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# The Welfare State and Moral Sentiments: A Smith-Hayek Critique of the Evolutionary Left

Harrison Searles<sup>1</sup>

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In “Reciprocity and the Welfare State,” Christina Fong, Samuel Bowles, and Herbert Gintis (2005) cite Friedrich Hayek in support of their claims about the relation between the ancestral band and the welfare state, but they completely omit any engagement of Hayek’s criticism of the social-democratic welfare state as atavistic. That moment in their work epitomizes something occurring in a major new line of literature, namely that they fail to consider how the social instincts that enabled cooperation in those ancestral bands interact with modern conditions. Here I develop the present article as a comment on Fong, Bowles, and Gintis (2005), and I also exploit the occasion to comment more generally on the big problem I see in what is otherwise a welcome and exciting new line of literature.

Fong, Bowles, and Gintis begin by declaring that “The modern welfare state is a remarkable human achievement” (2005, 277). The first paragraph concludes as follows: “The modern welfare state is thus the most significant case in human history of a voluntary egalitarian redistribution of income among total strangers. What accounts for its popular support?” The answer they provide is that the welfare state engages human instincts. Fong, Bowles, and Gintis are not the only theorists to draw a connection between our band ancestry and how modern society should be organized. Frans de Waal advances similar ideas about the role of empathy in the modern welfare state in *The Age of Empathy* (de Waal 2009, 37), and Peter Singer wrote a little book along those lines titled *A Darwinian Left* (Singer

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2000, 60–63). Many related works, from Elliott Sober and David Sloan Wilson’s *Unto Others* (1998) to Bowles and Gintis’s *A Cooperative Species* (2011) to Christopher Boehm’s *Moral Origins* (2012), draw on the principle of sympathy that Adam Smith explored in *The Theory of Moral Sentiments*. Thus we see growing interest in the claim that the welfare state can channel the beneficent aptitudes of human nature. But, I argue here, such claim fails to appreciate that those aptitudes are unsuited to the complex commercial societies within which today’s welfare states exist.

Smith held that humankind is, by nature, a sympathetic species with an innate aptitude for beneficence. That aptitude, we now know, finds its biological origins in the specific context of the ancestral hunting-gathering bands in which *Homo sapiens* evolved. In *The Descent of Man*, Charles Darwin recognized how sympathy formed the social instincts that made possible sustained interactions. More recently, biologists and others, including the aforementioned authors de Waal, Sober, Wilson, Bowles, and Gintis, as well as figures such as Edward O. Wilson and Alexander J. Field, have echoed Darwin’s message that sympathy and the aptitude for beneficence are part of humanity’s biological patrimony. Hayek, too, expounded that idea (Hayek 1967; 1976; 1978a; 1979; 1988). Hayek recognized how human society has changed greatly from the conditions of those original bands. The gradient of benevolence—the phenomenon making it more difficult for people to sympathize with each other as social distance grows larger—has been an important factor shifting society’s mode of coordination away from shared goals to shared rules. Cultural evolution has changed society greatly, but our aptitude for beneficence is still a product of biological evolution and therefore reflects yearnings bred into humanity from life (and death) in hunting-gathering bands.

Limitations of knowledge, sympathy, and accountability limit our ability to turn benevolence into beneficence. Nonetheless, an important reason why the welfare state has been so successful politically is that it resonates with its citizens’ primeval desires and instincts for imagined collectively coordinated beneficence, or encompassing cooperation. People might say that they support the welfare state because of the sympathy they hold for those in their society, yet that sympathy doesn’t translate into beneficent outcomes at the level of a complex society because the welfare state exists at a level at which sympathy can no longer coordinate human action. The desire for a beneficent welfare state is, in effect, an atavism, that is, a no-longer-apt assertion of something from a simpler age. Hayek’s atavism interpretation of modern politics has been supported or supplemented by several sympathetic researchers (e.g., Zywicki 2000; Rubin 2002; 2003; Rubin and Gick 2005; Whitman 2005; Klein 2005; 2010; Klein et al. 2015; Lucas 2010; Otteson 2012). We shall see that Fong, Bowles, and Gintis (2005) explicitly cite Hayek—and I commend them for doing so.

In this paper I start with Smith's insights about moral sentiments and argue that they dovetail, not with large-scale welfare statism, but with Hayek's criticism of just that. Thus, Smith does not provide a good basis for the evolutionary left. I develop ideas from Smith and Hayek to insist that those who explore connections between the band ancestry of sympathy and solidarity and the modern appeal and politics of the welfare state must face up to and engage the contention that the latter is atavistic.

## **The gradient of benevolence: Constraining the aptitude for sympathy**

Beneficence, understood as free acts of charity, friendship, love, and the like, is a fruit of our sympathy in society. It is certainly not the only fruit, but it is the one perhaps most becoming to a humane spirit. Although benevolence may be universal in its scope, sympathy is limited by human nature. The gradient of benevolence describes that limitation. Even though human beings may have aptitudes for beneficence, sympathy—which depends on knowledge and focal points—cannot provide the necessary impetus to coordinate a complex society. Instead, shared rules have evolved to enable people to live peacefully and prosperously in such societies.

Sympathy is a fundamental motivation impelling human beings to acts of beneficence. In the beginning of *The Theory of Moral Sentiments*, Smith writes about how a spectator has sympathy—a word he used with modern senses of both 'empathy' and 'sympathy' mixed in—for a victim on the rack because of that spectator's ability to imagine himself in the place of the victim, upon that terrible machine, suffering from the same tortures:

By the imagination we place ourselves in his situation, we conceive ourselves enduring all the same torments, we enter as it were into his body, and become in some measure the same person with him, and thence form some idea of his sensations, and even feel something which, though weaker in degree, is not altogether unlike them. (Smith 1790, I.i.1.2)

Smith argued that we sympathize with other people by imagining ourselves to be in the situation suffered by another person:

That this is the source of our fellow-feeling for the misery of others, that it is by changing places in fancy with the sufferer, that we come

either to conceive or to be affected by what he feels, may be demonstrated by many obvious observations, if it should not be thought sufficiently evident of itself. (Smith 1790, I.i.1.3)

Sympathy provides connections between people by making them interested in one another's fortunes. The spectator's sympathy for the person on the rack is an impetus that could lead him to beneficence, and to unite himself in cooperation with the person on the rack. Sympathy is therefore a basic motivation causing people to come together in solidarity.

Sympathy isn't perfect, nor is it comprehensive. Sympathy relies on the human imagination, but it isn't always possible for people to imagine themselves in other people's situations. For one thing, a person often has little knowledge or understanding of the situation of another; he may have very little capability of really being a spectator of another. Furthermore, effective sympathy depends on focal points, upon which a sequence of benevolent efforts is mutually coordinated.

A spectator's imagination of another person's situation shall always be inferior to his awareness of his own pleasure and pain. Smith argues this point in the first chapter of *The Theory of Moral Sentiments*:

Mankind, though naturally sympathetic, never conceive, for what has befallen another, that degree of passion which naturally animates the person principally concerned. That imaginary change of situation, upon which their sympathy is founded, is but momentary. The thought of their own safety, the thought that they themselves are not really the sufferers, continually intrudes itself upon them; and though it does not hinder them from conceiving a passion somewhat analogous to what is felt by the sufferer, hinders them from conceiving any thing that approaches to the same degree of violence. (Smith 1790, I.i.4.7)

Smith repeats the same consideration in the book's sixth part:

Every man feels his own pleasures and his own pains more sensibly than those of other people. The former are the original sensations; the latter the reflected or sympathetic images of those sensations. The former may be said to be the substance; the latter the shadow. (Smith 1790, VI.ii.1.1)

In a simple society, or in the simpler orders nested within a complex society, sympathy will be a potent force in large part because people will live in similar circumstances. Those shared circumstances allow the spectator to use his local knowledge of his own situation to enter into another person's situation.

As it becomes more difficult for people to sympathize with one another, it becomes ever more difficult for sympathy to create connections that can lead to effective beneficence. Larry Arnhart touches on the concept when he writes of Smith's idea, itself of ancient Stoic origin, of a "naturally expanding circle of human care" (Arnhart 2015, 4). Sandra Peart and David Levy (2005, 186ff.) speak of the "sympathetic gradient," which can also be seen as a gradient of benevolence. Such gradient emerges out of the fading of the sympathetic faculties, the further they are extended. Smith describes the gradient of benevolence, without calling it that, in *The Theory of Moral Sentiments*, part VI, section II: "Of the Character of the Individual, so far as it can affect the Happiness of other People." Earlier in the work he anticipates that discussion with his famous paragraph about a man of humanity in Europe's reaction to an earthquake in China. Though he had no connection with China, the man of humanity would experience some melancholy if he were to receive the news that all of the empire of China had been destroyed by an earthquake:

He would, I imagine, first of all, express very strongly his sorrow for the misfortune of that unhappy people, he would make many melancholy reflections upon the precariousness of human life, and the vanity of all the labours of man, which could thus be annihilated in a moment. He would too, perhaps, if he was a man of speculation, enter into many reasonings concerning the effects which this disaster might produce upon the commerce of Europe, and the trade and business of the world in general. And when all this fine philosophy was over, when all these humane sentiments had been once fairly expressed, he would pursue his business or his pleasure, take his repose or his diversion, with the same ease and tranquillity, as if no such accident had happened. (Smith 1790, III.3.4)

Upon receiving the news, the man of humanity in Europe, motivated by his sympathy with the Chinese people's plight, would go on to speak with great sadness about the earthquake. Perhaps he would be eloquent in expressing his sentiments. But the great distance would keep him in a passive relation, unable to turn his sympathy into beneficence.

With his beneficence for the Chinese limited by his ability to act on his sympathy for them, the man of humanity's imagination is bound to turn to what is most concrete and vivid to him: His own circumstances. To emphasize how people are foremost interested in their own situation, Smith contrasts the rather fleeting distress the man of humanity felt over the news of the earthquake with the distress he would feel over the imminent loss of his own little finger. Whereas he had slept

without a care the night after learning of the far-off earthquake, he would now be wracked with anxiety:

The most frivolous disaster which could befall himself would occasion a more real disturbance. If he was to lose his little finger to-morrow, he would not sleep to-night; but, provided he never saw them, he will snore with the most profound security over the ruin of a hundred millions of his brethren, and the destruction of that immense multitude seems plainly an object less interesting to him, than this paltry misfortune of his own. (Smith 1790, III.3.4)

Like almost all of his fellow species, humane or otherwise, the man in Europe is most concerned with those situations that most vividly impact his imagination. Whether it may be preserving his own health or feeding his own family, those are the situations closest to his own heart. At the end of the day, though he is horrified at the thought of an earthquake swallowing China, the man of humanity in Europe is ultimately more *disturbed* at the imminent loss of something close to him, such his own little finger. In passivity, the little finger looms larger than the earthquake.

The man of humanity's response to the earthquake in China could lead a spectator, otherwise unacquainted with human nature, to believe that he was a maliciously egocentric person. After describing the nature of his sentiments in the thought experiment about the far-off earthquake, Smith goes on to offer a second thought experiment, one in which the man now has moral agency: By some unexplained fantastical mechanism, the man of humanity may now spare his little finger by causing an earthquake in China:

To prevent, therefore, this paltry misfortune to himself, would a man of humanity be willing to sacrifice the lives of a hundred millions of his brethren, provided he had never seen them? (Smith 1790, III.3.4)

Smith continues:

Human nature startles with horror at the thought, and the world, in its greatest depravity and corruption, never produced such a villain as could be capable of entertaining it. (ibid.)

Now, in agency, the earthquake looms larger than the little finger.

Even Smith, certainly a man who sees no harm in moderate self-love, is led to question why there is such a discrepancy between our animated action and our passive emotions:



When our passive feelings are almost always so sordid and so selfish, how comes it that our active principles should often be so generous and so noble? When we are always so much more deeply affected by whatever concerns ourselves, than by whatever concerns other men; what is it which prompts the generous, upon all occasions, and the mean upon many, to sacrifice their own interests to the greater interests of others? (Smith 1790, III.3.4)

Smith answers his own question with the man in the breast. In agency the man sacrifices his pinky because otherwise he would suffer the condemnation of the man in the breast. The man in the breast impels duty to abide by certain principles, by certain *general rules*. In the circumstances posited by Smith, that the man was to lose his little finger but somehow could prevent that by bringing on the earthquake, the applicable general rule might be the injunction that he should never harm another for his own gain. On a modified circumstance, that the earthquake were to occur unless the man should step up and sacrifice his little finger, the general rule might be “that the many should be preferred to the one” (Smith 1790, II.ii.3.11).

Smith’s remarks about the sordid and selfish nature of our passive emotions are significant for understanding sympathy’s role a complex society. Everyone may very well be the center of his own world, yet that doesn’t mean that everyone is sordidly selfish, willing to sacrifice other people’s well-being for his own betterment. After all, with agency the man of humanity would sacrifice his little finger. Smith has illustrated that “our active principles” are often “so generous and so noble” (1790, III.3.4). But without the power to turn his sympathy into beneficence, without a position to exercise his active principles, the man of humanity’s mind wanders to what leaves the most vivid impressions upon his imagination, and that is his own circumstances.

The man of humanity’s response to the far-off earthquake illustrates that, while the human race may have an aptitude for beneficence, that aptitude flourishes with genuine agency. Just like anything else with human behavior, beneficence faces certain constraints, and the gradient of benevolence is foremost among those constraints. Smith himself concluded that even if benevolence may be limitless in scope, benevolence can only lead to beneficence if the spectator in question can act and has the knowledge to actually help the situation:

Though our effectual good offices can very seldom be extended to any wider society than that of our own country; our good-will is circumscribed by no boundary, but may embrace the immensity of the universe. (Smith 1790, VI.ii.3.1)

Without the ability to cooperate with those suffering because of the cataclysm in China, the man of humanity simply goes on his way and pursues the concerns close to his own heart. Today a man of humanity would be able to donate money to help a large charity provide aid for those in China, but to be effective even that act of beneficence requires that there be other people with the ability and the knowledge to use his charity to help the Chinese victims.

To say that sympathy is limited, though, is to not say that it is necessarily ineffectual, nor is it to say that it isn't an important motivating force in society. Sympathy creates very meaningful connections in the daily life of people the world over. It may be by the butcher, the baker, and the brewer's interest in honest income that their customers get their dinner, but, for just one vital instance of effective sympathy we can point to the reliance of children on the beneficence of their parents or other caretakers. Nobody can really doubt that sympathy can lead to effective beneficence within local circumstances, such as each person's family, as long as people can coordinate around pull-together efforts. As pull-together efforts diminish in importance, people are less able to unite in shared goals, and so their sympathy is less likely to lead to effective beneficence.

Where sympathy has failed, voluntary exchange has been able to ensure that people's interests tend to be harmonious and that what is good for Jack is also good for Jill. The institutions of the commercial society coordinate the plans of the people, without the need for beneficent motivations (Field 2004, 109–112). The institutions of civil society, on the other hand, need to put people in an position to act upon their sympathy. Even while the man of humanity is a man of humanity, a spectator would not know that from how he reacted in passivity. Although his concern for his own little finger may seem sordid, that very same concern for what is tangible around him shall guide him to great acts of beneficence in the communities that surround him, where he can act upon the sympathy he feels for others, and with effect.

In modern societies, people are put in positions of indolent benevolence much like that of the man of humanity when he had learned of the far-off earthquake. As society has increased in complexity, an ever wider variety of simple orders have become nested within their wider orders, and that greater complexity has reduced the scope of shared goals as reliable ways of coordinating activities. Whereas ancestral hunting-gathering societies relied on solidarity and pull-together efforts to coordinate the intentions of their members, the modern commercial society relies less on shared goals than on shared *rules*, such as commutative justice and the pursuit of honest income. To those within it, society has become much wider than simply a collection of several families. The semi-biological connections defining a band have been replaced by ever more abstract rules-based connections (Popper 1966, 173–175). The problem facing those complex societies isn't the

hunter-gatherer's problem of eking out a living on East Africa's savanna or New Guinea's highlands. The problem facing those complex societies is ensuring that strangers can live in harmony with one another.

Laws are the most important of the shared rules unifying complex societies. In *The Origins of Political Order*, Francis Fukuyama defines the law as "a body of abstract rules of justice that bind a community" (2011, 246). As open protocols enabling cooperation between strangers, laws have enabled people from different background to interact, knowing that they will be treated as equals before the law (Shermer 2008, 200–203). An important difference between beneficence and commutative justice is that while beneficence prompts the gratitude of others, no one deserves gratitude from simply following the law. "Mere justice," Smith explains, meaning commutative justice, "is, upon most occasions, but a negative virtue, and only hinders us from hurting our neighbour. The man who barely abstains from violating either the person, or the estate, or the reputation of his neighbours, has surely very little positive merit" (1790, II.ii.1.9). As the complexity of society has increased, our ability to directly help those outside of our own little platoons in society has diminished, with the result that the order of such societies is created more by shared rules than by shared goals.<sup>2</sup>

The welfare state is clearly not a band, yet de Waal seems to suggest otherwise. In *The Age of Empathy: Nature's Lessons for a Kinder Society*, he writes about society taking care of steelworker Steve Skvara after the factory he worked at closed: "In the same way that Skvara felt an obligation to his wife, society ought to feel an obligation toward him after a lifetime of hard work" (de Waal 2009, 37). Singer expresses a similar mindset in *A Darwinian Left* when he writes: "If we shrug our shoulders at the avoidable suffering of the weak and the poor, of those who are getting exploited and ripped off, or who simply do not have enough to sustain life at a decent level, we are not of the left. ... The left wants to do something about this situation" (Singer 2000, 8–9). But the welfare state doesn't unite its citizens together in solidarity towards beneficent goals, such as taking care of Skvara. Instead, the welfare state must supervene above citizens' own actions and sentiments when carrying out its policies. As a coercive institution, the taxing state supervenes and pursues its own goals independent of its citizens' feelings of benevolence. Whether someone actually feels any obligation towards Skvara is irrelevant for the welfare state's operation. Rather, its motivating philosophy is straight out of *Leviathan*: Where private agents fail, a state can simply come in, and fix the problem by reshaping the incentives and effecting lump-sum redistributions

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2. Where I speak of 'shared rules' in this paper, I mean in particular rules that are "precise and accurate," as Smith says are the rules of commutative justice. Smith affirms that aesthetics, too, involves rules, albeit rules that are "loose, vague, and indeterminate" (Smith 1790, III.6.8–11, VII.iv.1–2.).

(Ostrom 2005, 254). In pursuing such strategies, the welfare state must supervene over citizens because the strategies are accomplished using coercive means reserved for the state alone. There is no need for our aptitudes for beneficence in such matters at all. Ultimately, the operation of a welfare state is primarily a matter of ensuring that taxation be imposed and that the money goes where a government's directives say it shall, with the sentiments of most of those contained within it being irrelevant to those directives.

At that point, the welfare state is not quite advancing beneficence, understood as the free acts of charity, friendship, love, and the like. As Smith wrote: "Beneficence is always free, it cannot be extorted by force" (1790, II.ii.1.3). Yes, a welfare state can give money to the poor, but in doing so it doesn't participate in the becoming use of its own resources deserving of a spectator's approval. One may contend that it isn't even using its own resources; it's using what it has extracted from taxpayers. The welfare state therefore isn't an institution by which all the members of society come together, as they would in a hunting-gathering band, to cooperate together, more or less as equals, towards rising up the poor together. Instead, the welfare state is an institution that supervenes upon the rest of society, and pursues its goals using the means reserved for the state alone.

By supervening above the actions of private citizens, the welfare state puts decisions about policy matters outside of the influence of most people. A modern government exists in a complex society, and it grows complex as an organization. Hierarchy is one of the defining aspects of such a complex organization. It is a general trait of complex organizations, not unique to society, that as organizational systems become more complex, so too they become more hierarchical. Whether we think of the hierarchy in terms of a multinational firm's command structure or the role that the central nervous system plays in maintaining the health of an organism, all complex organizations have some kind of hierarchy to cope with the demands put on them by information processing. In "The Architecture of Complexity," Herbert A. Simon even goes as far as to make hierarchy a basic principle of complexity: "complexity frequently takes the form of hierarchy, and...hierarchic systems have some common properties that are independent of their specific content" (1962, 468).

In the welfare state, hierarchy implies that not everybody will be in the position to make decisions. As much as de Waal may write about "a new epoch that stresses cooperation and social responsibility" (2009, ix), decisions within the welfare state will be made by a few individuals, and so most will be left, at least in the short run, in a passive position to follow along with what the decision makers decided. Although people can vote for members of Congress, most Americans had no voice in whether Congress listened to the advice of 1981's National Commission on Social Security Reform or in whether Medicare and Medicaid were

added to Social Security with the Social Security Amendments of 1965. Moreover, due to the almost infinitesimal odds of actually influencing an election, the ‘activity’ of voting does little to make a voter any less passive. Instead, he is left much like a spectator to a boxing match: Fully able to cheer for his party, but effectively unable to influence to final outcome of the activity before him.

In his paper “Adam Smith, Moral Sentiments, and the Welfare State,” Eric Hammer (2013) examines the moral dimensions of the various roles involved in the welfare state—the taxpayer, the recipient, the administrator, the politician, and the voter—and makes use of the four “sources” of moral approval enumerated by Smith (1790, 326–327 §16). Scrutinizing the moral experience of each person in the various roles makes a very powerful critique of morality of the welfare state: Beneficence and gratitude find very little place; indeed, moral pathologies abound. Genuine sympathy and moral learning and correction have almost no place there.

In short, the welfare state’s hierarchy puts most of its citizens in a passive position when it comes to deciding what the welfare state actually does, and, as a result, citizens are not in a position to exercise their active principles, their aptitudes, for beneficence. Despite its claim, the welfare state is not a beneficent institution; instead, it must necessarily supervene over its citizens’ own beneficent motivations in pursuing its own goals.

## **Beneficence’s origin in the hunting-gathering band**

As Lyndon Johnson began the rhetorical campaign for his Great Society programs, he argued that the United States could unite as a nation to be beneficent towards those at the margins of society: “And with your courage and with your compassion and your desire, we will build a Great Society. It is a Society where no child will go unfed, and no youngster will go unschooled” (Johnson 1964). With its emphasis on solidarity and pull-together efforts, Johnson’s rhetoric resonates with humanity’s innate aptitudes for beneficence. Although the gradient of benevolence ensures that, at the level of national policy, hardly anyone’s benevolence can ever be realized as beneficence, people still continue to desire such policies because they resonate with our innate yearning for encompassing sentiments—what Daniel Klein calls “the people’s romance” (Klein 2005; Klein et al. 2015).

Human morality can rapidly change through cultural means, but there is still a biological human nature that conditions all of its cultural expressions. William Donald Hamilton wrote of the importance of such a human nature, arguing that the genetic system “provide[s] not a blank sheet for individual cultural develop-

ment but a sheet at least lightly scrawled with certain tentative outlines” (Hamilton 1975, 134). The tentative outlines scrawled by natural selection onto the human genetic system have had an impact on both the form of human society and what people expect from their societies. All biology-free explanations of human conduct simply cannot capture the nature of those tentative outlines (Arnhart 1998, 7–8; Hodgson 2013, 61–64). Some of those outlines involve matters that are distinctly moral, which is to say they relate to a human being’s reflection on the propriety of its own conduct (Darwin 1989/1877, 101–103; Sober and D. S. Wilson 1998, 237–240). As Boehm writes in *Moral Origins*: “A sense of right and wrong and a capacity to blush with shame, along with a highly developed sense of empathy, compel us as moral beings to consider how our actions may negatively affect the lives of others—or how we may gain satisfaction in helping them” (2012, 32). Moreover, as illustrated by de Waal’s research into reconciliation in other primate species, that sense of right and wrong has a lengthy phylogeny across our ape-like progenitors (de Waal 1997, 176–178).

*Homo sapiens* has walked the earth for over 150,000 years. The vast majority of that time has been spent in the social context of hunting-gathering bands. The aptitudes and instincts underlying human nature have consequently been selected for coping with the problems of life within the conditions of the ancestral hunting-gathering band. The commercial society, not the band, is the freakish society. Our aptitudes for beneficence evolved because of the fitness benefits they provided in the Late Pleistocene, not for the benefits they provide in modern-day contexts.

From those original aptitudes and instincts, morality has culturally evolved so as to make existence in a commercial society possible. In *The Fatal Conceit*, Hayek argued that, because human social instincts have evolved to sustain cooperation in ancestral hunting-gathering bands, the rules of the commercial society could therefore be considered in a sense artificial:

The [extended] order is even ‘unnatural’ in the common meaning of not conforming to man’s biological endowment. Much of the good that man does in the extended order is thus not due to his being naturally good; yet it is foolish to deprecate civilisation as artificial for this reason. It is artificial only in the sense in which most of our values, our language, our art and our very reason are artificial: they are not genetically embedded in our biological structures. (Hayek 1988, 19)

As David Hume wrote in *A Letter from a Gentleman to His Friend in Edinburgh*: “sucking is an action natural to man, and speech is artificial” (Hume 1967/1745, 31). Like language, the rules of civilization have resulted from historical sequences of human actions, and so are, in that sense of the word, artificial.

Whereas the shared rules of today's commercial society have evolved out of a process of cultural evolution and are therefore not innate instincts, humanity's aptitude for beneficence is a part of its biological patrimony. Smith, in the first sentence of *The Theory of Moral Sentiments*, declared that sympathy is what biologists would understand as a human instinct: "How selfish soever man may be supposed, there are evidently some *principles in his nature*, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it" (1790, I.i.1.1, my emphasis).

Darwin provided a description of the evolution of human social instincts in *The Descent of Man* by the principle that, in their struggle for existence, more cooperative bands would be more likely to triumph than less cooperative ones. Darwin theorized that a *sine qua non* for the evolution of social behavior was what Smith called the pleasure of mutual sympathy: "With respect to the impulse which leads certain animals to associate together, and to aid one another in many ways, we infer that in most cases they are impelled by the same sense of satisfaction or pleasure which they experience in performing other instinctive action or by the same sense of dissatisfaction as when other instinctive actions are checked" (Darwin 1989/1877, 108). From those original impulses, natural selection would then choose "the social and moral faculties" that enabled bands with cooperative members to spread across the world:

Selfish and contentious people will not cohere, and without coherence nothing can be effected. A tribe rich in the above qualities [including sympathy, fidelity, and courage] would spread and be victorious over other tribes: but in the course of time it would, judging from all past history, be in its turn overcome by some other tribe still more highly endowed. Thus the social and moral qualities would tend slowly to advance and be diffused throughout the world. (Darwin 1989/1877, 135)

Although Darwin here uses the word *tribe*, we now know that it is more fitting to use the word *band*. By means of successfully propagating bands, our more social ancestors would establish themselves as a successful new species, and so natural selection would create an intensely social species with instincts for beneficence.

The basic principles Darwin laid out for explaining the evolution of the aptitude for beneficence have remained relatively unchanged since then. Bowles and Gintis's 2011 book, *A Cooperative Species*, provides a compelling retelling of Darwin's theory that natural selection chose our cooperative instincts because of how that nature led to bands more likely to succeed in their struggle for existence. Bowles and Gintis argue that *Homo sapiens* became a cooperative species "because



our ancestors lived in environments, both natural and socially constructed, in which groups of individuals who were predisposed to cooperate and uphold ethical norms tended to survive and expand relative to other groups, thereby allowing these prosocial motivations to proliferate” (Bowles and Gintis 2011, 1).

However simple were the first human bands, human societies have since then grown in complexity. Ever since human beings first began to settle in sedentary communities in the wake of the Neolithic Revolution, some 10,000 to 12,000 years ago, human societies have vastly increased in complexity. Though the first farmers certainly never intended it, their innovative way of life revolutionized the very way that people interacted with one another, launching the historical journey from hunting-gathering bands to commercial societies. In *The Social Conquest of Earth*, Edward O. Wilson describes how the emergence of sedentary communities with the Neolithic Revolution made possible the ever-expanding subdivision of human society:

With the emergence of villages and then chiefdoms in the Neolithic period around 10,000 years ago, the nature of the networks changed dramatically. They grew in size and broke into fragments. These subgroups became overlapping and at the same time hierarchical and porous. The individual lived in a kaleidoscope of family members, coreligionists, co-workers, friends, and strangers. ... In modern industrialized countries, networks grew to a complexity that has proved bewildering to the Paleolithic mind we inherited. Our instincts still desire the tiny, united band-networks that prevailed during the hundreds of millennia preceding the dawn of history. (E. O. Wilson 2012, 243–244)

Agriculture brought about processes towards ever more complex societies. Changes, whether by conquest or peaceful cultural transmission, became a catalyst to further change. Selective pressures generated ever more complex societies. Civilization thus became autocatalytic: Change catalyzed further change.

## **Hayek and the two-worlds hypothesis**

Human morality has had to evolve culturally to deal with the challenges. But even though morals have changed to deal with those challenges, human beings are largely still the same hunting-gathering animals at heart, and so their aptitudes still reflect natural selection as it transpired among the bands, not in modern civilization. Hayek argues the point in *The Fatal Conceit*:



[M]an's instincts, which were fully developed long before Aristotle's time, were not made for the kinds of surroundings, and for the numbers, in which he now lives. They were adapted to life in the small roving bands or troops in which the human race and its immediate ancestors evolved during the few million years while the biological constitution of *Homo sapiens* was being formed. These genetically inherited instincts served to steer the cooperation of the members of the troop, a cooperation that was, necessarily, a narrowly circumscribed interaction of fellows known to and trusted by one another. These primitive people were guided by concrete, commonly perceived aims, and by a similar perception of the dangers and opportunities—chiefly sources of food and shelter—of their environment. (Hayek 1988, 11–12)

Hayek follows his comments about earlier human societies with his main argument:

Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within different kinds of orders according to different rules. If we were to apply the unmodified, uncurbed, rules of the micro-cosmos (i.e., of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilisation), as our instincts and sentimental yearnings often make us wish to do, *we would destroy it*. Yet if we were always to apply the rules of the extended order to our more intimate groupings, *we would crush them*. So we must learn to live in two sorts of world at once. (Hayek 1988, 18, emphases in original)

Hayek's argument, which I call here the 'two-worlds hypothesis,' is that a complex society is constituted by simple, more band-like orders, which still are constituted by pull-together efforts, and that human social instincts are germane to those band-like orders rather than to the wider order. What differentiates these two types of order is the difference between their primary modes of coordinating concatenations of affairs.<sup>3</sup> Should we treat one like the other, we shall unravel them, because they rely on different modes of coordination—one based on shared goals, the other on shared rules. Brandon Lucas (2010) argues that Smith's thinking on the evolution of society and human nature fits remarkably well with Hayek's two-worlds hypothesis.

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3. On concatenate coordination, see Klein (2012, ch. 4).

The two-worlds hypothesis should not, however, treat those two types of order as binaries, but rather as existing along a spectrum at least in part due to the influence of the gradient of benevolence. The simpler orders nested within modern society, be they firms, churches, or clubs, rely on a bit of both. The extended order of the macrocosmos grows out of the many microcosmoi within it. Sympathies, however fleeting they may be, enshroud all human interactions, and so the difference between what Hayek calls the macrocosmos and the microcosmos is a matter of degree. By and large, the distinction is made by how important sympathy is for achieving coordination among people, and how important market signals, such as profit and loss, serve that role. It is perhaps unfortunate that Hayek elaborated his ideas in binary form (Garnett 2010, 52–54). Nevertheless, we should still be quick to pick up on the importance of the problem addressed by the two-worlds hypothesis. There is a very real problem to the flourishing of complex orders generated by human beings interacting outside of the kind of context within which their social instincts were selected for.

Fong, Bowles, and Gintis (2005) also argue for the importance of those social instincts, especially strong reciprocity, to the flourishing of the welfare state and its egalitarian policies. They aver that the welfare state “conforms to deeply held norms of reciprocity and conditional obligations to others” (2005, 277). They trace people’s support of egalitarian policies to the social instincts desiring solidarity and pull-together efforts in society. People demand egalitarian policies because they demand policies that reward everyone alike for pulling together in the joint effort of working towards social goals. Those motivations, as Bowles and Gintis argue in *A Cooperative Species*, originate from interactions within the context of hunting-gathering bands (Bowles and Gintis 2011, 159–163). David Sloan Wilson echoes this point in *Darwin’s Cathedral* when he wrote that motivating the organization of society

is a strong moral sentiment that society must work for all its members from the highest to the lowest. I interpret this spirit of *communitas* as the mind of the hunter-gatherer, willing to work for the common good but ever-vigilant against exploitation. (D. S. Wilson 2002, 224)

Wilson has joined with others to set up an advocacy organization called The Evolution Institute ([link](#)), which seems to lean left though is vague about policy positions. His most recent book contains a couple of mildly snarky comments about Hayek but does not bring up the atavism critique (D. S. Wilson 2015, 95, 101).<sup>4</sup>

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4. An excellent review of D. S. Wilson (2015) is Orr (2015).

To paraphrase Darwin (1989/1877, 135), no hunting-gathering band can cohere without such a spirit of *communitas*. If people are to pull together, then there must be the expectation that everybody will benefit from pulling together. The groups that best pull together will evolve a *communitas* of cooperation (D. S. Wilson and Gowdy 2015). The policies of the welfare state conform to that *communitas* in that they promise that everybody in society shall be collectively looked after by everybody. Such promises or images recommend themselves to our primeval tendencies for shared goals, belonging, solidarity, and encompassment.

