donors or transfer recipients. Neither is there any consideration of what type of income transfers are likely to be generated by the political process. No mention is made of the fact that transfers are often directed toward members of well-organized interest groups with incomes substantially higher than the taxpayers footing the bill. There is some good news here: while social efficiency is a component of the course outline, it has received little coverage on the exams. There were no questions on this topic on the 1990, 1995, 2000, or 2005 exams.

While market failure is an integral part of the AP world, the public choice literature and the possibility of government failure are totally absent. The public choice literature shows that when government action imposes a small personal cost on a large majority in order to provide substantial benefits to a well-organized interest group, elected political officials have a strong incentive to support the concentrated interest even if the action is counterproductive. Similarly, the political process is biased toward actions that generate immediate, highly visible benefits at the expense of future costs that are difficult to identify. This incentive structure provides elected political officials with a strong incentive to spend more than they are willing to tax. A long string of budget deficits in the Keynesian era of the past 50 years is an outgrowth of this incentive structure. Public choice analysis also explains why a larger share of resources will flow into inefficient rent-seeking activities and a smaller share into productive activities when the government becomes more heavily involved in providing subsidies, tax breaks, and other political favors to some at the expense of others. In turn, as resources are shifted away from productive toward counterproductive activities, per capita income will fall below its potential.

The bottom line is clear: The AP course and exams present students with a highly imbalanced view of markets and government. In the AP world, market failures in the form of economic instability, absence of competition, externalities, and public goods are a problem. But ideal solutions can be engineered by economists, and presumably they will then be instituted by saintly government officials. Government failure simply does not exist in AP economics.

Modern economics indicates that the truth is more nearly the opposite. When property rights are well-defined and markets are relatively free, business

firms earn profits by using resources to produce goods and services that are valued more highly than the resources required for their production. In contrast, losses discipline firms that misallocate resources and do not provide consumers with enough value to cover costs. Thus, the profit and loss mechanism of a market economy tends to direct resources toward productive projects and away from those that are unproductive. The political process does not have any mechanism parallel to profit and loss that can be counted on to direct resources toward productive uses. Moreover, as public choice analysis indicates, to a large degree, the modern political process is about various coalitions trading contributions, high-paying jobs, and other forms of support to political officials in exchange for subsidies, spending programs, and regulations that provide well-organized groups with privileges and subsidies.

But all of this is totally absent from AP economics. There is no mention of the possibility of government failure, and there has never been a question on this topic. Rather, government is presented as a means through which social efficiency can be achieved when free markets fall short of ideal “blackboard perfection.” This was acceptable 30 years ago, but it is a gross misrepresentation of economic scholarship today.

It is revealing to compare and contrast AP economics with the *Voluntary National Content Standards in Economics* (2010). In 1997, the Council for Economic Education (formerly the National Council on Economic Education), the National Association of Economic Educators, and the American Economics Association’s (AEA) Committee on Economic Education developed a set of 20 voluntary national content standards for economics (hereafter, referred to as “standards”). The standards were developed with the consultation of economic educators, other economists, and the K-12 community. The AEA Committee on Economic Education played a central role in the development of these standards, and the committee approved the final version. The 1997 standards were revisited and refreshed in 2010. These standards are designed to reflect the current status of scholarship in the discipline.

The standards stress economic reasoning rather than mechanics. They highlight the role of gains from trade (Standards 5 and 6), market prices (Standards 7 and 8), the competitive process (Standard 9), protection of property rights (Standards 10 and 16), and profit and entrepreneurship (Standard 14). They cover market failure (Standard 16). But government failure and special interest politics (Standard 17) are given equal attention. Thus, the standards address the role of property rights, entrepreneurship, dynamic competition, and both market and government failure. This is what a balance presentation of modern economics would look like, and it stands in stark contrast with the imbalanced coverage of AP economics.

The College Board responds to this criticism by maintaining that the AP program is only teaching what is taught in college principles courses. The AP Economics Development Committee periodically surveys economics departments at colleges and universities “to ascertain what topics and abilities are being stressed in introductory-level courses.” (College Board 2000b). The committee asks college instructors to review the exam questions for accuracy and partake in the audit of AP economics courses through the review of the syllabi. We do not know whether the departmental surveys are a truly random sample or merely voluntary responses to the survey questionnaire. There may also be a reluctance to modify the structure of the content because doing so would involve additional training of AP instructors. These issues aside, there is a crucially important difference between college-level principles courses and AP economics. College instructors have many degrees of freedom and can deviate from their course outlines, and they can change those outlines over time; most importantly, they determine their own examinations. AP high school instructors simply do not have the same flexibility and latitude as their college counterparts.

The core coverage of economic principles at a majority of colleges and universities may well look much like the AP course, although the *Voluntary National Content Standards in Economics* raise questions with regard to this issue. We have argued that AP materials give short shrift to the rubric of property rights and economic freedom, and the rubric of entrepreneurship, discovery, and innovation. Others like Dan Johansson (2004) have documented that these same two rubrics are largely absent from the leading textbooks of graduate education in economics. Those instructors who teach introductory economics at the college level are the products of such education, and they are the ones who set the tone for the Economics Development Committee in making the AP economics exams. Thus, the problems we have identified may well run through the entire cultural ecology of academic economics.

Conclusion

The AP economics courses and exams present an imbalanced view. They leave many of our brightest high school students with misleading impressions of both economics and how a society can get the most out of its resources. AP economics focuses on mechanics rather than economic reasoning. The vitally important roles of secure property rights, dynamic competition, entrepreneurship, and innovation as sources of growth and prosperity are almost totally ignored by AP economics. Moreover, students are presented with a highly imbalanced view of markets versus government. Market failure is covered, but government failure

is totally omitted. Students are left with a false impression of how the political process works and a lack of understanding of why government intervention often leads to outcomes that are dramatically different than those promised by politicians. The cause of economic enlightenment is poorly served by these omissions and imbalances.

The authors hope that this article encourages those individuals involved with the development of AP economics to consider integrating more economic reasoning into the courses and exams and to broaden their design teams to include economists with perspectives associated with such thinkers as Adam Smith, J.B. Say, Friedrich Bastiat, Friedrich Hayek, Milton Friedman, James Buchanan, Ronald Coase, Gary Becker, and Vernon Smith, to name a few. Such changes would provide tens of thousands of AP economics students with a more accurate assessment of the current views of professional economists and enhance their understanding of real-world economics and what might be done to improve their operation.

As previously mentioned, there were 134,747 AP economics exams administered in 2010. Even if the AP economics courses are not reformed in the needed directions, we hope that the information provided here will enhance the awareness of students and parents with regard to the shortcomings and biases of AP economics as they make future choices about whether to take principles of economics at the high school or college level.

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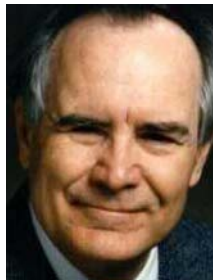
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The Ideological Profile of Harvard University Press: Categorizing 494 Books Published 2000-2010

David Gordon¹ with Per Nilsson²

[LINK TO ABSTRACT](#)

[A note on authorship: This piece is written by David Gordon, principally in the first person singular; he created the data by examining the books treated here. Per Nilsson organized the data and produced the displays and Excel appendices.]

Academics in the social sciences today face a tight job market, and very few can hope to teach at an Ivy League university. But institutional rank is a matter of surpassing importance for nearly everyone in academe. Those who get a job seek to hold on to it or to advance to a more prestigious institution.

One way to advance, probably the most important, is by publications—"publish or perish" is no mere platitude but a basic principle of university life. But, just as universities are ranked, so are journals and university presses. For publishing books, certain presses stand foremost in academic renown, and our article investigates one of these elite presses. A social scientist who gets his book published by Harvard University Press (HUP) has scored a major coup: he has enhanced his chance of beating the odds and moving up the pyramid. Meanwhile, those who dislike the system can do little to change it. The top universities and the top university presses are tightly linked.

On what basis does HUP select books in the social sciences and humanities for publication? Anyone interested in the contemporary American university will

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have reason to consider this question important. How does the orientation of a manuscript, in terms of political ideology, affect its chances at HUP? Other things being equal, will HUP be more congenial toward a leftist manuscript or author, than a classical liberal? How will a conservative fare? A communitarian? A supporter of the contemporary welfare state?

One might be inclined to dismiss the issue of political orientation as misplaced. Unlike Monthly Review Press or Regnery, HUP does not openly advance a particular political outlook. It issues no guidelines to prospective authors that say, e.g., “only leftists and centrists need apply.” Still, there is reason to think that an investigation of HUP’s political tilt will not return empty-handed. Someone who wishes to submit a manuscript to Harvard must first contact an Acquisitions Editor with a proposal. The Senior Editor for Social Sciences is Michael Aronson, who tells prospective authors: “I acquire books in economics, law, political science, and sociology. Although my interests are wide-ranging and eclectic, I am particularly interested in problems of capitalism, including distribution, inequality, market instability, resource depletion, and climate change.”³ It hardly seems unreasonable to think that Mr. Aronson might not welcome a proposal to show that markets work well and that inequality is not a problem.

I survey 494 books published in the period 2000 into 2010, in the five principal “social-science” areas: business and economics, history, philosophy, political science, and sociology. The set of 494 titles also includes a residual set of 28 Law titles. HUP assigns each book a primary subject area and then secondary areas. In January of 2010 we downloaded HUP’s own listing of all its social-science titles. As this article goes to press, one can download the current version of the file that we started with at [this HUP link](#), but the HUP’s presentation of the information has changed since when we downloaded in January 2010. When we downloaded the “Social Science” Excel file it contained six separate spreadsheets: Business & Economics, Current Events,⁴ History, Philosophy, Political Science, and Sociology. Now HUP offers the same data, but in a different array of files and spreadsheets.

Going by the book’s initial publication date (as opposed to later paperback or revised editions), we considered books published since 2000, thus we cover the full decade 2000 thru 2009, plus the good number of 2010 titles that were listed as of January 2010 and that became available for review thru about October 2010 when I concluded my data collection.

3. See <http://www.hup.harvard.edu/resources/authors/mike.html>.

4. To start, the Current Events spreadsheet contained just ten titles since 2000, three of which were removed in the “first pass.” Most of the remainder were then sorted to one of the other subject areas, so, in the end, the entire subject area of Current Events is eliminated. That is why it does not appear in any of the reported results.