Fong, Bowles, and Gintis cite Hayek's two-worlds hypothesis to support their argument that our aptitude for beneficence, rather than our self-love, explain the demand for welfare-state policies. Like Hayek, they argue that economists have chronically misdiagnosed support for welfare-state policies as being on account of "selfishness by the electorate" (Fong, Bowles, and Gintis 2005, 297). They count Hayek as a joint member in a greater research program that takes seriously "the force of human behavioral predispositions to act both generously and reciprocally" (*ibid.*). But yet they then fail to seriously consider Hayek's two-worlds hypothesis. At the end of "Reciprocity and the Welfare State" they quote from Hayek's "The Three Sources of Human Values" as follows:

[The] demand for a just distribution ... is ... an atavism, based on primordial emotions. And it is these widely prevalent feelings to which prophets (and) moral philosophers ... appeal by their plans for the deliberate creation of a new type of society. (Hayek, as quoted in Fong, Bowles, and Gintis 2005, 297)

Yes, Hayek does agree with Fong, Bowles, and Gintis that sentimental yearnings largely derived from our band heritage explain the demand for egalitarian policies. The three argue persuasively for that case, and to that extent I concur with them. Nevertheless, Hayek contended that, as gratified by modern collectivism, those yearnings are *atavistic*. Such gratification is unsuited to a complex society. Fong, Bowles, and Gintis do not engage that contention; the contention itself certainly upsets the warm glow of the welfare state, a glow we do find in their work and the work of others of the evolutionary left. They merely cite one aspect of Hayek's two-worlds hypothesis without grappling with the others. In fact, the quotation from Hayek as they display it is doctored a bit so as to downplay Hayek's critical posture. The full original passage reads:

Their demand for a just distribution in which organized power is to be used to allocate to each what he deserves is thus strictly an *atavism*, based on primordial emotions. And it is these widely prevalent feelings

to which prophets, moral philosophers, and constructivists appeal by their plans for the deliberate creation of a new type of society. (Hayek 1978b, 18, emphasis in original)<sup>5</sup>

As can be seen, Fong, Bowles, and Gintis omitted “strictly” and removed Hayek’s italics on “atavism,” and they elided his talk of “organized power” and “constructivists.”

Throughout “The Three Sources of Human Values,” Hayek emphasized how the commercial society was made possible by the decline of solidarity, and by the ascent of shared rules of conduct, allowing each person to pursue his own purposes. The morals necessary to the shared grammar-like rules “do not serve to gratify human emotions...but they served only as the signals that told the individual what he ought to do” (Hayek 1979, 160). But Fong, Bowles, and Gintis (2005) not only did not address Hayek’s claim about the atavistic nature of welfare-state policies, but almost immediately below their quotation from “Three Sources” they suggested that the welfare state could even mobilize our aptitude for beneficence in matters of national policy: “To mobilize rather than offend reciprocal values, public policies should recognize that there is substantial support for generosity towards the less well off as long as they have tried to make an effort to improve their situation and are in good moral standing” (Fong, Bowles, and Gintis 2005, 297). In other words, the welfare state can appeal to the human proclivity for reciprocation, those “primordial emotions” Hayek refers to above, and, from that appeal, succeed as an institution in today’s complex society.

Yet, in making such political suggestions, Fong, Bowles, and Gintis do not address the main thrust of the two-worlds hypothesis: That welfare-state policies do not suit the society in which we now live. Hayek propounded the atavism thesis most conspicuously in his essay “The Atavism of Social Justice” (Hayek 1978a), but he also advanced it in several other works (Hayek 1967; 1976; 1979; 1988). Hayek used the term *atavistic* four times in *The Fatal Conceit*, referring generally to collectivist mentalities (Hayek 1988, 19, 51, 104, 120).

Welfare-state policies also do not concord very well with the moral philosophy of Smith. The gradient of benevolence should inform us that we really cannot think that a person can carry out what she thinks are her beneficent duties towards others through coercive organizations at the level of a vastly complex society. Nevertheless, people still demand those programs—because the programs

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5. “The Three Sources of Human Values” first appeared as an LSE occasional paper (Hayek 1978b), and that is the version cited by Fong, Bowles, and Gintis (2005) and the version quoted here. The essay was also published in *Law, Legislation and Liberty, Volume 3: The Political Order of a Free People* (Hayek 1979). The passage in question is all but identical in the 1978 and 1979 incarnations, save for an irrelevant variation between “plans” (1978b, 18) and “plan” (1979, 165).

resonate with the social instincts that attract people to collective, encompassing action, to the people's romance or imagined *communitas*. Even though human societies began as simple hunting-gathering bands, the demands for mutual coordination have led to the evolution of different methods of people coordinating their resources and activities into complex concatenations. The gradient of benevolence has led to the decay of shared goals across complex societies. The emergence of rules-based modes of coordination has been accompanied by moral changes that have enabled each person to follow his own purposes so long as he does not violate his society's shared rules of conduct. The welfare state, as recommended by Fong, Bowles, and Gintis, represents an undoing of that evolution by reasserting our sentimental yearnings for encompassing coordination where cultural evolution has made them inappropriate.

Despite my misgivings with how they treat the two-worlds hypothesis, I am glad that Fong, Bowles, and Gintis (2005) at least make mention of Hayek. Others make no mention of him at all, though it seems to me that they should. Frans de Waal, for example, says in *The Age of Empathy* that, firstly, solidarity and empathy are needed in volunteer community services, and then that "the second area where solidarity counts is the common good, which includes health care, education, infrastructure, transportation, national defense, protection against nature, and so on. Here the role of empathy is more indirect, because no one would want to see such vital pillars of society depend purely on the warm glow of kindness" (de Waal 2009, 223). In the preface to the book, he writes:

American politics seems poised for a new epoch that stresses cooperation and social responsibility. ... Empathy is the grand theme of our time, as reflected in the speeches of Barack Obama, such as when he told graduates at Northwestern University, in Chicago: "I think we should talk more about our empathy deficit. ... It's only when you hitch your wagon to something larger than yourself that you will realize your true potential." (de Waal 2009, ix; see Obama 2006)

De Waal's remarks are admirable for their candor, but he should take pains to engage the serious critique of the passion to recreate the ethos and mentality of the small band in the political mythos of the modern social-democratic nation state.

As a beneficent species, we seek out solidarity, even where it is not to be found. Darwin described the principles by which human beings evolved as such an animal in *The Descent of Man*, and those principles were later affirmed by Bowles and Gintis in *A Cooperative Species*. Fong, Bowles, and Gintis traced support for the welfare-state policies to such social instincts, and they correctly recognize that support for such policies is derived from our aptitudes for beneficence. They fail,

however, to confront the implications of Hayek's two-worlds hypothesis. Human society has indeed greatly changed since the evolution of those aptitudes, and because of those changes those aptitudes may have been made ineffective within certain contexts. The Hayekian contention—that the politics of the welfare state, in the size and scope generally favored by the left, are atavistic—has, thus far, not been seriously engaged by the evolutionary left.

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# Hayek Deserves a New Paradigm, Not Old Ideological Categories: Response to Searles

David Sloan Wilson<sup>1</sup>, Robert Kadar<sup>2</sup>, and Steve Roth

[LINK TO ABSTRACT](#)

Like Harrison Searles (2015), we're confident that modern evolutionary science provides a useful toolkit for economics and public policy (Wilson and Gowdy 2013; Wilson et al. 2014). Some progress has been made advancing a new paradigm, including a recent conference titled "Complexity and Evolution: A New Synthesis for Economics" ([link](#)). Searles rightfully calls attention to the pioneering work of Friedrich Hayek, who was ahead of his time in his emphasis on cultural group selection and the distributed intelligence of human society. We are in a much better position to approach these topics now than during Hayek's time. We think that modern multilevel selection theory and complexity theory lead to conclusions different than those that Searles and others draw from Hayek's work (Wilson 2015; Wilson and Gowdy 2015).

The crux of Hayek's (1988) argument about human morality—endorsed by Searles—is the following:

1. We are genetically adapted to function in small social groups.
2. There is a "natural morality" (Hayek 1988, 12) that fosters co-operation and other forms of functional organization in small groups.
3. This natural morality breaks down in large-scale society. Cultural group selection has resulted in a moral system based on rules of "property, honesty, contract, exchange, trade, competition, gain,

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and privacy” (ibid.), a moral system that Hayek regarded as the key ingredient of capitalism and large-scale cooperation.

4. We are destined to live with both moralities, but in order for us to maintain the extended large-scale societal cooperation we must restrain the “natural morality.” The egalitarian instincts lead us to act against the intelligence of market competition for creating social order.

We believe that modern multilevel selection and complexity theory is more consistent with the following argument (see Wilson 2015 for a concise book-length summary):

1. For groups of any size to function well, members must coordinate their activities and provide services for each other.
2. These ‘for the good of the group’ behaviors are inherently vulnerable to passive free-riding and active exploitation, activities that provide a relative fitness advantage within groups.
3. Most non-human social groups display a mix of group-advantageous traits that evolve by between-group selection and group-undermining traits that evolve by within-group selection.
4. The balance between levels of selection is not static but can itself evolve. When mechanisms evolve that suppress disruptive forms of within-group selection to a sufficient degree, the group becomes a ‘super-organism.’
5. The transition from groups *of* organisms to groups *as* organisms has occurred repeatedly during the history of life and includes nucleated cells, multicellular organisms, and social insect colonies (Maynard Smith and Szathmáry 1995; 1999).
6. The genetic evolution of our species at the scale of small groups qualifies as a major transition. Humans in groups at small scale are much more cooperative than other primate species because bullying and other disruptive forms of within-group competition can be so effectively suppressed (Boehm 2012).
7. The entire package of traits that set humans apart from other primate species, including cooperation among unrelated individuals, the capacity for symbolic thought, and a greatly enhanced ability to transmit learned information across generations, probably followed from the major transition.
8. When the scale of human societies started to increase with the advent of agriculture and dense concentrations of natural resources, our genetically evolved ability to suppress disruptive forms of competition within groups broke down. Cultural group

selection was required to evolve new mechanisms of coordination and social control that interface with our genetically evolved mechanisms. Genetic evolution also continued during this period and the two modes of evolution interacted with each other (gene-culture co-evolution).

9. Archeology and history provide a fossil record of gene-culture co-evolution that is beginning to be studied from an explicitly evolutionary perspective (see, e.g., Turchin 2006; 2010; Turchin et al. 2013).
10. Multilevel cultural evolution continues to operate in the present. The most successful large-scale societies are those that manage to coordinate activity and suppress disruptive forms of within-society competition. Large-scale societies that are dominated by small groups of elites tend to fail at the societal level (see, e.g., Acemoglu and Robinson 2012; Pickett and Wilkinson 2010). The basic principles of multilevel selection are scale-independent.
11. The challenge for becoming “wise managers of evolutionary processes” (Wilson et al. 2014, 396) is to scale up the coordination and social control mechanisms that take place “naturally” at the scale of small groups—although even small groups can break down when the appropriate conditions aren’t met (Wilson et al. 2013). Real villages provide a blueprint for the global village (Wilson and Hessen 2014).
12. Researchers including Peter Turchin, Daron Acemoglu, and Elinor Ostrom (Ostrom 1990) have shown how societies throughout history have succeeded and failed in achieving that ‘scaling up,’ through complexly negotiated institutions (generally governmental, and variously democratic), and ‘rules of the game’—offering a set of best practices that can be brought to bear in continuing that upscaling.

A comparison of the two arguments reveals a degree of overlap. Hayek got some things right. But the second argument does not fall into any current political camp, including the camp that often claims support from Hayek’s ideas. We therefore suggest dropping terms such as “evolutionary left” as a first step toward acknowledging that new paradigms cannot be shoehorned into old ideological categories. In our view, the new evolutionary paradigms promise to transcend the old ideological categories. We look forward to continuing to interact with scholars such as Searles to work out the implications of the new economic paradigm based on complexity and evolution that Hayek pioneered.

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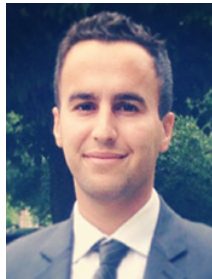
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# Same-Sex Marriage and Negative Externalities: A Critique, Replication, and Correction of Langbein and Yost

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[LINK TO ABSTRACT](#)

If no statistically significant adverse effect can be found, then the argument that same-sex marriage poses a negative externality on society cannot be rationally held.

—Laura Langbein and Mark Yost (2009, 292–293)

It follows that there can be no rational argument against these laws based on the alleged negative consequences of gay marriage for “family values.”

—Langbein and Yost (2009, 293)

The argument that same-sex marriage poses a negative externality on society cannot be rationally held.

—Langbein and Yost (2009, 292)

The remarkable quotations above come from “Same-Sex Marriage and Negative Externalities,” an article published in *Social Science Quarterly*. As of December

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1. Simon Fraser University, Burnaby, BC V5A 1S6, Canada. We are grateful to Laura Langbein for providing the Langbein and Yost data, and to Catherine Pakaluk, Krishna Pendakur, and Sam Sturgeon for their comments and suggestions.

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2014, Langbein and Yost's article had garnered thirty-three Google Scholar citations, and it was cited favorably in a legal decision overturning California's Proposition 8 on same-sex marriage (*Perry v. Schwarzenegger* 2010, 47, 92).

An important debate in family law rages over same-sex marriage. As of August 2014, nineteen states plus the District of Columbia have instituted same-sex marriage. Other states have had bans overturned, but the decisions have been stayed during appeal.<sup>3</sup> Most of these developments have happened after 2012. Such a radical change in an ancient institution prompts the question: What consequences will follow? Supporters have claimed that extending a right of equality, freedom, and liberty to gays and lesbians is costless and will have no adverse consequences. Opponents have argued that there could be dire negative outcomes.

The first attempt to empirically investigate the potential harm of same-sex marriage on traditional family outcomes in the U.S. was the 2009 article by Langbein and Yost.<sup>4</sup> They were interested in whether or not same-sex marriage laws or bans on same-sex marriage imposed any "negative externalities" on society. Their underlying framework was a presumption of liberty. As they put it:

A basic understanding of economic theory regarding externalities and personal choices implies that in the absence of negative externalities, there is no reasonable rationale for government to regulate or ban those choices. (Langbein and Yost 2009, 292)<sup>5</sup>

To investigate the consequences of changes in marriage law, Langbein and Yost used a series of reduced form regressions to see whether state same-sex marriage laws had a negative correlation with various family outcomes. In particular, they looked for an effect on marriage rates, divorce rates, abortion rates, births out of wedlock, and the percent of households headed by women. They found either no effect or positive effects, and drew the conclusion that a concern over the externalities of same-sex marriage cannot be rationally held.

But the Langbein and Yost study is methodologically seriously flawed in two ways. First, it fails to spell out an actual externality mechanism to test. We articulate two broad categories of possible externality channels found in the literature, and we show that the empirical strategy of Langbein and Yost is suitable for testing

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3. In November 2014, the U.S. Court of Appeals for the Sixth Circuit reversed lower-court decisions that had overturned same-sex marriage bans in Kentucky, Ohio, Michigan, and Tennessee. Until the U.S. Supreme Court rules on the matter of same-sex marriage directly, the flux will continue.

4. Recently, other studies have attempted the same thing. Trandafir (2014) finds heterogeneous effects on marriage rates in the Netherlands when examining individual-level data, and no effect using aggregate data. Dinno and Whitney (2013) find no effect on marriage rates across the United States.

5. Although we believe the presumption-of-liberty framework is inapt and debatable, we leave this criticism for others to make. There are other reasons for having state involvement in marriage (see Allen 2010).



neither. Second, the test they conducted has low power because all but one of their observations are prior to any legal implementation of same-sex marriage. That is, there is essentially no period *after* implementation in which to find an effect.

In addition to these problems with Langbein and Yost's method, there are coding issues in their data, misreported procedures, and unreported sensitivity to estimation methods. Exploring these empirical issues demonstrates that their results lack precision and power. The results are simply not robust enough to draw any conclusion regarding the effect of same-sex marriage over the outcomes examined, let alone a general conclusion that laws concerning same-sex marriage have no effects. Their claim "that there can be no rational argument" is therefore wrong.

## What is the externality channel?

In order to test for an externality, it is necessary to identify the channel through which such an effect would be manifest. In the literature debating same-sex marriage, two such channels are mentioned, and here we label these as "general" and "specific" externalities:

1. A *general* externality influences social norms and is beyond, or transcends, the law.
2. A legally *specific* externality works through state-specific legal details.

A general externality results from the fact that marriage is a social institution that depends only in part on family law. Marriage is the larger set of social constraints imposed by social norms, religious organizations, family members, and the individual couple. These larger social constraints often are functions of the legal institutions, and so changes in legal rules about what is denominated and certified as marriage can have a direct impact on the social rules regulating marriage—and any impact on social rules is very unlikely to remain bound within the given jurisdiction where the law changed.

A specific externality results from reactions to changes in family law by individuals living within the jurisdiction that made the changes. It is critical that the legal changes be binding on everyone in order for a specific externality to exist. Many different specific externalities are possible, and they depend on the legal context.

Here we go through a specific example of each potential type of externality, and argue that the Langbein and Yost empirical strategy fails to adequately address either category.

## General externality

Langbein and Yost would appear to have a general externality notion in mind. Their presentation on the nature of an externality is based solely on an obscure journal article written by Aristides Hatzis (2006), a proponent of same-sex marriage.<sup>6</sup> Hatzis's claim is that "moral" people do not like the "immoral" behavior of other people, and this dislike can lead to "detrimental effects to the social order." Here is the quotation on externality from Hatzis as reproduced by Langbein and Yost:

The externality argument against same-sex marriage (and against any "immoral" activity for that matter) goes like this: A part of the cost of the voluntary but "immoral" activity spills over onto "moral" people, who are annoyed by the way of life of "immoral" people. ... Then, the way of life or the acts of some people can be said to offend the majority. Their acts or transactions have negative external effects of such magnitude that they can have detrimental effects to the social order itself. (Hatzis 2006, 58; quoted in Langbein and Yost 2009, 294)

Langbein and Yost write in response:

The problem with this line of argument is that there is hardly any type of behavior or action that could not seem to cause "harm" to others because harm is being defined to include disliking or despising the behavior or actions. This is not an economically acceptable view of harm. (Langbein and Yost 2009, 294)

The Langbein and Yost response is weak. All values are the result of preferences and so utility can fall for reasons other than physical harm. Therefore, it is by no means obviously illegitimate to take the moral objection seriously, as in the cases of laws against cruelty to animals and many other issues. Even those who favor the liberalization of prostitution, for example, will usually support local restrictions on where a brothel may operate, simply because those who would otherwise live next door to the brothel would dislike what goes on there. As for marriage, many in various faith traditions consider it to be a sacred sacrament and covenant that is literally defined as being between one man and one woman. Official recognition of

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6. Hatzis (2006) was published in *Skepsis*, a Greek philosophy journal that is not indexed by Web of Science. Leaving Langbein and Yost (2009) and self-citations by Hatzis aside, Google Scholar lists only one journal article as citing Hatzis (2006), such article appearing in the Peruvian journal *Revista de Economía y Derecho* in 2007.

same-sex “marriage” could be an abomination to these groups. Such an anticipated harm could warrant officialdom’s refraining from certifying same-sex marriage. Others may diminish these sentiments, and pay little regard to the fact that they relate to cultural traditions spanning hundreds, even thousands of years. But in economic terms such sentiments correspond to a reduction in utility that presumably should be considered in a cost-benefit analysis.

Langbein and Yost thus raise the “immoral” externality, but they find it hard to make a causal connection between annoyed “moral” people and any decline of secular marriage. For example, in the context of same-sex marriage laws interfering with marriage incentives to have children within traditional marriage, they say “this seems like a somewhat stilted and strange claim” and “we do not pretend that we can construct a convincing causal story” (ibid., 296).

Had they looked further, they could have found examples in the literature of a general externality with a reasonable causal connection to marriage outcomes. The institution of marriage, though a function of the law, is larger than the law regarding the terms of entering and exiting marriage. A legal change that recognizes same-sex couples as “married” could change the cultural and social meaning of marriage for everyone, and therefore change both well-being and behavior.<sup>7</sup> It has been argued, for example, that same-sex marriage accentuates the view that marriage is based on love, not children and commitment. When such a view is generally adopted it can have effects on marital behavior in general. Persons in loving relationships might be quicker to marry, and married persons who come to consider their relationship to be unloving might be more willing to divorce. Hence, marriage and divorce rates might change through this general change in social norms which could result from same-sex marriage.

Regardless of what the actual general mechanism might be, our methodological point is that the Langbein and Yost reduced-form equation procedure fails to test for *any* type of general externality. Langbein and Yost examine the effect of a given state ban or permission to marry on the behaviors of individuals *within the same state*. But the concept of general externalities concerns itself with effects occurring within and beyond state boundaries. To use Hatzis’s terminology, “moral” Americans who happen to live in Idaho may be disturbed by “immoral” activity in Washington, and may change their behavior accordingly. Indeed, surveys of public acceptance for same-sex marriage show an increase in acceptance across the country as more states adopt such laws (see McCarthy 2014).

If same-sex marriage changes the cultural meaning of marriage for everyone, then a change to the law in one state may have wide-ranging effects beyond state

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7. Such matter of social or moral consequences is raised by Badgett (2009, 7); Blankenhorn (2007, 152); Gallagher (2004, 69); Glenn (2004, 25); Kurtz (2004); and Stewart (2008, 323).

borders. But Langbein and Yost look for effects only within the state that legally changed. This measurement error leads to a bias in their coefficients towards zero, since only the state legally certifying same-sex marriage would be coded as having changed, when *de facto* changes occurred in other states as well. Thus, their empirical strategy is an improper test for a general externality.

### Specific externality

The specific externality channel arises because of the nature of family law—everyone within a jurisdiction is bound by the same family laws. Same-sex marriage is logistically more complicated than a simple decree. Often many legislative acts are required to be updated, but more importantly, many definitions must be changed as well. These changes can be complicated, counterintuitive, and unanticipated (Hunter 2012). These changes, made to accommodate the biological similarity of same-sex couples become automatically binding on opposite-sex couples as well—hence the specific externality.<sup>8</sup>

An example may help illustrate the specific externality effect. Historically, marriage law bound the act of sex and procreation together through a legal doctrine usually called ‘presumption of paternity.’ If a man was married to a woman and she gave birth to a child, he was presumed the father with all of the rights and responsibilities that went with it. Such a presumption of paternity makes no sense for a same-sex couple. That is, the act of sex and the outcome of children *must* be legally separated for same-sex married couples, and such separation may then be generally applied in marriage law.

Specific externalities thus can result from a strange characteristic of family law: within a given jurisdiction, everyone is under the same marriage regulations.<sup>9</sup> Therefore, legal changes made to accommodate one type of marriage, say same-sex marriages, are necessarily binding on all marriages. Escaping this impact is difficult. One escape might be a large overhaul to ‘custom marriages’ for each different type of family; however, this may open the door to ‘contract marriage,’ issues of polygamy, and so on, and would create a different set of specific externality consequences.

Now, let us return to Langbein and Yost. In creating their “gay marriage permitted” variable, they lump together all states that allow domestic partnerships and civil unions with the one state in their sample, Massachusetts, that has legal same-sex marriage. This amounts to a coding error under the specific externality

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8. Allen (2006) lays out in detail the complexity of the jurisdictional-specific mechanism. Hunter (2012) spells out some specific changes that have taken place in the United States.

9. The only exceptions are the few states that have introduced ‘covenant marriage.’

channel. Such an externality can only result if the legal reform alters opposite-sex marriage within the state. However, changes to civil union laws do not create a specific externality linkage because civil union laws are not binding on opposite-sexed couples. Since such an externality works through the specific changes brought about by altering legal marriage, there is a serious problem with the empirical specification. Because domestic partnerships and civil unions have no legal connection with opposite-sex marriages, Langbein and Yost have essentially miscoded their legal variable. When a civil union law is enacted, theoretically, there is no specific externality to test for. By combining the states together into their “gay marriage permitted” variable, the estimated coefficients are again biased.

Along the same lines, Langbein and Yost also presume that “prohibitions” or “bans” on same-sex marriage would have *positive* externality effects on traditional family outcomes. But if the externality mechanism works through the specific externality legal channel, then prohibitions should have no direct effect on family outcomes. Such prohibitions merely formalize the status quo, and do not change the legal constraints facing existing or future opposite-sex marriages, and therefore should have no effect.

So what is being tested? It is hard to say, because of Langbein and Yost’s failure to take the externality argument seriously and to spell out exactly how any such mechanism might work. They note that “many might believe that it is a waste of time to test this claim” (2009, 293), and that they are doing it only because others have brought it forward. However, a more serious consideration of what the externality might entail would have led to more serious and better testing. As it stands, the results provide no meaningful test for external effects, and their results have no clear interpretation. In our replication below we test explicitly for a specific externality effect by properly coding Massachusetts as the only state with same-sex marriage in their panel.

## Empirical matters

The Langbein and Yost paper is also fraught with serious empirical problems.

### Questionable coding

Langbein and Yost code their data for three legal variables: (1) Same-sex marriage is either permitted or not; (2) same-sex marriage is either prohibited or not; and (3) some equivalent of same-sex marriage is either permitted or not. In their paper, Langbein and Yost are vague in terms of the source for their legal coding and only state that “data on the legal recognition and forbiddance of

marriage rights [are] provided from research by the Human Rights Campaign.” They provide a table of counts for each legal classification, but no other sources or details. By examining the actual data used by Langbein and Yost, we are able to determine their actual coding by state, but not the source of the coding.

In contrast, our coding comes from several sources. We began with online sources, such as the Human Rights Campaign ([link](#)), Wikipedia ([link](#)), and a report by the law firm Fennemore Craig ([link](#)).<sup>10</sup> We then supplemented this and cross checked with an American Bar Association white paper (ABA Section of Family Law 2005), and then tracked down the statutory or constitutional acts. These various acts and state codings are listed in the notes to Table 1, and in the Appendix Tables 1A and 2A.

There are coding discrepancies over each legal variable. Table 1 shows some discrepancies in coding over the legal variables defining whether or not same-sex marriage is allowed or whether some type of equivalent exists. Columns (1) and (2) show the coding used by Langbein and Yost, while columns (3) and (4) show our coding.

One type of coding discrepancy is found in the first two rows. Connecticut adopted civil unions for same-sex couples in 2005, but Langbein and Yost code them as present in 2004. Similarly, Maine adopted domestic partnerships in 2004, but they took effect on January 2005, not 2004 as coded by Langbein and Yost.

An opposite issue occurs with the coding for the District of Columbia and Hawaii. The District of Columbia recognized domestic partnerships in 1992, and so the equivalence variable should be coded 1 in 2000, but instead is coded 0 by Langbein and Yost. Hawaii adopted reciprocal beneficiary relationship laws in 1997, which is a form of same-sex recognition. As such it should be coded as equivalent in both 2000 and 2004. If Langbein and Yost do not consider the reciprocal beneficiary relationship as a form of same-sex recognition, then Hawaii should be coded 0 in both years. Langbein and Yost code Hawaii as 0 for 2000, but 1 for 2004.

Finally, Vermont was the first state to adopt civil unions in 2000, and adopted same-sex marriage in 2009. In their data set, Langbein and Yost code Vermont as never having civil unions, and as a same-sex marriage state in 2004.

Discrepancies also occur with respect to Langbein and Yost’s variable for defining state bans on same-sex marriage. Bans on same-sex marriage come in many forms, and are more complicated to identify than civil unions or marriage adoptions, and the Langbein and Yost paper is not clear on how such bans are defined.<sup>11</sup> In their paper they state a prohibition of same-sex marriage as “either

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10. We viewed all these sources during November 2014.

11. We are unable to construct a list of state bans using only the Human Rights Campaign website.

through a direct ban or a legally exclusive definition of marriage. For the purposes of this study, we include both constitutional and statutory bans in the same category” (2009, 297).<sup>12</sup> The first part of their condition would suggest that legislation delimiting marriage as a union between one man and one woman would count as a ban.

The Langbein and Yost classifications for bans are laid out in column (1) of Table 2. In columns (2) and (3) we list our classification of states with statutory and constitutional bans, based on the sources listed above and in the Appendix. According to their data there were three states with bans in 1990, 33 in 2000, and 45 in 2004. By our count there should be eight, 37, and 41. There is a considerable difference in the classification of whether a state had a ban in place or not.

## Estimation procedures

In their paper, Langbein and Yost claim that:

We use robust estimates of standard errors, clustering by state to recognize that, because within-state observations may share similar determinants and may not be independent, the within-state variance of stochastic terms is less than the variance between states. (Langbein and Yost 2009, 297)

Such a procedure is appropriate whenever there is an explanatory variable that varies only at the group level. In this context the same-sex marriage laws and bans vary only at the state level, and so clustering is appropriate. However, in replicating the Langbein and Yost results, we have discovered they actually report results from a feasible generalized least square (GLS) estimation. If the assumed correlation caused by clustering is correct, then GLS should provide a more efficient estimate. If it is not, then the estimates will not be consistent, and an ordinary least squares (OLS) estimation with clustering will provide more robust estimates.<sup>13</sup>

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12. We do object to their using the term “prohibition” expansively, to include what is chiefly a matter of how government runs its own operations in certifying and denominating “marriage” (again, the presumption-of-liberty framework seems inapt), but we leave this aside.

13. Generally speaking, given the small efficiency gains of GLS it is more common to use OLS with correct standard errors (see Cameron and Trivedi 2005, 838).



## Replication

### Robustness to estimation and coding

Here we show the effect of differences in coding, demonstrate the sensitivity of the various Langbein and Yost results to different GLS and OLS estimation procedures, and conduct the specific externality test that should have been done. The data used in our estimations come from Laura Langbein, and we are able to replicate the results of the original paper, both in terms of descriptive statistics and estimated parameters. Furthermore, we retain the same variable and table names for ease of reference; that is, Tables 3 through 7 repeat the various Langbein and Yost regressions for the different left-hand side variables mentioned above. Hence, Table 3 shows various estimates of same-sex marriage laws on marriage rates, Table 4 shows estimates for divorce rates, and so on. To keep the tables simple, we present the parameter estimates for only the three legal variables; however, the regressions contain the exact set of variables used by Langbein and Yost.<sup>14</sup>

Within each table we present six regressions. The first three regressions in each table use feasible GLS. The last three regressions use OLS, but with clustered standard errors. Hence, columns (1)–(3) use the estimation procedure actually used by Langbein and Yost, while equations (4)–(6) use the procedure that the original paper (wrongly) said was used.<sup>15</sup> As will be clear from the tables and our discussion, the main findings are three: correcting the legal coding has a minimal impact on the reported results when simply replicating the Langbein and Yost exercise; changing only the estimation procedure reduces the precision of many of the results; and running a specific externality test shows there is no statistical power to the test. Taken together, the generally inconsistent and imprecise results reasonably lead to the conclusion that any particular result is likely spurious, the artifact of a data quirk.

The first column within each of the GLS/OLS groupings, that is, columns (1) and (4), show the coefficients from a straightforward replication of Langbein and Yost that includes their coding. The second column within each group (that is, (2) and (5)) is the Langbein and Yost regressions run with our new legal coding,

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14. Langbein and Yost use two dummy variables to indicate whether a state has a ban or not, based on the duration the ban was in place.

15. We performed several other sensitivity tests in addition to the ones reported. We dropped the marriage and divorce rate controls and found results similar to equations (1)–(3). We also excluded observations from Hawaii and Nevada, with results similar to the ones presented in the tables here. We also ran the regressions with Missouri bans classed in different ways, with little impact. The regression data we present has Missouri coded as having no bans in 2000.



but retaining the incorrect assumption that civil unions are equivalent to same-sex marriages. Finally, the last two columns in each group (that is, (3) and (6)) are the Langbein and Yost regressions but with civil unions now not treated as equivalent to same-sex marriage, and thus with Massachusetts correctly identified as the only state allowing same-sex marriage in 2004. This last regression (columns (3) and (6)) tests for a specific externality.

Let us examine Table 3 in some detail. Table 3 column (1) replicates the Langbein and Yost regression on marriage rates. Langbein and Yost found a positive, statistically significant effect of same-sex marriage ‘equivalent’ laws on marriage rates (the coefficient being 0.719), and they found smaller, statistically insignificant effects of same-sex marriage bans. Moving from column (1) to (2) of Table 3 corrects only the legal coding discrepancies found in Tables 1 and 2, and we find very little change in the regression results. This surprisingly suggests that correcting the legal coding does not matter. However, comparing the results in columns (1) and (2) with those in columns (4) and (5), we find large changes in precision when the estimation procedure moves from GLS to OLS. Hence, the finding of statistical significance is not robust to the estimation procedure. Finally, columns (3) and (6) show that when the same-sex marriage variable is properly coded to include only Massachusetts, there is a lack of precision for all variables. If we consider column (6), the 95% confidence interval on same-sex marriage is  $-0.77$  to  $1.93$ . A clear conclusion is that the Langbein and Yost exercise has little to no precision and therefore cannot identify if an externality exists or not. These general findings hold for all of the tables.

Table 4 column (1) replicates the Langbein and Yost regression on divorce rates, and columns (2) through (6) offer our new results. Langbein and Yost found no statistically significant relationship in their paper for pro-same-sex marriage laws, and that is confirmed here. They found a reduction in divorce for one definition of ban, and that holds up under the new coding. With one or two exceptions, the results in Table 4 are not sensitive to the estimation procedure; that is, the coefficients in columns (1), (2), and (3) are similar to those in (4), (5), and (6), respectively. However, the Table 4 results are not robust to the changes in coding: Comparing column (1) against (2) and (4) against (5), we find different results.

Table 5 shows that the Langbein and Yost results on abortion rates are strengthened by our new coding, but they lose precision under the different estimation procedure and then disappear entirely when only Massachusetts is counted as a same-sex marriage state. Table 6 shows that, like Langbein and Yost, we find no significant effects on out-of-wedlock births. Table 7, which examines the relationship between female-headed households and same-sex marriage laws, is the only case where a statistically significant effect found by Langbein and Yost has

some robustness to the new coding, estimation procedure, and proper treatment of civil unions.

Considering all of our regressions together, the bottom line is that there is too much imprecision in the estimates to draw any reasonable conclusion. But such a general finding of sensitivity and statistical insignificance is *not* the same as a finding “that laws permitting same-sex marriage or civil unions have no adverse effect on marriage, divorce, and abortion rates, the percent of children born out of wedlock, or the percent of households with children under 18 headed by women,” as asserted by Langbein and Yost (2009, 305–306). The sensitivity and insignificant results rather stem from the low power of their regressions based on the test design. The correct conclusion to draw from the results is that we cannot tell whether an effect exists or not. Which prompts the question: Why not?

### Why power is so lacking

Langbein and Yost conduct a simple before-and-after test across a panel of states. In order for such a test to have power, it is necessary to have data both before *and after*. Yet the experimental design used by Langbein and Yost uses only data from 1990, 2000, and 2004. During these three years, only *one* state in the *last* year had same-sex marriage: Massachusetts, passed in May 2004. This is the likely reason why Langbein and Yost classified states with civil unions as having same-sex marriage. But even this only increases the number of state-year observations to seven, and it causes measurement error, which reduces the power of the regression.

Other factors contribute to the low power of the regressions. First, the overall sample size used in the regressions is small. In contrast to a long panel, Langbein and Yost only use data from three years. With a single observation for each state and the District of Columbia, this only amounts to 153 observations. Small sample sizes naturally lead to low levels of statistical significance, especially in the context of family decisions where there is so much variation in circumstances between families.<sup>16</sup> Despite the small sample size, Langbein and Yost (appropriately) use large numbers of independent control variables. However, increasing the number of independent variables naturally increases standard errors and reduces the level of significance. Langbein and Yost include a dummy variable for each state (50 variables), time dummies (two variables), and a host of other controls (eight variables). With so few observations, there is little power left. The states that changed their laws are simply too few and too recent for any measurable effect

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16. Outliers also play a large role in small-sample regressions. Langbein and Yost include Nevada in their regressions. In the context of marriage rates, Nevada is an enormous outlier. Whereas the average marriage rate in the other states is below 9, Nevada has marriage rates of 99, 77, and 63 for 1990, 2000, and 2004.

to take place. When using aggregate state statistics to test for the effect of legal changes on family behavior, it is critical to have data many years before and after the actual change.<sup>17</sup>

## Conclusion

Despite the lack of an explicit theoretical externality mechanism, a poorly defined test, a weak design, and low-power regressions, Langbein and Yost (2009) said repeatedly, as shown at the head of this paper, that no rational argument against same-sex marriage can be held. But there may be other externalities that were not examined, there may be other types of costs beyond externalities that could justify an opposition to the reform, and their tests may just be wrong.

If we take the externality arguments seriously and use the Langbein and Yost data, then only testing for a specific externality in Massachusetts is appropriate. Our column (3) and (6) regression results in Tables 3 through 7 show that all such a test finds is noise—as it should, since it is a before-and-after test that has only one observation in the ‘after’ period and only covers a short period of time.

Same-sex relationships will be very difficult to investigate given their small numbers and complexity. If there is an externality effect, it is likely to be compounded by many factors. Rushing into empirical work before the data are ready, or before an appropriate empirical strategy can be identified, is likely to cause more harm than good. As other studies come forward and the inevitable ‘counting up’ of studies takes place, the Langbein and Yost paper should not be counted. It found nothing.

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17. With this simple design and the brief period since the introduction of same-sex marriage it is unlikely an update to 2009 (the latest year data is readily available) matters since only Connecticut, Iowa, and Massachusetts would have same-sex marriage. New Hampshire came into effect in 2010, and Vermont changed late in the year. In perhaps the most important and definitive paper on using aggregate data to understand the effect of legal parameters on marriage behavior, Wolfers (2006) shows how important it is to have a panel series long before and after a legal change. In his study he uses a panel 30 years prior to changes in no-fault divorce laws, and 20 years afterwards.

**TABLE 1. Coding discrepancies for legalized same-sex marriage**

	Langbein and Yost (2009) coding		Our coding	
	Permitted (1)	Some equivalent (2)	Permitted (3)	Some equivalent (4)
CT 2004	0	1	0	0
ME 2004	0	1	0	0
DC 2000	0	0	0	1
HI 2000	0	0	0	1
VT 2000	0	0	0	1
VT 2004	1	0	0	1

*Notes.* (a) Connecticut created civil unions in 2005: An Act Concerning Civil Unions (Public Act No. 05-10). (b) Langbein and Yost code Maine as having civil unions in 2004. The law came into effect on July 30, 2004: Chapter 672, LD 1579, HP 1152. (c) The District of Columbia legalized domestic partnerships in 1992: The Health Benefits Expansion Act of 1992. (d) Hawaii introduced same-sex benefits in 1997: Reciprocal Beneficiaries Law (Act 383). (e) Vermont created civil unions in 2000: Vermont House Bill 847. Vermont did not create same-sex marriage until September 1, 2009: the Marriage Equality Act.

**TABLE 2. Coding discrepancies for bans on same-sex marriage**

	Langbein and Yost (2009) coding	Our coding	
		Statutory bans	Constitutional bans
1990	CA MD WY	CA FL MD NH PA UT VA WY	
2000	AL AK AZ CO DE FL GA HI ID IL IN IA KS KY LA ME MI MN MS MT NE NC ND OK PA SC SD TN UT VT VA WA WV	AL AK AZ AR CA CO DE FL GA HI ID IL IN KS KY LA ME MD MI MN MS MT NE NH ND OK PA SC SD TN TX UT VA WA WV WY	AK HI NE
2004	All states, <i>except</i> : DC NJ NM NY RI	All states, <i>except</i> : CT DC LA MA NJ NY NM RI VT WI	AR GA KY LA MI MS MO MT NV ND OH OK OR UT

**TABLE 3. Marriage rates on same-sex marriage laws**

Variable	GLS			OLS (Cluster)		
	Langbein and Yost's coding (1)	Our coding (2)	Our coding, and civil unions not treated as marriage (3)	Langbein and Yost's coding (4)	Our coding (5)	Our coding, and civil unions not treated as marriage (6)
gaymarriage ok	0.719*** (0.248)	0.889** (0.369)	0.521 (0.329)	1.102 (0.759)	1.595 (1.587)	0.578 (0.690)
gaymarriage ban duration 1	-0.100 (0.141)	-0.065 (0.209)	-0.147 (0.185)	-0.065 (0.533)	-0.093 (0.857)	-0.208 (0.847)
gaymarriage ban duration 2	0.430 (0.330)	0.470 (0.381)	0.233 (0.351)	1.322 (1.301)	1.652 (1.339)	1.457 (1.308)

*Note.* Column (1) is our successful replication of the regression that Langbein and Yost report in their Table 3 (2009, 301). \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .

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**TABLE 4. Divorce rates on same-sex marriage laws**

Variable	GLS			OLS (Cluster)		
	Langbein and Yost's coding (1)	Our coding (2)	Our coding, and civil unions not treated as marriage (3)	Langbein and Yost's coding (4)	Our coding (5)	Our coding, and civil unions not treated as marriage (6)
marriagerate	0.107*** (0.015)	0.106*** (0.011)	0.106*** (0.012)	0.127*** (0.043)	0.112** (0.048)	0.115*** (0.043)
gaymarriage ok	-0.174 (0.210)	0.034 (0.203)	-0.308 (0.248)	-0.446 (0.542)	0.164 (0.958)	-0.271 (0.318)
gaymarriage ban duration 1	-0.122** (0.051)	-0.469*** (0.068)	-0.481*** (0.069)	-0.115 (0.069)	-0.552** (0.219)	-0.565** (0.231)
gaymarriage ban duration 2	-0.041 (0.093)	-0.350*** (0.099)	-0.397*** (0.101)	-0.066 (0.322)	-0.329 (0.340)	-0.372 (0.258)
<i>Note.</i> Column (1) is our successful replication of the regression that Langbein and Yost report in their Table 4 (2009, 302). *** p<0.01; ** p<0.05; * p<0.1.						

**TABLE 5. Abortion rates on same-sex marriage**

Variable	GLS			OLS (Cluster)		
	Langbein and Yost's coding (1)	Our coding (2)	Our coding, and civil unions not treated as marriage (3)	Langbein and Yost's coding (4)	Our coding (5)	Our coding, and civil unions not treated as marriage (6)
gaymarriage ok	-3.529*** (0.765)	-8.307*** (2.176)	-0.585 (1.730)	-3.252 (2.563)	-13.036* (7.049)	3.194 (3.992)
gaymarriage ban duration 1	-0.441 (0.344)	-1.267*** (0.360)	0.160 (0.470)	-0.337 (1.774)	-2.353 (1.752)	-1.286 (1.927)
gaymarriage ban duration 2	-0.711** (0.332)	-1.441*** (0.513)	0.983 (0.694)	-1.763 (3.019)	-2.971 (2.693)	-0.767 (2.578)
<i>Note.</i> Column (1) is our successful replication of the regression that Langbein and Yost report in their Table 5 (2009, 303). *** p<0.01; ** p<0.05; * p<0.1.						

**TABLE 6. Out-of-wedlock birth rates on same-sex marriage laws**

Variable	GLS			OLS (Cluster)		
	Langbein and Yost's coding (1)	Our coding (2)	Our coding, and civil unions not treated as marriage (3)	Langbein and Yost's coding (4)	Our coding (5)	Our coding, and civil unions not treated as marriage (6)
gaymarriage ok	0.399 (0.620)	0.525 (0.720)	0.786 (1.257)	-0.632 (1.255)	-0.733 (1.918)	0.856 (1.126)
gaymarriage ban duration 1	-0.006 (0.232)	0.064 (0.302)	0.141 (0.295)	0.026 (0.740)	-0.184 (1.123)	-0.110 (1.127)
gaymarriage ban duration 2	0.314 (0.434)	0.422 (0.470)	0.533 (0.452)	-0.095 (1.422)	-0.144 (1.628)	0.013 (1.583)
<i>Note.</i> Column (1) is our successful replication of the regression that Langbein and Yost report in their Table 6 (2009, 304). *** p<0.01; ** p<0.05; * p<0.1.						

**TABLE 7. Percent female-headed households on same-sex marriage laws**

Variable	GLS			OLS (Cluster)		
	Langbein and Yost's coding (1)	Our coding (2)	Our coding, and civil unions not treated as marriage (3)	Langbein and Yost's coding (4)	Our coding (5)	Our coding, and civil unions not treated as marriage (6)
gaymarriage ok	-1.587*** (0.439)	-1.701*** (0.401)	-2.246*** (0.347)	-0.876 (1.344)	-1.866* (0.928)	-2.242** (0.968)
gaymarriage ban duration 1	0.083 (0.188)	0.166 (0.302)	-0.038 (0.304)	-0.195 (0.627)	-0.414 (0.811)	-0.387 (0.835)
gaymarriage ban duration 2	-1.695*** (0.359)	-0.087 (0.458)	-0.289 (0.442)	-2.313** (1.119)	-1.245 (1.342)	-1.005 (1.435)

*Note.* Column (1) is our successful replication of the regression that Langbein and Yost report in their Table 7 (2009, 305). \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .

## Appendix

Our data and code, in Stata formats, can be downloaded [here](#).

**TABLE 1A. Statutory ban legislation**

State	Legislation	Year
Maryland	Maryland Code, Family Law §2-201	1973
Virginia	Virginia Code § 20-45.2	1975
California	Assembly Bill 607	1977
Florida	Florida Statutes § 741.04	1977
Wyoming	Wyoming Statutes §20-1-101	1977
Utah	Utah Code, 30-1-2	1977
New Hampshire	NH Statutes § 457:1-2	1987
Louisiana	Louisiana Civil Code, Article 89 3520(B)	1988
North Carolina	North Carolina General Statutes § 51-1.2	1995
Tennessee	Tennessee Code § 36-3-113	1996
South Dakota	South Dakota Codified Laws § 25-1-1	1996
Arizona	Arizona Revised Statutes § 25-101 and 25-112	1996
Oklahoma	Oklahoma Statutes 43 §3.1	1996
Kansas	Kansas Statutes § 23-115	1996
Pennsylvania	Pennsylvania Consolidated Statutes 23 § 1704	1996
Alaska	Alaska Statutes § 25.05.013	1996
Michigan	Michigan Compiled Laws § 551.1, 551.271, 551.272, 551.3, 551.4	1996
South Carolina	South Carolina Code § 20-1-10, 20-1-15	1996

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**TABLE 1A (cont'd). Statutory ban legislation**

State	Legislation	Year
Delaware	Delaware H.B. 503	1996
Georgia	Georgia Code § 19-3-30 19-3-3.1	1996
Idaho	Idaho Code § 32-209	1996
Illinois	Illinois Marriage and Dissolution of Marriage Act 750 ILCS 5/212	1996
Indiana	Indiana Code § 31-11-1-1	1997
Arkansas	Arkansas Code § 9-11-208, 9-11-107, 9-11-109	1997
Maine	Maine Revised Statutes § 611	1997
Minnesota	Minnesota Statutes 517.01, 517.03	1997
Mississippi	Mississippi Code § 93-1-1	1997
Montana	Montana Code § 40-1-103, 40-1-401	1997
North Dakota	North Dakota Century Code § 14-03-01, 14-03-08	1997
Texas	Texas Family Code § 2.001	1997
Kentucky	Kentucky Revised Statutes § 402.005, 402.020, 402.040	1998
Alabama	Alabama Code § 30-1-19	1998
Washington	Defense of Marriage Act	1998
West Virginia	West Virginia Code § 48-2-104, 48-2-603	2000
Colorado	Colorado Revised Statutes § 14-2-104	2000
Missouri	Revised Statutes § 451.022, 451.012	2001
Ohio	Ohio Revised Code § 3101.01	2004

**TABLE 2A. Constitutional bans**

State	Amendment	Year
Alaska	Ballot Measure 2	1998
Hawaii	Amendment 2	1998
Nebraska	Initiative 416	2000
Nevada	Question 2	2002
Arkansas	Amendment 3	2004
Georgia	Amendment 1	2004
Kentucky	Amendment 1	2004
Louisiana	Amendment 1	2004
Michigan	State Proposal 04-2	2004
Mississippi	Amendment 1	2004
Missouri	Amendment 2	2004
Montana	Initiative 96	2004
North Dakota	Measure 1	2004
Ohio	State Issue 1	2004
Oklahoma	State Question 711	2004
Oregon	Measure 36	2004
Utah	Amendment 3	2004



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# Still No Evidence of Negative Outcomes from Same-Sex Marriage

Laura Langbein<sup>1</sup> and Mark A. Yost, Jr.

[LINK TO ABSTRACT](#)

We are pleased that Professors Allen and Price (2015) have continued to investigate the empirical connection, alleged by the Family Research Council (see, e.g., Sprigg 2004; 2014) and others, between state laws that permit (or do not ban) same-sex unions/marriages and the possibility of adverse consequences for families. Our original research, “Same-Sex Marriage and Negative Externalities” published in *Social Science Quarterly* (Langbein and Yost 2009), tested the claim that state laws permitting same-sex marriage are likely to have an adverse effect within those states on marriage rates, divorce, abortion, the percent of children born out of wedlock, and the percent of households with children under 18 headed by women.

We used state-level Census data from 1990, 2000, and 2004, along with data on state laws that were available at that time from the Human Rights Campaign. Having collected our data in 2005–2006, we noted the low variance in our key policy variable, but we used multiple indicators to capture laws either protecting or banning gay marriage, including an indicator of the duration of laws banning gay marriage (Langbein and Yost 2009, 298). However, we explicitly recognized the low power of our study, and that it was therefore likely to produce insignificant results (*ibid.*, 299, 306, 307).

Our primary finding was that “allowing gay marriage has no significant adverse impact” (*ibid.*, 293) on the five specific family outcomes mentioned above,

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with numerous statistical controls. However, not all of our results were statistically insignificant. When results were significant, the implication from the sign of the association is that same-sex marriage appeared to have positive, not negative, effects on some family outcomes. We also found that laws banning same-sex marriage and laws allowing it each had positive associations with two family outcomes. We were careful to avoid strong causal claims about any significant result. We explicitly recognized the difficulty of making a causal claim with our research design, especially since so little time had lapsed between the adoption of the laws and our data analysis (*ibid.*, 297, 306, 307). Our focus was on the absence of evidence of an adverse effect of laws permitting same-sex unions/marriages on the five family outcomes mentioned above. We also recognized a key theoretical problem: It is not clear how same-sex marriage laws can hurt (or help) kids or families in the larger population outside the state that passes the law. We also suggested some research designs, including a longer timeframe, to provide a better test of the hypothesis.

We are pleased that, using updated information about state laws that was not available when we were collecting the data for our study, and using their preferred coding of that information, Professors Allen and Price have largely replicated our findings. According to their findings, same-sex marriage laws appear to have no adverse effects on families in the state where the laws operate. When they find a significant coefficient, it is in the same positive direction that we found, suggesting a beneficial association between laws supporting same-sex marriage and family formation and stability.

Both their study and ours suffer from low power. More data were not available when we wrote our study; that is no longer the case. Today, there is considerably more within and between state variance in laws governing same-sex marriage. There have been advances in research design that were not readily available when we wrote our study; at least one could readily be applied now. These include synthetic control groups, difference-in-difference designs, and possibly the use of instrumental variables. We hope future research (especially with a larger dataset) continues to ask the same question that Professors Allen and Price join us in exploring: Do laws supporting same-sex unions and marriages have any adverse effect on families? Regardless of one's position on the issue, a more conclusive answer than the one we have collectively provided is still needed.

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# Replications in Economics: A Progress Report

Maren Duvendack<sup>1</sup>, Richard W. Palmer-Jones<sup>2</sup>,  
and W. Robert Reed<sup>3</sup>

[LINK TO ABSTRACT](#)

In producing an econometric study, a researcher makes multifarious decisions in fashioning his bridge from data to estimated results. If a separate researcher were to attempt to replicate the results, she would have great difficulty divining those decisions without accompanying data and code—the computer program that produces the estimates. Publication of data and code that allow other authors to reproduce an original study is necessary if researchers are to be confident they have correctly understood that original study. Thirty years ago, it was very difficult to obtain authors' data and code. Since then, there has been considerable progress, led by the American Economic Association, in making this standard practice, at least at some journals.

By itself, access to data and code might be inadequate to incentivize replication of studies: Researchers also need outlets to publish the results of replication efforts. If all economics journals made their data and code available, but no journals were willing to publish replication studies, then it is unlikely that more than a few such studies would be undertaken. Personal websites, social media, and other

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outlets do allow ‘unpublished’ studies some access to a larger community of scholars, but in the absence of professional review it would be difficult for any but the most prominent replication studies to achieve notice in the profession. Further, the absence of publication credit would provide less incentive to undertake replication.

We provide a “progress report” on the use of replications in economics.<sup>4</sup> At least since the seminal study by William Dewald et al. (1986), there has been a recognition in the economics profession that many empirical results in economics are not reproducible or not generalizable to alternative empirical specifications, econometric procedures, extensions of the data, or other study modifications. A survey of the current literature reveals that ameliorating this state of affairs has not been easy. There have been substantial improvements in the sharing of data and code, but it is still rare for peer-reviewed journals to publish studies that replicate previous research.

The concern that a substantial portion of empirical research is not reproducible or generalizable is not restricted to economics and the social sciences. In December 2011, an issue of *Science* ([link](#)) was devoted to “Data Replication & Reproducibility” in the so-called ‘hard sciences.’ The concern with replication in science has become sufficiently widespread that it has crossed over to popular media. *The Economist*, *The New Yorker*, *The Atlantic*, *BBC Radio*, and the *Los Angeles Times* are just a few of the popular media outlets that have recently reported on concerns over reproducibility in scientific research.<sup>5</sup> And, while popular interest tends to focus on academic fraud, others have pointed out that academic practices generate a disproportionate rate of false positives (Maniadis et al. 2014; Ioannidis 2005; Ioannidis and Doucouliagos 2013; Paldam 2013; Camfield et al. 2014). Replication can provide a useful check on the spread of incorrect results. The use of replications should be of interest to many economists, even those not directly involved in the production of empirical research.

Our report provides a brief history of replication and data sharing in economics journals, as well as the results of a survey of replication policies at all 333 economics journals listed in *Web of Science*. Further, we analyse a collection of 162 replication studies published in peer-reviewed economics journals. We then discuss recent replication initiatives and offer suggestions on how replication analysis can be more effectively employed.

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4. We offer definitions of ‘replication’ in this paper as there is currently no consensus among scholars. For an interesting discussion on defining ‘replication’ see Clemens (2015).

5. Here are links to the articles from *The Economist* ([link](#)), *The New Yorker* ([link](#)), *The Atlantic* ([link](#)), *BBC Radio* ([link](#)), and the *Los Angeles Times* ([link](#)).



This paper is part of an ongoing project which includes the website [replicationnetwork.com](http://replicationnetwork.com) ([link](#)), which provides additional, regularly updated information on replications in economics. Readers are encouraged to visit the site, both to stay abreast of developments and to contribute information that might be of interest to other researchers interested in replications.

## A brief history of replications in economics

### Replication and data sharing

From the early days of econometrics it has been acknowledged that sharing of data is desirable. Ragnar Frisch's introductory editorial to the new journal *Econometrica* said:

In statistical and other numerical work presented in *Econometrica* the original raw data will, as a rule, be published, unless their volume is excessive. This is important in order to stimulate criticism, control, and further studies. The aim will be to present this kind of paper in a condensed form. Brief, precise descriptions of (1) the theoretical setting, (2) the data, (3) the method, and (4) the results, are the essentials. (Frisch 1933, 3)

It is not clear to what extent these precepts were practiced, although it is unlikely that data sets were widely shared outside research groups. Restricting access to data has generally been legitimised by reference to the heavy investment of primary researchers in data production and the long lead times from collection to publication of analyses, as well as issues of anonymity and protection of subjects. But crucial is the availability of data and code. The issues raised by Frisch remain front and center.

In the post-World War II period, several scholars raised concerns about the quality of data and the validity of social and economic statistical analysis (Morgenstern 1950; Tullock 1959). Gordon Tullock was one of the first to draw attention to what is now commonly referred to as “the file drawer problem” (Rosenthal 1979): inconclusive findings are likely to be filed, while results that are statistically significant get published. Tullock also advocated replication: “The moral of these considerations would appear to be clear. The tradition of independent repetition of experiments should be transferred from physics and chemistry to the areas where it is now a rarity” (Tullock 1959, 593).

The *Journal of Human Resources* (JHR) was an early leader in the publication of replications. Articles in JHR included replication as part of their analysis. For

example, an article by Marshall Smith (1968) says that “The reader may note that the results in Tables 1 and 2 should replicate some of the results shown in Table 3.23.2 ... of the report. This is the case” (1968, 386 n.1). Replication, in the sense of repeating a prior analysis, was promoted in *JHR*; for example: “these findings must be regarded as relatively weak tendencies requiring further study and badly in need of replication in independent data” (Gallaway and Dykman 1970, 199).<sup>6</sup> Authors reported whether their results replicated or were consistent with the results of others (e.g., Winkler 1975, 202). Others reported replicating, or at least re-estimating, portions of other papers (e.g., Link and Ratledge 1975; see also Akin and Kniesner 1976; Link and Ratledge 1976).

The *Journal of Human Resources* continued to publish papers that contained replications through the 1970s and 1980s, and announced a commitment to doing so in its Winter 1990 issue:

*JHR* Policy on Replication and Data Availability:

1. Manuscripts submitted to the *JHR* will be judged in part by whether they have reconciled their empirical results with already published work on the same topic.
2. Authors of accepted manuscripts will be asked to make their data available to analysts from a date six months after *JHR* publication data for a period three years thereafter. ...
3. The *JHR* welcomes replication, fragility, and sensitivity studies of empirical work that has appeared in the *JHR* in the last five years or empirical work judged by the editors to be important to the fields covered by the *JHR*.

The first two planks of this policy were reaffirmed in 2012 ([link](#)).

In a 1975 *Journal of Political Economy* (*JPE*) article, Edgar Feige asserted that economics journals’ editorial policy “bearing on empirical literature puts an inordinate premium on the attainment of ‘statistically significant results,’ with the effect of contaminating our published literature with a proliferation of Type 1 errors” (Feige 1975, 1291). Following its publication of Feige’s article, the *JPE* initiated a “Confirmations and Contradictions” section, which existed from 1976 to 1999. The *JPE* editors wrote that confirmations could come from using new data, while contradictions would “be most powerful when based upon the same data” (editorial comment in Feige 1975, 1296). Philip Mirowski and Steven Sklivas (1991, 159), however, reported that only five of 36 notes appearing in this *JPE* section from 1976 to 1987 included replications, of which only one was “successful” in actually replicating the original results. Richard Anderson et al. (2008)

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6. It appears that Gallaway and Dykman (1970) regard their paper, in part, as a replication of a report.

counted 13 more notes through 1999, of which only one included a replication. This led them to conclude, “Apparently the *JPE* has allowed the section to die an ignominious death befitting the section’s true relation to replication: It has been inactive since 1999” (Anderson et al. 2008, 108). We are not aware of any formal responses to Mirowski and Sklivas (1991) or Anderson et al. (2008).

In the 1980s few major economics journals had a data sharing or replication policy in place, even though some economists, such as Thomas Mayer (1980), expounded the need for replication. A notable exception at the time was the *Journal of Money, Credit and Banking* (*JMCB*) which requested that authors make data and code available upon submission of their articles (Dewald et al. 1986). Subsequently an increasing number of journals adopted data-sharing policies, either requiring authors to provide data and code upon request or to deposit their data and code in journal-managed data archives upon submission of their article. Bruce McCullough et al. (2006) and Jan Höffler (2014) argue that the former are ineffective because most authors and editors ignore them (see also McCullough 2007).

Substantial progress has been made in the last two decades with respect to the publishing of replications and to the mandating of the provision of data and code. Several economic journals now have official policies on data sharing/archiving or replication, including the *American Economic Review* (*AER*), *Econometrica*, the *Journal of Applied Econometrics* (*JAE*), and a number of others. Less common is the requirement that authors provide their associated computer code. For example, the *JAE* encourages, but does not require, authors to supply code.

The *AER*’s policy statement, adopted in 2004 following the critical paper of McCullough and H. D. Vinod (2003), has served as a model for other journals. And the *AER* has recently tightened its policy by undertaking checks that submitted code and data do indeed produce the results published. While the *AER*’s current policy is “an important step towards more transparent and credible applied economic research” (Palmer-Jones and Camfield 2013, 1610), it should be noted that there is an important limitation. The *AER* only requires authors to include the data set(s) and programs necessary to run the “final models,” along with a “description of how previous intermediate data sets and programs were employed to create the final data set(s)” ([link](#)). But much data manipulation commonly occurs between the original and final data sets that is not carefully documented, hindering the ability of would-be replicators to obtain the final results from the raw data (Palmer-Jones and Camfield 2013).<sup>7</sup>

The mandatory submission of raw data sets, along with the programs that produce the final data sets, would enable researchers to understand how the data were ‘cleansed’ and identify coding errors embodied in the final data set. These

7. For example, Iversen and Palmer-Jones (2014) identify data-management errors in which invalidate one of the two analyses in Jensen and Oster (2009), but see also Jensen and Oster (2014).

issues are little discussed in the replication literature (see Glandon 2011 for an exception). Accordingly, Anderson et al. (2008, 99) assert that much remains to be done “before empirical economics ceases to be a ‘dismal science’ when judged by the replicability of its published results.” Even if more stringent requirements will remain impractical, discussions of the matter keep us mindful of a vast realm of abuse that policies like the *AER*’s do *not* ensure against.

The replication policy adopted by *Econometrica* ([link](#)) is similar to the one by *AER* but less specific. It distinguishes between empirical analysis, experiments and simulation studies with an emphasis on experimental papers where authors are required to provide more detailed information. Like the *JMCB*, the *JAЕ* also has a data archive ([link](#)), and a replication section ([link](#)). *JAЕ* clearly specifies the format in which data sets and computer code should be made available (again, making data available is mandatory for all papers published in *JAЕ* while the provision of code is voluntary).

The requirement of making available the author’s data and code is a necessary, but by no means sufficient, condition that enables replicators to confirm the original study’s results. It may be the case that policies are not strictly enforced; even the *AER* has been faulted for issues of non-compliance (Glandon 2011).<sup>8</sup> Or there could be nominal compliance by authors—that is, they provide at least some data and or code—but the data and code are poorly documented, incomplete, or do not produce the tabulated results.

## Incentives for replication

Many economics journals have adopted replication or data-sharing policies over recent years, but replication activities have only marginally increased. As the saying goes, incentives matter. Dewald et al. (1986) remarked that the incentives are low to undertake replication “however valuable in the search for knowledge.” Following Thomas Kuhn (1970), they attribute the weakness of incentives to replication “not fit[ting] within the ‘puzzle-solving’ paradigm which defines the reward structure in scientific research. Scientific and professional laurels are not awarded for replicating another scientist’s findings.” Replicators might be thought to be “lacking imagination” or “unable to allocate...time wisely.” Replications may be seen as “reflecting a lack of trust in another scientist’s integrity and ability” or “a personal dispute between researchers” (Dewald et al. 1986, 587).

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8. Our survey about replication policies, discussed below, was administered to a large number of economics journals. Several editors were surprised to discover that their requirement that data and code be provided and posted on the journal’s website was not being enforced.

Most discussions of incentives for replication include three actors—replicators, journal editors and original authors.<sup>9</sup> More recently one might take account of social commentators, journalists, bloggers, and the like. Would-be replicators reckon the time to undertake the replication and the likelihood of being published. They may be concerned about the implication of lack of originality, or of getting a reputation of having an unfavourable personality, or advancing themselves at the expense of more established authors. Months of effort may yield results which cannot be conclusive about the validity of the original study in part because failure to replicate may have arisen from errors in the original research or in the replication. Commentators have discussed such matters repeatedly. A recent example is the heated debate among social psychologists over the replication by David Johnson et al. (2014) of Simone Schnall et al. (2008).<sup>10</sup>

Furthermore, from their proprietary or confidential nature, many data sets are not made available for replication (see the *JAE* “Instructions for Authors” on proprietary data ([link](#))), and many researchers are reluctant to share data sets when they have mind yet to appropriate their value in future research (Dewald et al. 1986).

There is a trend among such organizations as the Economic and Social Research Council (UK) and the National Science Foundation (U.S.) to insist that researchers they fund make their data sets publicly available.<sup>11</sup> In the non-profit aid research funding sector, the Gates Foundation has policies on data access ([link](#)). The International Initiative for Impact Evaluation (3ie) has adopted a policy that all data produced by funded activities be archived ([link](#)), although at the time of writing no precise protocols for this could be found.

Journal editors are concerned with per-page citations, and replications are thought to perform less well than original studies. Also, the editorial costs of allowing replication may be heavy when controversy between authors ensues. Editors may also be concerned about alienation of established authors. More importantly, they may wish to avoid the reputational consequences of exposing

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9. This paragraph draws on Dewald et al. (1986), Mirowski and Sklivas (1991), and Feigenbaum and Levy (1993).

10. For more details on this exchange, see Mukunth (2014) for an overview, Schnall (2014), and Schnall’s posts on the blog of the Cambridge Embodied Cognition and Emotion Laboratory ([link](#)).

11. “The ESRC Research data policy states that research data created as a result of ESRC-funded research should be openly available to the scientific community to the maximum extent possible, through long-term preservation and high quality data management” ([link](#)). “National Science Foundation is committed to the principle that the various forms of data collected with public funds belong in the public domain. Therefore, the Division of Social and Economic Sciences has formulated a policy to facilitate the process of making data that has been collected with NSF support available to other researchers” ([link](#)). Gary King offers a list of further funding agencies with data sharing and archiving policies in place ([link](#)).

errors in papers published in their own journal. All of these factors attenuate editors' incentives to facilitate and encourage replication of the papers they publish.

Original authors are concerned about the costs of compiling data and code into usable forms. They may expect that the benefit of providing well documented, easily usable code is small or even negative. If replicating authors can easily confirm the original results, there is no real gain, while the damage to their reputation may be large if the original results cannot be confirmed. Original authors, then, may see their providing data and code as having a potential downside and very little upside.

Reputational issues magnify the difficulties associated with both original authors and replicators getting to 'the truth.' Recent cases involving Carmen Reinhart and Kenneth Rogoff (O'Brien 2013) and Thomas Piketty (Giles 2014) illustrate the amount of attention that can be attracted to controversies surrounding replication. Academics are sometimes 'named and shamed' through academic blogs and other informal media. Frequently the issues center around data errors and nuanced issues of sample selection and empirical procedures, not outright academic fraud.

In our Internet age, criticism can spread quickly and extensively, while rebuttals or more considered views do not necessarily attract much attention. The skills necessary to navigate successfully in social media may be orthogonal to scientific merit. While there are many impediments to replicators, the other side of the coin is that it can be difficult for the original authors to defend themselves when faced with unfair criticisms. Many journals provide the original authors with an opportunity to respond to replicators' findings, but more frequently this is not the case, as we show below.

With reputational issues motivating many disputes between replicating and original authors, there would seem to be a place for the establishment of protocols between replicators and replicatees to mitigate the possibilities of errors or misunderstandings in replications. In this context, Daniel Kahneman (2014) has recently called for the establishment of "A New Etiquette for Replication."<sup>12</sup> However, since reputation often plays out in the wide world of public opinion, and since that world operates under different rules than scientific responsibility, it is unlikely that such protocols would ever be able to fully safeguard against the harms done by malicious replicators or belligerent replicatees (see Hoxby 2007 or Acemoglu et al. 2012 for examples of sharp responses to replicators).

Several authors have suggested that the "push to replicate findings" in science could entail perverse effects (Bissell 2013; Gelman 2013). There is a perceived danger that authors could become more cautious and direct their efforts away from controversial or difficult topics (Schnall 2014). Difficult though these

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12. See also the 3ie's "Replication Contracts Notification and Communication Policy" ([link](#)).

issues may be, the potential gains to the economics profession, and the public, of furthering the practice of replication are, in our view, substantial.

## Current replication policies at *Web of Science* economics journals

Our investigation of current replication policies at economics journals began with the list of journals categorized as “Economics journals” by Thomson Reuters’s *Journal Citation Reports*, which as of September 2013 was a total of 333 journals.<sup>13</sup> We researched each journal with respect to two questions: (i) Does the journal regularly publish data and code for its empirical research articles?, and (ii) Does the journal’s website explicitly mention that it publishes replication studies?

We investigated the website of each journal. To determine whether a journal “regularly” publishes data and code for empirical research articles, we accessed recent online issues of the journal and counted the number of empirical research articles that were published: if at least 50 percent of these articles had attached data and code, the journal was classified as regularly publishing data and code. With respect to determining whether a journal’s website explicitly mentions that it publishes replications, we read through website sections such as “About,” “Aims and Scope,” etc., for some statement that the journal invites submissions of replication studies or publishes replication studies.