First-pass removal of many titles: After downloading the HUP “Social Science” Excel file and omitting the pre-2000 titles, the first thing I did was to make a “first pass” to remove titles for which a political slant would seem to matter little or find little platform. We make transparent the removals made at this first pass in the “First-pass Removal of Titles” Excel sheet [linked here](#) and at Appendix 1. This “first pass” was necessary to reduce the number of books to be surveyed. To give a flavor of the first-pass removals, I list the first five titles removed from the five main spreadsheets:

Sample of titles removed in my “first pass”:

Business and Economics: *The Economic History of Byzantium; Unfinished Business: Ayukawa Yoshisuke and U.S.-Japan Relations, 1937-1953; From Cotton Mill to Business Empire: The Emergence of Regional Enterprises in Modern China; Dilemmas of Russian Capitalism: Fedor Chizhov and Corporate Enterprise in the Railroad Age; Organizing Control: August Thyssen and the Construction of German Corporate Management*

History: *Dumbarton Oaks Papers 53; The Life of Lazaros of Mt. Galesion; Siegecraft: Two Tenth-Century Instructional Manuals by “Heron of Byzantium”; Harvard Studies in Classical Philology, Volume 99; The Invention of the Restaurant: Paris and Modern Gastronomic Culture*

Philosophy: *Articulating Reasons: An Introduction to Inferentialism; Kant’s Final Synthesis: An Essay on the Opus Postumum; Happiness, Death, and the Remainder of Life; Unshadowed Thought: Representation in Thought and Language; Signs of Sense: Reading Wittgenstein’s Tractatus*

Political Science: *Rethinking the 1898 Reform Period: Political and Cultural Change in Late Qing China; Nationalizing the Russian Empire: The Campaign against Enemy Aliens during World War I; Trust in Troubled Times: Money, Banks, and State-Society Relations in Republican Tianjin; The Gift of Science: Leibniz and the Modern Legal Tradition; Flag Wars and Stone Saints: How the Bohemian Lands Became Czech*

Sociology: *Restoring the Balance: Women Physicians and the Profession of Medicine, 1850-1995; The Breakdown of the State in Lebanon, 1967-1976; King Croesus’ Gold: Excavations at Sardis and the History of Gold Refining; Beyond the Synagogue Gallery: Finding a Place for Women in American Judaism; Return to Nisa*

I hope that this sample of 25 removed titles shows the reasonableness of simplifying my task, by removing books unlikely to express or reflect a particular political ideology, particularly within a modern western context. I understand that virtually any title could, in fact, provide a platform for ideological rumination and projection. I simply removed the titles that appeared less ripe for such expression. In completing my “first pass,” the portion of titles removed by the respective primitive spreadsheets were roughly as follows: Business & Economics 15%;

History 58%; Philosophy 69%; Political Science 15%; and Sociology 57%.⁵ Again, my decisions are transparent in the Excel file at Appendix 1.

After my “first pass,” there remained 494 titles, which form the basis of this study. The 494 titles represent a large and unbiased sample of all HUP “Social Science” titles during the 10+ years covered. But, really, it is more than a sample: It is the entire population of titles that survived my first pass—which is transparently unbiased. Still, as the 494 titles come after my “first pass,” they are not the complete catalog for the subjects and years surveyed, so one should not project the ideological percentages reported below onto the entire subject areas sub-populations, nor onto the “Social Science” catalog as a whole. (If all of the titles—that is, the pre-first-pass set—had been included, the “Reticent” and “Not relevant to judgments about public policy” numbers would be *much* greater than what we report below, shrinking the proportions for *every* ideological category.) There is no reason to think, however, that the proportions of the ideological categories relative to *one another* would change if the removed titles had not, in fact, been removed.

For its Law titles, HUP offers a separate Excel file. We did not work with the Law listing, which is voluminous. We have a set of 28 Law titles for which HUP had also given a *secondary* listing in one of the social-science areas. I relegate to a footnote the details of how books were assigned to a subject category.⁶ Appendix 2 contains our final data with my ideological coding.

Thus, following the “first pass” removals, we have a listing of titles potentially relevant for the task at hand, a listing that, except for the odd title that could not be acquired for examination, is complete for all books in the five social-science areas, based on a primacy-ranking in subject listing, for 10+ years from 2000 into 2010, plus a sample of the Law titles. If one were to cast doubt on our results about the relative ideological representation, it could only be a doubt about the ideological coding I assigned to the 494 books.

I placed each book into an ideological category. The categories were:

5. These percentages are rough: These spreadsheets were primitive: many titles in these sheets are cross-listed and some of the dates are incomplete. It was only after removing titles that we cleaned up and completed the data for those that remained.

6. We adapted the subject-area spreadsheets so that a book would be listed in no more than one subject-area spreadsheet. Going from the “Social Science” spreadsheets after the “first pass” removals had been made, the books were initially sorted by the book’s first subject listing (by HUP, as shown in our appendix spreadsheets). Six subjects had more than a few titles, namely Business & Economics, History, Law, Philosophy, Political science, and Sociology. We then sifted the books that had first-subject listings elsewhere into one of these six by following the book’s second or third listing. A few titles, such as *The Success of Open Source*, actually fell out of the sample altogether, because, in this case, it started in the Current Events listing, which was very brief and got eliminated, and the book’s only secondary listing was Computers.

1. Communitarian
2. Tending Communitarian
3. Left
4. Centrist leaning left
5. Centrist
6. Centrist leaning conservative
7. Conservative
8. Tending classical liberal
9. Classical liberal
- Reticent
- Not relevant to judgments about public policy

Some remarks about the ideological categorization: The categorization shown above is schematic, though imperfectly. At number 5 we have “Centrist”, and that is flanked by “Left” and by “Conservative.” Off in the wings, as it were, are “Communitarian” and “Classical liberal.” By “classical liberal” we mean the original liberalism, as represented, for example, by William Gladstone, who was four times Liberal prime minister of Britain. I write from a classical liberal/libertarian perspective—reader beware! I am uncomfortable treating conservative and classical liberal together as “the Right,” but our analysis in some sense does join them as “anti-left.” When the nine categories are arrayed in the order shown above, we have Communitarian on the far left and Classical liberal on the far right. We recognize that this array can be misleading, but such are the limitations of visual schematics.

My examination of the books mostly took place at the UCLA library, nearby my home in Los Angeles. I did not attempt the Herculean task of reading completely every of the 494 books included, but each was considered to a degree sufficient to assess its category. The Excel file of Appendix 2 contains my summary remarks about each book in Column E, and my ideological coding for the book in Column B. In an effort to counter possible bias that might result from my own classical liberal orientation, I tried whenever possible to put books in the “Classical liberal” and “Conservative” categories. We wished to avoid “proving” that Harvard tends left by wrongly coding books as leftist. Again, the ideological coding I assigned to each book is transparently accessible in the Excel file at Appendix 2: Please submit a comment to this journal if you detect a bias in my work.

The HUP Social Sciences Catalog Tilts Heavily Left

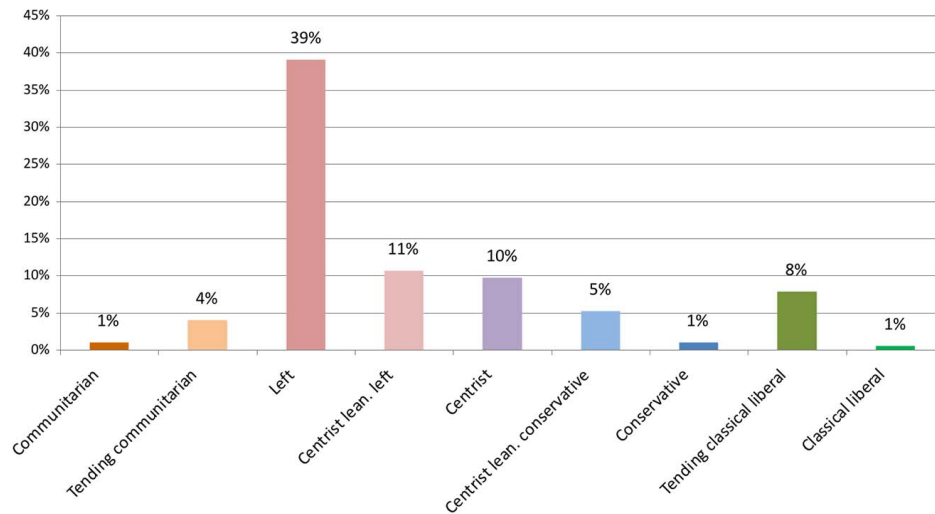
Table 1 provides the basic results in numerical form. Again, I had removed a large number of titles in my “first pass,” but not surprisingly there still remained 55 titles that I then subsequently deemed to not have been relevant to the matter of ideological categorization; further, for another 47 of the books I found the authors too reticent about political ideology to enable a coding. Hence from the 494 titles that remained after my “first pass,” only 392 were given an ideological coding corresponding to the list of nine categories above.

Table 1: The 494 HUP Titles by Subject Area and Ideological Category

	Bus & Econ	History	Philosophy	Political Science	Sociology	Law	Total
Communitarian	1 2%	0 0%	4 11%	0 0%	0 0%	0 0%	5 1%
Tending communitarian	0 0%	14 5%	1 3%	3 5%	2 4%	0 0%	20 4%
Left	13 23%	94 37%	15 39%	28 46%	34 62%	9 33%	193 39%
Centrist lean left	15 27%	17 7%	3 8%	5 8%	10 18%	3 11%	53 11%
Centrist	12 21%	27 11%	1 3%	4 7%	1 2%	3 11%	48 10%
Centrist lean conservative	1 2%	15 6%	1 3%	5 8%	0 0%	4 15%	26 5%
Conservative	0 0%	2 1%	0 0%	2 3%	0 0%	1 4%	5 1%
Tending classical liberal	3 5%	21 8%	3 8%	5 8%	3 5%	4 15%	39 8%
Classical liberal	2 4%	0 0%	1 3%	0 0%	0 0%	0 0%	3 0.6%
Not relevant to judgment	0 0%	39 15%	9 24%	3 5%	2 4%	2 7%	55 11%
Reticent	9 16%	28 11%	0 0%	6 10%	3 5%	1 4%	47 10%
<i>Total</i>	<i>56</i> <i>11%</i>	<i>257</i> <i>52%</i>	<i>38</i> <i>8%</i>	<i>61</i> <i>12%</i>	<i>55</i> <i>11%</i>	<i>27</i> <i>5%</i>	<i>494</i> <i>100%</i>

The results are given visual representation in Figure 1. The percentages shown do not add up to 100 because they are based on the 494 titles, which includes the 102 titles deemed either “Reticent” or “Not relevant to judgments about public policy,” two categories which have been suppressed from the figure.