After compiling our results, we then individually emailed the managing editors of all 333 journals, reporting to them what we found and asking them to correct any mistakes or omissions in our records. After a first draft of the paper was produced, we re-contacted the journal editors and asked them to again verify that our information was up-to-date and accurate. The response rates to these surveys were approximately 20 percent and 30 percent, respectively.<sup>14</sup>

Table 1 reports the results concerning availability of data and code for empirical articles. Twenty-seven of 333 journals met our standard for “regularly” publishing data and code. But many journals publish little content of the empirical sort to which replication pertains, so the absence of data and code should not

13. Journals were identified from the online 2012 *JCR* Social Science Edition and included all journals that were categorized as “Economics” in the Subject Category Selection dialog box.

14. Sixty-six journals responded to the first survey including one journal whose editor wrote to inform us that the journal (*Pacific Economic Bulletin*) was no longer being published. The corresponding response rate is  $66/333=0.198$ . A followup email was sent in January 2015 in which journal editors were asked to respond to the correctness of the information reported in an earlier draft of this study. Approximately 100 journals responded to that email.



be inferred as lack of support for the general policy of making this information available.

**TABLE 1. Journals that regularly\* publish data and code for empirical research articles**

1)	<i>Agricultural Economics</i>
2)	<i>American Economic Journal: Applied Economics</i>
3)	<i>American Economic Journal: Economic Policy</i>
4)	<i>American Economic Journal: Macroeconomics</i>
5)	<i>American Economic Journal: Microeconomics</i>
6)	<i>American Economic Review</i>
7)	<i>Brookings Papers on Economic Activity</i>
8)	<i>Econometrica</i>
9)	<i>Economic Journal</i>
10)	<i>Econometrics Journal</i>
11)	<i>Economics: The Open-Access, Open-Assessment E-Journal</i>
12)	<i>European Economic Review</i>
13)	<i>Explorations in Economic History</i>
14)	<i>International Journal of Forecasting</i> <sup>(a)</sup>
15)	<i>Jahrbücher für Nationalökonomie und Statistik/ Journal of Economics and Statistics</i>
16)	<i>Journal of Applied Econometrics</i>
17)	<i>Journal of Labor Economics</i>
18)	<i>Journal of Money, Credit, and Banking</i> <sup>(b)</sup>
19)	<i>Journal of Political Economy</i>
20)	<i>Journal of the European Economic Association</i>
21)	<i>Quarterly Journal of Economics</i>
22)	<i>Review of Economic Dynamics</i>
23)	<i>Review of Economic Studies</i>
24)	<i>Review of Economics and Statistics</i> <sup>(c)</sup>
25)	<i>Review of International Organizations</i>
26)	<i>Studies in Nonlinear Dynamics and Econometrics</i> <sup>(d)</sup>
27)	<i>World Bank Economic Review</i>
Other: The journal <i>Experimental Economics</i> commented: “We don’t require individuals to post their data. We have never felt the need since there is a strong norm within the experimental community of sharing the data upon request (as well as instructions & z-tree code).” The journal <i>Econ Journal Watch</i> does not regularly publish code, but they do regularly link their empirical articles to data, and have done so since the first issue of the journal in 2004.	
Notes: * “Regularly” is defined as at least 50% of the empirical articles supply their data and code.	
(a) Some issues publish data and code for at least 50% of the empirical articles. The journal notes that it is currently in the process of moving all supplements to the ScienceDirect website which will make it easier for researchers to access them.	
(b) Data and code are published on the journal’s website ( <a href="#">link</a> ), but not on the Wiley online journal website.	
(c) The journal commented, “The <i>Review of Economics and Statistics</i> has an online data archive to which we require all of our published authors to post their Data and Code which is available to the public” ( <a href="#">link</a> ).	
(d) <i>JNDE</i> responded to our survey by noting that the journal “has required the inclusion of data and code for 17 years, before virtually any other journal.”	

Other journals, such as the *Journal of Agricultural and Resource Economics* and the *Journal of Human Resources*, while not posting data and code through the journal's website, state that authors are required to make their data "available" for replication purposes. We did not inquire as to whether these journals monitor whether published authors follow through on the responsibility, nor how journals might enforce it.

Even if such policies were duly enforced, there would be an advantage in locating the archive at the journal website. The journal can standardize the formatting of data and code. We did not inquire whether journals had policies about formatting, but our unscientific sampling of files suggests that authors are largely uninstructed in this area. We also did not inquire whether journals had internal processes for ensuring that the results of a published study are easily replicated with the files provided. In several ways, journals could lower the cost of replication.

As things currently stand, there is little personal incentive for published authors to ensure their data and code files can be easily understood by another researcher. The time costs of organising files and making them sufficiently transparent so as to be profitably used by others can be quite substantial. Many researchers may find the benefits of providing transparent data and code files do not outweigh the costs. Journals can solve this incentive problem by making provision of data and code a condition for publication.

Table 2 lists the journals whose websites explicitly mention that they invite submission of replications or publish replications.<sup>15</sup> Some journals publish replications without explicitly stating that they do so. If journals are willing to publish replications, it is important that they say so in a public place, so potential authors can easily learn the fact. By leaving a potential replicating researcher unaware of the possibility of publishing in that journal, it narrows the pool of potential outlets in which a researcher thinks she can publish her work.

Of the 333 journals examined, only 10 explicitly state that they publish replication studies (these journals are listed in Table 2). Further, some of these are specialty journals that only publish studies in a particular area, such as the journals *Experimental Economics* and *Economics of Education Review*. Others, such as the *Journal of Applied Econometrics*, only publish replications where the original article was published in one of a few elite journals. Thus, as a practical matter, there may only be one or two journals that appear willing to publish a replicating author's research. The lack of publishing outlets is perhaps the most serious obstacle to researchers interested in undertaking replication research.

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15. In at least two cases, journal editors modified their journal websites after we told them that our classification system required explicit mention of this policy on the journal website.

**TABLE 2. Journals whose websites explicitly mention that they publish replications**

1)	<i>Econ Journal Watch</i>
2)	<i>Economic Development and Cultural Change</i>
3)	<i>Economics of Education Review</i>
4)	<i>Empirical Economics</i>
5)	<i>Experimental Economics</i>
6)	<i>Explorations in Economic History</i>
7)	<i>International Journal of Forecasting</i>
8)	<i>Jahrbücher für Nationalökonomie und Statistik/Journal of Economics and Statistics</i>
9)	<i>Journal of Applied Econometrics</i>
10)	<i>Review of International Organizations</i>

## An analysis of published replications

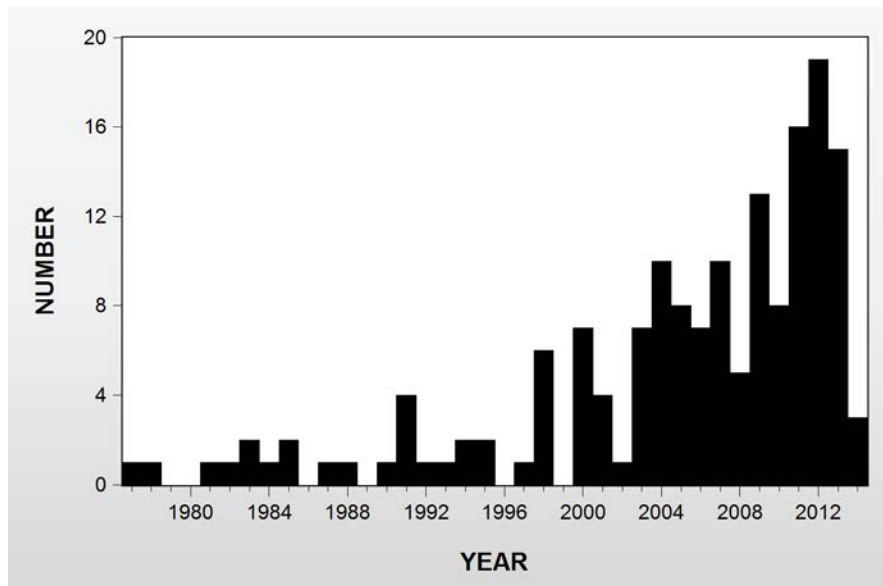
Here we analyze a number of published replication studies found in refereed economics journals. To be considered a replication study, an article had to (i) have as its main purpose to verify the reliability of a previously published study, and (ii) have been published in a peer-reviewed journal.<sup>16</sup> The replication studies were identified from a number of sources: (i) keyword searches in Google Scholar and Web of Science; (ii) the “Replication in Economics” wiki ([link](#)); (iii) suggestions from journal editors; and (iv) the present authors’ own collections. Subsequent to that, we also did a more systematic search that targeted the top 50 economics journals (based on impact factors).<sup>17</sup>

16. We did not include articles that had been published online as ‘early access.’ One of the characteristics we wanted to record was whether the journal published a ‘reply’/‘response’ to the replication study. It was not possible to determine this from early access articles. We also did not include replies or responses to replication studies, or replies or responses to replies/responses. We judged that the motivation underlying these was likely to be different, being colored by the incentive to defend the author’s earlier research.

17. The impact factors were taken from RePEc ([link](#)). We actually referenced 51 journals, since two journals had identical impact factors. The journals are: *American Economic J.: Microeconomics*, *American Economic J.: Macroeconomics*, *American Economic Rev.*, *Econometric Reviews*, *Econometrica*, *Econometrics J.*, *Economic J.*, *European Economic Rev.*, *Experimental Economics*, *Games and Economic Behavior*, *International Economic Rev.*, *International J. of Central Banking*, *J. of Accounting and Economics*, *J. of Applied Econometrics*, *J. of Development Economics*, *J. of Econometrics*, *J. of Economic Dynamics and Control*, *J. of Economic Growth*, *J. of Economic Perspectives*, *J. of Economic Surveys*, *J. of Economic Theory*, *J. of Empirical Finance*, *J. of Environmental Economics and Management*, *J. of Finance*, *J. of Financial and Quantitative Analysis*, *J. of Financial Economics*, *J. of Financial Intermediation*, *J. of Financial Markets*, *J. of Health Economics*, *J. of Human Resources*, *J. of International Business Studies*, *J. of International Economics*, *J. of International Money and Finance*, *J. of Labor Economics*, *J. of Law and Economics*, *J. of Monetary Economics*, *J. of Political Economy*, *J. of Population Economics*, *J. of Public Economics*, *J. of Risk and Uncertainty*, *J. of the European Economic Association*, *J. of Urban Economics*, *Labour Economics*, *Mathematical Finance*, *Oxford Bulletin of Economics and Statistics*, *Quarterly J. of Economics*, *RAND J. of Economics*, *Rev. of Economic Dynamics*, *Rev. of Economic Studies*, *Rev. of Financial Studies*, and *World Bank Economic Rev.*

For the systematic search of top-50 journals, each journal was searched using the term “replicat\*.” This generated 13,261 potentially relevant articles. Not having the means to screen all of these, we randomly sampled approximately 12% of them (1,601 articles), reviewing the full text to determine if the article satisfied our criteria to be classified as a “replication study.” Of these 1,601 studies, most did not actually undertake a formal replication exercise; or the replication was not the main focus of the paper; or the paper styled itself as an empirical or conceptual extension of the original paper without attempting to confirm or disconfirm the original study.

**Figure 1.** Histogram of replication studies by year for our sample of 162 articles



In the end, our searching found 162 replication studies. Figure 1 presents a plot of replication studies (within the sample just described) by year. The first article that we can identify whose main focus was to replicate a previous study dates to 1977: it is a replication of a minimum wage study and was published in *Economic Inquiry* (Siskind 1977). Over the next 14 years (through 1991), fifteen more replication studies were published, eleven of which were published in one journal, the *Journal of Human Resources*. Early replication studies also appeared in *Applied Economics* (1983, 1985), the *Quarterly Journal of Economics* (1984), and the *Journal of Applied Econometrics* (1990).

From 1992, a number of other journals published replication studies: *Review of Economics and Statistics* (1992), *Journal of Development Studies* (1993, 1994, 2001),

*Marketing Letters* (1994), *Labour Economics* (1995), *Empirical Economics* (1997), *Journal of Environmental Economics and Management* (1998), *Public Choice* (1998), *Journal of Political Economy* (1998), *Experimental Economics* (2000), *Journal of International Development* (2000), *Quarterly Journal of Business and Economics* (2000), *Journal of Development Economics* (2001), and the *Journal of Law and Economics* (2001). Interestingly, some of these journals never published another replication study. The *American Economic Review* published its first replication study in 2002 (McCrary 2002), though its earlier publication of the landmark study by William G. Dewald, Jerry G. Thursby, and Richard G. Anderson (1986) did much to illuminate the need for replications in the discipline.

A major development in the publication of replications occurred in January 2003 when the *Journal of Applied Econometrics* (*JAE*) began a replication section, edited by Badi Baltagi (Pesaran 2003). From that time on, the *JAE* has become the most prolific publisher of replication studies amongst economics journals. Another notable journal event was the start in 2004 of *Econ Journal Watch*; from the first issue, the journal's line of economic criticism has included replications (see Maberly and Pierce 2004, which itself comes under criticism in Witte 2010). As Figure 1 makes clear, journals have published replication studies with increasing frequency since the early 2000s.

Table 3 provides a listing of the journals that have published replication studies. The *JAE* accounts for about one-fifth of all replication studies published in peer-reviewed economics journals. The next most frequent publishers are the *Journal of Human Resources*, *American Economic Review*, *Econ Journal Watch*, the *Journal of Development Studies*, and *Experimental Economics*. These six journals account for almost 60 percent of all replication studies. Only ten economics journals have ever published more than three replication studies.

The remainder of this section identifies some general characteristics of the published replication studies. The studies were coded on six dimensions:

1. *Summary?* Did the replication article merely summarize the findings of the replication? Or did it report individual estimates that allowed comparison with the original article?
2. *Exact?* Did the replication study attempt to exactly reproduce the original findings?
3. *Extension?* Did the replication study go beyond attempting to reproduce the original results by extending the analysis to different types of subjects, time periods, or test additional hypotheses?
4. *Original Results?* Did the replication study report the findings of the original study in a way that facilitated comparison of results without having to access the original study?

5. *Negative? Mixed? Positive?* Did the replication study confirm or disconfirm the original study, or were the results mixed?
6. *Reply?* Did the journal publish a reply or response from the original authors?

Each of these characteristics are described in more detail in Table 4. Table 5 reports the results. The numbers in the table are means of the corresponding dummy variables. As these numbers report population rather than sample values, hypothesis testing is not applicable.

The first characteristic, *Summary?*, is considered largely because of a practice of the *JAE* to sometimes publish paragraph-length summaries of replication studies. An example is David Drukker and Weihua Guan (2003), which reads in its entirety:

We are able to reproduce the results in Tables I and II of Baltagi and Khanti-Akom (1990) using STATA © programs. With respect to Table III, we obtain a different estimate of  $\sigma_x^2$  than Baltagi and Khanti-Akom. This changed the estimates slightly. The programs and results are available from ddrukker@stata.com on request.

The subsequent analysis separates out *JAE* replication studies from other journals' replication studies, as roughly a fifth of all *JAE* replications consist of short summaries. We also separate out experimental replication studies, because these 'replications' involve new data collection using different subjects, and often subjects from different countries. This raises issues of how 'reproducibility' should be interpreted. And so, we report the characteristics of replication studies for four categories of journals: (i) Studies from all journals ( $n=162$ ), (ii) *JAE* studies ( $n=31$ ), (iii) experimental studies ( $n=12$ ), and (iv) non-*JAE*/non-experimental studies ( $n=119$ ).

With respect to the *Exact?* characteristic, Table 5 reports that a little less than two-thirds of all published replication studies attempt to exactly reproduce the original findings. The number is slightly higher for the *JAE*. A frequent reason for not attempting to exactly reproduce an original study's findings is that a replicator attempts to confirm an original study's findings by using a different data set. An example is a replication study by Vegard Iversen and Richard Palmer-Jones (2008), which tested a result of Kaushik Basu et al. (2002) by using more recent data and data from a different country.

The next characteristic, *Extension?*, asks whether a replication study merely reproduces an original study's findings or also has some independent novelty or innovation (e.g., different data or additional hypotheses). On this dimension, there is wide variation across journal categories. Studies published in the *JAE* often

consist exclusively of attempts to confirm the original study's findings. Less than a third of *JAE* replication studies perform extensions of the original study. In contrast, most experimental studies go beyond the original study's analysis, often to explore additional hypotheses. Unfortunately, our analysis is unable to distinguish between 'demand' and 'supply' factors: we cannot tell if the difference between the *JAE* studies and the experimental studies, say, is driven by the preferences of journal editors or by the preferences of replicating authors.

The next characteristic, *Original Results?*, tells whether the replication study re-reports the original results in a way that facilitates comparison with the original study. A large portion of replication studies do not offer easy comparisons, perhaps because of limited journal space. Sometimes the lack of direct comparison is more than a minor inconvenience, as when a replication study refers to results from an original study without identifying the table or regression number from which the results come.

The next three characteristics involve the outcome of replication studies in confirming findings from the original study. Across all categories of journals and studies, 127 of 162 (78%) replication studies disconfirm a major finding from the original study. Interpretation of this number is difficult. One cannot assume that the studies treated to replication are a random sample. Also, researchers who confirm the results of original studies may face difficulty in getting their results published since they have nothing 'new' to report. On the other hand, journal editors are loath to offend influential researchers or editors at other journals. The *Journal of Economic & Social Measurement* and *Econ Journal Watch* have sometimes allowed replicating authors to report on their (prior) difficulties in getting disconfirming results published. Such firsthand accounts detail the reticence of some journal editors to publish disconfirming replication studies (see, e.g., Davis 2007; Jong-A-Pin and de Haan 2008, 57).

The last characteristic, *Reply?*, indicates how frequently journals publish a response by the original authors to the replication study in the same journal issue. Such replies are generally infrequent.<sup>18</sup> Approximately one in five replication studies are responded to by the original authors in the same issue. Not surprisingly, replies are most likely to occur when the replicating study disconfirms the original study. Of the 33 replication studies that elicited a published response from the original authors, all but one were in response to the replicating study disconfirming the original results (the exception being the exchange between Muñoz 2012 and Findlay and Santos 2012).

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18. We did not search for replies that were published in later issues of the journal because of the right-hand censoring problem that arises from replies that have not yet been published. Our unscientific analysis is that most replies are published in the same issue as the comment/replication.



**TABLE 3. Distribution of replications across journals**

Journal	Frequency Pct. (Number)	Cumulative Pct.
<i>Journal of Applied Econometrics</i>	19.1 (31)	19.1
<i>Journal of Human Resources</i>	11.7 (19)	30.9
<i>American Economic Review</i>	9.3 (15)	40.1
<i>Econ Journal Watch</i>	6.8 (11)	46.9
<i>Journal of Development Studies</i>	6.2 (10)	53.1
<i>Experimental Economics</i>	5.6 (9)	58.6
<i>Applied Economics</i>	4.3 (7)	63.0
<i>Empirical Economics</i>	4.3 (7)	67.3
<i>Journal of Economic and Social Measurement</i>	3.7 (6)	71.0
<i>Public Choice</i>	3.7 (6)	74.7
<i>Journal of Political Economy</i>	1.9 (3)	76.5
<i>Labour Economics</i>	1.9 (3)	78.4
<i>Economic Inquiry</i>	1.2 (2)	79.6
<i>Journal of Environmental Economics and Management</i>	1.2 (2)	80.9
<i>Quarterly Journal of Economics</i>	1.2 (2)	82.1
<i>Review of International Organizations</i>	1.2 (2)	83.3
<i>American Economic Journal: Applied Economics</i>	0.6 (1)	84.0
<i>American Law and Economics Review</i>	0.6 (1)	84.6
<i>Applied Financial Economics</i>	0.6 (1)	85.2
<i>Conflict Management and Peace Science</i>	0.6 (1)	85.8
<i>Econometrica</i>	0.6 (1)	86.4
<i>Economic Journal</i>	0.6 (1)	87.0
<i>European Economic Review</i>	0.6 (1)	87.7
<i>Health Economics</i>	0.6 (1)	88.3
<i>International Economics and Economic Policy</i>	0.6 (1)	88.9
<i>International Review of Applied Economics</i>	0.6 (1)	89.5
<i>Journal of Development Economics</i>	0.6 (1)	90.1
<i>Journal of Development Effectiveness</i>	0.6 (1)	90.7
<i>Journal of International Development</i>	0.6 (1)	91.4
<i>Journal of International Trade &amp; Economic Development</i>	0.6 (1)	92.0
<i>Journal of Law and Economics</i>	0.6 (1)	92.6
<i>Journal of Money, Credit, and Banking</i>	0.6 (1)	93.2
<i>Journal of the European Economic Association</i>	0.6 (1)	93.8
<i>Journal of Urban Economics</i>	0.6 (1)	94.4
<i>Marketing Letters</i>	0.6 (1)	95.1
<i>Proceedings of the National Academy of Sciences</i>	0.6 (1)	95.7
<i>Public Finance Review</i>	0.6 (1)	96.3
<i>Quarterly Journal of Business and Economics</i>	0.6 (1)	96.9
<i>Review of Austrian Economics</i>	0.6 (1)	97.5
<i>Review of Economics and Statistics</i>	0.6 (1)	98.1
<i>Review of Financial Studies</i>	0.6 (1)	98.8
<i>Social Science &amp; Medicine</i>	0.6 (1)	99.4
<i>World Development</i>	0.6 (1)	100.0

TABLE 4. Description of characteristics

Characteristic	Description
<i>Summary?</i>	This is coded 1 if the replication article merely summarized the findings of the replication.
<i>Exact?</i>	<p><b>For non-experimental studies:</b> This is coded 1 if the replication uses the exact same data, specification, and estimation procedures as the original study (as much as possible). In other words, did the replication attempt to exactly reproduce the original results? (<i>Note #1.</i> There are grey areas here. If a replication uses data or techniques that are similar to the original study (for example, simulation studies with the same data-generating process, or maximum likelihood estimation of nonlinear models using different software), it is coded 1 even if the replication is not ‘exactly’ the same. Another example: If a replication is working from a common data source, say Census data, and extracts data using the same criteria as the original study, it is coded 1 if the number of observations are the same or very similar. <i>Note 2.</i> Some replications mention in passing that they were able to reproduce the original results. If this is explicitly stated, it is coded 1.)</p> <p><b>For experimental studies:</b> If the study attempted to create the same experimental environment—e.g., same payoffs, same instructions, same number of options, etc.—it is coded 1.</p>
<i>Extension?</i>	<p><b>For non-experimental studies:</b> This is coded 1 if the replication attempts to extend the original findings (e.g., to see if the results are valid for a different country, or a different time period). It is coded 0 if it limits itself to determining whether the original results are valid (e.g., uses the same data, same country, same time period or slightly modified time period, but modifies the specification and/or estimation procedure).</p> <p><b>For experimental studies:</b> Experimental replications are coded 1 if they attempt to extend the original findings (e.g., by adding an hypothesis not considered by the original study).</p>
<i>Original Results?</i>	This is coded 1 if the replication explicitly reports an important estimate(s) from the original study such that it is easy to make a direct comparison of results without having to go back to the original study.
<i>Negative? Mixed? Positive?</i>	<p><i>Negative?</i> is coded 1 whenever a significant difference with the original study is found and much attention is given to this.</p> <p><i>Mixed?</i> is coded 1 whenever there are significant confirmations of the original study, but significant differences are also found.</p> <p><i>Positive?</i> is coded 1 whenever the replication study generally affirms all the major findings of the original study.</p>
<i>Reply?</i>	This is coded 1 whenever a reply/response from the original study accompanies the replication study. ( <i>Note.</i> This was determined by viewing the replication study on the website of the online version of the journal, and seeing if a reply/response from the original authors was located contiguously.)

TABLE 5. Characteristics of replication studies by journal type

Journals	Summary?	Exact?	Extension?	Original Results?	Negative?	Mixed?	Positive?	Reply?
All (162)	0.049	0.642	0.519	0.586	0.660	0.123	0.216	0.204
<i>JAE</i> (31)	0.194	0.742	0.290	0.323	0.452	0.194	0.355	0.032
Experimental (12)	0.000	0.750	0.833	0.583	0.500	0.167	0.333	0.083
Non- <i>JAE</i> /Non-Experimental (119)	0.017	0.605	0.546	0.655	0.731	0.101	0.168	0.261
<i>Note:</i> Numbers in the table are averages of the respective dummy variables (see Table 4 for explanation of categories and coding). The numbers in parentheses in the Journals column indicates the number of replication studies in each journal category.								

What can we learn from our analysis of replication studies? Most importantly, and perhaps not too surprisingly, the main takeaway is that, conditional on

the replication having been published, there is a high rate of disconfirmation. Over the full set of replication studies, approximately two out of every three studies were unable to confirm the original findings. Another 12 percent disconfirmed at least one major finding of the original study, while confirming others (*Mixed?*). In other words, nearly 80 percent of replication studies have found major flaws in the original research.

Could this be an overestimate of the true rate of Type I errors in original studies? While the question is impossible to answer conclusively with our sample, there is some indication that this rate overstates the unreliability of original studies. The *JAE* is noteworthy in that it publishes many replications that consist of little more than the statement “we are able to reproduce the results,” as in Drukker and Guan 2003). This suggests that the *JAE* does not discriminate on the basis of whether the replication study confirms or disconfirms the original study. This contrasts with the *American Economic Review*, which has never published a replication that merely confirmed the original study. One may be tempted to take the *JAE*’s record as representative, and we see that the *JAE*’s rate of replications that disconfirm at least one major finding (that is, *Negative?* + *Mixed?*) is 65 percent ( $0.452+0.194$ ). By any account, this is still a large number. It raises serious concerns about the reliability of published empirical research in economics.

## The future of replications

Outside economics, there have been calls in many fields for an increase in replication activities. A well funded consortium including PLOS and Science Exchange operates a Reproducibility Initiative, which aims to independently verify the results of major scientific experiments ([link](#)). There have also been renewed calls for replication in the political sciences; Gary King’s website ([link](#)) is a good resource, and another is Nicole Janz’s Political Science Replication Blog ([link](#)). The Berkeley Initiative for Transparency in the Social Sciences ([link](#)) was started with the objective to make empirical social science research more transparent, promoting replications.

Economics has seen relatively few replication initiatives. One is the Replication in Economics project at Göttingen University, which is funded by the Institute for New Economic Thinking; it offers a wiki containing an extensive number of replication studies published in economic journals ([link](#); see also Höffler 2014). Another replication initiative, in the field of development economics, has been launched by 3ie ([link](#)).

Will the current foothold in the journals expand? On the supply side are producers of replication. The increasing availability of data and code reduces the

cost of undertaking replication research. This is one possible explanation for the observed increase in the number of published replication studies over time (see Figure 1). Further availability of data and code should result in more resources being devoted to replication research.

But production also depends on professional rewards, which in turn are related to the probability of publication in a respected journal. Stan Liebowitz (2014, 1272–1275) reports that quality of journal in which an author's work appears is the most important publication-related criterion for promotion. If this is the case, then unless there is an increase in the frequency with which top journals publish replication studies, it will be difficult for a published replication study to produce the same benefit to a researcher of publishing 'original research.'<sup>19</sup> Given that very few journals currently publish replication research, however, even a small increase in their absolute number could have a significant impact on expected benefits by increasing the probability that a replication study will get published.

On the demand side of the replication market, an important determinant is the extent to which research in that journal is likely to get cited. Evidence of the power of citations is the rising influence of "impact factors" in ranking journals (Wilhite and Fong 2012). We expect that elite journals will likely continue to find little benefit to publishing replication studies, as they receive high quality, original research with much citation potential. But journals of lesser status may find that replications of widely cited papers can be expected to produce more citations than original research submitted to those journals. If that is the case, the pursuit of citations may help replication studies to establish a niche within the hierarchy of economics journals.

Demand is also affected by technological innovation. The *JAE*'s practice of publishing summaries of replications allows it to allocate less journal space for a replication study relative to an original study. The increasing sophistication of online publishing also creates opportunities for journals to use their scarce journal space more efficiently. *Public Finance Review* publishes a summary version of a replication study in its print edition, but links to the full-length manuscript as an online supplement. Such innovations could increase the ratio of citations per journal page and hence could shift the demand for replication studies relative to original studies at some journals.

Finally, widespread attention directed towards the replicability of scientific research may affect journal editors' and researchers' 'tastes' for replication studies. This also generates dynamic externalities that simultaneously increase the demand and supply of replication studies.

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19. Balanced against this is a recent study by Gibson et al. (2014), which finds that membership in the club of "top journals" may be wider than is commonly asserted.

## Replication as mitigation of publication bias

Annie Franco et al. (2014) report that “Strong results are 40 percentage points more likely to be published than null results, and 60 percentage points more likely to be written up.” They identify the locus of publication bias residing, not with the journals, but with researchers who choose not to write up and submit empirical findings that are insignificant. Evidence of publication bias in economics has been reported by David Card and Alan Krueger (1995), Orley Ashenfelter et al. (1999), Chris Doucouliagos (2005), and Martin Paldam (2013), among others. Closely related is “HARKing”, or “Hypothesizing After the Results are Known” (Kerr 1998). This is effectively data mining, where researchers stumble upon statistically significant results in their regression runs and then work backwards deductively to identify hypotheses consistent with those results.

Replication holds promise to mitigate such biases. If published results reflect Type I errors, replication research can uncover this by, among other things, modifying model specifications and sample periods. Spurious results will have difficulty being sustained when different variable combinations and unusual observations are investigated. Knowledge that an article’s data and code will be made available at publication may cause researchers to take additional precautionary steps to ensure that their results are robust, lest their research be caught out in subsequent replication research.

## Using replications in tandem with meta-analysis

Meta-analysis or meta-regression is a procedure for aggregating estimated effects across many studies. It has long been used in medical, education, and psychology research. Over the last decade, it has become increasingly employed in economics (Stanley and Doucouliagos 2012; Ringquist 2013; Paldam 2013). To date, replication and meta-analysis have largely lived parallel lives, but we hope to see more use of them in tandem. Meta-regression can be used to identify study characteristics that ‘explain’ why different studies reach different conclusions. Replication studies can then take the results of meta-analyses and investigate whether changing the empirical design of a study has the effect predicted by meta-analysis. Conversely, replication studies may identify study characteristics that meta-analyses can incorporate in subsequent meta-regression research. T. D.

Stanley and Stephen Jarrell (1989) identified the potential for meta-analysis and replication to work together more than 25 years ago.<sup>20</sup>

In our opinion, replication is an underappreciated and underutilized tool for assessing the reliability and validity of empirical results. It is our hope that this progress report and the accompanying website ([replicationnetwork.com](http://replicationnetwork.com)) will further this development.

## Appendix

A file containing our reference list and analysis of replication studies can be downloaded [here](#).

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20. Stanley and Jarrell (1989, 167f.) write: “Meta-regression analysis provides us with a framework for quantitative surveys of the empirical literature, replication, and self-analysis. ... MRA also presents interesting possibilities for organizing and encouraging replication of empirical economic research. ... It is at once a framework in which to organize and interpret exact and inexact replications, to review more objectively the literature and explain its disparities, and to engage in the self-analysis of investigating the socioeconomic phenomenon of social scientific research itself.”

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# Classical Liberalism in Australian Economics

Chris Berg<sup>1</sup>

[LINK TO ABSTRACT](#)

Classical liberalism is not a dominant tradition in Australian economics. Nonetheless, Australia has an important and underappreciated strand of classical liberal thought that stretches from the nineteenth century until today. This paper emphasises the most prominent and important classical liberals, movements, and organisations, as well as their relationship to the economics profession at large, since colonisation. Of course no survey can include every popular expositor of classical liberalism nor every academic economist who shares a philosophical disposition towards free markets and small government. Furthermore, a survey of this tradition must include not only academic economists and theoretical innovators but public intellectuals and popularisers.

Australia was colonised at the tail end of the Enlightenment. The establishment of New South Wales in 1788 as a penal colony run by the military sparked a constitutional and philosophical debate about the legitimate basis of government in Australia, a debate that to a great extent proceeded on Lockean precepts (Gascoigne 2002). Australian libraries were full of works by Scottish Enlightenment authors. Every known Australian library in the 1830s held Adam Smith's *Wealth of Nations* (Dixon 1986).

During the first half century of the Australian colonies, economics education was given privately or through the system of Mechanics Institutes that sought to raise the education of the working class. There were no formal academies of learning in Australia until the establishment of the University of Sydney in 1850 and

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the University of Melbourne in 1853. The first Australian economics publication, James Aikenhead's *Principles of Political Economy* (1856), came out of a series of lectures to a Launceston Mechanics Institute. Aikenhead (1815–1887) was firmly in the Smithian tradition. His lectures were not highly original—J. A. La Nauze (1949, 16) dismissed them as “a feeble rehash of [John Ramsay] McCulloch”—but they were certainly liberal. Aikenhead argued that “security of property, freedom of industry, and moderation in the public expenditure are the...certain means by which the various powers and resources of human talent and ingenuity may be called into action, and society made continually to advance in the career of wealth and civilisation” (1856, 40).

Australian politics in the second half of the nineteenth century was dominated by the debate between free trade and protection. Six separate British colonies were established on the Australian continent—New South Wales, Victoria, Queensland, South Australia, Tasmania, and Western Australia. Under colonial rule, the colonies had their trade policy set by the British Colonial Office. It was only after the end of imperial preference in the 1840s and the granting of self-government to the larger colonies that the trade debate began in earnest. The question was how the colonies should trade among each other and with the wider world. Free Trade Associations were formed, and the debate was waged through pamphlets and the press. The writings were peppered with references to Adam Smith, John Stuart Mill, and the British anti-Corn Law activists Richard Cobden and John Bright. There are even two towns in Victoria named Cobden and Bright.

Not all free traders were liberals. Within the labour movement there were free traders who saw protection as a tax imposed by manufacturers on the working class (see, e.g., Pearce 1903). Other free traders were social reformers, like the New South Wales politician B. R. Wise, who preached free trade and industrial regulation. Nevertheless the dominance of the free trade debate ensured that the liberal tradition remained at centre stage in colonial politics.

Except for a brief period in the 1850s, the New South Wales newspaper *Empire* ran an aggressively pro-free trade line. Likewise the *Sydney Morning Herald* was a free trade newspaper. Protectionism was advocated by the *Victorian Age* and its proprietor David Syme. Like many Australian protectionists, Syme had been greatly influenced by John Stuart Mill's argument in his *Principles of Political Economy* (Mill 1848) that industries in young countries might require temporary protection from established international competitors, an argument that was known as the infant industry argument. Given Mill's outsized profile in the English speaking world, his infant industry argument became “a familiar trump card for the protectionists” in the Australian debate (La Nauze 1949, 15).

The divide between the *Sydney Morning Herald* and the *Age* reflected the victory of free trade in New South Wales and the victory of protection in Victoria.



But as Gregory Melleuish (2009) notes, while free traders had political success in Sydney, it was in Melbourne that the laissez-faire intellectual tradition thrived. In Melbourne “free trade liberals did not have to concern themselves with the realities of wielding political power that produced the more strident ideological expression of this form of liberalism” (Melleuish 2009, 580).

William Edward Hearn (1826–1888) was Australia’s first academic economist and author of the country’s first economics textbook. Hearn was a professor of Greek at the College of Galway when he was chosen by a London committee in 1854 to be the University of Melbourne’s first professor of modern history and literature, political economy and logic—one of just four professors when the university began classes in 1855. At that time population of Australia was only 400,000. Over the next half century it rose to nearly four million in 1901.

Hearn is best remembered for his proto-marginalist *Plutology: Or, the Theory of the Efforts to Satisfy Human Wants* (1864). *Plutology* is an a priori theoretical treatise on wealth and value that begins by analysing the nature of human wants and then travels through the nature of labour, capital, innovation, exchange, cooperation, politics, and poverty. Hearn was much taken by the Spencerian idea that society evolves from simplicity to complexity. The peculiar title was chosen because Hearn felt that the traditional phrase ‘political economy’ was more appropriate to describe the art of governance rather than the science of wealth creation. Alfred Marshall described *Plutology* as “simple and profound,” and he recommended it to students as an introductory text (Moore 2002). *Plutology* was a standard textbook for Australian economics for at least a generation. Hearn, like many other Australians working on economic subjects even into the early twentieth century, was much influenced by Frédéric Bastiat. Indeed, the French economist had a disproportionate influence on nineteenth century Australian debate (Groenewegen and McFarlane 1990, 238).

Hearn’s successor John Elkington (1841–1922) has a poor reputation today. He is blamed for “retard[ing] the progress” of Australian economics through his indolence and “emotional instability” (Moore 2007, 96). But Elkington managed to keep the University of Melbourne in the free trade rather than protectionist camp—no small achievement in the midst of Victoria’s protectionist political environment. The English Fabian Beatrice Webb, passing through the University of Melbourne as part of an Australian tour in 1898, wrote that “Economics are represented by a shady old man...he is an old fashioned individualist” (Webb and Webb 1965, 88). He retired from the university in 1913. Both Hearn and Elkington had a substantial influence on the Victorian law profession, most of whom they had taught. As a consequence Melbourne University was regarded as a “breeding ground for free traders” (Goodwin 1966, 15).

The University of Sydney was founded in 1850, three years earlier than the University of Melbourne, but unlike its southern counterpart did not have a dedicated professor of economics. Nevertheless, its professor of classics and logic, John Woolley (1816–1866), and its professor of mathematics, Morris Pell (1827–1879), were both liberals with an interest in economics. For Woolley, the role of political economy was the preservation of liberty and the promotion of social harmony. Pell vehemently opposed the practice of the New South Wales government of subsidising railway construction (Groenewegen and McFarlane 1990, 49–51). Both Sydney professors had a marked influence on William Stanley Jevons, who spent the years between 1854 and 1859 in New South Wales working as the chief gold assayer of the new Royal Sydney Mint. The “basic premises” (White 1982) of what was to become Jevons’s *Theory of Political Economy* (1871) were formulated in Sydney.

One student of W. E. Hearn was to become the dominant free trader among Australian intellectuals at the turn of the century: Bruce Smith (1851–1937). Smith’s family emigrated from England to Melbourne in 1853. Smith trained as a lawyer under Hearn and was admitted to the Victorian bar. He moved to New South Wales to take a seat briefly in the Legislative Assembly before returning to Victoria to set up the Victorian Employers’ Union. Smith believed that the growing power of trade unions needed a countervailing force. He later established the NSW Employers Union. As Melleuish (2005) writes, Smith was opposed to compulsion, not to collective action.

In 1887, Smith published the most significant Australian liberal political work, *Liberty and Liberalism*. This book was a defence of “original,” “true” liberalism—the liberalism of Adam Smith—against “new,” or “spurious” liberalism, pushed by social reformers and protectionists such as Syme. In Bruce Smith’s view, a state should not tax, limit the liberty of, or acquire the property of any of its citizens except for the purpose of “securing equal freedom to all citizens.” Smith added that property could only be acquired by government conditional on the owner being fully compensated (Smith 2005/1887, 299). Having been elected to a federal seat in south-east Sydney in the first federal election as a representative of the Free Trade Party, Smith distinguished himself as a voice against the White Australia Policy, a discriminatory immigration policy favoured by both free trade and Labor politicians at the turn of the century. His stance was unfortunately rare, even among purported free traders. The parliamentary leader of the Free Trade Party, the future Prime Minister George Reid, claimed to be the originator of the White Australia Policy (Kemp 2011).

Edward William Foxall (1857–1926) was a classical liberal thinker and politician active at the turn of the twentieth century. Like many classical liberals of the time, Foxall was an advocate of Henry George’s proposed single tax on land.

Georgists were found both within the labour movement—who were attracted to land nationalisation—and among classical liberals. For George, free trade was as important as land taxation, and his arguments were readily adaptable to Australian conditions. Foxall published two books: the first, *The Claims of 'Capital'* (1895), written at the height of the Depression of the 1890s, and *Colorphobia* (1903), an excoriating attack on the White Australia Policy. One of the first acts of the Australian parliament after federation in 1901 was the Immigration Restriction Act effectively prohibiting migration by those with non-white backgrounds. The policy was only formally repealed in the mid-1960s. Despite the attention given by Australian historians to the White Australia Policy, Foxall has been largely neglected (Kemp 2011). Unfortunate similar neglect has met Edward Pulsford (1844–1919), a New South Wales free-trade economist also opposed to the White Australia Policy (see Pulsford 1905; Hawkins 2007).

Another notable late nineteenth-century liberal was the German-born economist Max Hirsch (1853–1909). Hirsch came to Australia at the age of 37, having spent the two previous decades as a commercial traveller. Once he settled in Melbourne he dedicated his energy to political activism and economic reform. Also a Georgist, Hirsch's most significant book was *Democracy Versus Socialism* (1901), which was dedicated to Henry George. *Democracy Versus Socialism* was an extended defence of free trade, laissez faire economics, political liberalism, the single tax, and natural law, and a critique of socialism.

The Depression of the 1890s delivered a blow to Australian classical liberalism. This “great scar” (Blainey 1980, 331) sparked the growth of the labour movement and pushed the colonies towards federation. When federation finally occurred in 1901, the free trade question was largely resolved. Section 92 of the Australian Constitution prohibits barriers to interstate trade. However, the intellectual environment of the time favoured protection with the outside world. It was in this period that the basic elements of what Paul Kelly (1992) influentially described as the “Australian Settlement” were constructed: centralised wage fixing and arbitration, state paternalism, discriminatory immigration policy, a close reliance on the benevolence of British imperial policy, and ‘protection-all-round.’ In the following decades, Australia's classical liberal heritage was virtually wiped out.

Faced with the abandonment of its *raison d'être*, in 1906 the Free Trade Party was reconceived as the Anti-Socialist Party, a step which facilitated its eventual 1909 merger with the liberal Protectionist Party (the “spurious” liberals Bruce Smith had been so concerned about) to form a united front against the growing Labor Party. The resulting union was to become in 1945 the modern Liberal Party of Australia.

## The wilderness years

Even into the 1920s and 1930s the Australian economics profession was a small community, a “fledgling, scattered university discipline,” as Alex Millmow (2010, 46) writes. It was only until after the First World War that formal economics training began in Australia in earnest. Between 1912 and 1930, the universities of Sydney, Melbourne, Tasmania, Queensland, Western Australia, and Adelaide formed chairs in economics. Economics was seen as a practical discipline focused on public policy and statistical collection. The most prominent economists tended to have been in and out of official government positions as statisticians and advisors. L. F. Giblin described the economists that dominated the debates of the Great Depression as

...a peculiar tribe. Rarely are they nourished by the pure milk of the word. Mostly they have been advisors to governments for many years... They are frequently more practical and realistic than the business man... The word of complaint or abuse is ‘academic’; but in truth they are the least academic of God’s creatures. (Giblin 1943, 216)

The situation was fertile ground for the adoption of Keynesianism (Markwell 2000). Australian economic historians are proud to note that some aspects of John Maynard Keynes’s thought were perhaps anticipated by Australian economists, such as the multiplier (Coleman et al. 2006, ch. 5).

One classical liberal holdout was Edward Shann (1884–1935), one of the truly dominant figures of Australian economics in the first half of the century, but whose legacy fits poorly within the Keynesian mainstream. Shann was born in Hobart and studied history under Elkington at the University of Melbourne. As Melleuish (2009, 580) writes, along with the historian W. K. Hancock and Bruce Smith, Shann “can be seen as constituting a free trade counterpoise to the more protectionist and statist conception of democracy that emerged out of late-nineteenth and early-twentieth century Victoria.” Shann is best known for his magisterial *Economic History of Australia* (1930a), still one of the best expositions of Australian economic institutions and policies in the nineteenth and early twentieth century. For Shann, the story of Australia’s economic history was the story of the debate over free trade and protection—an interpretation which has been dominant among Australian classical liberals since. Furthermore, the origin of the Australian colonies in communistic military-run despotism had set the tone for Australian

politics with its reliance on state action, subsidy, and paternalism, which continued through to federation.

During the early years of the Great Depression, Shann was one of the strongest voices in favour of wage flexibility and against countercyclical fiscal policy. His involvement in the development of the Premiers' Plan—the Australian government response to the Great Depression—gave it much of its classical liberal edge. As he wrote in his collection of essays *Bond or Free?*: “This is no time for additional public works. One of our main troubles is an interest bill...on public works that do not earn interest” (Shann 1930b, 54–55). Shann's contribution to liberalism was tragically cut short in 1935 when he died falling from an office window, an event that is still shrouded in some mystery (Millmow 2005).

Shann's *Economic History of Australia* was one of three books published at the outset of the Great Depression that have been held in high esteem by Australian classical liberals. Another was *Australia* (1931), an eccentric and lively profile of Australian culture, politics, and political economy by the historian W. K. Hancock (1898–1988).<sup>2</sup> The third was *State Socialism in Victoria* (1932) by Frederic Eggleston (1875–1954). Eggleston was a former minister in the Victorian state government, and his book was a study of the serious deficiencies of state-owned enterprises in that state. Nevertheless, Eggleston was more disenchanted socialist than classical liberal.

These few exceptions notwithstanding, the Australian economics profession coming out of the depression and Second World War was firmly in the Keynesian mould. As far as there was an ‘official’ position from the professional economics community on classical liberal economics, it was summarised by the major interwar report on tariff protection, written by the doyens of the Australian academy:

In Australia, where practically all shades of thought are committed to some form of Government activity in the economic sphere, whether it be wage regulation or assistance to immigration, criticism of the policy of laissez faire is unnecessary. It will be sufficient to say rather summarily that the policy of laissez-faire in any country allows the natural inequalities of capacity, and the acquired or inherent inequalities of property, to operate to the fullest extent to the diminution of welfare. (Brigden and Committee on Economic Effects of the Tariff 1929, 93)

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2. See also Hancock (1968), in which the author of *Australia* wonders “at the differences between then and now.”

## Modern classical liberalism in Australia

After the Second World War, classical liberals were thin on the ground and the intellectual environment was hostile. Economics itself became more professionalised, and the demand for economics education at both secondary and tertiary levels grew. Within the public service, the Great Depression and the experience of war enhanced the prestige of economics graduates. So while the number of economists within the bureaucracy did not grow significantly, they assumed more influence (Groenewegen and McFarlane 1990).

The slow postwar revitalisation of classical liberalism in Australia had an origin in a most unlikely organisation: the Australian Tariff Board. The Tariff Board was an independent Commonwealth government body tasked with reviewing the tariff rates on goods and providing advice to government. It was also a breeding ground for economic dissidents and a central battleground in the struggle against Australian protectionism. Just as the Board of Customs in Edinburgh had employed Adam Smith, the Australian Tariff Board employed a bevy of free traders.

One notable member of the Tariff Board was Stan Kelly, who was acquainted with all the major economists of the pre-war era, including Edward Shann (Colebatch 2012). The Kelly family's agricultural background is significant. Australian agriculture in particular suffered in consequence of the high tariffs that were intended to protect urban manufacturing interests. Traditionally, rural voters and their political wing, the Country Party, were in the free trade camp. During the 1960s, however, the Country Party under its federal leader John McEwen formed an intellectual alliance with protected manufacturers. Stan Kelly imparted his liberal outlook to his son Bert Kelly (1912–1997), a rural politician from South Australia, who sat in the Commonwealth parliament between 1958 and 1977. A vociferous opponent of Australian protectionism, Bert Kelly was a member of the Liberal Party, rather than the Country Party, and was opposed to the latter's new farming-manufacturing protectionist alliance (Reid 1969).

McEwen, as Minister for Trade and Industry in the Liberal–Country Coalition government, had ministerial responsibility for the Tariff Board. In 1962 McEwen had forced out Leslie Melville, a former advisor for the central bank and delegate to the Bretton Woods conference, from the chairmanship of the Tariff Board, as the two had clashed over Melville's preference to reduce tariffs if at all possible (Cornish 1993). In Melville's place, McEwen appointed Alf Rattigan. Rattigan had been seen as a relatively subdued career bureaucrat, but as once appointed became one of the leading advocates for tariff liberalisation, using his advisory position as a platform to advocate against protection-all-round. Such



advocacy put him firmly at loggerheads with the government. The debate over tariffs at this time involved no small amount of intrigue. Rattigan would feed Bert Kelly details of tariff absurdities, which the latter would write up in his longstanding “Modest Member” column in the *Australian Financial Review*.

Also associated with the Tariff Board were a number of young economists supportive of free trade. In the early 1960s at Melbourne University and the Australian National University Max Corden developed the concept of the effective rate of protection, which was to become a significant weapon in the public armoury of the Tariff Board (Corden 2005). As with the trade debates of the nineteenth century, not every free trader during this postwar period would today be classed as a classical liberal. Nevertheless, it was out of this new trade debate that a broader political agenda of liberalisation and deregulation grew.

One small hub of free traders was formed in Melbourne’s suburbs: Monash University was founded in 1958 as the result of a Federal Government plan to create a second university in Victoria, and Monash became a major postwar centre for non-Keynesian thinking in Australian economics. Monash’s status as a classical liberal centre was largely due to the influence of the economist Ross Parish (Millmow 2009). Born in rural New South Wales, Parish studied agricultural economics at the University of Sydney. There he became affiliated with the Free-thought society around the professor of philosophy John Anderson, along with the young philosophers David Stove and David Armstrong and the journalist-politician Peter Coleman (Hogbin 2001). Parish did his Ph.D. at the University of Chicago and in 1959 returned to Australia. After roles at the University of Sydney, the University of New England, and the United Nations Food and Agriculture Organisation, he landed at Monash University in 1973. Parish was a micro-economist in the Chicago sense. As one colleague remarked, Parish “made micro-economics a respectable area of economic analysis in Australia” (Hogbin 2001). Parish was to be a major contributor to classical liberal institutions over the next decades, including the Centre for Independent Studies and the H. R. Nicholls Society. Another significant Monash economist was Michael Porter, whose early research was in finance, taxation, and monetary policy. He was to become highly involved in the debates over financial deregulation in the late 1970s and early 1980s.

One watershed moment in the revival of Australian classical liberalism was Milton Friedman’s April 1975 visit to Australia, which was sponsored by the Sydney stockbroker Maurice Newman. Friedman arrived at an opportune time for the dissemination of his ideas on monetary policy. Support for monetarism had been growing within the conservative Coalition opposition and had taken firm root in the Reserve Bank (Guttmann 2005). Yet monetarism was counter to the bulk of Australian academic wisdom—most economists were in the Keynesian, anti-monetarist camp—and the Whitlam government was trying to tame inflation,



which it believed was created by a mixture of excessive wage growth, global military expenditure, and predatory pricing by multinationals operating in Australia (Courvisanos and Millmow 2006). Friedman's tour lasted eighteen days and he spoke to the bulk of the business and financial community. His monetarist message was aggressively supported by the small number of sympathetic journalists of the day, particularly P. P. McGuinness and Maxwell Newton. Friedman also visited the Reserve Bank of Australia, where the classical liberal line was being pushed by Austin Holmes, head of the RBA's research department. Holmes, whom John Hyde (1989, 2) describes as "the antithesis of Sir Humphrey Appleby," was a great advocate within the RBA for floating the Australian dollar.

The next year, 1976, the intellectual cause of classical liberalism was further boosted by a visit to Australia by Friedrich Hayek. He was brought out by the aviator and business leader Robert Norman, the geologist Viv Forbes, the mining entrepreneur Ronald Kitching, and the Institute of Public Affairs (IPA), a classical liberal think tank (Kitching 2007). Back in 1950 the IPA had published an article by Hayek in one of the first issues of the *IPA Review*, its long-running journal (Hayek 1950). Hayek said the IPA had "played a considerable role in the development of my writings" (1976, 83).

By the 1980s the Liberal Party of Australia found within itself two intellectual groupings, the 'Dries' and the 'Wets.' The appellation 'dry' was first associated with supporters of Margaret Thatcher, to describe those who supported classical liberal economics. Their opponents were 'wet'—a disparaging term suggesting mushiness, a feeble unwillingness to conduct necessary reform (Hyde 2002). The development of the Dries as a political movement came in large part thanks to the efforts of academic free-market economists. One of those economists was Wolfgang Kasper, a German-born economist who had worked for the German Council of Economic Advisors and the Malaysian Ministry of Finance, and who came to the Australian National University in 1973. Kasper moved in the late 1970s to the Chair of Economics at the University of New South Wales economics department at Defence Force Academy in Canberra, where he began writing a series of essays contrasting the "mercantilist" path on which Australia's economy was travelling and an alternative "libertarian" path of lower taxes and deregulation all around (Kasper 2011). The Shell Company, which was considering new investments in Australia, invited Kasper to produce a consultancy report on Australia's economic potential. Kasper brought in four other classical liberal academics to join him: Richard Blandy of Flinders University in South Australia, John Freebairn of La Trobe University, Douglas Hocking, formerly chief economist at Shell Australia but then at Monash University, and Robert O'Neill, the head of the Strategic and Defence Studies Centre at the Australian National University. The resulting publication—*Australia at the Crossroads: Our Choices to the Year 2000*

(1980)—was the first major, comprehensive statement of liberal economics in Australia since Bruce Smith's *Liberty and Liberalism* a century earlier. *Crossroads* argued that adopting libertarian policies “would amount to a new phase in the growing up of the Australian nation, a move from adolescence protected by a ‘Mother State’ to full maturity and self reliance in society and industry” (Kasper et al. 1980, 212). *Crossroads* was notable for extending the liberal message beyond the narrow confines of the trade debate. For example, Kasper and his co-authors called for the application of market principles to social welfare provision, drawing on Friedmanite voucher proposals.

The publication of *Crossroads* sparked organisational development among the scattered Dries that were the heirs of Bert Kelly around the Liberal Party. The so-called Crossroads group was formed ostensibly to discuss the book but was in fact the origin of a liberal campaign strategy, bringing together representatives of party politics, industry, media, and the scattered think tanks and academics. A parliamentary club—the “Modest Members Society,” after the title of Bert Kelly's *Australian Financial Review* column—was also formed, and from 1981 it provided a platform for education and policy discussion.

## Organisations

In recent decades, academic classical liberal economics has clustered around two schools, those of the Australian National University in Canberra and RMIT University in Melbourne.

The most coherent school of liberal economics in Australia has been at the Australian National University, which had its peak in the late 1980s. ANU's economics was at that time divided between the research-only Institute of Advanced Studies and the teaching faculty, the Economics Department. It was in the teaching faculty that liberal economics thrived, led in this period by Geoffrey Brennan, Ian Harper, Peter Forsyth, and Mark Harrison. Brennan had been a co-author with James M. Buchanan of *The Power to Tax* (1980) and *The Reason of Rules* (1985), and was later co-editor of Buchanan's collected works. The ANU undergraduate program was firmly and explicitly Chicago-style neoclassical. It was a rigorous program, with an extremely high first-year failure rate, and the program focused on both a high standard of mathematics and public policy, which was unusual for the time (Kirchner 2014).

Another significant liberal economist at ANU was Helen Hughes (1928–2013). Born in Czechoslovakia, Hughes migrated with her family to Australia in 1939 and received her doctorate at the London School of Economics in 1954. After a long period as a senior economist and economics director at the World Bank, she was appointed the inaugural director of the National Centre for

Development Studies at ANU (Shapley 2013). Hughes's research and career focused on economic development in the Pacific Island region and in Australia's indigenous communities. She was instrumental in building the case for integrating Aboriginal people into the market economy, and rejecting the welfare-led development programs and separatist policies which had contributed to the low living standards of indigenous communities in Australia's north.

In the early 1990s, however, the neoclassical cohort at ANU largely dribbled away. Harper moved to the University of Melbourne and was later appointed by the Howard Government to the Wallis Inquiry into financial regulation and the Fair Pay Commission (Australia's national tribunal which set minimum wages and awards). Under the Abbott Government, Harper chaired a review of competition policy. Hughes formally retired from ANU in 1994, and became a senior research fellow with the Centre for Independent Studies. Brennan eventually joined the ANU philosophy program.

Currently the only critical mass of classical liberal academic economists in Australia is at RMIT University in Melbourne. A major difference between the RMIT school and the ANU school of the previous generation is that RMIT is less formally neoclassical in orientation and more explicitly Hayekian and institutional in orientation. Rather than aspiring to be a 'Chicago of the South,' the preferred model is George Mason University. The leaders of this school are Sinclair Davidson, professor of institutional economics, and Jason Potts, an evolutionary economist. Both have interests outside mainstream economics, although both are highly involved in contemporary policy debate.

Academic economics publishing in Australia has been dominated by *Economic Record*, founded in 1925. Reflecting broader trends within the economics community, the journal has had a strong Keynesian and interventionist tinge throughout its history, although it has published a range of voices. In 1994 was founded the journal *Agenda*, published by the Australian National University and currently edited by William Coleman. *Agenda* has a focus on policy analysis rather than theoretical development, and it has often featured articles by classical liberal economists.

The Australian think-tank sector is extremely small compared to that of the United States. Australia has two major free-market think tanks—the aforementioned Institute of Public Affairs, and the Centre for Independent Studies (CIS)—plus a small number of specialist bodies with various emphases on research and activism.

The Institute of Public Affairs was formed in 1943. At the time, the non-Labor political movement was in disarray following the collapse of the United Australia Party; the Liberal Party would not be formed until 1944. Originally the IPA was conceived as a publicity offshoot of the Victorian Chamber of Manu-

factures. A committee of Victorian business leaders was formed, including the metallurgist and paper manufacturer Herbert Gepp, the retailer G. J. Coles, and the banker Leslie McConnan, with the aim of forming a separate organisation to represent the case for free enterprise. A paper to the committee written by Gepp's economic assistant C. D. Kemp, who was appointed as the IPA's Executive Director, put the intellectual challenge as follows:

[T]he freedom of Australian business is today gravely threatened by forces whose unswerving and rigid purpose is the entire nationalisation of industry and the establishment of socialism as the permanent form of Australian society... These forces are centred politically in the Labor Party and industrially in the Trade Unions; they are supported by an extremely powerful and growing section of public opinion. (C. D. Kemp, quoted in Bertram 1989)

The Victorian Chamber encouraged the Chambers in New South Wales, Queensland, and South Australia to form their own Institutes of Public Affairs. These were loosely affiliated, and most found less success than the Victorian body. The Victorian IPA established itself in the role of policy formulation for the interstate bodies (D. A. Kemp 1963). The New South Wales IPA eventually became the Sydney Institute, a forum for political and policy discussion.

The IPA's first major publication, *Looking Forward* (1944), envisaged Australia under a reformed private enterprise system with an emphasis on employee share ownership. Following the intellectual zeitgeist shared by the Crossroads group, the IPA then took a sharp turn in the direction of more radical classical liberalism. Throughout the 1970s and 1980s the IPA was involved in debates over macroeconomic policy, particularly on how to tame inflation and promote deregulation, privatisation, tax reform, and federalism. With a critique of Australia's bicentennial celebrations (Baker 1985), the IPA sparked what are now seen as the 'culture wars.' Melleuish (2001) argues that such culture-war campaigns illustrate a continued alliance between the "New Right," who tended to have a libertarian ethos, and the "new conservatives," who were culturally conservative and came from the anti-Labor and anti-socialist direction of Australian politics. That alliance substantively remains in Australian classical liberal institutions today.

In recent years, the IPA has been focused on industrial relations reform, regulatory policy, energy issues, climate change policy and civil liberties such as freedom of speech. As of 2014 the IPA has a membership base of around four thousand. Led by executive director John Roskam, it is the largest free market think tank in Australia and a lightning rod for opponents of classical liberalism. Notable economists involved with the IPA include Mikayla Novak and the RMIT

economists Sinclair Davidson and Jason Potts. The IPA has published many Australian classical liberals, including Melleuish, the historian Geoffrey Blainey, and the law and economics scholar Suri Ratnapala.

The Centre for Independent Studies was founded in 1976 by Greg Lindsay, a New South Wales mathematics teacher, to be a forum for classical liberal economic thought. Lindsay was inspired by the libertarian revival in the United States. In its early years, CIS focused on seminars rather than publishing and building a network of classical liberal academics. One of the first papers delivered at the CIS was *Liberty, Justice and the Market* (eventually published in 1981) by the University of Wollongong philosopher Lauchlan Chipman. In an influential article by P. P. McGuinness (1978), the CIS was described as a place “where Friedman is a pinko;” the intellectual mentors of the CIS were, McGuinness wrote, the Austrians Ludwig von Mises and Friedrich Hayek. Nevertheless, the CIS had a very Friedmanite flavour. In its early years it produced critiques of rent control (Albon 1980), taxi licensing (Swan 1983), shopping-hours regulation (Hogbin 1983), government-business relationships (Hogan 1985), and agricultural regulation (Sieper 1982). In 1984 it hosted Israel Kirzner for its first annual John Bonython Lecture.

In its first decades many of the CIS’s publications were written by academic economists. One notable member of the CIS board was Heinz Arndt, a German immigrant who had started his career as a socialist but was converted to the causes of free trade and anti-Keynesianism by the economic experience of the 1970s (Arndt 1985; Coleman, Cornish, and Drake 2007). The CIS has also published extensively the Australian liberal philosopher Jeremy Shearmur, a former assistant of Karl Popper’s and who was based at the Australian National University.<sup>3</sup>

During the 1990s and 2000s the CIS was particularly influential at framing the debate over welfare policy. The work of Peter Saunders, head of the CIS’s Social Foundations Program, on social inequality and poverty emphasised the importance of mutual obligation in welfare—colloquially known in Australia as ‘work for the dole’—and the involvement of private charitable bodies in welfare provision. In 2013 the CIS launched a broad campaign, TARGET30, which aims to restrain Australian government spending to below 30 percent of GDP within the next decade.

Outside the two major think tanks there have been a small number of organisations which have espoused liberal economics in Australia. One of the most significant was the H. R. Nicholls Society, formed in 1986 by John Stone, the former head of the Commonwealth Treasury, Ray Evans, a free market activist employed by Western Mining Corporation, and Peter Costello, then a young lawyer

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3. Another notable Australian link to Popper is through the economist Colin Simkin, who was a colleague of Popper’s at Canterbury University College and is acknowledged in *The Open Society and Its Enemies*.

who was to become Commonwealth Treasurer in the Howard government. The society was focused on deregulating Australia's heavily unionised and regulated industrial relations system. The society was named after the journalist Henry Richard Nicholls, who edited the *Hobart Mercury* at the turn of the twentieth century and used his publication to criticise Henry Bourne Higgins, the High Court judge and President of the Commonwealth Court of Conciliation and Arbitration. Higgins was the judge who instituted the Australian basic wage in 1907, in a case that became known as the Harvester Judgement. Nicholls became an icon when Higgins convinced the Labor Commonwealth government to prosecute him for contempt of court. In 1986 the H. R. Nicholls Society was described by the then-prime minister Bob Hawke as "political troglodytes and economic lunatics" (Grattan 1986). But its workplace reform proposals were prescient; workplace relations was then, and in many ways still is, the next frontier of microeconomic reform. The society's longstanding president, Ray Evans, was an active institution builder, being a founding member of a number of similar issue-specific societies, including the Samuel Griffiths Society, a conservative legal constitutionalist group, and the Bennelong Society, which focused on indigenous issues.

Liberal economics has had champions within the political system. The Liberal Party harbours many classical liberals, and the party name was chosen by its founder Robert Menzies to recall nineteenth century liberalism. It may be partially by virtue of Menzies's decision that in Australia 'liberal' still generally means classical liberal, as it does in most of the world apart from North America.

The dissident Dries within the Liberal Party since the days of Bert Kelly have been variably influential. During the 1970s and 1980s they formed a powerful ginger group, with figures such as John Hyde, Jim Carlton, and Peter Shack. In recent years there has been a resurgence of liberal economic thought within the Liberal Party. A group of members of parliament adopted the name "Society of Modest Members" in 2011. Nevertheless, the Liberal Party's performance in government has tended towards big government conservatism (Norton 2006; Moore 2008). This has left an opportunity for 'microparties' professing classical liberal economics. The Workers' Party was formed in 1975. Later renamed the Progress Party, it had little success and disbanded by the early 1980s. The ideological heir of the Workers' Party is the Liberal Democratic Party, founded in 2001. The LDP successfully gained a senator in the 2013 federal election, David Leyonhjelm, representing New South Wales.

Australia today has 23 million inhabitants. There are few professional academic economists working on contemporary public policy controversies, and those who do are spread thinly among a large number of issue areas. Furthermore, the small policymaking community does not tend to use academic work to inform its efforts. Consequently, one feature of Australian political culture and policy



formulation is the relative significance of popular newspaper opinion pieces. As a result, a particularly important domain for classical liberals is newspapers such as the national broadsheet *The Australian* and the business-oriented daily *The Australian Financial Review*. The *Australian* was founded in 1964 by Rupert Murdoch as the first national daily mainstream newspaper. The editor at large Paul Kelly told a parliamentary committee in 1991 that his paper “strongly supports economic libertarianism” (quoted in Manne 2005, 60). The *Australian* features two prominent academic economists, Judith Sloan and Henry Ergas, as well as the former CIS economist Adam Creighton. The *Australian Financial Review* was founded as a weekly in 1951. It published some of the most important representatives of the Liberal Dries, particularly Bert Kelly’s Modest Member columns. A few particular editors of the *Australian Financial Review* stand out as aggressive opponents of Australia’s high tariff regime: Maxwell Newton (who went on to be the first editor of the *Australian*), Max Walsh, and P. P. McGuinness.

## Successes

Australian classical liberalism has had some substantial policy successes. The first walls of the Australian Settlement came down with the 1966 end of the White Australia Policy under the conservative Holt government. From the mid-1970s to the late 1990s the Australian economy was significantly reformed, and quite frequently in classical liberal directions. The process began with a 25 percent across the board cut to tariffs under the Whitlam government, a reform which was in large part driven by economists affiliated with the Tariff Board and Monash University.

The reform era began in earnest however with financial deregulation. In 1978 the Fraser government instituted an inquiry into Australia’s financial system, known as the Campbell committee. That process was supported by the Treasurer John Howard, as well as by a few economists in the Treasurer’s office and in the Department of the Prime Minister and Cabinet. One significant Howard advisor was John Hewson, an ambitious former Reserve Bank economist with a doctorate from Johns Hopkins University. The Campbell committee recommended wholesale deregulation of the financial sector, including the abolition of exchange, capital, and interest rate controls, and the removal of restrictions on foreign bank entry (Kasper and Stevens 1991).

It was not until the election of the Hawke government that many of the Campbell committee recommendations were implemented. In the space of just a few years, Australia floated the dollar, eliminated legacy interest controls that dated back to the Second World War, and opened up the Australian market to foreign banks. Financial deregulation precipitated a broader reform movement under the Labor government, and later under the Coalition. State-owned enterprises were



corporatised and then in many cases privatised, including the Commonwealth Bank, the telecommunications monopoly Telecom, and the airline Qantas. Tariffs were reduced, turning Australia from one of the most highly protected to one of the least-protected economies in the world. With the advent of the Howard Government, industrial relations was partially deregulated. In 2000 the Commonwealth introduced a value added tax to replace a number of inefficient state and federal taxes.

The success of this reform movement in bringing about changes should not be overstated. The reforms were coupled with substantial re-regulation of the economy, albeit regulation with a different emphasis and purpose (Berg 2008). The stalling of reform momentum at the Commonwealth level can be dated with a fair degree of precision—to the 1993 Federal Election. It was in 1991 that John Hewson, now in parliament and leader of the Coalition opposition, put forward arguably the most substantial reform agenda that Australia has ever seen. The *Fightback!* package was a detailed 650-page blueprint for reform along liberal lines, the centrepiece of which was a value added tax with a 15 percent rate. Hewson had the misfortune of presenting this package in the middle of a recession, and was defeated at the 1993 election by the incumbent Labor prime minister Paul Keating. No federal election campaign since has featured as much radical policy reform, and in excruciating and explicit detail as was *Fightback!*, even while some of the policies, such as a value added tax, have been since introduced in some form. On the other side of the ledger, some of the deregulatory reforms of recent decades have been rolled back. For instance, in 2009 the Rudd government reversed some of industrial relations deregulation that had occurred under the Howard government.