Figure 1: All HUP Books Surveyed, by Ideology

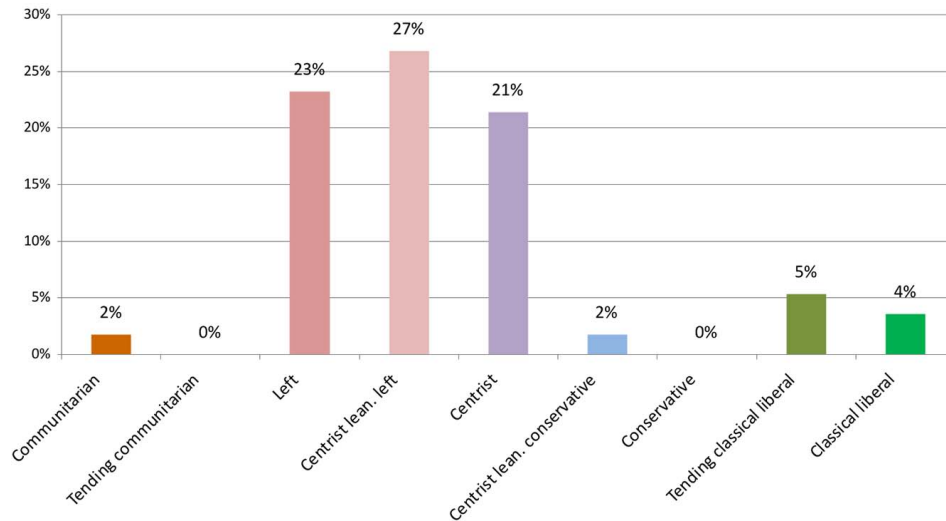


Note: Not shown are 21 % Reticent or Not relevant to judgments about public policy.

The four categories positioned on the left side of Figure 1 greatly outweigh those on the right side. The categories Communitarian, Tending communitarian, Left, and Centrist leaning left account for 55 percent, while the categories Classical liberal, Tending classical liberal, Conservative, and Centrist leaning conservative account for only 15 percent (the remainder being Centrist and the two neuter categories). Moreover, only eight of the titles (1.6 percent of the 494) can be counted as squarely Conservative or Classical liberal, while 198 of the titles (40 percent) can be counted as squarely Left or Communitarian.

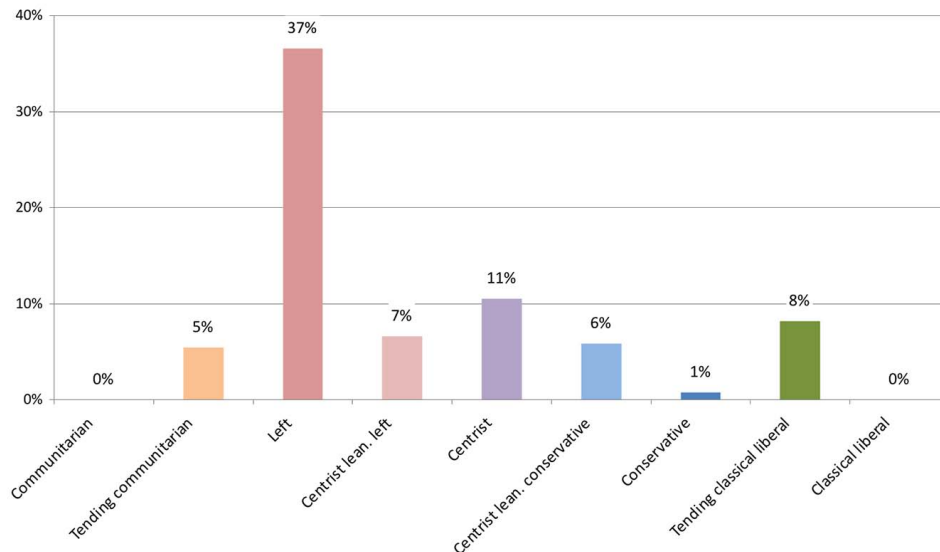
Figures 2 through 7 show the breakdown for each of the six subject areas included in our survey (again, Law is a residual category, as explained above).

Figure 2: HUP Business & Economics Books 2000-2010 (56 titles), by Ideology



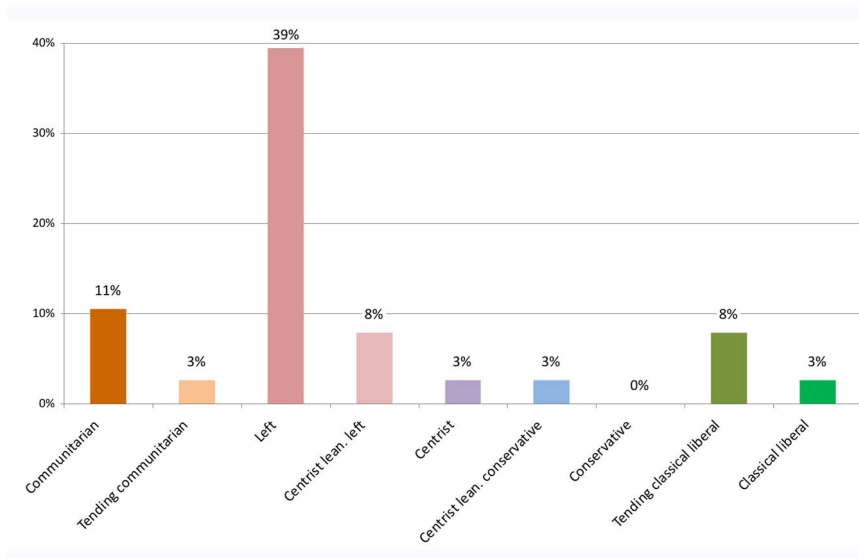
Note: Not shown are 16% Reticent.

Figure 3: HUP History Books 2000-2010 (257 titles), by Ideology



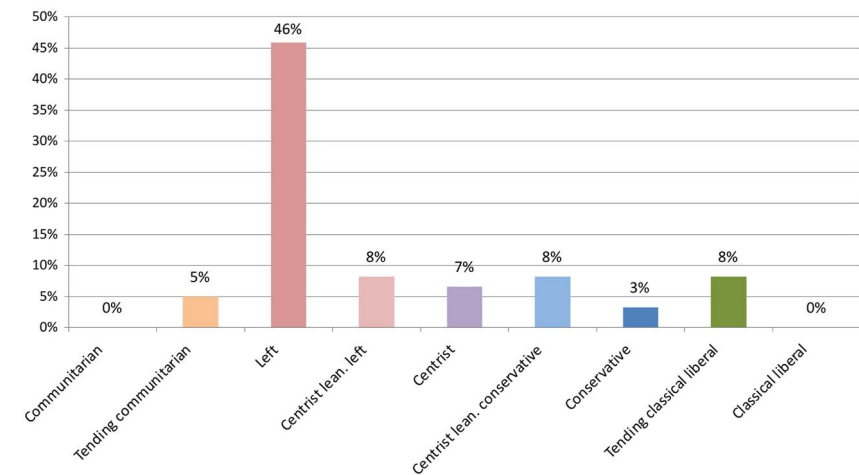
Note: Not shown are 26% Reticent or Not relevant to judgments about public policy.

Figure 4: HUP Philosophy Books 2000-2010 (38 titles), by Ideology



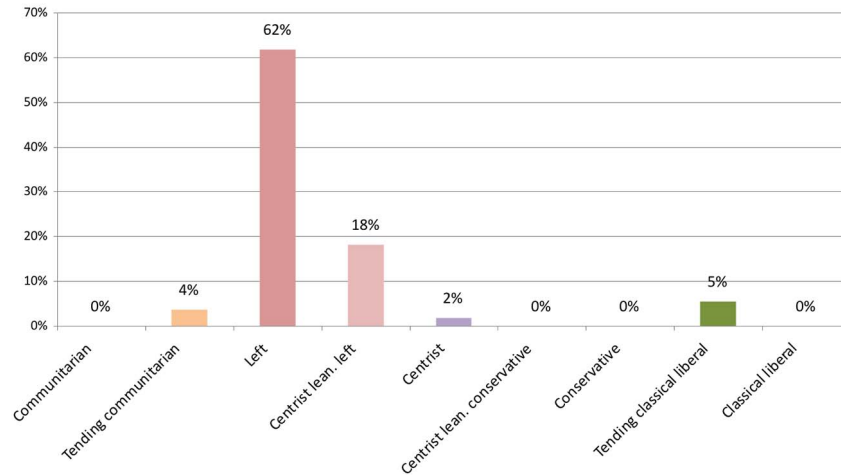
Note: Not shown are 24% Not relevant to judgments about public policy.

Figure 5: HUP Political Science Books 2000-2010 (61 titles), by Ideology



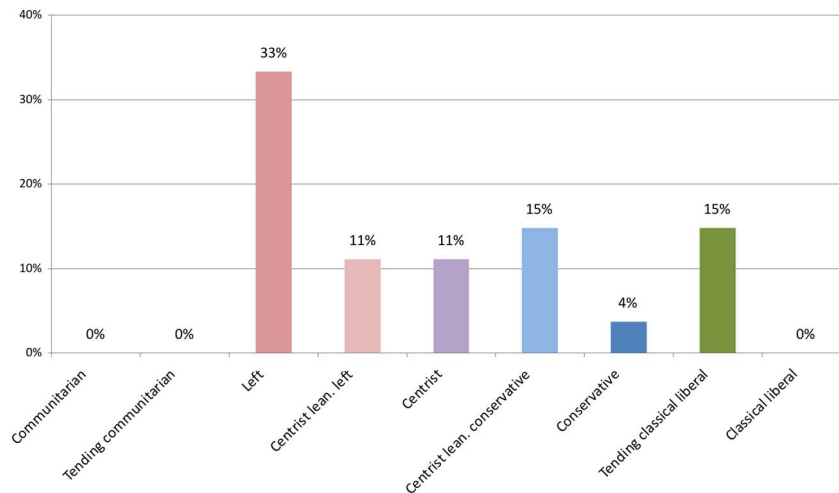
Note: Not shown are 15% Reticent or Not relevant to judgments about public policy.

Figure 6: HUP Sociology Books 2000-2010 (55 titles), by Ideology



Note: Not shown are 9% Reticent or Not relevant to judgments about public policy.

Figure 7: HUP Law Books 2000-2010 (a residual sample of 27 titles), by Ideology



Note: Not shown are 11% Reticent or Not relevant to judgments about public policy.