Nevertheless, while reform slowed at the federal level, at the state level there was, and still is, much low-hanging fruit to be picked. A particularly noteworthy success was the Victorian movement under Premier Jeff Kennett and his Treasurer Alan Stockdale—noteworthy as much for the influence of liberal economists as the substance of the reforms. The Victorian reform movement was much influenced by the agenda spelled out by Project Victoria, a joint research program by the Institute of Public Affairs and the Tasman Institute, a small free-market think tank established by Michael Porter in the early 1990s (Teicher and van Gramberg 1999; Cahill and Beder 2005). Project Victoria outlined an agenda of privatisation, public service reform, and industrial relations reform. Stockdale, who was a member of the Crossroads group and later became Chairman of the IPA, also later credited Ray Evans with intellectual support for the Victoria reform program (Stockdale 1999).

## Contemporary status

Despite a generation of reform, classical liberalism continues to be a minority viewpoint in the policy and intellectual communities.

In 2011 the Economics Society of Australia surveyed its members on their opinions about policy (Economic Society of Australia 2011). Of the 575 respondents, two-thirds had a master's degree or Ph.D. The survey demonstrated that classical liberalism is a minority view among Australian economists. The monetarist revolution of the 1970s has failed to take hold with this generation of economists: less than 40 per cent of Australian economists agree that inflation is caused primarily by money supply growth. A majority—58 percent—agreed that the free flow of capital should be restricted in order to “assist the stability and soundness of the international financial system.” However, there was also a plurality who agreed with the statement that “there would be less unemployment if the minimum wage was lowered”—45 percent, compared to 38 percent who disagreed. Forty-four percent of economists agreed that “the government should adopt policies to make the size distribution of income in Australia more equal than it presently is,” where only 33 percent disagreed. When asked whether the government ought to “provide greater economic incentives to improve diet,” 42 percent agreed while only 27 percent disagreed.

Nevertheless, until the global financial crisis of 2008 there was a rough and ready policy consensus in public economic debate. It was believed that industry assistance in the form of tariff protection was to be reduced gradually, and corporate and personal taxation ought to be reasonably low. The then-Prime Minister Kevin Rudd wrote a series of essays which contrasted his view with what he saw as the “Hayekian view that a person's worth should primarily, and unsentimentally, be determined by the market” (Rudd 2009). In a previous essay Rudd (2006) claimed the “modern Liberals, influenced by Hayek, argue that human beings are almost exclusively self-regarding.” Hayek became the *bête noire* of the Labor government's response to the global financial crisis.

In 2004 the Commonwealth Treasury quietly held a series of internal workshops that revitalised Keynesian stimulus as a policy prescription (Taylor and Uren 2010; Uren 2014). The workshops created a plan for economic policy during a recession that emphasised, in the words of Treasury secretary Ken Henry, stimulus should “go hard, go early, go households.” The cause of Keynesian stimulus was given greater impetus by the fact that the Labor government under Rudd was relatively new and feared suffering the fate of the 1929–1931 Scullin government, which had a brief and unhappy single term at the start of the Great Depression.

When the crisis hit in late 2008, it sparked a major debate over Keynesian fiscal policy. For the most part, the debate concerned the relative size and timing

of stimulus packages. The Coalition opposition, first under Malcolm Turnbull and then Tony Abbott, supported a first AU\$10.4 billion tranche of stimulus in October 2008 but opposed a second, larger tranche of \$42 billion in February 2009. Both Turnbull and Abbott have stated that they support fiscal stimulus in principle (Taylor and Uren 2010).

The Labor government under Rudd and then later under Julia Gillard was dogged by claims that the Australian public debt was out of control as a result of those stimulus packages. The public debt was a focus in the 2013 election, which Labor lost to Tony Abbott's Coalition. Yet to the extent that the debate over fiscal stimulus was won by stimulus opponents, it was won on the grounds that the specific measures chosen by the Rudd Government in the second tranche were wasteful or poorly implemented rather than on any ground about the undesirability of Keynesian policy. The fact that Australia avoided a recession has created a strong presumption in favour of the stimulus program among policymakers. In 2010 a group of 51 Australian economists signed a letter arguing that the stimulus package prevented a "deep recession" and a "massive increase in unemployment" (Quiggin 2010). The 2011 Economics Society survey revealed that three quarters of Australian economists believe that "a substantial increase in public spending is an appropriate response to a severe recession," alongside a similar result for monetary easing.

There have only been a few professional and academic economists to cast doubt on the program of fiscal stimulus. Tony Makin of Griffith University argued the fiscal multiplier is either near zero or small and that countercyclical fiscal policies have been ineffective (Makin and Narayan 2011; Guest and Makin 2011; Makin 2009). Makin (2010) held that Australia's crisis performance was largely attributable to the monetary actions of the Reserve Bank of Australia. Further significant critiques of Keynesian stimulus from a liberal perspective were offered by Henry Ergas and Alex Robson (2009), Sinclair Davidson and Ashton de Silva (2009; 2013), and contributors to a volume edited by Stephen Kirchner (2009a). Australia has also produced a liberal textbook, *Free Market Economics: An Introduction for the General Reader* (2011) by Steven Kates at RMIT University, as a response to the activist fiscal policies brought about by the crisis. Wolfgang Kasper is lead author of a significant textbook on institutional economics (Kasper, Streit, and Boettke 2012).

State institutions, particularly the Commonwealth Treasury and the Reserve Bank of Australia, dominate the market for economics graduates and have an outsized authority on economics debate. Treasury's reputation has been eroded by a perception that it has become politicised (Davidson 2013b; Costa 2009). Treasury has made some high-profile errors in recent years (Davidson 2011), and its revenue forecasting was implicated in the Rudd and Gillard government's inability to return

the Commonwealth budget to surplus. By contrast, the RBA's reputation has been buttressed by reforms in 1996 that enhanced its policy independence, reducing a longstanding belief that the central bank is the pawn of the government of the day (Bell 2004). Over the last decade it has even become common to claim that central bank independence is violated when government figures publicly question the RBA's monetary stance (Kirchner 2009b). It is instructive to compare the deference given to Australian central bankers when they appear in front of Senate Estimates hearings with the relative scepticism that the Governor of the Federal Reserve receives in U.S. Congressional hearings. In Australia, the policy pronouncements and economic forecasts of Reserve Bank governors are granted high degrees of authority in public debate.

## Discussion

The best volume on the history of Australian classical liberalism is Greg Melleuish's *A Short History of Australian Liberalism* (2001). Other sources are perhaps more comprehensive, but these are also often written from a statist perspective and often hostile. The *Australian Dictionary of Biography* treats free traders poorly and characterises classical liberals as "conservatives." A typical example is the entry on Bruce Smith, which describes his classic book *Liberty and Liberalism* as "anachronistic" and his support of free trade "doctrinaire, extreme" (Rutledge 1988). The dictionary offers no entry for E. W. Foxall, even though his *Colorphobia* is one of the most powerful expressions of anti-racist liberalism at the turn of the century. Foxall's reputation was only recently revived (Kemp 2011). W. E. Hearn is somewhat better appreciated, as the first Australian academic economist. Yet the first book dedicated to his work, by Douglas B. Copland (1935), focuses more on criticising Hearn's failure to adhere to the Keynesianism of Copland's day rather than recounting Hearn's economics on its own terms (Hayek 1936). Copland's treatment of Hearn is indicative of the Australian academic attitude to the country's classical liberalism.

As I have noted, academic classical liberal economists in Australia have enjoyed clusters in four episodes: the University of Melbourne at the end of the nineteenth century, Monash University in the 1970s, the Australian National University in the 1980s, and RMIT University in first decades of the twentieth century. While the jury is of course out on RMIT, these schools did not manage to replicate themselves for more than a generation. Hearn moved into the law faculty, and while his free trade views were disseminated to the next cohort of students by his successor Elkington, this tradition at Melbourne did not survive into the twentieth century. Neither Monash University nor ANU successfully established a long term classical liberal presence. John Lodewijks (2001) points out that few

Australian universities have reputations of developing ‘schools’ of speciality, let alone self-sustaining schools. To the extent that economics faculties have a reputation for specialising in any particular field, “often that reputation is based on one very influential researcher” (Lodewijks 2001, 5)

One possible explanation for the failure to maintain longstanding non-mainstream schools, classical liberal or otherwise, is the structure of economics postgraduate study. It has been often remarked that the Australian economics profession after the Second World War became ‘Americanised,’ in terms of increasing professionalism and emphasis on mathematics and also a trend for students to prefer study in the United States over the United Kingdom. Groenewegen and McFarlane argued that Australian economics had become “a minor sub-branch of the American Economic Association” (1990, 237). But Australian Ph.D.s in economics have for the most part adhered to the British model of study. Students conclude an initial specialised degree, and at postgraduate level submit a large monograph-length thesis. Unlike in the United States, where students do extensive coursework, in Australia coursework is limited. This is in part a consequence of the relatively small size of Australian economics departments and Ph.D. cohorts: it is uneconomical to dedicate the resources necessary for coursework for few students (Lodewijks 2001). It is plausible that the absence of coursework impedes the development of longer-term ‘schools,’ as the self-directed nature of the monograph-length thesis reduces the students’ interaction with research staff and their peers. However, such institutional arrangements are changing: coursework is a growing component of Ph.D. programs, particularly in the largest universities. Also today there is an increasing tendency to recruit from the American Economics Association meetings, another practice which dilutes distinct research schools. Nevertheless, the ‘Americanisation’ thesis should perhaps not be overstated; as William Coleman (2014) points out, some of the most distinctively ‘American’ branches of economic study, such as public choice and law and economics, have found little favour in Australia (see also Pincus 2014).

Further structural features of Australian economic research of possible relevance are the dominance of public universities and the towering influence of the Australian Research Council, which provides funding for research projects and ranks universities on their “research excellence.” These rankings are non-transparent and hard to reconcile with publicly available sources (Davidson 2013a).

Whatever the explanation, classical liberalism in Australia has an outsider status in the Australian economics profession. Classical liberal schools have tended to form at relatively young universities. Hearn was brought to Australia to be one of Melbourne’s first professors. Monash University had only been established fifteen years when Ross Parish took an economics chair in 1973. RMIT University was only made a public university in 1992, and Sinclair Davidson joined in 1995. The

exception was the ANU, which was formed after the Second World War. But there the outsider status of classical liberalism was manifest as well: it was in the ANU's teaching university, rather than the more prestigious research-only unit, that the classical liberal school was developed.

The short lives of the major schools means that academic classical liberalism has found its organisational foundation outside the academy, most notably in the two major Australian think tanks, the Institute of Public Affairs and the Centre for Independent Studies. Almost all the major classical liberal economists have developed some form of institutional connection with either or both of these organisations, whether as members of staff or academic advisors. Those affiliations furthermore give classical liberal economics a firmly policy-oriented flavour, and a high degree of engagement with public debate.

## Conclusion

Blainey (1966) famously argued that Australian history has been shaped by distance. To that one could add size. The character of classical liberalism in Australian economics has been substantially determined by the country's small population. While the free trade tradition of the nineteenth century was strong, it was built on an extremely shallow base. It was not until the First World War and after that Australian universities began instituting chairs in economics. As a small and young country Australia was fertile ground for heterodox economic thought—the popular appeal of thinkers such as Henry George in the nineteenth century and monetary theories like Douglas Credit during the interwar years was substantial. In the 1930s the small corps of economic academics rapidly embraced Keynesianism. The dominance of Keynesianism and a bias towards interventionism lasted well into the 1970s.

Today classical liberalism remains outside the academic economics mainstream. It is influential insofar as it has champions in politics and the press. While Australia's size has meant that schools of economics have not become self-sustaining, that same size has given high prominence to some methods of public engagement—particularly the newspaper opinion piece—that has allowed some liberal economists to have substantial influence on policy and to help make Australia a relatively free and prosperous country.

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# Liberal Economics in Spain

Fernando Hernández Fradejas<sup>1</sup>

[LINK TO ABSTRACT](#)

The principles of economic liberalism in Spain are today finding renewed health in its universities, media, and beyond. Here I review the roots of a liberal tradition in Spain, then survey the contemporary liberal scene.

## The School of Salamanca

Medieval scholasticism developed and persisted over seven centuries (800 to 1500 CE). The twelfth and thirteenth centuries are widely recognized as the most outstanding period of scholastic activity, but much academic activity in a scholastic vein occurred in Spain during the period from 1350 to 1500, known as “the Spanish Golden Age” (Schumpeter 1954; Rothbard 1999; Wood 2002; Chafuen 2003, 13). Thinkers of the Spanish Golden Age continued the previous work of their predecessors, with deep attention on economics:

Saint Thomas Aquinas (1226–1274) was the foremost Scholastic writer. His influence was so widespread that nearly all subsequent Schoolmen studied, quoted, commented upon his remarks. The century following Saint Thomas produced many Scholastic authors whose works relate to economics. Saint Bernardino of Sienna (1380–1444), Saint Antonino of Florence (1389–1459), Joannis Gerson (1362–1428), Conradus Summenhart (1465–1511), and

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Sylvestre de Priero (d. 1523) are perhaps the best known, since they are most frequently quoted by their successors. The writings of Cajetan (Cardinal Tomás de Vio, 1468–1534) represent the transition between these Scholastics and their later Hispanic followers. (Chafuen 2003, 14)

In the sixteenth and seventeenth centuries, Catholic theologians centered at the University of Salamanca introduced concepts of liberty and applied them to markets in ways quite similar to the classical liberals two hundred years later (Schumpeter 1954; Azevedo and Moreira 2010). Led by Francisco de Vitoria (1484–1546), the School of Salamanca made important contributions on property rights, money, trade, value and price, banking and interest, public finance, distributive justice or competition, and other topics (see de Roover 1958; Baldwin 1959; Langholm 2009; Azevedo and Moreira 2013; Schlag 2013; Monsalve 2014). Significant figures were Francisco Suárez (1548–1617), Juan de Mariana (1536–1624), Martín de Azpilcueta (1492–1586) Luis de Molina (1535–1600), Domingo de Soto (1495–1560) and Tomás de Mercado (d. 1574 or 1575).

A link from Catholic to Protestant thought is found in the Dutch jurist Hugo Grotius (1583–1645). Grotius, a Dutch Calvinist, was exiled to France and was one of the few Protestants who was quoted by Spanish Catholics and Protestants in Northern Europe and widely recognized and disseminated. Grotius made contributions regarding justice, the origin of property, value theory, the concept of cost of production, and the freedom of international trade, and he cited many scholastic authors. Major themes in Grotius's work are property rights and the sea, international law, and personal freedom of trade. His first major work, *Mare Liberum* (1609) or “On the Freedom of the Seas,” was commissioned to prepare a plea for the rights to the spoils of the Portuguese frigate *Catalina*; its capture by the Dutch admiral Heemskerk in 1602 had caused a diplomatic conflict.

Grotius has been studied by some experts who have located the transmission of some scholastic ideas of economic theory to Scottish eighteenth-century thought (Gómez Rivas 2013a; Hernández Martín 1995, 214). It is thought that many of the ideas of scholastic thought came to Adam Smith through Grotius and through Samuel Pufendorf (1632–1694), a follower of Grotius (Gómez Rivas 2005, 153–156). Marjorie Grice-Hutchinson, the great historian of economic thought who lived in Málaga, advanced the idea that the origins of economic thought of Adam Smith can be found in the work of the famous Spanish clerics over two centuries earlier (Grice-Hutchinson 1952). Part of that scholastic thought arrived to Scottish authors in a vague and reductionist form (de Roover 1955). On the idea of spontaneous order, for example, Molina was quoted by Adam Ferguson, who was later quoted by Friedrich Hayek (Hayek 1967, 96–105; Gómez

Rivas 2013b, 78). Hayek cites Molina when he says “the late Spanish Schoolmen developed the foundations of the genesis and functioning of spontaneously formed social institutions” (Hayek 1967, 98).

The School of Salamanca advanced and prefigured the framework of a free society in which the relations of free people take precedence and the power of the state is limited (see, e.g., Mariana 1981; Suárez 1967–1968). There are various complications in interpreting the Spanish scholastics (Langholm 1998), some of which might indeed make one more inclined to see their proto-liberalism as but one strain in their thought. In my judgment, however, it is fair to see the Spanish scholastics as a crucial phase in the grand development of liberalism.

Alas, into the seventeenth and eighteenth centuries Spain would not be part of that development. The thinking of the School of Salamanca disappeared over time for several reasons, especially censorship in both Catholic and Protestant regions, the lack of intermediate authors to continue the work, and a failure to transmit these ideas from the theoretical level to the rest of the citizenry.

## The twentieth century

In the twentieth century, Spain had a small but vibrant tradition in classical liberal economics. Luis de Olariaga Pujana (1885–1976) was a prominent economics professor who helped modernize monetary thought in Spain (Rodríguez 2010, 27–34; Velarde Fuertes 1986, 283–293). Of Basque origin, Olariaga began economic training at an early age, and such training was decisive in his later professional activity, whether as a disseminator, teacher, or public official. He had the opportunity to learn English and German and disseminated ideas to the rest of Spain. During Olariaga’s stay in Germany, he was deeply impressed by Hayek (Rodríguez 2010, 28), and he later translated some of Hayek’s work. Olariaga served as chair in political economy at the Faculty of Law at the Complutense University of Madrid. As a leader in public life, he was acquainted with such people as Ramiro de Maetzu, Miguel de Unamuno, José Ortega y Gasset, Antonio Flores de Lemus, Francis Ysidro Edgeworth, and José Larraz López. Olariaga valiantly defended economic liberalism in Spain during the long years of Franco’s authoritarianism; he also rejected the Keynesian interventionist gale of the era, and he warned of inflation. Along with Manuel Torres Martínez, he reported on the controversy between the Keynesians and Hayekians at the London School of Economics (Velarde Fuertes 1986, 291). Olariaga opposed Keynesian enthusiasm in a series of articles published in the journal *Moneda y Crédito*.

Lucas Beltrán Flórez (1911–1997) was another great protagonist dedicated to the defense of economic liberalism in Spain (Cabrillo Rodríguez and Lluç

Martín 2010, 117–129). He studied law at the University of Barcelona in 1931 and then economics at the London School of Economics. There he had the opportunity to meet Lionel Robbins and Hayek, with whom he maintained a professional and personal friendship (Huerta de Soto 2007a, 332–334). Following study in London, Beltrán worked in the office of Francesc Cambó and worked with Josep Tarradellas. He was professor of political economy and public finance of the University of Murcia, then at Salamanca, then Valladolid, and finally at the Complutense University of Madrid until 1981. His works treated public finance and other topics, but his great passion was in the history of economic thought, where he made his most important contributions. He joined the Mont Pelerin Society, participating in meetings for over twenty years.

During the second half of the twentieth century, several organizations in Spain have promoted economic liberalism with visible success: the Association for the Economics of Institutions, the League for the Defense of the Individual, the Society for the Study of Human Action, the Ignacio Villalonga Foundation, the Private Economic Theory Seminar by the Reig Albiol brothers, the Unión Editorial and, finally, the Institute for Market Economics. These last four institutions have played a significant role in the mission and dissemination of these ideas.

The Ignacio Villalonga Foundation was started in 1957 and led by the politician and banker Ignacio Villalonga (1895–1973), and his close associate Joaquín Reig Rodríguez (1896–1989), both of whom shared a similar liberal ideology. Moreover, on the occasion during which Ignacio Villalonga received the city of Valencia's Gold Medal, Villalonga announced the creation of a foundation before thousands of attendees. The foundation was to publish works promoting the knowledge and understanding of liberal economic thought (Huerta de Soto 2007b, 390–394). Joaquín Reig Rodríguez, trustee of the foundation, prepared the plan and was the driving force of this project. From 1957, it published liberal works by Spanish authors as well as translations of classical liberal authors (Mises 1957; Erhard 1957; Hazlitt 1958; Röpke 1959; Eastman et al. 1959; Mises 1960; Hayek 1961; Hazlitt 1964). Joaquín Reig Albiol and family contributed generously to these projects (Iglesias and Capella 2012). According to Huerta de Soto, the editors of the Library of Economic Studies of the foundation declared eight years later that they

...had taken on the task of providing Spanish-speaking readers with the effort conducted by the remarkable cast of economists whose work would influence researchers and scholars, showing the errors of the debating Marxist theorists, bewitched by Keynesian fallacies and well-intentioned beings who rely on the welfare state. (Huerta de Soto 2007b, 391)

It was difficult to publish any idea related to classical liberalism in Franco's Spain. Braving the circumstances, the Villalonga publishing project was a seed for classical liberal economics in Spain.

The second institution responsible for the spread of economic liberalism in Spain was a private seminar in Madrid on economic theory, organized and hosted by the Reig Albiol brothers during the 1970s and part of the 1980s. This seminar was devoted to the study of liberal economic ideas from different methodological approaches and positions. One member of this seminar, Julio Pascual y Vicente, reminisced in a newspaper article:

In the house of Luis Reig, we had been meeting for many years as a group about thirty or forty, who punctually every Thursday, discussed a paper each time prepared by one of us. I remember now, among the regulars, Lucas Beltrán, Jesús Huerta de Soto, Enrique de la Lama Noriega, Juan Marcos de la Fuente, director of the Unión Editorial, the dissemination project of the 'new' ideas that we launched in the early 70s; then Antonio Argandoña and Pedro Schwartz, who came from his long stay in London with new ideas in his head, appeared on the scene, on their own. And there was Rafael Martos, Evaristo Amat, Luis Guzmán, Luis Moreno, and many other good friends, some academics and some not, but all of them *economists* in the original sense of the term. Later on appeared José Luis Oller, student of the Austrian School and the new Director of Economic Policy of the Generality. And other trained economists with the same interests whom I feel I can not mention here. The Institute for Market Economics, the Unión Editorial, the Association for the Economy of Institutions and the League for the Defense of the Individual would later be the main focus of research and dissemination. Someone later will baptize them as the critical economic school of Madrid. (Pascual y Vicente 1980, 38)

The publishing project begun by the Ignacio Villalonga Foundation continued through the creation of the Unión Editorial in 1973, the year Villalonga died. The Unión Editorial, along with members of the private seminar, brought back in print such works as *La acción humana* by Ludwig von Mises (translated by Joaquín Reig), *Los fundamentos de la libertad* by Hayek (introduced in its second edition in 1975 by Lucas Beltrán) and other classic books from these and other 'Austrian' authors and liberals (Huerta de Soto 2007a, 372). The Unión Editorial has continued to publish and translate major works that disseminate ideas of the market economy, the rule of law, and economic liberalism. Unión Editorial also has distribution agreements in major Latin American countries. This editorial project

has had a great influence on the intelligentsia and on policy (Pascual Vicente 1980, 38).

The Institute for Market Economics, began in 1978 in Madrid, was led by Professor Pedro Schwartz Girón (Ramírez 1980, 122–124). Its primary purposes were studying the system of economic freedom and encouraging its adoption by Spanish public opinion. In this way Schwartz promoted a liberal reading of the Constitution of 1978 (Martín Martín 2010, 333) and aimed at eradicating the habit of appealing the state (Ramírez 1980, 123). The Institute developed four major activities: publishing books and pamphlets by prestigious specialists, preparing reports on topical issues, organizing workshops, seminars, and symposia, and the formation of a reference library open to anyone interested in the market economy.

## **Media, university centers, and other influential institutions**

Today classical liberal economics in Spain enjoys better health than in times past. Its thought has seeped into the different layers of society, albeit very slowly. Most of the press is still inclined toward social engineering and collectivization, but some do feature columnists who respect classical liberal economics.

*El Economista* ([link](#)), launched in 2006, is a business newspaper based in Madrid. Several of its columnists have shown a defense of liberal economics: Fernando Méndez Ibisate, Rubén Manso Olivar, and Lorenzo Bernaldo de Quirós, the last as a member of the editorial board.

*ABC*, founded in 1903, is one of the great Spanish national newspapers, with a declared conservative and monarchist line. You can find some columnists deferential towards classical liberal economics, for example, Carlos Rodríguez Braun and Juan Velarde Fuertes.

*Expansión* ([link](#)), founded in 1986, is the leader of the daily economic press in Spain. Two of its regular columnists are advocates of economic liberalism: Pedro Schwartz Girón and Carlos Rodríguez Braun.

*La Razón* ([link](#)) was founded in 1998 by Luis María Ansón and belongs to Grupo Planeta. One of the most widely read dailies, it has hosted columnists in favor of economic and political liberalism, among others, Carlos Rodríguez Braun and José María Marco.

*Actualidad Económica* ([link](#)), a monthly magazine founded in 1958, is one of the flagships of the entrepreneurial and business scene in Spain. It covers the leading companies in the country, interviews leaders at managerial levels, and reports on micro- and macroeconomic matters. It has been known for defending

the principles of classical liberal economics. Its columnists include Miguel Ángel Belloso, Carlos Rodríguez Braun, and Joaquín Trigo Portela.

*Libertad Digital* ([link](#)), began in 2000, is an online Spanish-language journal advancing liberal ideas on political economy. Among the bylines can be found Carlos Rodríguez Braun, Manuel Llamas, Juan Ramón Rallo, Mauricio Rojas, and José Tomás Raga.

*La Ilustración Liberal: Spanish and American Magazine* ([link](#)) is a quarterly journal of political and economic thought dedicated to promoting liberalism. Its founding in 1999 stemmed from a gathering of leading academic, journalistic, and political figures (Jiménez Losantos 2002, 3–6). The journal has had bylines including Mario Vargas Llosa, Ian Vásquez, Lorenzo Bernaldo de Quirós, John Blundell, Enrique Ghersi, Carlos Rodríguez Braun, José Ignacio del Castillo, Mary Anastasia O’Grady, Gary Becker, Gabriel Calzada, Francisco Cabrillo, Alberto Recarte, Juan Ramón Rallo, and Albert Esplugas.

*Voz Populi* ([link](#)) is a digital daily launched by Jesús Cacho in 2011. It has allowed the dissemination of economic liberalism through several of its major columnists and contributors: Lorenzo Bernaldo de Quirós, Rubén Manso Olivar, María Blanco, Juan Ramón Rallo, and Juan José Gutiérrez Alonso.

In addition to the media, university teaching has in some cases spread understanding of economic liberalism. Although the control of most university economics departments is in the hands of professors who favor economic interventionism, there are small niches or academic sites where liberal economics can be found. Several university centers include one or more professors of economics with an inclination towards economic liberalism.

The Department of Applied Economics of the Faculty of Legal and Social Sciences of King Juan Carlos I University is the largest shelter for liberal and ‘Austrian’ economists in Spain, with a clear focus on the study of capitalism, the market economy and liberal economics. It offers a doctorate program in economics with a focus on the Austrian School of Economics, headed by Jesús Huerta de Soto Ballester, Professor of Political Economy (Blanco González 2014, 45). The program brings together some very prominent professors: Miguel Ángel Alonso Neira, Antonio Martínez González, Philipp Baggus, Juan Ramón Rallo, David Howden, and César Martínez Meseguer. Some professors in other university departments are quite sympathetic to liberalism, including Victoriano Martín Martín and Paloma de la Nuez Sánchez-Cascado.

The Department of Economic Analysis: Economic Theory and Economic History at the Autonomous University of Madrid has a group of professors with a clear orientation towards liberal economics: Óscar Vara Crespo, Ángel Rodríguez García-Brazales, Javier Aranzadi del Cerro, Jorge Turmo Arnal, Juan Jose Franch Meneu, Félix Fernando Muñoz Pérez, José María Rotellar, and César Martínez



Meseguer. All received their doctorates under the supervision of professors of economics Pedro Schwartz Girón, Rafael Rubio de Urquía, or Jesús Huerta de Soto Ballester. The economics syllabi of economics offer a respectful view of markets and liberalism.

Complutense University of Madrid is the largest public university in the country and is usually placed at the top of the rankings of Spanish universities. Because of its huge size, it has been possible to create small university shadow departments favorable to liberalism. The Department of Economic History and Institutions of the Faculty of Business and Economics Sciences has developed a deep interest in the history of economic thought from the liberal view; some of the professors are Luis Perdices de Blas, Carlos Rodríguez Braun, and Fernando Méndez Ibisate. In addition, the Department of Applied Economics (Political Economy and Public Finance) has been able to establish a group of economic professors with significant liberal sympathy including Francisco Rodríguez Cabrillo, José Tomás Raga Gil, Ana Yábar Sterling, and Rogelio Biazzi Solomonoff.

The University of San Pablo CEU has assembled a group of professors with an orientation towards economic liberalism; these teachers belong to different university departments and teach various subjects. Such professors include Dalmacio Negro Pavón, Rafael Rubio de Urquía, Pedro Schwartz Girón, María Blanco González, and José María Rotellar. Also, this University has a Center dedicated to Policy and Regulatory Economics under the direction of Professor Pedro Schwartz Girón.

Madrid Manuel Ayau Online: Center for Advanced Studies (OMMA) is a private Spanish institution of higher learning founded in 2012 that confers online master degrees in various fields, including Value Investing and Cycle Theory, Economics, Design and Business Development of Cities, and Banking. OMMA is currently directed by Gonzalo Melián Marrero. It is sponsored by Francisco Marroquín University, Guatemala (itself a remarkable university center of liberal learning), and the Juan de Mariana Institute, whose main drivers include Gonzalo Melián, José Ignacio del Castillo, and Juan Ramón Rallo (Blanco González 2014, 48). The name of this institution has been taken in honor of Manuel Ayau Cordón, founder of Francisco Marroquín University.

Some outstanding teachers from other Spanish universities in different fields in the social sciences should be pointed out: Professors León Gómez Rivas of the European University of Madrid, Miguel Anxo Bastos Boubeta of the University of Santiago de Compostela, Juan Francisco Corona Ramón of the University of Abat Oliva CEU of Barcelona, Antonio Argandoña and Juan José Toribio of the IESE Business School, and David Sanz Bas and Vicente Enciso of the Catholic University of Ávila.



Beyond the press and universities, there are other prominent institutions and publishing companies that contribute to expanding the ideas of classical liberal economics. Juan de Mariana Institute ([link](#)), founded in 2005, is one of the bastions of economic liberalism in Spain (Blanco González 2014, 50). Its aim is to show the Spanish, European, and Latin American public the benefits of private property, free enterprise, and limiting the scope of government. It is private, independent, nonprofit, and nonpartisan, and it does not receive grants or aid from any government or political party. The Institute develops investigative and informative activities, and it organizes major events like the Liberty Dinner, where the Juan de Mariana Award is granted to those who have excelled in advocacy related to liberal thought and individual freedom. Its current director is Juan Ramón Rallo.

Civismo Think Tank ([link](#)) promotes civil society in Spain and the exercise of personal and economic freedoms. Its activities include, among others, a series of conferences where personalities from the economic and social world talk about relevant current events. Civismo also organizes public events and press conferences such as the Free Market Road Show, the day of Fiscal Liberation, and the presentation of the Index of Economic Liberty. Its Governing Board is composed of prominent persons such as Julio Pomés, Pedro Schwartz Girón, and Francisco Cabrillo Rodríguez.

The von Mises Institute in Barcelona ([link](#)) organizes conferences, dinners, seminars, and scholarships for the purpose of publicizing the ideas of freedom and liberal economics. It is driven by key figures of economic liberalism in Spain including Juan Torras Gómez, Lorenzo Bernaldo de Quirós, Antonio Argandoña, Joaquín Trigo Portela, Antoni Fernández-Teixidó, and Joan Rosell.

FAES: Analysis and Social Studies Foundation ([link](#)) is a private non-profit organization working in the realm of ideas and policy proposals. Chaired by former President José María Aznar, it was created in 1989 and is aimed at creating, promoting and disseminating ideas based on political, intellectual, and economic freedom. Its activities include summer courses, conferences, seminars, and publications. The board includes Esperanza Aguirre Gil de Biedma, José María Marco, Manuel Pizarro Moreno, Juan Velarde Fuertes, Pedro Schwartz Girón, and Joaquín Trigo Portela.

Finally, several well-known publishers have been publishing liberal works in recent years. Ediciones Deusto publishes works by authors such as Juan Ramón Rallo, María Blanco González, Daniel Lacalle, Juan Manuel López Zafra, and Lorenzo Bernaldo de Quirós. LID Editorial has published books by, for example, Carlos Rodríguez Braun, Juan Ramón Rallo, and Arturo Damm.

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# Liberal Economics in Poland

Mateusz Machaj<sup>1</sup>

[LINK TO ABSTRACT](#)

In this paper I provide a cursory guide to institutions and individuals in Poland advancing liberal knowledge, particularly on economic issues. I provide brief historical remarks and then treat the scene in Poland today.

## A bit of history

In the interwar period in the Second Polish Republic, a few talented economists, including Adam Krzyżanowski, Edward Taylor, Roman Rybarski, and Ferdynand Zweig, influenced public life and sociopolitical reality. They were often market-friendly, though, to be sure, they showed significant departures from liberalism. One sparking free-market liberal was Adam Heydel (1893–1941), who fought hard against statism. One of the ironies of history is that Heydel, as professor of Jagiellonian University in Krakow, accepted Oskar Lange as a Ph.D. student, who later became the face of socialism in theory and, in the Communist regime, in practice. Heydel's career was cut short, murdered by the Nazis. Not of Jewish descent, he was imprisoned in 1939 along with other Jagiellonian professors. Heydel was among older professors that were later released, but after Heydel became active in the Polish resistance he was imprisoned again. He was shot in a mass execution at Auschwitz on March 14, 1941.

The story of Heydel illustrates why the history of liberal thought in Poland in the twentieth century is so meager and sad. Even if the brave Heydel had survived the horrors of Nazism, Stalinism would have led him to emigrate. For example, another great liberal, Stanislaw Andreski (1919–2007), was, as a young man, taken

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prisoner by the Soviets in 1939, escaped, and later made his home and career as a sociologist chiefly in Britain; readers are encouraged to pursue his works *Parasitism and Subversion: The Case of Latin America* (1966), *The African Predicament: A Study in the Pathology of Modernization* (1968), and *Social Sciences as Sorcery* (1972).

After the Second World War, Marxism came to dominate at the universities (Porwit 1998, 84–85). Thinkers not sympathetic to socialist propaganda had to silence themselves or resign. But after 1956 there was some relaxation in the censorship; academic work explored how to reform the socialist system to improve its efficiency (ibid, 93–98). During the relaxed period one could develop some reformist ideas provided it was not openly against the Communist rule. But hardly liberal thinking had to be kept underground, awaiting the breakdown of the system.