Qualitative Remarks on Selected Titles

Besides presenting the data visually, it may be helpful to describe a few of the books in each subject area. In Business and Economics, Philip Mirowski's and Dieter Plehwe's edited collection, *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective* (2009) is a predominantly hostile treatment of the Mont Pèlerin Society, the classical liberal society founded by Friedrich Hayek, and contains suggestions that it formed the center of a network to promote business control of Europe, the United States, and Latin America. This book fits perfectly with Gérard Duménil, *Capital Resurgent: The Roots of the Neoliberal Revolution* (2004), who maintains that the neoliberal policies of the 1970s and 80s represent a successful attempt by financial interests to take over the economy. Thomas R. Michl, *Capitalists, Workers, and Fiscal Policy: A Classical Model of Growth and Distribution* (2009) presents a Marxist analysis of debt. Fiscal debt promotes inequality, while debt in public institutions such as pension funds can promote equality. One of the foremost American Marxist economists, Duncan K. Foley, in *Adam's Fallacy*, (2006), attacks mainstream economics for separating production and distribution. Marx, not Adam Smith, offers a better guide to the problems of today. A Harvard economist with Marxist sympathies, Stephen Marglin, in *The Dismal Science: How Thinking Like an Economist Undermines Community* (2008), claims that the market destroys community, by encouraging people to see themselves as isolated, self-interested actors. Lance Taylor, *Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream* (2009) issues a Left Keynesian call for increasing aggregate demand, coupled with a criticism of mainstream economists for failure to realize how radical were Keynes's insights.

No good leftist can countenance subjecting the sacred precincts of education to the market. Accordingly, David L. Kirp, in *Shakespeare, Einstein, and the Bottom Line: The Marketing of Higher Education* (2003) argues that market values are incompatible with the traditional pursuit of learning. He provides a critical account of recent "for-profit" trends in higher education. In like fashion, leftists oppose privatization. Jody Freeman, *Government by Contract: Outsourcing and American Democracy* (2009), questions whether efforts to outsource government functions to private enterprise provide adequate safeguards for public accountability. In *The Tyranny of the Market: Why You Can't Always Get What You Want* (2007), Joel Waldfogel finds fault with consumer's sovereignty, the view that the market provides consumers with what they desire. Not so, he avers: economic freedom does not serve well those with minority tastes in markets with high fixed costs. In many areas, leftists believe, the government must step in to protect people from

themselves. Frank A. Sloan, *The Smoking Puzzle: Information, Risk Perception, and Choice* (2003) thinks that smokers tend to underestimate the health risks posed by smoking. To remedy this sad state of affairs, the government needs to institute a policy to make information about smoking's hazards more salient to tobacco users.

Publications in Business & Economics are not completely one-sided. Tyler Cowen, *What Price Fame?* (2003), contests critics who contend that the pursuit of fame is superficial. To the contrary, Cowen maintains, efforts to achieve fame are good for creativity and for society generally. Cowen writes from a viewpoint largely sympathetic to classical liberalism; but unlike many of the authors of leftist books, he presents what he has to say in very moderate tones. This is not a peculiarity of Cowen's book: a number of other Harvard authors who are classed as classical liberal or conservative are muted in their advocacy. The noted Chicago School economist Sherwin Rosen was a classical liberal, but his collection of essays, *Markets and Diversity* (2004), is largely non-political. Rosen argues that empirical analysis can often tell us what people's tastes are, thus enabling us to fill in the details of economic theory's assumptions about human nature.

Readers who have sampled Harvard's offerings in Business and Economics will encounter few surprises in Harvard's Law books. Todd D. Rakoff, *A Time for Every Purpose: Law and the Balance of Human Life* (2002), argues that laws structure how people relate to time, e.g., by delimiting time zones and by mandating a 40-hour work week as standard. This process is unduly dominated by big business and should be changed to give people more control over their time. Jennifer Gordon, in *Suburban Sweatshops: The Fight for Immigrant Rights* (2005), narrates her efforts to help workers combat sweatshop conditions, through her founding of the Workplace Project. Marion R. Fremont-Smith, in *Governing Non-Profit Organizations: Federal and State Law and Regulation* (2004), is worried about non-profit organizations. They are often self-interested and engage in fraud and require close government monitoring to thwart these nefarious practices. At a more theoretical level, Deborah Hellman, *When Is Discrimination Wrong?* (2008) is sympathetic to affirmative action. She embeds her support for this policy within a general theory of when discrimination is wrong. Discrimination is inherently immoral: its character as a "speech-act" is more important than the motivation of the person who discriminates. More radically, Lani Guinier, *The Miner's Canary: Enlisting Race, Resisting Power, Transforming Democracy* (2002), calls for cross-racial alliances to advance the interests of minority groups. These interests are not adequately protected in a winner-take-all democracy.

On the other side, Louis Kaplow and Steven M. Shavell, in *Fairness Versus Welfare* (2002), criticize moral theories that stress fairness on the ground that efforts to implement these theories reduce welfare. In its criticism of influential

egalitarian theories, this book merits classification as classical liberal; but it by no means conveys a strong presumption of laissez-faire. Again, the HUP books that support classical liberalism tend to be self-consciously moderate, by contrast with the strident rhetoric that some of the leftist authors permit themselves.

In History, once again the left predominates. Edward Said, *Reflections on Exile and Other Essays* (2001), is a collection of essays by a leading literary and music critic, who was also a prominent Palestinian activist and political radical. He stressed the influence of exile on literature; feminism and imperialism are frequent themes of this collection. Robert E. Sullivan, *Macaulay: The Tragedy of Power* (2009), is a biography of the great Whig historian that paints an unsympathetic picture of nineteenth-century British classical liberalism. The book stresses Macaulay's psychological limitations and his arrogant attitude toward non-European peoples. Emma Rothschild, in her very influential *Economic Sentiments: Adam Smith, Condorcet, and the Enlightenment* (2001), is anxious to ensure that Adam Smith not be taken as a progenitor of nineteenth-century capitalism. She argues that neither Smith nor Condorcet, a thinker she views as closely related to Smith, favored economic development come-what-may. Both sought to relate the economy to human emancipation. Hui Wang, *China's New Order: Society, Politics, and Economy in Transition* (2003), views with grave misgiving the move toward a market economy in China. Wang claims that China is dominated by market extremism that seeks growth at all costs. He calls for democratic reforms to bring the market in check.

Elsewhere in the spectrum, Andrew Bacevich, a conservative who is sympathetic to a non-interventionist foreign policy, sharply criticizes American foreign policy in *American Empire* (2002). Many conservatives and classical liberals will applaud his critique, but it is worth pointing out that the contemporary left is also critical of American policy. Many leftists would find little to dissent from in Bacevich's argument. He contends that since World War II, America has been dominated by the drive for open markets, in order to promote the prosperity of American consumers. Force, if necessary, was used to secure openness. Perhaps the way for a conservative or classical liberal to increase his chances of an acceptable proposal to HUP is to choose a topic where his position converges with leftist opinion.

Philosophy continues the pattern already described. G.A. Cohen, a leading analytical Marxist philosopher, criticizes John Rawls from the left in *Rescuing Justice and Equality* (2008). Rawls's difference principle, Cohen contends, allows too much scope to inequality. Michael J. Sandel, *Public Philosophy: Essays on Morality in Politics* (2005), can find little good in the free market. Commercialism, as found, e.g., in selling expensive baseball and football seats, has undermined our shared values. Joshua Cohen, *Philosophy, Politics, Democracy: Selected Essays* (2009), argues for the primacy of democratic decision making, especially in small communities. He

strongly favors unions and involvement of employees in firm management and follows Rawls in calling for “public reason.” Property rights must be subordinated to democratic participation. Zygmunt Bauman, a former Polish communist forced into exile, in *Does Ethics Have a Chance in a World of Consumers?* (2008), strongly criticizes consumerism and globalization. He warns that modernity led to the Holocaust and views many aspects of the contemporary world with alarm.

The Philosophy books include the most resolutely classical liberal item of any item on our list, Robert Nozick’s *Invariances: The Structure of the Objective World* (2001). The book is a general survey of metaphysics, but includes one chapter on ethics. Nozick defends a libertarian morality, in which coercion is radically restricted. It needs to be borne in mind that Nozick was a world-renowned philosopher and a professor at Harvard University. It was hardly likely that the press would reject a book that he offered them.

In Political Science, we have no surprises, but an aspect of HUP policy that we have so far not dealt with emerges clearly. HUP is willing to publish books that are not only left, but extremely left. Michael Hardt and Antonio Negri, *Commonwealth* (2009), is a radical leftist proposal for a breakdown of the distinction of public and private enterprise. The authors invoke the biopolitics of Foucault to support their views. Negri was an adviser to the Italian Red Brigades and served time in prison on charges of involvement in the kidnapping and death of Italian Prime Minister Aldo Moro. To turn to the more conventional left, E. L. Doctorow, *Reporting the Universe* (2003) is a collection of essays by a popular novelist. Doctorow warns against breaches in church-state separation and the dangers of corporate influence in politics. Bruce J. Schulman, ed., *Rightward Bound: Making America Conservative in the 1970s* (2008), is a collection of essays by leftist historians on the rise of conservatism in the 1970s. The chapter title “The Invention of Family Values” gives a flavor of the book’s standpoint.

Among the non-leftist titles in Political Science is Paul E. Peterson, *Saving Schools: From Horace Mann to Virtual Learning* (2010), which discusses educational reform efforts through an analysis of six reformers, including Horace Mann, John Dewey, and Albert Shanker. Their efforts failed, Peterson contends, because they promoted school centralization. The Internet opens the possibility of personalized learning. James W. Ceasar is a prominent conservative political scientist, much influenced by Leo Strauss. In *Nature and History in American Political Development: A Debate* (2006), he argues that nature is a foundational concept in American political history. Different conceptions of nature, e.g., the one found in the Declaration of Independence and later deployed by Lincoln, have had a major impact.

As the diagram illustrates, Sociology was by far the most leftist subject area, with no less than 62 percent of the books in the “Left” category, and another 18 percent in the “Centrist leaning left” category. Evelyn Glenn, *Forced to Care: Co-*

ercion and Caregiving in America (2010) argues that care givers are devalued by denial of minimum wages, retirement, and other benefits. She draws an analogy with slavery and indentured servitude. T. Walter Herbert also paints an unflattering picture of American life. In *Sexual Violence and American Manhood* (2002), he maintains that American culture is founded in images of violence against women. The book won the endorsement of the radical feminist Andrea Dworkin. Kent W. Colton, *Housing in the Twenty-First Century: Achieving Common Ground* (2003), is a history of federal housing policy since 1949, by a former administrator of the program. The book is highly sympathetic to federal provision of housing in line with the 1949 Housing Act.

One should not imagine that professed Marxists are absent from Sociology. The distinguished analytical Marxist economist John E. Roemer, in *Racism, Xenophobia, and Distribution: Multi-Issue Politics in Advanced Democracies* (2007), argues that rightwing parties use appeals to racism and anti-immigrant sentiment as a means to put into effect economic programs that help the rich and hurt the poor. Theodor W. Adorno's *Guilt and Defense: On the Legacies of National Socialism in Post-war Germany* (2010), translated and published in English posthumously (Adorno died in 1969), is an analysis by a leading member of the Marxist Frankfurt School of public opinion in Germany in the late 1940s.

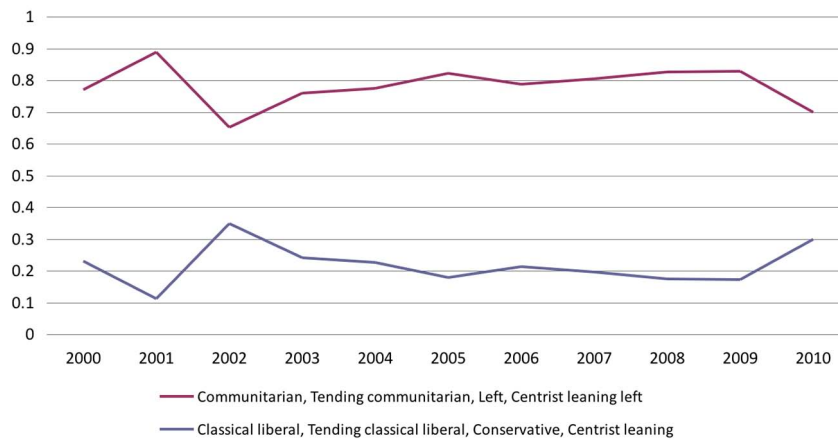
Three Sociology titles tend toward the classical liberal. Peter Schuck, *Diversity in America: Keeping Government at a Safe Distance* (2003), argues that diversity is a desirable goal, but its problems are not best managed by government. Rather, private associations and the market are best suited to resolve diversity issues. John Torpey, *Making Whole What Has Been Smashed: On Reparations Politics* (2006), is a critical examination of reparations politics, covering international trends. Torpey argues that such campaigns reflect political interests and that there is a big difference between reparations to victims and to their descendants. Reparations politics reflect pessimism about changing the future. Jennifer Lee, *Civility in the City: Blacks, Jews, and Koreans in Urban America* (2002), considers retail stores in minority neighborhoods, which are often portrayed as places in which robberies and destruction take place. Actually, they are areas of civility. It is in the interests of both customers and store owners to maintain this atmosphere.

Looking at the Data by Year

Figure 8 plots yearly data of the ideological portions, removing Centrist from the denominator. For the red line, the numerator is the year's sum of Communitarian, Tending communitarian, Left, and Centrist leaning left. For the blue line, the numerator is the year's sum of Classical liberal, Tending classical

liberal, Conservative, and Centrist leaning conservative. For both lines, the denominator is the sum of the two separate numerators, so for each year the red point and blue point add to 100 percent. Figure 8 shows that the red categories have constituted about 80 percent of those titles, while the blue have constituted about 20 percent.

Figure 8: Mirror-image proportions for Two Groups of HUP Titles, by Year, 2000-2010

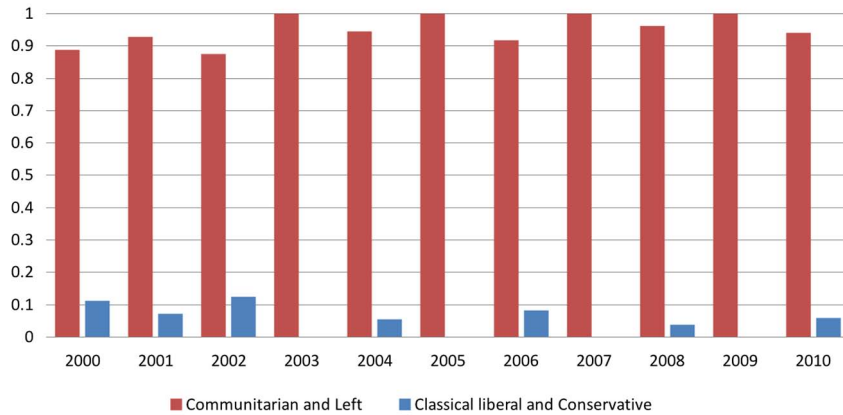


Relative portions of 78 percent to 22 percent is rather extreme, but the situation is more extreme when we also remove the four “tending” and “leaning” categories and focus only on the more definite categories, Communitarian, Left, Conservative, and Classical Liberal. Figure 9 shows portion based on the denominator of just those four categories. The red utterly dominates the blue, with a ratio of red to blue of 25 to 1. Indeed, over the entire 10+ years, there are only five Conservative titles⁷ and three Classical liberal titles.⁸

7. The five Conservative titles are as follows: Andrew J. Bacevich, *American Empire: The Realities and Consequences of U.S. Diplomacy* (2002); James W. Ceaser, *Nature and History in American Political Development: A Debate* (2006); Matthew Connelly, *Fatal Misconception: The Struggle to Control World Population* (2008); Adrian Vermeule, *Judging Under Uncertainty: An Institutional Theory of Legal Interpretation* (2006); Steven D. Smith, *The Disenchantment of Secular Discourse* (2010).

8. The three Classical liberal titles are as follows: Tyler Cowen, *What Price Fame?* (2000); Robert Nozick, *Invariances: The Structure of the Objective World* (2001); Sherwin Rosen, *Markets and Diversity* (2004).

Figure 9: Left + Communitarian versus Conservative + Classical Liberal, HUP Titles, by Year, 2000-2010



Is HUP Typical of University Presses?

The results of our survey parallel a recent study by John B. Parrott (2010) entitled “Yale University Press: Disseminating *Lux et Veritas*?”—the subtitle being Yale’s motto “light and truth.” Parrott reviews all 14 of Yale University Press’s 2009 Political Science books that YUP itself listed in the sub-categories “American government” and “American political history.” He concludes: “these books pass along the progressive viewpoint almost exclusively, with only a few that could be considered theme-neutral or classically liberal, and none that can be termed conservative-oriented” (331). Our survey of HUP is far more comprehensive and demonstrates a pronounced leftist orientation.

My impression is that many, if not most, of the prestigious university presses tilt heavily to the left. It would be useful if someone made a thorough investigation of the most prestigious university presses. Such an investigation would make a good book project—though probably not one with much chance at HUP.

Combining our investigation of HUP with some casual empiricism about other university presses, I would say there is some reason to believe that, for the 10+ years since 2000, HUP has, relative to other university presses, been more systematically leftist, and unwelcoming of conservative and classical liberal scholarship. Regarding classical liberal scholarship, I have casually made a list of works from other university presses:

Some classical liberal books from other university presses since 2000 (first edition):

Cambridge University Press: Michele Boldrin and David K. Levine, *Against Intellectual Monopoly* (2008); James R. Otteson, *Adam Smith's Marketplace of Life* (2002); James R. Otteson, *Actual Ethics* (2005); David Schmidtz, *Elements of Justice* (2006).

MIT Press: William R. Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (2001).

New York University Press: F.E. Foldvary and D.B. Klein, editors, *The Half-Life of Policy Rationales: How New Technology Affects Old Policy Issues* (2003); John E. Moser, *Right Turn: John T. Flynn and the Transformation of American Liberalism* (2005);

Oxford University Press: Jagdish Bhagwati, *In Defense of Globalization* (2004); Robert Higgs, *Depression, War and Cold War: Studies in Political Economy* (2006); Chandran Kukathas, *The Liberal Archipelago: A Theory of Diversity and Freedom* (2003); Alexander Tabarrok, editor, *Entrepreneurial Economics: Bright Ideas from the Dismal Science* (2002).

Pennsylvania State University Press: Douglas B. Rasmussen and Douglas J. DenUyl, *Norms of Liberty: A Perfectionist Basis for Non-Perfectionist Politics* (2005).

Princeton University Press: Randy E. Barnett, *Restoring the Lost Constitution; The Presumption of Liberty* (2004); Jagdish Bhagwati, *Free Trade Today* (2002); Bryan Caplan, *The Myth of the Rational Voter: Why Democracies Choose Bad Policies* (2007); Tyler Cowen, *Creative Destruction: How Globalization Is Changing the World's Cultures* (2002); David D. Friedman, *Law's Order: What Economics Has to Do with Law and Why It Matters* (2000); Douglas A. Irwin, *Free Trade Under Fire* (2002); Russell D. Roberts, *The Price of Everything: A Parable of Possibility and Prosperity* (2008); John Tomasi, *Liberalism Beyond Justice: Citizens, Society and the Boundaries of Political Theory* (2001).

Rutgers University Press: Paul H. Rubin, *Darwinian Politics: The Evolutionary Origins of Freedom* (2002).

Stanford University Press: Christopher J. Coyne, *After War: The Political Economy of Exporting Democracy* (2008); Benjamin Powell, editor, *Making Poor Nations Rich: Entrepreneurship and the Process of Economic Development* (2007).

University of Chicago Press: Gary S. Becker and Richard A. Posner, *Uncommon Sense: Economic Insights, from Marriage to Terrorism* (2010); Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F.A. Hayek* (2004); Richard A. Epstein, *Skepticism and Freedom: A Modern Case for Classical Liberalism* (2003); Deirdre N. McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006); Deirdre N. McCloskey, *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (2010).

University of Michigan Press: David T. Beito, Peter Gordon, and Alexander T. Tabarrok, eds., *The Voluntary City: Choice, Community, and Civil Society* (2002); Randall G. Holcombe, *From Liberty to Democracy: The Transformation of American Government* (2002); David M. Levy, *How the Dismal Science Got Its Name: Classical Economics and Ur-Text of Racial Politics* (2001); Sandra J. Peart and David M. Levy, *The "Vanity of the Philosopher": From Equality to Hierarchy in Post-Classical Economics* (2005); George A. Selgin, *Good Money: Birmingham Button Makers, the Royal Mint, and the Beginnings of Modern Coinage, 1775-1821* (2008).

University Press of Kentucky: Jonathan Bean, editor, *Race and Liberty in America: The Essential Reader* (2009).

University of North Carolina Press: David T. Beito, *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890-1967* (2000).

Yale University Press: Richard A. Epstein, *Overdose: How Excessive Government Regulation Stifles Pharmaceutical Innovation* (2006); Paul A. Rahe, *Soft Despotism, Democracy's Drift: Montesquieu, Rousseau, Tocqueville, and the Modern Prospect* (2009).

This listing does not mean to slight trade presses or other academic presses (Routledge, Transaction, Elsevier, Springer, etc.)—I am simply using ‘university press’ as a handy means of suggesting a comparison. For the books just listed, the classical-liberal aspect is *stronger* than for any of the HUP books that I have categorized as Classical liberal. Also, this list is “off the cuff;” I am sure that more such books could be listed. The point of the list is twofold. First, it suggests that perhaps HUP has been particularly inhospitable to classical liberal books—and surely the same goes for conservative books. Second, my point is not to say that all of the university presses preclude classical liberal and conservative scholarship; there may be pervasive systematic bias—many hundreds of university-press books are published each year—but each year the university presses do publish several books with a classical liberal outlook. HUP is probably representative of a general leftist orientation among university presses, but, also, HUP might be somewhat more extreme than many or even most of the other university presses.