Many important works of Heydel were scattered for a long time around Polish universities, sometimes in their original form. Only recently have the collected works of Heydel (2013), including works unpublished previously, become available. Though there may have been a chance for at least a small Polish tradition of liberal economic thought, the arrival of a socialist regime imposed by Soviet imperialism nipped any such prospect in the bud. It is worth noting, though, that in the underground during the Communist era significant parts of works by Alexis de Tocqueville, Ludwig von Mises, Friedrich Hayek, and Milton Friedman were secretly published and circulated as contraband (Luszniewicz 2008, 186).



Adam Heydel

## Academic institutions in Poland today

In the 1990s, Poland was unusual in Central Europe for its rapid growth in private institutions of higher education. The private institutions focused on master's programs, while only a couple obtained accreditation from the state to start Ph.D. programs. The private sector lacks the wealth to donate money for social research. Also, the institutions faced competition from public universities, which receive public subsidies and teach students free of charge. Most of the best students go to the public schools. Any young scholar interested in social and economic issues has to look for a position at a public university, where she could do some research. In consequence, most of the more highly productive economists, including those who favor liberal principles, are employed by the public universities.

Once hired at a public university, a scholar needs to publish papers in ranked journals. Recent changes in education law favor foreign journals included in Thomson Reuters's Web of Science/Journal Citation Reports (JCR), which includes only one Polish economics journal, *Argumenta Oeconomica*. Thus, few Polish-language economics journals are highly ranked according to the official accreditation standards. None of the Polish-language journals exclusively promotes a particular outlook—they publish interventionist, liberal, and neutral articles. Liberal economics enjoys a certain respect. It is my impression that, on the whole, not very much of the research by Polish economists is very ideological.

Respectful and widely read books about Milton Friedman (Belka 1986) and Friedrich Hayek (Godlów-Legiędź 1992) were written by two gifted Polish economists, Marek Belka and Jadwiga Godlów-Legiędź, who are not outspoken defenders of the free market but are inclined to support interventionism.

In academic economics in Poland, there are no schools of thought in the traditional sense. Part of the problem with building a research program relates to the legacy of the Communist era. Perhaps Poles have been too familiar with the hard realities of collectivism to indulge in fantasies of government-led social centrality and expertise as irresponsibly as many left-leaning academics elsewhere do.

Two universities, at opposite sides of Poland, do have some notable liberal activity. Near the Eastern edge is the University of Białystok, where Robert Ciborowski promotes liberal ideas in economics by publishing books and organizing conferences. Ciborowski edited such books as (here I give English translations of Polish titles) *Liberal Ideas in Economics 20 Years After the Death of Friedrich August von Hayek* (2013) and *Economists of the Austrian School* (2011). Each year, he organizes conferences and seminars for market-oriented economists from all around Poland. Also at the University of Białystok is the well-respected and ideologically balanced journal *Optimum*; thanks to Ciborowski, its 2007 issue was devoted to liberal thought in economics.

In western Poland is the University of Wrocław, where Witold Kwaśnicki runs the Division of General Economic Theory. Kwaśnicki's research focuses on innovation, evolutionary economics, history of thought, and economic liberalism. He is responsible for teaching all economics students basic theory in microeconomics and macroeconomics. His published books include *Knowledge, Innovation, and Economy: An Evolutionary Exploration* (1996), *History of Liberal Thought: Liberty, Property and Responsibility* (2000), and *The Principles of Market Economics* (2001). After fifteen years of teaching, Professor Kwaśnicki was honored in a festschrift by several of his doctoral students, *Against the Mainstream Economics* (Machaj 2010). He recently published an article about economics of classical liberalism called "Small Government, Minimal State: or 'No State?'" (Kwaśnicki 2014).



Professors Kwaśnicki and Ciborowski are two uncommon examples of economists who openly express liberal judgments. Each is building an institutional framework to promote economic thinking that develops, tests, and applies liberal principles.

## The Adam Smith Research Center

Founded in 1989, the Adam Smith Research Center was Poland's first think tank (Aligica and Evans 2009, 63). The term *think tank* may be misleading, since this sector in Poland is somewhat different than in the United States, where think tanks formulate and advance targeted policy proposals. In most cases in Poland, rather, think tanks are the hubs of social movements. Around the Adam Smith Center, for instance, lie various lawyers and economists favoring classical economics in the Smithian tradition of small government, low and simple taxes, the presumption of liberty, the rule of law, and the moral basis of the market economy.

The foundation is not engaged in academic discourse, but it is influential in public discourse and policy. Two economists associated with the research center, Andrzej Sadowski and Robert Gwiazdowski, are often quoted in the media and appear on various shows to comment on economic events (Sadowski was also associated with Transparency International in Poland). They are very effective—even charismatic. Gwiazdowski is especially visible since he is very active in social media. Among his books promoting liberal economics are *Justice and Tax Efficiency: Between Progressive and Flat Income Tax* (2001), *Progressive and Proportional Taxation: Doctrinal Issues, Practical Consequences* (2007), and *Haven't I Told You So? Why the Crisis Happened and How to Get Out of It Quickly* (2012a). He is also a professor at Łazarski University, the first nonpublic university in Poland, which received accreditation for its own Ph.D. program.

Sadowski and Gwiazdowski are often approached by Polish journalists to comment on important policy issues. They are famous by way of their interviews and contributions to economic journalism in all the most important Polish newspapers. Their comments are always in the energetic spirit of classical liberalism. They emphasize the importance of freedom, the rule of law, the certainty of rules, and keeping taxes low, and they criticize overregulation, restrictions, and bureaucratic burdens.

We should credit the Adam Smith Research Center especially for raising public awareness of the burden of taxes (see, e.g., Sadowski 2014). They popularized the notion of “Tax Freedom Day,” indicating which month citizens stop working to pay the state. Second, they constantly point out that taxes are much higher than as typically reported because taxes for the pension fund are often

omitted. Over ten years ago, the Center became famous for proposing a comprehensive tax reform that would have created more stable tax law and decreased taxes on labor. But their proposal was in general ignored by the political parties and did not spark any discussion among members of the government or the parliament.

In recent years, the Center was involved in a loud public debate about private pension funds. At the end of the 1990s, Poland introduced some choice among private institutions holding defined contributions in the social security system. Instead of putting all the taxed money in the state system, the government vouchsafed some to highly regulated and licensed insurance companies. Most saw the reform as privatization. In the last several years, the government renationalized the funds. The representatives of the Center were quite radical in their criticism and did not defend private funds, because they saw the funds as rent-seekers cartelized by the system (see Gwiazdowski 2012b; Sadowski 2013). On this issue, the Center showed its radical side and fought against the root intervention, namely forced savings.

Since the Adam Smith Research Center is not a think tank in the American sense, Gwiazdowski decided recently to fill the gap and open the Warsaw Enterprise Institute, which would be more focused on current policy issues. The purpose of the Institute is to publish reports, comments, and memoranda about state law and general economic conditions. It also provides expert support for the Coalition of Entrepreneurs and Employers and cooperates with the Heritage Foundation in the United States.

## Leszek Balcerowicz and the Civil Development Forum

Professor Leszek Balcerowicz of the Warsaw School of Economics, who has received many international awards (including one from the Cato Institute), was a leading figure in the Polish transition of 1989–90 (Aligica and Evans 2009, 63). He was then an important minister in one of the governments in the late 1990s, after which he became the president of the Polish Central Bank. Even though many considered him radical, political reality impelled him throughout his career to accept many compromises—especially because in both of his governments he was in a coalition with the *Solidarność* movement, which, despite its anti-Communist and anti-regime roots, was rather more socialist than the supposedly socialist government. In the last decade, after leaving the central bank, he distanced himself from day-to-day politics. His departure allowed him to be more radical in his discourse, mainly to appeal to younger generations.

After leaving public office, Balcerowicz founded the Civil Development Forum in 2007. Its mission is to promote economic freedom and other liberal tenets, especially moral and social constraints on government. The forum organizes seminars, publishes policy analyses, promotes economic knowledge in general, and assists publishing houses with economic publications. As a social activist, Balcerowicz has been much more radical in promoting economic liberalism than in earlier stages of his career. Balcerowicz participated in the public debate over retirement-fund reform, just mentioned. When in 2014 the government renationalized the funds, Balcerowicz and his associates vigorously opposed this decision and pressured the government to keep the reform, but without success. The matter of retirement-fund reform illustrates a break among various market-friendly organizations in Poland: the Adam Smith Research Center opposed any form of government involvement, seeing the reform as crony capitalism, but the Civic Development Forum believed more in *realpolitik*—that some partial changes and quasi-private solutions can improve the government system.

Balcerowicz has also published important books on transformation and economic growth. He wrote about the transition from socialist planning to markets in *800 Days: Shock Under Control* (1992) and *Capitalism, Socialism, and Transformation* (1997). Both books were about real-world transformation, and by most Western economists' standards were not radical or ideological. Balcerowicz edited two collections of essays: *Discovering Freedom: Against Slavery of Minds* (2012) and *Puzzles of Economic Growth: Driving Forces and Crises: A Comparative Analysis* (Balcerowicz and Rzońca 2010). Many radical thinkers are reprinted in the former publication. Balcerowicz remains very influential among journalists and academics and in public opinion. Thanks to his distance from politics he is free from political and populist clashes, and instead focuses on intellectual battles.

## Polish Instytut Misesa

Another important institution is the Polish Instytut Misesa, founded in 2003 and enjoying scholarly support from Professors Kwaśnicki and Ciborowski. Its primary aim is to influence younger scholars interested in market-friendly economic thinking, although the Institute also sets up forums for exchanging ideas with adherents to different schools of thought. The institute has published ten books on economic subjects, including translations of Hayek and Mises, and organized various seminars for graduate students and courses for less advanced students. The main seminar topics, including risk, banking, and economic crises, have tended to be more 'economic' than political or ideological.

The Institute is also to be credited for a unique project: Clubs of the Austrian School of Economics, started around 2008. This is a network of student groups all around Poland, tied to universities, especially economics departments. The network has had huge success in uniting students around the ideas of classical liberalism and libertarianism. Students meet to study and discuss various texts. The project offers high-quality book publishing, seminars and schools, and a relatively highly trafficked webpage. Even though the groups were started mostly to discuss Austrian economics, they go beyond Austrianism to discuss liberal thought in general. And they inspire students to become Ph.D. students and researchers at universities.

## Conclusions

In Poland, academic and public-policy discourse is not closed to liberal ideas. Public-policy organizations promote liberal economics in parallel with the academic world. And since public universities are not actually dominated by any official or unofficial line of interventionist thinking, it is possible to promote alternative ideas about society. It may even be that Polish academia allows for an impressive degree of ideological diversity and openness. All these institutional outlets contribute to both public and academic debate on the role of the state.

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# The Endangered Classical Liberal Tradition in Lebanon: A General Description and Survey Results

Patrick Mardini<sup>1</sup>

[LINK TO ABSTRACT](#)

The Lebanese people believe that they live in a free market economy. However, Lebanon is ranked 96th in the Heritage Foundation's 2014 Index of Economic Freedom and 60th in the Economic Freedom of the World Index. Compared to its Arab neighbors, the country is lagging behind Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Economic freedom had been a tradition in Lebanon dating back to the period of the Phoenicians. This tradition reached a peak, under the influence of the 'New Phoenicians,' in the period from independence in 1943 until the beginning of the civil war in 1975 (Gates 1998, 82). Today, however, economic freedom has few prominent advocates.

To the extent that classical liberal ideas still have a home at all in Lebanon today, it is among economics professors, because of the focus of economics on voluntary exchange through markets. Like the rest of the population, though, economics professors usually belong to a religious sect and have a corresponding political bent toward a particular party. Lebanon has 18 recognized sects, including Christian (40.5%), Shia (27%), Sunni (27%), and Druze (5.6%).<sup>2</sup> Some sectors of the government and the economy are known to operate under Christian influence, others under Sunni influence, etc. Some subsidies are known to be directed to Shia interests, others to Druze, others to Sunni, etc.

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1. University of Balamand, Tripoli, Lebanon. I would like to thank Yvonne Khoury for administering the survey.

2. Figures taken from the *CLA World Factbook*, 2014.



To investigate the extent to which professors of economics hold liberal views, I designed and fielded a survey. The survey is constructed in such a way that some questions elicit the respondent's support of liberal ideas, while other questions concern policies in specific sectors of the economy. The survey aims to see whether professors favor policy reform from an economic conviction (classical liberal, Keynesian, etc.) or from sectarian considerations. It also allows exploration of the ways sectarianism affect policy views and more generally how to identify the characteristics of sectarian economic views.

I start by summarizing the tradition of economic freedom and the history of religious sectarianism in Lebanon. Then I describe the sectarian political framework. Finally, I present and analyze the survey results.

## **Economic freedom and sectarianism in Lebanon**

Lebanon's coastal cities date back to the time of the Phoenicians, who structured their economy around international trade and traveled throughout the Mediterranean from 1550 BCE to 300 BCE. Later, Lebanon was a province in the Roman and Byzantine empires. In Roman times, Beirut (*Berytus*) was a cosmopolitan city and hosted the most important provincial school of law.

Quarrels among Christians during the Byzantine era about the nature of the Christ led to divisions. The followers of Saint Maroun, the Maronites, were accused of monotheism and persecuted, so they took refuge in the mountains and valleys of the north of Lebanon. The rest of the country was Byzantine. The 7th Century saw the rise of the Prophet Muhammad and Islam from Arabia. Regions were divided then unified, smaller kingdoms emerged then disappeared, but these political matters rarely affected the tradition of free trade. The people of Lebanon adopted the Arabic language. Some converted to Shia Islam, mainly in the coastal part of Lebanon, while others remained Christians, mainly in the mountains. Later on, many Shias followed al-Ḥākim, the Fatimid caliph in Cairo, and became Druze. Hence the basic religious divisions in Lebanon are centuries old (Dib 2004).

The various rulers adopted a common strategy for administering Lebanon: The coast was integrated into the empire, while the mountains were largely autonomous as long as feudal lords remitted taxes. Particularly notable was the Druze emir Fakhreddine II (1572–1635), who ruled what was in effect an autonomous principality within the Ottoman Empire. He forged an alliance with the Maronites by delegating tax collection in Christian areas to Maronite feudal lords (Dib 2004). His economic policy was liberal for the time. Fakhreddine signed commercial

agreements with the Grand Duke of Tuscany that contributed greatly to the development of silk production in Lebanon. His relations with Italy complemented the Maronites' ties with Europe. François I had signed a trade agreement with Suleiman the Magnificent in 1535, opening the way for cultural and commercial exchange between the Maronites of Lebanon and France. The French invested heavily in the Lebanese silk industry.<sup>3</sup> Beirut was the major port and trade center (Gates 1998, 15). In addition, close ties between French and Lebanese Christians led to a considerable cultural exchange. Ultimately, though, the Ottomans became uncomfortable with Fakhreddine's growing power, and they captured and executed him.

The French influence on Lebanon kept increasing, and Western mercantilist policies transformed the country into an exporter of raw materials and an importer of finished goods (Gates 1989). With the exception of an Egyptian occupation from 1832 to 1840, Lebanon remained within the Ottoman Empire until the empire's breakup following World War I. Lebanon became a French mandate under the League of Nations, as did Syria. Lebanon gained independence in 1943 as the result of a 'National Pact' agreed to by the Christian leader Bechara el-Khoury, who became the first president of the independent republic of Lebanon, and the Sunni leader Riad al-Solh, who became prime minister. Under the National Pact, Christians promised not to seek Western support, and Muslims promised not to merge with Arab countries.

The economic complement to this political agreement between Maronite and Sunni was an economic vision favorable to their businesses. This vision was designed and advocated by the 'New Phoenicians.' This group included figures such as Michel Chiha, a banker, member of Parliament, and brother-in-law of President Al-Khoury; Gabriel Menassa, a jurist; Henri Pharaon, a banker; and Alfred Kettaneh (Gates 1989, 18 n.37; Kaufman 2014, 233). They were French-educated and some of them cited Montesquieu in their writing (Haykal and Hariri 2012). I do not know if any were familiar with the traditional classical liberal economists. However, Gabriel Menassa was the president of the *Société Libanaise d'Économie Politique*, a free-market think tank. The name of the think tank may have been inspired by the French *Société d'Economie Politique* created by the followers of Jean-Baptiste Say in 1842.

The New Phoenicians were Christians from Beirut, not from the mountains. Their economic views appealed to the Sunni population of the coasts (mainly merchants and traders), who were culturally more like the New Phoenicians than the mountain populations. The New Phoenicians' analysis in favor of economic

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3. The Lebanese economy remained structured around silk exports until 1890, when Chinese and Japanese producers entered the European market.

and social freedom was built on five pillars: First, national peace is better kept with a small government that lacks the ability to intervene in sectarian matters. Second, pluralism, diversity of sects and a variety of cultures and ideologies are an advantage for dealing with both the West and the East and should be preserved in a state allowing liberty and freedom. Third, like the Phoenicians, modern Lebanon should build a wealthy society based on private initiative and free trade. Fourth, the geographic position of the country is at the crossroads of major trade routes linking the East to the West and economic freedom allows Lebanon to take advantage of this position. Finally, governments in this part of the world are corrupt and inefficient and their role should be minimal.

The New Phoenicians had a huge influence on Lebanon's choice of economic system. They pushed for the elimination of all wartime protectionist measures despite the objection of the labor movement and industrialists (Gates 1998, 83). Under their influence, the government removed controls on trade, floated the exchange rate, freed capital movements, dissolved the Syrian-Lebanese customs union, and adopted banking secrecy. The economy entered a period of exceptional growth from the independence until the outbreak of the civil war in 1975 (Gates 1989). Unlike the prior periods of capitalism, which were focused on industrialization and agriculture, this new era witnessed a boom of financial capitalism and the concentration of development in country's financial center, Beirut (*ibid.*). Politically, these measures detached Lebanon from its Arab neighbors, notably Syria, which went in the opposite direction by adopting socialism. It also created closeness with the West and especially with the United States, which sent Marines to Lebanon in 1958 during a local political crisis.

The devastating civil war that lasted from 1975 to 1990 was a result of the breakdown of the National Pact, as changing demographics and increasing political tensions led Christians to seek assistance from the West and Muslims to seek to merge with Arab countries. The 'Taif Agreement' of 1989 was reached under Saudi mediation and managed to end the civil war using a carrot-and-stick approach. Warlords and sectarian leaders were offered opportunities to become public officials and were allowed to abuse government resources in exchange for peace. Those who refused were crushed by the Syrian army, which had entered Lebanon in 1976.

The Lebanese business tycoon Rafik Hariri, who represented Saudi mediation, became prime minister of Lebanon in 1992 and supervised the country's reconstruction. He was assassinated in February 2005, which triggered internal and external demands for Syrian withdrawal from Lebanon. On March 8, 2005, a huge demonstration was organized by pro-Syrian parties to object to the Syrian army's withdrawal. On March 14, another huge demonstration took place, organized by anti-Syrian parties. Finally, Syrian forces withdrew. Since then, Lebanon's political

scene has been divided between the pro-Syrian March 8 Alliance of parties and the anti-Syrian March 14 Alliance of parties.

Without Syrian military force and Saudi mediation, the political system began to suffer from important blockages. Allowing some warlords and sect leaders to loot public resources is the price that the country has since paid for civil peace.

## Sectarian politics in Lebanon

Since independence, seats in the Lebanese parliament have been allocated by sect: Sunni candidates run for Sunni seats, Shia candidates run for Shia seats, et cetera. The founders of this system imagined that by preventing direct confrontation between candidates of different sects, sectarian conflicts could be appeased. However, each voter, regardless of sect, is entitled to vote for the all seats of his district. If a majority of voters in a district belong to the same sect, they can decide the winner of not only their sect's seats but also the winners of the other sects' seats. In this case, the majority sect usually has candidates who are on paper members of another sect but whose allegiance is to the leader of the majority sect in the district; when elected, they will join that leader's group in the parliament. By doing this, a sect raids the seat officially allocated to another sect. These raids are not restricted to parliamentary seats. They involve all public sector jobs, they create tensions between sects, and they are the topic that monopolizes most political and economic debate in the country.

The major political parties in Lebanon are sectarian, which is why I may seem to use the term *sect* as a synonym for *party*. But sectarianism is considered in its moderate aspect and refers to a way in which the parties seek to differentiate their ideologies. Political debate is never about the superiority of one's sect or the fallacy of other's sects. No politician will accuse a rival of being an infidel for belonging to another religion. The dispute is not along religious lines; it is about privileges and political patronage. The sectarian political parties cultivate their authority through the government. Each sect is assigned key bureaucratic positions by law or by tradition. These positions include ministries, general directorates, parliament seats and other key positions in the government service. The framework is similar to that described by Downs (1957) in a multi-party political framework, and it has little to do with the sectarianism associated with religious fundamentalism (studied in, e.g., Epstein and Gang 2007).

Politicians aim to nurture among their own partisans the feeling that other sects are a threat. They also argue that they themselves are the most fit to hold their sects' privileges and powers. They engage in polarizing speech to rally support

during electoral campaigns.<sup>4</sup> Therefore, election within the sects usually favors the candidate with the most muscle, the purported defender of the sect's rights, who is supposed to protect his sect against other sects' appetites.

Egil Matsen and Øystein Thøgersen (2010) suggest that if a politician applies extreme measures, he becomes more attractive to his voters and he increases his chance to get reelected. For Lebanese parties, extreme policies consist of attempting to grab the positions of authority traditionally held by rival sects. Grabbing privileges allows a party to increase its authority, in the government and within its own sect. Economic debate is absent from the political scene and is replaced by a debate over sects' privileges and rights. The situation is like *The Lord of the Rings*: Each contending group battles over power, partly because holding the ring gives them power and partly because if it doesn't hold the ring then the rival group does. Moreover, it is very difficult to hold the ring without abusing its power; the ring corrupts.

Given the large diversity of sects, a government can only be formed through a coalition of parties. These types of governments usually create high and enduring deficits and debts.<sup>5</sup> Coalitions in Lebanon are in continual change, and politicians know that they may not be in power when the debt is due. Such a situation tends to increase spending and debt.<sup>6</sup> To summarize, politicians from different sects sometimes compete and sometimes collude; they end up sharing the government resources. All factions are interested in the increase of the overall government-privilege pie, which may explain the continuous and unsustainable rise in the size of government. For 2015, Lebanon is expected to have a debt of 148 percent of GDP, a budget deficit of 12 percent and government expenditure of 34 percent of GDP (International Monetary Fund 2014).

Clientelism is deeply rooted in Lebanese policymaking. One trait of this clientelism is the bargain that exists between the political parties and their voters. Voters vote for the party's candidate, and in return they are privileged.<sup>7</sup> Privileges include channeling government resources to those voters and resolving their problems (arranging for the government to hire them, coming to their aid within the judicial system, etc.). Access to entry into government service is generally possible through the sectarian political parties. This kind of clientelism is well described by Herbert Kitschelt (2000) and Luigi Manzetti and Carole Wilson (2007). As recognition for a politician's favor, members of the extended family of the

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4. As shown by Glazer et al. (1998), Glazer (2002), and Glaeser et al. (2005).

5. See Roubini and Sachs (1989a; 1989b); Alesina and Drazen (1991); Howitt and Wintrobe (1995); Tsebelis (1995; 1999).

6. See Buchanan and Wagner (1977); Buchanan (1997); Persson and Svensson (1989); Alesina and Tabellini (1990); Aghion and Bolton (1990).

7. See the core voter model elaborated by Cox and McCubbins (1986).

beneficiary, including cousins, uncles, etc., are grateful and typically vote for the politician's party for generations to come.

A second trait of clientelism is the perpetuation of political dynasties. Traditionally, the sons of Lebanese members of Parliament are considered natural candidates for office. It resembles feudalism in the sense that people who voted for the father systematically vote for the son, or daughter or nephew, regardless of competence. This 'personal vote' persists from generation to generation (creating the consequences described in Ames 1995; Cain, Ferejohn, and Fiorina 1987; Carey and Shugart 1995). A public official has the incentive to abuse government power and to adopt rent-seeking behavior in return for personal enrichment, since he knows that the voters will elect him anyway. His bet is that voters will elect him because of his capacity to protect them and to favor them, rather than for his honesty or competence. Criticism of policies is usually taken as criticism of the sect, triggering solidarity within the sect. And supporters suffer few consequences of their actions, being protected by their political representatives.<sup>8</sup> Therefore, clientelism is shielded by sectarianism, and the two go hand in hand.

## Background questions

I grew up in Lebanon but did my university studies and started my working career in France. Upon returning to Lebanon I was startled by the extent and depth of sectarianism. I am creating an organization, the Lebanese Institute for Market Studies (LIMS), to promote scientific, market-based economic reforms that have the potential to serve as a unifying social force in Lebanon. The institute will produce policy-oriented papers and emphasize quantifying the financial impact of policy alternatives on families, businesses, and the economy in general. Topics can vary from standard market-based reforms such as privatization, free trade, government deficit and debt, financial liberalization, etc., to novel fields such as monetary systems without a central bank, sectarian economics, war and economics, and so forth. I expect to launch LIMS shortly after the publication of this paper containing the results of the survey, which may be seen as an unofficial first activity of LIMS.

The survey, conducted in English and in Arabic, was sent to professors teaching in programs that confer economics degrees in public and private universities.<sup>9</sup> Table 1 provides a list of those universities. Seven of the universities

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8. See Brusco et al. (2004); Estévez et al. (2002); Lizzeri and Persico (2001); Luttmer (2001).

9. I did not include universities that grant only a degree in business, though admittedly some of these offer a concentration, major, track, or emphasis in economics.

mentioned in Table 1 had professors' email addresses available on their websites, which I compiled. For the remaining, one of two options was used: physical surveys were sent directly to faculty members, or the survey was sent to department chairs who were asked to forward it to appropriate faculty members. A total of 214 surveys were sent out and 40 were returned, giving a response rate of 19%. So the survey results should be treated with some caution—even if responses were drawn randomly from the population, sampling error as conventionally measured would be on the order of plus-or-minus 14%.

**TABLE 1. University programs conferring economics degrees in Lebanon**

University	Faculty/Department	Private or Public	Degree in Economics
American University of Beirut (AUB)	Department of Economics	Private	Bachelor's and Master's
American University of Science and Technology (AUST)	Faculty of Business and Economics	Private	Bachelor's and Master's
Beirut Arab University (BAU)	Department of Economics	Private	Bachelor's, Master's and Ph.D.
Haigazian University	Faculty of Business Administration and Economics	Private	Bachelor's
Islamic University of Lebanon (IUL)	Faculty of Economics and Business Administration	Private	Bachelor's and Master's
Lebanese American University (LAU)	Department of Economics	Private	Bachelor's and Master's
Lebanese University (LU)	Faculty of Economic Science and Business Administration	Public	Bachelor's, Master's and Ph.D.
Notre Dame University—Louaize (NDU)	Faculty of Business Administration and Economics	Private	Bachelor's
Saint Joseph's University (USJ)	Faculty of Economic Sciences	Private	Bachelor's and Master's
University of Balamand (UOB)	Department of Economics	Private	Bachelor's

The survey contains 36 questions, of which 26 are policy-issue questions, nine are background questions and one is an open-ended question about the survey in general. Of the 40 respondents, 31 were Ph.D. holders, with 29 having their doctorate in economics. Thirty-one faculty members work in a private university. Twenty-nine work at an institution where a Master's is the highest degree issued.

Background questions included inquiries about religious and political beliefs:



35. What is your religious affiliation? (Once again, skip any question you are not comfortable answering.)  
 ما هو انتماءك الديني؟ (الرجاء تخطي أي سؤال لا ترغب بالإجابة عليه)

Druz درزي	Maronite ماروني	Muslim Shia مسلم شيعي	Muslim Sunni مسلم سني	Other Christians مسيحي آخر	Other Muslims مسلم آخر	None of the mentioned لا شيء من المذكور
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36. To which political party have the candidates you've voted for in the past ten years mostly belonged?  
 (Once again, skip any question you are not comfortable answering.)  
 إلى أي حزب ينتمي معظم الذين صوت لهم في السنوات العشر الماضية؟ (مرة أخرى، تخطي أي سؤال لا ترغب بالإجابة عليه)

Future Movement تيار المستقبل	Free Patriotic Movement التيار الوطني الحر	Progressive Socialist Party الحزب التقدمي الاشتراكي	Amal Movement حركة أمل	Hezbollah حزب الله	Lebanese Forces القوات اللبنانية
Tachnak Party حزب الطاشنك	Other 14 march أحزاب أخرى من 14 آذار	Other 8 march أحزاب أخرى من 8 آذار	Independent Candidates مرشحين مستقلين	Did not vote لم أصوت	

Many respondents refrained from answering those questions. Only 24 stated their religious belief and just 12 indicated a political affiliation. These two questions registered the highest rate of abstention. That just 12 people out of 40 respondents were willing to indicate their political affiliation in an anonymous survey tells us something about the culture in Lebanon.<sup>10</sup> Of those who did specify their religious affiliation, 11 were Maronite, six other Christians, four Shia, and three Sunni. Among those acknowledging a political party affiliation, three have voted for candidates belonging to the Free Patriotic Movement, three for Hezbollah, three for other March 8 Alliance parties, two for Other March 14 Alliance parties, and one for the Future Movement. The remaining respondents either did not vote or did not answer the question.

It is surprising that the Future Movement, which is currently the biggest bloc in the Lebanese parliament, garnered only one mention of support among respondents. In addition, none of the respondents said they voted for any of the Progressive Socialist Party, the Amal Movement, or the Lebanese Forces, which are among the main blocs of the parliament. This is probably due to the low number of people answering the question and to the fact that politics is the source of fierce discord among the Lebanese, leading them to be very discreet about their voting preferences. Such tendency is confirmed when crossing the answers of both the political and religious affiliations. In fact, none of the three Sunni respondents said they had voted for the Sunni-backed Future Movement. Four professors belonging to the Shia tradition disclosed their voting preferences. Two voted for the strongly backed Shia party, Hezbollah, and these two worked at the public university. Of the two remaining professors, who worked for private universities, one voted for

10. Klein and Stern (2007) surveyed American economists, and 90.9% of their respondents answered the question about their political affiliation. Šťastný (2010) surveyed Czech economists and 72.5% of the respondents answered the question.

Hezbollah's ally and one reported not voting. Finally, eight of the 17 respondents who revealed their Christian affiliation (Maronite and Other Christian) did not vote or did not answer the vote question. The remaining votes were split between the Free Patriotic Movement and Other March 8 Alliance parties (five respondents) on one hand, and the March 14 Alliance (three respondents) on the other. I admit that the 12 survey respondents who disclosed their voting preference provided answers that fail to illustrate my general description of clientistic politics in Lebanon. I conjecture that respondents whose political views differ from the stereotypes may have been more willing to express those views.

Two questions were asked about the respondent's orientation in economic outlook:

33. Who are your favorite economic thinkers? please list, up to three:  
 من هم المفكرون الإقتصاديون المفضلون لديك؟ (يرجى ذكر ثلاثة على الأكثر)

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34. Which of following comes closer to your economic views?  
 أي من الوجهات الإقتصادية التالية تعتبرها الأقرب إلى وجهة نظرك؟

Classical liberal  
 الكلاسيكية الليبرالية

Keynesian  
 الكينزية

Libertarian  
 التحررية

Marxian  
 الماركسية

other [please specify]: \_\_\_\_\_  
 أخرى وجهات

As concerns economic intellectual affiliation, 15 declared themselves Keynesians, nine classical liberals, five libertarians, and one Marxian. The remaining ten did not answer the question. The favorite economic thinker is John Maynard Keynes, cited by seven respondents. Adam Smith, Karl Marx, Milton Friedman, and Friedrich Hayek ranked second, cited four times each. David Ricardo and Joseph Stiglitz were named three times each.

## Policy questions

Following the example of Daniel Št'astný (2010), the policy questions used the status quo as the baseline, as in: Should trade barriers (tariffs, quotas, etc.) on imports be increased, kept unchanged, or reduced? An answer thus indicates whether the respondent is for more liberalization. Table 2 presents policy propositions and the distribution of answers.

TABLE 2. Survey propositions and response statistics

	Increased	Kept unchanged	Reduced	Did not answer
1. Government spending to tune the economy should be	25	4	10	1
2. Government spending on the production and maintenance of infrastructure should be	35	2	3	0
3. Trade barriers (tariffs, quotas etc.) on imports should be	4	11	25	0
4. The minimum wage in the public sector should be	19	16	3	2
5. The minimum wage in private sector should be	18	18	3	1
6. Government budget to public schools should be	31	6	3	0
7. Government budget for the Lebanese University should be	29	8	3	0
8. Freedom for additional private companies to enter the electricity sector should be	31	5	2	2
9. Government spending on electricity imports (Turkish power ships for example) should be	12	6	18	4
10. Government production of water dams should be	32	4	3	1
11. Full-time employment of the contract workers and part timers at the government owned <i>Electricité du Liban</i> should be	11	13	13	3
12. Privatization in the phone and internet sector should be (OGERO being currently the single most important player)	28	7	5	0
13. Laws to block sexually lewd websites should be	21	7	12	0
14. Laws and decisions to censor “immoral and sectarian artistic productions” (movies, books, magazine, paintings, etc.) should be	17	6	16	1
15. Government control on gambling should be	20	9	10	1
16. Government control and regulation on Mobile services sector should be	16	9	15	0
17. Freedom for additional private companies to enter the Mobile services sector should be	33	6	1	0
18. Government spending in the regions (outside Beirut) should be	33	4	3	0
19. Banque du Liban ownership in Casino du Liban should be	10	15	10	5
20. Banque du Liban subsidized loans (to housing, small entrepreneurs, students, etc.) should be	20	13	6	1
21. Banque du Liban ownership in the Middle East Airlines should be	11	16	10	3
22. The measures taken by Lebanon to grant exclusive rights to the Middle East Airlines (MEA) should be	2	12	23	3
23. Government funds allocated to the Displaced Fund should be	7	11	20	2
24. Government funds allocated to the South Fund should be	9	8	20	3
25. Government funds allocated to the Higher Body of Relief Fund should be	11	6	18	5
26. Controls on refugees and immigration should be	27	3	9	1

## Public spending

Respondents clearly favored the should-be-increased response in public spending when it came to fine-tune the economy (25 respondents did so, in answering Q1),<sup>11</sup> to produce and maintain infrastructure (35 did so, in answering Q2), to allocate funds to public schools (31, Q6) and to the public university (29, Q7), to provide water dams (32, Q10), to spend money for development outside of Beirut (33, Q18) and to subsidize loans (20, Q20). Keynesian respondents were almost unanimous about increasing government spending on these issues, and they were backed in their views by about half the self-described classical liberals and libertarians.