Concluding Remarks

I would like to make clear that my attitude is not that scholarly books in the social sciences should be ideology-free. As I see it, ideological sensibilities and basic formulations and judgments in the moral sciences are inseparable. My complaint about HUP is not that it is ideological, but that its ideology is predominately leftist. My further purpose is to help demonstrate that a leftist bent pervades establishment academic standards of scholarly accomplishment, a situation that interlocks with the fact that classical liberals and conservatives are rather scarce in the humanities and social-science faculties, especially outside of economics. Finally, we should think about the market for the books published: Many of the books are sold to libraries and other parties that subsist in part of tax dollars.

Appendices

Appendix 1: First-pass removal of HUP titles (Excel). This file makes transparent David Gordon’s removal of books based on inspection of the title. (This file does not contain his ideological coding. For that, go to Appendix 2.) [Link](#)

Appendix 2: Final data: The 494 HUP titles with ideological coding (Excel). [Link](#)

References

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The Never to Be Forgotten Hutcheson: Excerpts from W.R. Scott

W.R. Scott¹

[LINK TO ABSTRACT](#)

Prefatory Remarks to the W.R. Scott Excerpts

By Daniel B. Klein

In 1787, the principal of the University of Glasgow wrote to Adam Smith to notify him that he had been elected to the honorific position of rector of the University. Smith's letter of reply has been reproduced often in the Smith literature:

I accept with Gratitude and Pleasure the very great honour which the University of Glasgow have done me in electing me for the ensuing year to be the Rector of that illustrious Body. No preferment could have given me so much real satisfaction. No man can owe greater obligations to a Society than I do to the University of Glasgow. They educated me, they sent me to Oxford, soon after my return to Scotland they elected me one of their own members, and afterwards preferred me to another office, to which the abilities and Virtues of the never to be forgotten Dr Hutcheson had given a superior degree of illustration. The period of thirteen years which I spent as a member of that society I remember as by far the most useful, and, therefore, as by far the happiest and most honourable period of my life; and now,

1. Adam Smith Professor of Political Economy (1915-1940), University of Glasgow, Glasgow, U.K. G12 8QQ.

after three and twenty years absence, to be remembered in so very agreeable manner by my old friends and Protectors gives me a heartfelt joy which I cannot easily express to you. (Smith, *Corr.*, 308-309)

The phrase “never to be forgotten” had also been applied to David Hume in an even more famous letter by Smith, when Hume died in 1776 (*Corr.*, 220). The phrase “never to be forgotten” does not appear elsewhere in what we have of Smith’s writings and correspondence. Indeed, Hutcheson and Hume are generally thought to have been the two greatest influences on Smith.

Frances Hutcheson was born in 1694 in the Ulster Scot part of Ireland, of a Scottish Presbyterian family. He went to Scotland to study for six years at the University of Glasgow, Gershom Carmichael being one of his professors. He returned to Ireland in 1717, and then back to Glasgow in 1730 to join the faculty, and remained until his death in 1746.

The excerpts reproduced here are about Hutcheson the man, teacher, mentor, and professor at the University of Glasgow. They are not about Hutcheson’s writings, except in that the author, William R. Scott, expounds on the differences between Hutcheson the writer and Hutcheson the human presence.

Liberty Fund, the publisher and philanthropic organization, has produced four splendid, inexpensive volumes of Hutcheson’s works ([link](#)), and put the works online ([link](#)).

The following excerpts are drawn from William Robert Scott’s book *Frances Hutcheson: His Life, Teaching and Position in the History of Philosophy* (Cambridge University Press, 1900). The text has been retyped (for which we thank Kristen Donahue), preserving Scott’s original reference style. The numbering of the footnotes is ours, as are all brackets and the words enclosed within brackets, but only what is in brackets. We have added information about W.R. Scott, following the excerpts.

[The following is excerpted from Chap. IV, “Hutcheson’s Influence as a Professor,” specifically from 62-70, 74-76.]

About the middle of October [1730] Hutcheson arrived from Dublin, bringing eighteen or twenty of his old pupils with him². Upon October 29th he subscribed the Confession of Faith, and upon the 3rd of November was admitted “in numerum magistrorum³,” being publicly admitted on the 30th. [Robert] Wodrow, whose sympathies were rather with the old school, says he was “well

2. Wodrow’s *Analecta*, IV. P. 185.

3. Glasgow Univ. Records.

spoken of"; and, writing later in December, adds that "he was much commended," especially as he did not frequent taverns, like [Robert] Simson. "That he carried himself gravely" was in part due to grief for the loss of his father and one of his children. His chief friends were the William Anderson already mentioned and John M^cLauren, a minister, whose name is remembered as brother of a celebrated Edinburgh professor, a prominent Glasgow minister, writer of tracts, and as an unsuccessful candidate for the Chair of Divinity. "In party matters," Wodrow adds, "and some politicks, as to smaller matters, it's like[ly] he will be on the side with Mr Dunlop⁴," who was Professor of Greek, and, though far from a young man, was wholly on the side of reform and progress.

Hutcheson's first step was to discipline his class, "by keeping the students to rules, catalogues, exact hours &c. wherein there is certainly a very great decay⁵," and then to organize the class work. This was altogether a new departure, as, under the Regent system, much time was spent in elementary work. Hutcheson, instead of confining himself to an oral commentary in Latin upon some scholastic textbook, inaugurated a new method of lecturing in English, and he covered the whole field of "Natural Religion, Morals, Jurisprudence, and Government," in the five daily lectures he gave each week⁶. At first, he taught Pufendorf and the "*Compend*" of his predecessor [Gershom] Carmichael⁷, but later, he delivered written lectures with many digressions and additions, which were substantially the same as the *System of Moral Philosophy*, edited after his death by [William] Leechman, and which varied little from year to year⁸. On three days each week he co-operated with his friend [Alexander] Dunlop by lecturing upon ancient ethics, thereby fostering the renaissance of the study of Greek which both had at heart, besides following the Shaftesbury precept of inculcating the excellence of the moral systems of the ancients. Though these lectures were useful to the students, they were far from gaining the approval of Hutcheson's opponents, and it is probably this side of his work that called forth the elephantine satire of Witherspoon—"Recommending virtue from the authority and examples of the heathen is not only highly proper, because they were highly virtuous, but has this manifest advantage attending it, that it is a proper way of reasoning to two quite opposite kinds of persons... It is well known there are multitudes in our islands who reckon Socrates and Plato to have been greater men than the Apostles.... Therefore let religion be constantly and uniformly called virtue, and let the heathen philosophers be set up as the great patterns and promoters of it⁹."

4. Wodrow's *Analecta*, IV. Pp. 190-1.

5. *Ibid.*

6. Leechman's *Life of Hutcheson*, p.xxxvi.

7. Wodrow's *Analecta* IV. P. 185.

8. Leechman's *Life*, p.xxxiv.

Hutcheson also held private classes, like most of the other professors, which were largely attended by “tradesmen and youths from the town”; and, on Sundays, he gave lectures on the evidences of Christianity, and, either upon Sunday night or Monday morning, he examined his class very closely on the Sermon as well as his own lecture¹⁰. These Sunday lectures followed Grotius *De Veritate Religionis Christianae*, but the subject was treated both popularly and with eloquence, so that, as no fee was charged, there was always a very large outside audience¹¹.

Not only was the lecturing in English a new departure, but Hutcheson’s whole manner was a revelation to the students. He was in the habit of walking up and down “the arena of the room” as he spoke. “Since his elocution was good and his voice and manner pleasing, he raised the attention of his hearers at all times, and, when the subject led him to enforce his moral duties and virtues, he displayed a fervent and persuasive eloquence which was irresistible¹².” Leechman, who was later his colleague and biographer, mentions that “his happy talent of speaking with ease, with propriety and spirit, rendered him one of the most masterly and engaging teachers that has appeared in our age¹³.” He did not confine himself to the mere teaching of Philosophy, but aimed at making his students moral men, in other words his work included more of the act than the science of Ethics. Here he proved himself the disciple of Shaftesbury in his enthusiasm for virtue, which led him into frequent bursts of eloquence, in praise of all that was noble and beautiful in a rightly ordered life. Thus he dealt diffusively “upon such moral considerations as are suitable to touch the heart and raise a relish for virtue,” for he regarded the “culture of the heart as a main end of all moral instruction¹⁴.” Such lectures constituted a revolution in academic teaching. In his popular mode of expression, brightening his argument with the graces of oratory, and joining to the knowledge of the Professor the fervour of the preacher. The freshness of his thought, its departure from the usual academic spirit, his eloquence and earnestness all tend to justify the wonderful hold he had upon the minds of young men. But it needed something more to explain his remarkable personal influence, and here the key-note will be found in the fact that he was a Professor-preacher, intertwining, in a double expression, two different gospels, one the claim for modern spirit, for light and culture, the enthusiasm for Benevolence and Beauty; and the other, of an artistic nature, in so far as he endeavoured to mould the plastic youth minds around him into so many living realizations of his ethical ideal. Further, in his

9. Witherspoon’s *Works*, 2nd Edition, p. 17.

10. Wodrow’s *Analecta* IV. P. 185.

11. Carlyle’s *Autobiography*, p. 70.

12. *Ibid.*

13. Leechman’s *Life of Hutcheson*, pp. xxx, xxxi.

14. *Ibid.*

lectures on the State (which gave Adam Smith an interest in Political Economy), he always insisted “with the greatest strength of argument and earnestness of persuasion” upon the then burning question of civil and religious liberty; and as most young men are Idealists, if not Radicals, in politics, one can readily credit Leechman’s statement that “few, if any, of his pupils, ever left him without favourable notions of that side of the question which he espoused and defended¹⁵.”

It will have been seen that Hutcheson’s influence as an author was felt to a large degree outside the university, and that this influence was but a faint reflex of his own personal magnetism inside the class-room. He felt that his life-work lay in the moulding of young men’s characters, and mere academic teaching was always secondary to this. “What he thought, he loved; and what he taught, he was”—indeed, one might add, what he loved, he tried not merely to teach but to *make* his students¹⁶.

This side of Hutcheson’s life-work suggests the reflection of the diversity of the world’s monuments to great men—for, without doubt, Hutcheson was a great teacher, and that in the most important and difficult sphere, the university. Possibly it would have been almost better had “he scorned the untruth of leaving books behind” him, for his works give little clue to the force of speech that gave a new horizon to the Glasgow students of his day. Such notice as he has received depends upon his positive contributions to philosophy, drawn from these very works, and yet with him theory was always secondary to practice. He was in no sense a system-builder, but rather a teacher who *preached* Philosophy, to whom a positive system was little more than a text, and, it will be seen, these texts were drawn from different sources and not always quite consistently. And while those who have come after him have given him false honour for the discovery of a “moral sense” which was not his but Shaftesbury’s, or for the foundation of a “school” which involves a historical anachronism—his life, wherein lay his power, has been overlooked, and one is inclined to charge his contemporaries with lack of taste when they speak, as one man, of his personal charm, his earnest power of conviction, and remarkable or “irresistible” oratory. Still even here, on looking deeper, there is found a strange historical compensation; and that too the stranger, because it has worked unconsciously or automatically. While posterity has neglected Hutcheson’s true claim to fame, and left him without a real monument, all the time, history, tradition, or chance has given him the monument he himself would have chosen, for the didactic element in his teaching has become and remained a characteristic of the Chairs of Moral Philosophy in the Scottish universities—a feature found nowhere else—and continues a dominant influence

15. Leechman’s *Life of Hutcheson*, p. xxxvi.

16. Martineau, *Types of Ethical Theory*, II. p. 524.

down to the present day. In all other universities, where Philosophy is taught as an Arts subject (as apart from Theology) Mental and Moral Philosophy are on an exact footing of equality; in Scotland, on the other hand, there is a tradition, now, perhaps, half obliterated by time and progress, yet still very prevalent, especially outside the universities, that there should be a difference between the teaching of the two Chairs. Mental Philosophy is more precise and scientific, while Moral Philosophy is wider in its scope, more didactic, and supposed to exert an actual ethical influence—the force of this belief is still to be noticed in the preference of Theological students for Moral Philosophy. It is little curious to think that in the long range of Scottish Professors of Moral Philosophy, after Hutcheson, however far many of them may have diverged from his system and beliefs, all have been, more or less, according to their characters and surroundings, influenced, in the form of teaching, by the lost lectures delivered over a hundred and fifty years ago at Glasgow¹⁷.

The permanence of such an ideal is a most remarkable testimony to Hutcheson's influence, which would, possibly, only have endured in the conservative atmosphere of a university—one could scarcely mention a single maxim in a state-craft of the same date that remains a motive force in modern politics. This may in part be explained by the fact that, at this time, politics were governed, in a large degree, by the two Stuart rebellions (these nearly coinciding with Hutcheson's whole connection with Glasgow), which were unsuccessful; whereas Hutcheson's teaching was one element in a change—almost an academic revolution—which was so successful that antecedent conditions are of merely historical interest.

The power of this tradition of Hutcheson's methods naturally raises the question of the value of his educational aspirations; for it would appear that the Scottish universities are beginning to emerge from the influence of this ideal of last century. Owing to the empiricism of universities even yet, it is exceedingly difficult to give any definite answer. Is the ideal of a university to turn out morally good men, or intellectually strong men or is one a consequence of the other? Hutcheson's whole life was an eloquent defence of the first alternative, and, if modern higher education is to contain any didactic elements, these find a place most readily in the teaching of Moral Philosophy. Upon the other hand, it must be remembered, that since Hutcheson's day Modern Philosophy has been practically reborn, and that the limited time at the Professor's disposal, as well as the more minute analysis and greater technicality of the more important systems, practically

17. A recent instance of Hutcheson's enduring influence in Scotland may be noted in the tribute to his memory by Prof. James Seth in his Inaugural Lecture, Oct. 21, 1898, *The Scottish Contribution to Moral Philosophy*, pp. 7-17.

force the teacher to recognize, that entering upon didactic details is liable to involve a certain superficiality of treatment, and that, if “the heart is cultivated,” the head is likely to suffer. It will be seen, too, in the sequel that Hutcheson had certain ecclesiastical ends in view, and this throws some light upon the difficulty. In that contemplation of the wise, in the heavens, teaching such as Hutcheson’s would find its fittest place as an adjunct to the Theological School or College, where its eloquence and earnestness would be both of moral and educational value, while the more scientific exposition of the subject would be the proper care of the Arts Chair. At the same time, whatever may be the opinion formed upon methods of teaching Moral Philosophy, there can be little doubt that it is to Hutcheson’s, and the general acceptance of it, under different modifications, as applies to different subjects, that Scotland owes the peculiar clearness and finish of generality of the university lectures, which distinguish them from the professorial or tutorial teaching of other universities; and it was thus peculiarly appropriate that Hutcheson’s arrival at Glasgow almost coincided with the conversion of the “regents” into professors, for it was the standard he set as a lecturer, that made the paper change a really effective one.

Quite apart from Hutcheson’s activity in the class-room was another and even more important side of his work in the university or rather in the College. Complaints had often been made of the aloofness of the professors¹⁸. Hutcheson immediately set himself to remedy this. “He did not confine himself to the pupils immediately under his care, but laid himself out to be useful to the students of all the different faculties, whenever any opportunity offered: and he was especially solicitous to be serviceable to the students of Divinity, endeavoring, among other important instructions, to give them just notions of the main design of preaching¹⁹.” Not only did he take an active interest in the students, but he met them outside the class-room in a friendly spirit. His kindness of heart and freedom from false pride is shown by an anecdote of [Alexander] Carlyle, who was a student of Divinity in 1743-4. “Not long afterwards,” he writes, “I had certain proof of the candour and gentleness of this eminent Professor; for, when I had delivered a discourse in the Divinity Hall, it happened to please the Professor (Leechman) so much that Hutcheson wished to see it. When he read it he returned it with unqualified applause, though it contained some things which a jealous mind might have interpreted as an attack upon his favorite doctrine of a moral sense²⁰.” It was not only by advice and conversation that he aided students, but also, having since his father’s death a considerable private income, by more material help; to some

18. *A short account of the late Treatment of the Students of the University of Glasgow*, Dublin, 1722.

19. Leechman’s *Life of Hutcheson*, p. xxxviii.

20. Carlyle’s *Autobiography*, p. 101.

students who needed it, he gave money delicately, and admitted many others to his classes without requiring the usual fees²¹.

One can readily understand that he had a warm corner in his heart for students who had come like himself from Ireland, especially as some of these were relatives of his friends. These Irish students, so far from home—as far in time, then, as the American student in Europe is now—were subject to many temptations. A moderator of Synod of Ulster and graduate of Glasgow University sums up their position as follows: “They are left with little check or controul over them; they seldom brought letters of introduction; they had no acquaintance, and they kept almost entirely to themselves; even, in the Divinity Hall, they generally sat, in a back place, by themselves, and formed little acquaintance with the other students. Besides what they did there was unknown to their parents and guardians here; and, from what I have heard, I have no doubt that many of them fall into practices very dangerous to them²².” Many of the Professors used to dread the high spirits of the Irish students, who, less under restraint than the rest, seemed to have endeavored to shock the sober people of Glasgow. Reid always spoke of them as “the wild Irish teagues.” Hutcheson himself complains that “our countrymen very generally have such an affection of being men and gentlemen immediately and of despising everything in Scotland, that they neglect a great deal of good, wise instruction they might have here. I am truly mortified with a vanity and foppery prevailing among our countrymen, beyond what I see in others; and a sauntering forsooth which makes them incapable of any hearty drudgery at books. We have five or six young gentlemen, from Edinburgh, men of fortune and fine genius, at my class, and studying law. Our Irishmen thought them poor book-worms; and indeed they dreaded contracting acquaintance with Blackwood²³ and Haliday²⁴ in particular.”

Hutcheson acted as a banker, friend and guardian to all these youths, encouraging one or admonishing another. [...]

[...]

It will have been seen from Hutcheson’s efforts in this single instance that he was not merely a brilliant, enthusiastic lecturer, but the earnest and far-seeing friend of the student outside the class-room. Either side of his character would have won him the respect, which the Scotch student always yields unsparingly to his Professor, but both together made him venerated by the young men throughout the University. The ideal of life he showed them was such that “they panted to

21. Leechman’s *Life of Hutcheson*, p. xxvi.

22. *Christian Moderator*, II. p. 264.

23. Sir John Blackwood of Ballyleady, Co. Down.

24. A son of Haliday, a non-subscribing minister in Belfast, who had been senior colleague of Drennan, Hutcheson’s assistant in Dublin, to whom this letter is written.

be what they beheld²⁵.” “He spread such an ardour of knowledge,” Leechman says, “and such a spirit of enquiry everywhere around him, that the conversation of the students at their social walks and visits turned upon subjects of learning and taste, and contributed greatly to carry them forward in the most valuable pursuits²⁶.” When the impression he made was so powerful, it is little wonder that “students, advanced in years and knowledge,” paid him the remarkable tribute of attending his lectures four, five, or even six sessions²⁷.” Adam Smith, who attended his class in 1740, spoke of him as “the never to be forgotten Hutcheson.” Dugald Stewart sums up the impression of his work in the following passage: “Those who have derived their knowledge of Dr Hutcheson solely from his publications may perhaps be inclined to dispute the propriety of the epithet ‘eloquent,’ when applied to any of his compositions; more particularly when applied to the *System of Moral Philosophy*, which was published after his death, as the substance of his lectured in the University of Glasgow. His talents, however, as a public speaker must have been of a far higher order than what he has displayed as a writer; all his pupils whom I have happened to meet with (some of them, certainly, very competent judges) having agreed exactly with each other in their accounts of the extraordinary impression which they [i.e., Hutcheson’s talents] made on the minds of his hearers. I have mentioned, in the text, Mr. Smith as one of his warmest admirers; and to *his* name I shall take this opportunity of adding those of the late Earl of Selkirk, the late Lord President Miller, the late Dr Archibald Maclaine, the very learned and judicious translator of *Mosheim’s Ecclesiastical History*. My father²⁸, too, who had attended Dr Hutcheson’s Lectures, never spoke of them without much sensibility... His great and deserved fame in this country rests now chiefly on the traditionary history of his academical lectures, which appear to have contributed very powerfully to diffuse in Scotland that taste for analytical discussion and that spirit of liberal enquiry, to which the world is indebted for some of the most valuable productions of the eighteenth century²⁹.” Ramsay of Ochertyre says that “long after his death I have heard orthodox useful ministers, who spoke of their old Professor with enthusiastic veneration³⁰.” A more powerful testimony than any of these occurs in a tract, written as late as 1772—thirty-six years after Hutcheson’s death—expressly to discredit the methods of teaching at Glasgow. Amidst universal censure the writer is constrained to speak in high terms of “this illustrious teacher of morality, himself a

25. Leechman, *Life of Hutcheson*, p. xxxiii.

26. *Ibid.*, p. xxxvii.

27. *Ibid.*, p. xxxiii.

28. Dr Matthew Stewart, Professor of Mathematics at Edinburgh.

29. Smith’s Works, Ed. Stewart, v. pp. 523-5, Note B.

30. *Scotland and Scotsmen*, I. p. 276.

perfect and ready master of Greek and Latin. He introduced or revived a high taste for Classical learning in this place, and, while he lived, he kept it alive. If ever a professor had the art of communicating knowledge and of raising an esteem and desire of it in the minds of his scholars; if ever one had the magical power to inspire the noblest sentiments and to warm the hearts of youth with an admiration and love of virtue; if ever one had the art to create an esteem for Liberty and contempt for tyranny and tyrants, he was the man! What a pity was it, that, for three or four months a year, such superior talents should have been thrown away on metaphysical and fruitless disputations! When these were got over, how delightful and edifying it was to hear him³¹!”

[The following is excerpted from Chap. VIII, “Hellenic and Philanthropic Ideals,” specifically from 146-48.]

The whole tenour of Hutcheson’s life produces a vivid impression of the power of his personality. He was one of the rare spirits who exercise a gracious influence over those they meet. His ideal of life was high and his exposition of it, alike by word and deed, made both friends and students desirous of following his example. In Scotland he introduced—or rather revived—a spirit of culture and broadmindedness, and at the same time his own character was a living exemplar of lofty aims and noble aspirations. Therefore it is, that a distinct and definite influence is traceable to his personal magnetism, beyond that of most other thinkers and writers. The word that was spoken and, at the same time, *lived*, was the true vehicle in which he clothed his ideal; and, to this, his writings were of merely secondary importance. What he wrote seems to have an accidental character. All his works are mere *obiter dicta*, some “hastily written and published without his knowledge,” and others—such as the *System and Compendium Logicae*—he does not appear to have considered worthy of publication. With him Philosophy was essentially *living* and organic, it was an enthusiasm for the ideal, and as such was always active expression and endeavor, always free and fresh, and not to be stereotyped in the printed book. In fact, he shared with Shaftesbury the Stoic conception of Philosophy as the “Art of Life”; and under the analogy of the arts, which so powerfully dominated the outlook of both, Hutcheson recognized that Philosophy, being an art, cannot be taught, and all that can be done is to show right examples. Just as Esthetic culture grows out of the study of masterpieces, so he endeavoured to “teach morality,” by exhibiting a gallery of the world’s heroes, giving in place of a metaphysic of ethics, a cult of hero-worship. In this his quick

31. *The Defects of an University Education*, London, 1772, p. 9.

sympathy with what was noble made his subject near and living, while his eloquence fired the imagination of all who came in contact with him. Thus he understood teaching—partly, from his general position, as culture by familiarity with the most perfect originals; partly, perhaps, through a personal peculiarity, he needed an actual audience. The “reading public” was too vague and also too cold to fire his enthusiasm as a writer, and, therefore, from all that one can gather, his books are merely skeleton outlines of his real teaching. It was the power of this personal teaching that made his fame in Scotland, and that left permanent traces upon the education and thought of the country. Such an influence is difficult, if not impossible, to deal with. It remains apart from the books written by the man who exerts it; from contemporary evidence it is recognized as real at the time, yet in looking back from an interval it will be found to have been absorbed and assimilated, so that but few instances of its existence can be isolated and exhibited. How this influence operated, and how Hutcheson himself so lived to make his life his strongest argument, may perhaps be faintly gathered from the account already given of the main facts of his various activities; and it is to be regretted that the information available still leaves the data all too scanty.

Though Hutcheson’s literary expression of his views was altogether secondary to the purely personal one, still it exerted a considerable power outside the more favoured circle that he addressed by word of mouth—just as the sermons of a great preacher carry weight primarily as delivered, with all the power of oratory and religious accessories of time and place, and secondarily as printed in book form. Such a comparison too may be less inapt, when it is remembered that Hutcheson was, before all else, a preacher of morals, or as he himself would have said, of philosophy. This aspect of his character forces a comparison, or rather a contrast, between his writings and those of his greater contemporary, Butler. Hutcheson, nominally a professor, was in reality a preacher in the University; and it was in this character that his influence was most widely felt; while that of his books was of less importance. Butler, on the other hand, though a preacher by profession, has exerted a vastly greater power by his writings than by his *Sermons* as actually delivered—Hutcheson’s influence in fact passed directly into men; Butler’s remained in his books.

[The following is excerpted from “Conclusion,” pp. 285-88.]

Hutcheson’s strength lay in his personality. He was a preacher, not a system builder. His personal magnetism and method of lecturing were his main influences. The first brought him his audience, the second taught it. Shaftesbury had enlightened the Upper Classes in England; through Hutcheson the same

movement extended from the University to the masses. Thus Philosophy was brought home to the people and formed a part of the culture of every educated man. That Hutcheson was a Philosopher of the Enlightenment constitutes his chief claim upon posterity. This single title unites his liberalizing influence in the University, his efforts towards a higher standard of culture amongst the clergy, and his eclectically popular type of thought. These characteristics centre round and gain impetus from the magnetism of his character and fascinating personality. He not only popularized Philosophy but made it attractive—indeed to the stern Calvinistic spirit of his time it appeared that he made right living too alluring and that rectitude manifesting itself “in a lovely form” was a dangerous concession to human weakness. But the popularization of abstract thought by an uninteresting person is far from stimulating. Research, however rude or repellant in expression, possesses a certain charm as bringing with it contact with the library or laboratory. The writer, in this case, holds the reader at his mercy, and the latter must bear with vices of style as the price to be paid for the fruition of the discoveries they record. The lecturer or writer, who endeavours to popularize his subject, occupies a totally different position. The bait he must offer to attract an audience is to be interesting. All contemporary evidence points to the fact that Hutcheson succeeded in this, both personally and as a lecturer. So much so indeed that he impressed his ideal of the teaching of Moral Philosophy upon the Scottish Universities and, strange to say, it has persisted almost down to the present.

The didactic element in Hutcheson’s lectures cannot be too strongly insisted upon. His aim was not to give his students a system of morality which would bear the searchlight of keen logical scrutiny, but rather to saturate them with a code of ethics, by which they could live—or, if need be, die by. In his own words he aimed at “touching the heart” and raising “an enthusiasm for the cause of virtue.” Thus he never intended, in all probability, to systematise his indebtedness to his predecessors, in fact his borrowings were rather texts adopted for special occasions³². He was the sworn foe of every degraded or degrading estimate of human nature, and, like any man of generous and impulsive temperament, seeing a wrong done to humanity, he snatched at the first weapon that came to his hand. So, when Mandeville obliterated the line dividing right from wrong, he caught at the Platonic and Stoic arguments as well as the vague Hellenic impressions of Shaftesbury. To expect consistency under these conditions is to misconceive the circumstances and the man. Enthusiasm sweeps beyond the bounds of the logical syllogism, and enthusiasm was Hutcheson’s goal. If the expression may be used,

32. It has been shown that Leechman actually endeavoured to supply a methodology for Eclectic procedure in his Synod Sermon. If he was indebted to Hutcheson for material, the sentence quoted (p. 87) would constitute Hutcheson’s own justification of his method.

he was an *artistic* lecturer, whose whole attention was concentrated upon the result, not upon the logical steps by which it was attained. In fine, to repeat a word used by Shaftesbury, he was primarily a “maker” of moral men, not a constructive thinker.

This very weakness of thought, when compared with the greater systems, was precisely his strength in his own day when reinforced by a personal charm and moral earnestness, such as his. Neither the time nor the country was ripe for a thoroughly consistent and coherent system. If this statement be questioned, it is only necessary to refer to the chilling reception given to Hume’s *Treatise*, even after the way had been prepared by Hutcheson. Just as Shaftesbury’s mission was to make Art indigenous in England, so it was Hutcheson’s to make Philosophy indigenous in Scotland. How much greater success attended his efforts as compared with those of Shaftesbury may be gathered from a comparison of modern British Art and Philosophy. Thus, in fact, Hutcheson is a prominent figure in the renaissance of speculative enquiry in Scotland; and, to his honour be it recorded, that this “taste,” which does not appear in his list of senses, has remained more permanent than any of the others—it has even been asserted to be “natural” to the Scottish character³³.

To foster the taste for Philosophy was Hutcheson’s main work. It would be unreasonable to expect that he also created a Philosophy. On the contrary, he did something better under the peculiar circumstances. By compiling an anthology of the “golden thoughts,” both of ancient and modern Philosophy, he left his successors a legacy, which contained much that was best in past thought, and thereby forced them to enter upon their work in continuity with ancient speculation. Indeed, instead of starting the new impetus of thought in Scotland, as has been too often represented, upon a provincial basis, his aim was exactly the opposite; and, as a matter of fact, solely through his exertions and his eclectic teaching, the material he provided was more cosmopolitan than the similar work undertaken later in Germany and France—or indeed than any other last century [i.e. the eighteenth century].

When thoroughly realized, this achievement is a greater one than any of those with which Hutcheson’s name is generally associated. He possessed unique gifts—not those of a system builder—which made a fresh departure in British thought possible. For this he prepared the way. He gathered very many seeds, from practically unknown granaries of thought, and sowed them broadcast, only caring that they should germinate and that the crop should be luxuriant. To winnow the harvest and divide the wheat from the tares, the useful from the merely ornamental, was the work he bequeathed to his successors.

33. Mackintosh *Dissertation*, p. 207, note.

About the Author

William R. Scott (1868-1940) earned his M.A. at Trinity College, Dublin and D.Phil at St. Andrews. He taught at St. Andrews beginning 1896 and from 1900 to 1915 as Lecturer in Political Economy, and then moved to Glasgow to become the Adam Smith Professor of Political Economy (1915-1940). In 1940 J.H. Clapham (*Economic Journal* 50: 347-51) wrote: "By the quite unexpected death of W. R. Scott in his seventy-second year, the Royal Economic Society loses an Ex-President and a Vice-President, the Economic History Society its President, Glasgow the Adam Smith Professor, the British Academy its Treasurer, several other societies a high and valued officer, and his friends one whose sheer goodness and integrity of character were as conspicuous as his learning, his industry and his public spirit. ... Scott wrote the most massive book of research in economic history of our time. ... the three big, packed volumes of *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720* (1910-12). Manuscripts of all sorts and widely scattered, a most impressive multitude of pamphlets and early newspapers, with all the usual historians' sources, were used ... His *Adam Smith as Student and Professor* (1937) contained ... biographical detail of many sorts, with new evidence on the growth of Smith's thought ... I have spoken of his modesty and his goodness. To watch Scott at work with some difficult character was a lesson in patience and applied morality ... He was deeply affectionate; had the strongest family feeling and for many years a home life that was above every other thing to him."

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