Respondents were not in favor of allocating additional budget to the Central Fund for the Displaced or to the Council of the South. The Central Fund for the Displaced is a public fund established to finance the return of people who were forced to leave their homes during the civil war. The Council of the South finances the development of the south of Lebanon, an underdeveloped region that suffered from Israeli occupation. These two entities have very bad reputations.<sup>12</sup> They have been vehicles allowing specific political parties to grab privileges, to operate clientelistic redistribution policies, and to increase their authority in the government and within their own sect. It is remarkable to see<sup>13</sup> that none of the respondents belonging to the sects backing the parties that control these vehicles favored increasing their budget. In addition, the few respondents who favored handing additional resources to the Council of the South and the Central Fund for the Displaced were not of the expected sect; they were simply Keynesians.<sup>14</sup> It seems that economics professors who filled the survey decided about policy reforms based on their economic analysis and not on their sectarian beliefs. Again, the survey responses do not illustrate my description of clientistic politics in Lebanon.

While it is well established in the minds of the Lebanese that the above entities are major vehicles for patronage and nepotism, corruption in electricity imports and in the Higher Relief Committee<sup>15</sup> is widely suspected but has yet to be confirmed. The Higher Relief Committee intervenes in order to help people in case of a disaster. The head of the Higher Relief Committee was released from his job from allegations of corruption. The Ministry of Energy and Water started

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11. Figures in parentheses indicate the number of respondents who favored the change in a specific direction.

12. See Nazzari (2012), Adwan (2004), and the *Daily Star* (2000).

13. After crossing the results of Q35 with Q23 and Q24.

14. After crossing the results of Q34 with Q23 and Q24.

15. The committee is currently extensively engaged in supporting Syrian refugees.

importing electricity produced on Turkish ships stationed in the Mediterranean near the Lebanese shore. Electricity imports were accompanied by scandals related to nepotism and bribes, but no solid proof has yet been provided. Respondents were divided about these two entities. Twelve and 11 respondents, respectively, believe that government spending on electricity imports and the Government funds allocated to the Higher Body of Relief should be increased. However, 18 respondents were in favor of decreasing spending and funding related to those entities.

### **Employment in the public administrations**

Employment in the public administrations is subject to patronage. An employee is hired only after enjoying support by a politician and is expected to return the favor by using his office to serve his political sponsor. Such patronage allows politicians to use these offices to acquire votes. In return, bureaucrats know that they may expect to be protected even if they do their job badly.

Government-owned Electricité du Liban delegates many tasks to contract workers and part-timers. Part-timers have requested full-time employment at Electricité du Liban although they failed the entrance examination. Sixteen respondents favor keeping full-time employment unchanged and ten favor reducing it.

### **Public provision of goods and services**

The public sector is a direct provider of energy through state-owned Electricité du Liban, and of landline services and Internet bandwidth through the state-owned company Ogero. The Lebanese central bank is a major shareholder in Middle East Airlines and holds a big share in Casino du Liban. These institutions are protected against competition through statutory monopoly schemes.

Although respondents were in favor of public spending, they were clearly against the government's monopolization of goods and services. The vast majority of respondents wanted to see an increase in the freedom for additional private companies to enter the electricity sector (Q8). They were also for the increase in the privatization of the phone and internet sector (Q12). However, answers were less pointed for the sectors managed by the central bank: there the response selected most often was to keep things unchanged (Q19). The central bank enjoys a good reputation. The current governor was appointed shortly after the strong exchange rate devaluation of the early 1990s and the central bank has since managed to keep the exchange rate of the Lebanese pound stable against the U.S. dollar. The Lebanese financial system, which operates under the supervision of the central

bank, did not suffer during the global financial crisis that started in the 2007. The central bank's reputation has therefore been enhanced and the people trust its management.

## **Monopoly privileges**

Mobile phone services are provided by two private companies that are protected through a statutory duopoly scheme. The sector has always been subject to politicians' disputes over who will have the patronage (Gambill 2003). Unlike the public monopolies, which produce economic losses, the private duopoly generates high profits for shareholders and high revenues for the state. Respondents want a change to occur in the sector. The vast majority of respondents favored freedom for additional private companies to enter the sector (Q17). On the other hand, they are divided about government control and regulation should the duopoly be kept.

## **Regulation**

Respondents mainly oppose the increase of trade barriers and exclusive rights for Middle East Airlines. They generally favor freer trade and entry into the market. However, very few think the minimum wage should be decreased.

## **Immigration**

Twenty-seven respondents are in favor of increasing controls on refugees and immigration. Given the current Syrian war, the number of Syrian refugees in Lebanon is now well over one million, and this in a country where the population (prior to the Syrian war) was between four and five million. The huge inflow of refugees and the security threats that came with it may have had an effect on the respondents' answers.

## **Public morals laws**

Respondents show strong religious feelings and conservatism. Half of the respondents are for increased laws to block sexually lewd websites and government control on gambling, and half of the remaining are for keeping the current laws, which are very restrictive, unchanged.

Conservatism did not apply to laws and decisions designed to censor immoral and sectarian artistic productions. The wording "immoral and sectarian" is used in the text of the relevant Lebanese law. It is a vague concept occasionally used by the authorities for cracking down on "disturbing" individuals. Seventeen

respondents were in favor of increasing censorship, probably motivated by their moral values. However, 16 respondents were in favor of reducing censorship, probably motivated by concerns about the liberty of expression.

## Concluding remarks

Currently, the gap left by the fading of liberal ideas is filled by policies characterized by clientelism, nepotism, and corruption. It is encouraging that economists are sometimes able to reach conclusions across sectarian lines by employing a common framework of analysis. However, in the minds of the respondents there seems to be a dichotomy between the idea of increasing government spending, which they favor, and the fact that the government often cannot be trusted with money, which they acknowledge. Repeated episodes of misdirected spending seem unable to convince economists that high spending is a problem. They continue to hope that the bloated Lebanese public sector can be tamed and made to behave better.

The history of Lebanon from Phoenician times until today has seen periods of high economic liberalization that went together with quick economic development. The classical liberal tradition of the coasts, and the policies of Fakhreddine II and the New Phoenicians, deserve more attention from researchers. So too does the relation between the decline of this tradition and the periods of sectarian tension throughout the history of the country.

## Appendix

The survey instrument and survey data are available online [here](#).

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# Classical Liberal Economics in the Ex-Yugoslav Nations

Miroslav Prokopijević<sup>1</sup> and Slaviša Tasić<sup>2</sup>

[LINK TO ABSTRACT](#)

Peoples of the former Yugoslavia entertained classical liberal ideas long before they established or reestablished their nation-states in the 19th and 20th centuries. The profile and impact of liberalism among Serbs, Croats, and Slovenes, the main peoples constituting the later Yugoslavia, was strongly influenced by dramatic historical events. At the beginning of the 19th century Croats, Slovenes, and Serbs in the northern province of Vojvodina were under Austrian rule, while the southeastern territories of what later became known as Yugoslavia were mainly populated by Serbs living under Ottoman rule. The prevailing ideology among the South Slavic groups was ethnic nationalism, which in some cases was mixed with different types of collectivism, conservatism, and liberalism. Nationalism was induced by foreign occupation and striving for the establishment of independent states. It was at the beginning of the 19th century that the first liberals came to Serbia from the Habsburg-ruled regions. They were inspired by the ideals of both romanticism and the Enlightenment. They promoted national liberation from the Ottomans in the hope that thereafter institutions would be established and individual rights enhanced.

Among the first intellectually and politically influential wave of liberals schooled in Austria-Hungary, France, and Germany were the economists Kosta Cukić (1826–1879) and Čedomilj Mijatović (1842–1932), the political writer Vladimir Jovanović (1833–1922), and the economist, minister, and first governor of the Serbian central bank Aleksa Spasić (1831–1920). All four were important for the liberal spirit they brought to practical politics, and for intellectual influence

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generally. Cukić (1851) assigned individual freedom an intrinsic value, pleaded for the rule of law, and pointed out the advantages of private over the state-run economy. He served as the finance and education minister in 1860s. Mijatović propounded a subjective theory of value to demonstrate that voluntary economic transactions are positive-sum. He recognized the importance of entrepreneurship and wrote about the superiority of private over public ownership. Mijatović pointed out that the fear of loss in business is stronger than the happiness of gain (1867, 259), which restrains the behavior of market participants. Mijatović was the president of the Serbian Royal Academy of Sciences and he was politically active, serving as the Finance Minister of Serbia six times between 1873 and 1887. Jovanović was primarily under the influence of John Locke and J. S. Mill. He based his theory on the equality of humans and supported democracy under the rule of law in his rather encyclopedic *Political Dictionary* (Jovanović 1870). He played an influential role in public life, was the Finance Minister and was active in diplomacy (Jovanović 1863; Stokes 1975). Spasić, a staunch liberal and a follower of Adam Smith and J. S. Mill, considered institutions to be crucial in determining economic outcomes (Spasić 1868). He advanced low taxes, a thrifty state, and the rule of law.

The rise of the liberal movement preceded some important dates in the national history, like the regaining of formal state independence in 1878 at the Berlin Congress, establishment of national parties in 1881, and the first national elections at the end of the 1880s. In the 1860s and 1870s there appeared many Serbian translations of classical liberal authors such as Mill (*On Liberty*, four Serbian editions from 1867 on; *On Suffrage*, 1871; *Representative Government*, 1876) and Alexis de Tocqueville (*Democracy in America*, 1872). As an illustration of the liberal spirit of that time, ethnologist and publicist Milan Milićević (1831–1908) proposed to the Ministry of the Economy in 1881 that the Serbian post ought to be privatized on efficiency grounds. The 1880s and 1890s were the golden age of Serbian liberalism, but the fortunes of liberalism soon turned beginning with the electoral rise of the populist Radicals in 1903, followed by regional tensions involving the annexation of Bosnia in 1907, two Balkan wars 1912–13, and the First World War. During these dramatic events, liberalism nearly disappeared from high policy and public life in Serbia. Despite that, at least three authors deserve to be mentioned from the interwar period: the very talented economist and social liberal Velimir Bajkić (1875–1952), and two conservatives, economist Milan Stojadinović (1888–1961) and legal scholar Slobodan Jovanović (1869–1958). Stojadinović (1935–1939) and Jovanović (1942–1943, in exile, London) were prime ministers of the Yugoslav government. Jovanović was the rector of the University of Belgrade and president of the Royal Academy of Sciences and Arts. All three were exiled after the German occupation and subsequent communist rule (Bajkić 2009; Jovanović 1990).

Whereas the Serbian lands were mainly under Ottoman rule, Slovene and Croatian provinces were parts of the Austrian monarchy until 1918. Croatia was divided into several provinces ruled by different states. Dalmatia, Dubrovnik, and Istria were usually under Venetian and Italian rule, with the rest of the provinces under Austro-Hungarian rule. Like Serbs, Croats were divided among the empires. Such a situation generated nationalism rather than liberalism. The main liberals in Croatia were writers and poets who spoke about legal institutions and the place of the individual in a free national state. Ivan Mažuranić (1814–1890) wrote on the precedence of natural rights over all other considerations. Later, the economist Rudolf Bićanić (1905–1968) spoke about the weakness of a planned economy and the grey economy it necessarily creates (see Feldman et al. 2000). In Slovenia in the 19th century, liberalism's main figures were popular tribunes and writers, such as Fran Šuklje (1849–1935), Ivan Tavčar (1851–1923), and Ivan Hribar (1851–1941) (see Doering 1995). In a word, liberalism was present among Croats and Slovenes in the 19th century, but it played a rather marginal role.

## Liberalism in exile

With the creation of Yugoslavia in 1918, then its becoming a dictatorship in 1929 and later a communist dictatorship, the fate of the market economy and liberalism was sealed for decades to come. Political freedom was abolished in 1929, and economic freedom was crushed by the introduction of communism in 1945. Market economists and political liberals had been either forced into exile or removed from public life in decades thereafter.

The best known among the exiled liberal intellectuals are Jovan Plamenac, later known as John Plamenatz (1912–1975), Svetozar Pejović (later Pejovich) (b. 1931), and Ljubo Sirc (b. 1920). Plamenatz, originally from Montenegro, was well-known for his analysis of political obligation and his theory of democracy (Plamenatz 1938). He spent his academic career at All Souls and Nuffield colleges. Pejović received international attention for his innovative criticism of communist economies, such as in his *The Market-Planned Economy of Yugoslavia* (Pejovich 1966). He contributed to new institutional and property rights economics (Pejovich 1979; 1995) and later focused on the influence of social capital and informal institutions on economic activity (Pejovich 2010; Jovanović and Madžar 2013). Sirc, the most important Slovene liberal of the 20th century, has criticized communist regimes in Eastern Europe for their flawed economic systems and policies (Sirc 1969; 1979), as well as for totalitarian politics. Subsequent events discredited the work of the numerous proponents of the planned Yugoslavian economy, vindicating Pejović and Sirc.

The Soviet type of communism lasted in Yugoslavia only until Tito broke with Stalin in 1948. The so-called “self-managed economy” that ensued was only slightly less repressive, cruel, and anti-market compared with the Soviet original. Some scholars, such as Branko Horvat (1928–2003) in Croatia, could still speak about price theory and market forces during this period while labeling themselves as communists and Marxists. Yet, even that was frowned upon and limited their career options.

## Revival of the liberal scene

Decades of communist rule wiped out liberalism in Yugoslavia, which then needed to be rediscovered at the end of the 20th century (Gligorov 1991). The liberal scene in Yugoslavia started to revive solely in academic circles at the end of the 1970s and during the 1980s.

The disintegration of Yugoslavia from 1991 on has resulted in seven new states: Bosnia and Herzegovina, Croatia, Kosovo (partially recognized but a de facto state), Macedonia, Montenegro, Serbia, and Slovenia. Bosnia and Herzegovina, Croatia, Montenegro, and Serbia essentially share the same language; though each of these claims its own unique language, the differences among them are very slight and they are mutually fully intelligible. Macedonians and Slovenians speak more distinct languages, but generally they too are able to follow or actively speak some variation of Serbian or Croatian. The Albanian language spoken in Kosovo is different, but most mid-aged and older Kosovars can speak Serbian too.

All these countries have passed different types of transitions from the planned or “self-managed” economy to a more market-oriented economy. Transition as a rule was gradual and failed to break decisively with the old regime. In the same manner, intellectual life was burdened with the spirit as well as the relationships and institutional habits of the past.

The academic economics scene in the countries of former Yugoslavia is very diverse. The old generation of Marxists and other communists left the scene after the 1990s, but it was replaced with statist of a different kind rather than free-market economists. A number of former Marxists relabeled themselves as social democratic or radical left. Only rare professors from the socialist period accepted classical liberal ideas to any higher degree. A number of younger scholars copied the ideologically neuter methods of Western mainstream economics. There are also different types of liberals and libertarians, but the liberal family is not sizable in the states that emerged from Yugoslavia. With the exception of Montenegro, none of the states is home to any academic institution with a dominantly classical liberal staff and program. And we are not aware of any individual classical liberal



economists of influence in Macedonia or Kosovo. But elsewhere there are a number of liberal economists of high profile at different institutions.

## Montenegro

It is perhaps peculiar that the ideological orientation of professors is not different on average between private universities and state-owned universities in the states that emerged from Yugoslavia. At most private universities, the economics faculties are professionally less distinguished—and ideologically no less statist—than those at state-owned institutions. But there is one notable exception: the Faculty for International Economics, Finance, and Business at the University of Donja Gorica (UDG) in Montenegro. Founded in 2007, UDG continues to operate on liberal ideas thanks to its founder Veselin Vukotić.

## Serbia

Ljubomir Madžar is now retired from the University of Belgrade but he remains a prolific writer and a towering figure among classical liberals in the region (see Madžar 1990; 2012). Microeconomics is currently taught at the University of Belgrade by the classical liberal Milić Milovanović and the Austrian school economist Božo Stojanović, and the pro-market macroeconomist Danica Popović also teaches there. Stojanović has published *The Foundations of the Austrian Theory* (2009), which is used in some courses as a supplementary textbook. Miroslav Prokopijević (one of the present authors) and Dragan D. Lakićević are classical liberals with the Institute for European Studies in Belgrade. Prokopijević spent years teaching abroad, and he now teaches public choice and economics at universities in Serbia and Montenegro (see Prokopijević 2000; 2010). The economics department in the University of Belgrade's Law School is dominated by liberal economists, including Boris Begović, Aleksandra Jovanović, and Branko Radulović. Classical liberal political scientist Ilija Vujačić, who translated Friedrich Hayek's *Constitution of Liberty* into Serbian, is a professor and Dean at the Faculty of Political Sciences at the University of Belgrade. The political economist Dušan Pavlović teaches courses in public choice and political economy at the same faculty. Boško Mijatović, a classical liberal with a conservative bent, is active in both the academic and think-tank circles. Miodrag Zec teaches economics at the Faculty of Philosophy, and he is very active in public life. Milan Kovačević, a private consultant, is active in the academic community, media, and business circles. Outside of Serbia's capital Belgrade there is significantly less classical liberalism at universities.

Some liberal scholars from Serbia live and teach elsewhere. Vladimir Gligorov works for the Vienna Institute for International Economic Studies. Slaviša Tasić (one of the present authors) teaches economics at the University of Mary, in the United States. Aleksandar Pavković teaches political science at Macquarie University in Australia. Ivan Janković, who translated Hayek's *Prices and Production* into Serbian, is at Simon Fraser University in Canada.

## Croatia

In today's Croatia there are only a handful of liberal intellectuals. Among them is sociologist Duško Sekulić, who taught in the U.S. and Australia and is now back in Croatia. Philosopher Neven Sesardić taught in the U.S. and currently teaches in Hong Kong (see Sesardić 1985). In the academic institutions in the capital city of Zagreb, there are liberal public intellectuals such as Darko Polšek and the economists Nevenka Čučković, Katarina Ott, Velimir Šonje, and Ivica Urban. In Croatia there are several parties with "liberal" in their names, but they are left-wing or moderately nationalist rather than liberal in the classical sense. The only truly liberal party is "Croatia 21st Century," led by Nataša Srdoč, but it remains on the margins of the political scene.

## Slovenia

The Slovene liberal scene has been fairly strong in the past two decades. Besides Sirc, who has lived and taught in the UK, there are some younger liberal scholars. Among them are economists Mićo Mrkaić, Janez Šušteršič, Bernard Brščić, Rado Pedzir, the Steinbacher brothers—Matjaž, Matej, and Mitja—and the law and economics scholar Katarina Zajc. The classical liberal political party Civic List, led by Gregor Virant, enjoyed significant popularity around 2010 but since then has declined.

## Bosnia and Herzegovina

In Bosnia and Herzegovina there are very few liberal economists, although the trend seems to be picking up. There are several younger economists, two of whom have recently published a book arguing that Islam is a religion compatible with the principles of free market, private property, and entrepreneurship (Čavalić and Smajić 2014).

## Comparison to the United States

The most striking difference between the way that professional economics is practiced in the Balkans—and in academically less advanced regions in general—and the way it is practiced in the United States is in the orientation of economic research. In the postwar years, academic economics in the United States made a turn towards formalization and empirical testing, and now that style of research and writing has become dominant there. The formalistic approach has largely been copied in Western European departments, and by now a near uniformity of academic practice has been reached in Western academia. By these standards, universities in the Balkans are nowhere close to top U.S. universities. In the Balkans, instead, economics is viewed more as a practical art of identifying the effects and consequences of policy measures. The economist in the Balkans, with rare exceptions, is neither a high theorist nor a formal model builder, nor even an empirical hypothesis tester, but rather operates as a consultant and a public policy expert.

Even though there are heterodox schools of economic thought in the American market of ideas, the main opponents of classical liberal economists in U.S. academia are various strands of Keynesian economics and market-failure tinkering. It may therefore be surprising to some that in the Balkans Keynesianism has had relatively little impact. The reason for that is not that classical liberalism held its own against the Keynesian tide, but rather that the macroeconomic difficulties that these countries have been struggling with are of a different type. The academic and policy debates never focused on business cycles and recessions, revolving instead around economic growth and development, or, more broadly, institutions, comparative economic systems, and corresponding ideologies. Within macroeconomics, rather than deflation and depression, the problem has been chronic inflation, including bouts of hyperinflation in the 1980s and 1990s. And fiscal policy has little pretense of aggregate demand management, catering to various constituents in a way that is more overt than in the United States.

Rather than Keynesianism and market-failure tinkering, the primary opponent to classical liberal economics in the Balkans is a largely atheoretical set of policy prescriptions for greater government intervention in the economy. In terms of schools of thought, it could be classified as something close to the German historical school and the old American institutionalism. The main intellectual opponent to classical liberal economics in the Balkans is thus not a unified theory but rather a set of interventionist ideas anchored in the general collectivist and anti-market outlook. Whereas in the United States most economists vaguely agree on

such things as the beneficial effects of free trade, the adverse consequences of price controls, or the undesirability of government ownership, in the Balkans a much larger portion of economics professionals do not endorse such views. Economists frequently argue for policies such as export subsidies, protection of the national market, industrial policy, government management of the health and educational systems, and state ownership in a variety of industries, and they do so without reference to public goods or any other market-failure argument as justification. The classical liberal economist fights some perennial battles about the efficiency of the markets, private property, and freedom of contract.

In the United States and Europe much has been written about terminological difficulties with the use of the term *liberalism*. In Eastern Europe, liberalism has still retained much of its original meaning and is by and large still used to describe the ideological position centered on individual freedom, the rule of law, and limited government ideology in both political and economic spheres. Still, the scope of the label is broader than classical liberalism. Another terminological difference and a possible source of confusion is the use of the term *neoliberalism*. The term is used very frequently in Europe, and for the most part by the opponents of classical liberalism, to designate the role of proponents of individual freedom and small government in the economy. Thus a classical liberal economist in the Balkans is likely to be labeled a 'neoliberal' even though she does not self-identify that way.

## Publishing activity

National governments' higher education policies require a certain number of publications in listed academic journals as formal conditions for appointments and promotions in public institutions, and public institutions dominate the academic market. The resulting incentives have caused many articles of questionable merit to be published in the listed journals that are edited by local academics. As of this writing, the best ranked local journal is *Panoeconomicus*, which takes the 589th place on the IDEAS/RePEc Simple Impact Factor for Journals list ([link](#)). Other listed local journals are ranked much lower.

A greater influence beyond academic circles is achieved through various forms of policy analysis and policy-related publishing. Economic reforms undertaken gradually since the fall of communism created the need for technical expertise in the formulation of policies, design of strategies, and preparation of reform bills. Western governments and international institutions fund various reform projects in collaboration with the government, and liberal economists both within and outside academia have been able to exert some influence through this

line of policy work. Still, the impact of this production on public policy should not be overestimated.

Translation activity has been reasonably vibrant even in times of political and economic repression. Smith's *The Wealth of Nations* was translated in 1952, while Locke, David Hume, David Ricardo, and Alfred Marshall got their Serbo-Croat editions in the early 1970s. A collection of Milton Friedman's monetary theory papers, as well as Joseph Schumpeter's *History of Economic Analysis* and *Capitalism, Socialism and Democracy* were also translated into Croatian and Serbian in the 1970s and 1980s. In the 1990s, translation activity sped up and the ideological spectrum broadened. Dušan Miljević, a businessman and libertarian enthusiast who had previously spent time in New York, started Global Book, a company that—frequently at a loss—translated and published works by Smith, Hayek, Étienne de La Boétie, Frédéric Bastiat, Ludwig von Mises, Henry Hazlitt, Ayn Rand, Milton Friedman, Murray Rothbard, and others. Many unsuspecting students, including one of the present authors, first encountered liberal economic ideas by stumbling upon Global Book publications in a bookstore.

More recently, the Serbian government-owned publishing house Službeni Glasnik (The Official Gazette), a company originally created for the publication of government documents, has started a rich line of liberal economic publishing. Under the direction of Mijatović and Stojanović, who happened to be appointed as managing editors of economic editions, Službeni Glasnik has published books by contemporary Serbian free-market economists (e.g. Begović 2011; Tasić 2012), as well as translations of both classic and modern publications, from Carl Menger to Mancur Olson to Niall Ferguson.

Civil society networks and institutions outside the academy have been especially important in providing venues for classical liberals. Academia does not change swiftly and is, like the public sector generally, rather corrupt in both narrow and broad senses of the term. Civil society groups have been much faster in adopting classical liberal ideas in the post-communist period. Thus a number of small think tanks and other non-profit organizations sprouted up to support liberal ideas. In Serbia a number of economists, including Begović, Popović, and Mijatović, are associated with the Center for Liberal-Democratic Studies, which was established in 1999 and has been producing literature but also directly impacting economic policy through consultancy projects with international organizations and the government. The libertarian Free Market Center was founded in 2001 but closed down in 2011. Libek, a libertarian club established in 2008, has been growing in influence in recent years and frequently teams up with Students for Liberty and other international organizations. The Institute of Public Finance, established in 1970 in Croatia, and the Institute for Strategic Studies and Projections, founded in 1998 in Montenegro, have several liberal economists on

staff. In Slovenia, the classical liberal organization Svetilnik has organized Liberty Seminars annually since 2008.

## Participation in public life

Liberal economists and other social scientists make up a minuscule share of the total university professors and researchers in Serbia, but their 'share' in public life is much higher. Liberal economists such as Gligorov, Begović, Madžar, Popović, Prokopijević, and Zec appear very frequently in leading national media.

The more-than-proportional representation in the media is not easy to explain. One reason may be that liberals are well qualified and that the public believes in the quality of their analysis. Classical liberal ideas are theoretical, largely foreign, and intellectually demanding, and as such the public intellectuals who subscribe to them may on average be more qualified than the other analysts, giving them a competitive edge based on competence rather than ideology. It could also be that liberals are on average more critical of largely statist economic policies in their countries and the readership and viewership responds favorably to such criticism, or at least finds it interesting or entertaining.

The relative popularity of liberals in leading media outlets does not mean that they are succeeding greatly in swaying public opinion or that voters would vote for them if they formed a party to run in elections. It seems that many voters are interested in getting some information and analysis from liberals while in the voting booth still supporting non-liberal parties. A liberal group led by the former short-tenured Minister of the Economy Saša Radulović won close to two percent of votes in the general elections in Serbia in 2014, and Srdoč's party received less than half of one percent in Croatia. Some parliamentary political parties in Serbia hired liberal economists to write party platforms and economic programs for them. These parties, however, have mainly remained outside the government or had their platforms watered down after joining multi-party coalitions.

In Croatia the academic and public presence of liberals is somewhat smaller, with Šonje and Ott as the most frequent commentators. In Slovenia, the heyday of market liberalism in politics and public life was the first decade of the 21st century. Mrkaić was then in the country, and his circle was very active, while Virant's party Civic List was very popular. With Mrkaić back in the United States and Civic List's failure to remain in the Parliament, liberal economists' presence in the public has subsided somewhat.

Montenegro in particular offers insight into the interplay between classical liberal ideas, interests, and political reality. A group of very liberal economists associated with Veselin Vukotić and the University of Donja Gorica has held

important positions in the government in the past ten years. Three younger liberal academics from the University Donja Gorica were the Ministers of Agriculture, Finance and Economy for several years (Petar Ivanović, Milorad Katnić, Vladimir Kavarić) and one was the Prime Minister (Igor Lukšić) of the national government. Even though they were undoubtedly libertarian in their economic views, they lacked strong political support and managed to do little in terms of reforms. Some results are visible, however; in economic freedom rankings, Montenegro typically ranks higher than other former Yugoslavian states.

Classical liberal economics is also present on the Internet and in social media. A number of specialized blogs in the region promote free-market ideas in economics, and there are active social network groups and discussion forums. The libertarian blog *Tržišno rešenje* (*Market Solution*) has been the most widely read economics blog in the region in the past seven years. Jadranko Brkić, born in Bosnia and now living in Hong Kong, keeps the liberal regional site *Sloboda i Prosperitet* (*Freedom and Prosperity*). Many younger people can read English well and are able to keep track with international topics and follow world intellectual trends more than was possible in the past.

## Conclusion

Dramatic history, which has been the hallmark of the Balkans, is a poor ally of classical liberalism. Nations under occupation or in war and nations without their own states tend to veer towards illiberal nationalisms rather than liberalism. The most important period of liberalism in Croatia, Serbia, and Slovenia was the late 19th century. Liberals then were relatively numerous, intellectually productive, and politically influential. But violent regime changes, wars, and prolonged nation-building interrupted this tradition. Under the communist dictatorship after 1945, both political and economic liberties almost entirely disappeared. Some prominent liberals went into exile in the West, while those in the country were imprisoned or otherwise silenced and kept away from public life. With decades of communist rule, liberalism was forgotten and needed to be rediscovered. Such a rediscovery began in the 1970s, particularly within intellectual circles in Belgrade and later in other regional centers.

Liberal economists today are visible and active in public, even though public opinion remains quite statist. Some liberal economists have taken prominent government positions, especially in Montenegro and Slovenia. While these leaders have faced political constraints and achieved only limited success in implementing their preferred policies, such top-down appointments have been the only plausible



way for liberal economists to have some direct policy impact. So far, politicians that ran on liberal economic platforms have not had much success.

Academic economics is, in comparison to mainstream Western academia, less market-friendly, but also less formal and more policy oriented. Keynesianism plays a smaller role than one may expect, but this is simply because more strongly interventionist ideas dominate the intellectual discourse. For that reason even some basic liberal principles favored by a safe majority of Western economists, such as free international trade, are the subject of intense academic and policy debates in the region.

If we take as a baseline the blight of socialism in ex-Yugoslavian states, then economic liberalism has made a major breakthrough in academic circles, public life, institutional design, and policy. Compared to some other transitional countries in Central and Eastern Europe, however, adoption of free-market ideas in theory and policy has been rather limited and very gradual. Yugoslavia never had a full-blown socialism; it had a soft socialism with some elements of the market and openness for international trade. One commonly encounters the notion that because the failures of a full-blown socialism were never experienced there, socialist ideas have never been fully rejected. A more evident impediment to the growth of liberal ideas has been the political turmoil and bloody disintegration of Yugoslavia in the 1990s. Now with national borders defined and some elementary problems solved, the Balkans are in a much better position to start entertaining different economic ideas. The future of classical liberalism in the region may not be particularly bright, but we can expect it to at least hold its place, or even gain greater respect and sympathy.

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# Classical Liberalism in the Czech Republic

Josef Šíma<sup>1</sup> and Tomáš Nikodým<sup>2</sup>

[LINK TO ABSTRACT](#)

In the Czech Republic the term *liberalism* still signifies classical liberalism, so we just speak of liberalism. In this article we treat the cultural and intellectual life of liberalism in the Czech Republic, as opposed to the policy record, and report especially on recent history. We especially treat economists and economic thought.

In what is today the Czech Republic, liberalism has had a very turbulent history, with glorious ups and wretched downs. The story can be divided into three periods:

1. The pre-World War II period: The country was part of the intellectual sphere of the Austrian monarchy, which ended in 1918 but a legacy of strong Austrian influence continued past that date.
2. The period of the oppressive political regimes of national and international socialisms, with short and interesting revivals of independent thinking in 1945–1948 and the mid-1960s.
3. The period from the Velvet Revolution in 1989 to today.

In most European countries today, liberal thought is marginalized and underdeveloped. But in the Czech Republic it has considerable presence—in the academic community, in public debate, and in public opinion generally. Such presence flows out of the work done over the past several decades. The lead author

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of the present article, Josef Šíma, has, for the past 20 years, been a principal player in the liberal scene in the Czech Republic.

## Czech classical liberalism prior to WWII

For centuries, Central Europe developed politically and intellectually under the reign of the Habsburg monarchy, and thus it is hard to speak of a specific Czech liberalism before Czech nationalism took hold toward the mid-19th century. For Czechs, liberalism was tightly linked to the idea of political self-determination, as exemplified in the work of František Palacký and František Ladislav Rieger on constitutional changes within the Habsburg Monarchy in 1848–49, and to the idea of cultural and social emancipation, a cause greatly affected by the influential pro-freedom journalism of Karel Havlíček.

Havlíček (1821–1856) is a great example of a liberal thinker. His conception of the relation between the state and the individual was similar to John Locke's individualism. We can also find in his writings ideas analogous to Edmund Burke's critique of the French Revolution. His liberalism based on decentralization was in strong opposition to the German state-centered understanding of economics and society. For his ability to explain economic relations in a very simple way, he has been called "the Czech Bastiat." Havlíček realized the importance of private property, free entrepreneurship, and the dangers of regulation and socialism (Bažantová et al. 2002).

The mid-19th century was a period of relative liberalism in economic matters, and the voice of liberals was heard often, though from the economic crisis of 1873 liberal ideas were somewhat discredited in the eyes of the public. Although Czech liberals were excluded from the political reorganization of the Habsburg monarchy in the Austro-Hungarian Compromise of 1867, a predominantly liberal agenda followed. The basics of modern constitutional order were laid down; new legislation strengthened the rule of law and opened opportunities for economic development; and a concept of citizenship began to form even for not-yet-emancipated nations (Šíma and Mrklas 2015; Müller 2003, 104–176; Jakubec 2008, 7–118).

The liberal trend went hand in hand with the secularization of society and the emancipation of the Jewish community, both of which later became central pillars of Central European liberalism. From the Jewish community came several students of Carl Menger: Robert Zuckerkandl, who helped disseminate the tradition of the Austrian school; Sigmund Feilbogen; Rudolf Sieghart; and Menger's "favorite pupil," Richard Schüller, who was the first Austrian contributor to the study of free trade and foreign trade policy (Schulak and Unterköfler 2011, 57–61).

The firm link between Czech thinking and Austrian economics can be seen an outgrowth of the close connections between the cultures:

Menger's grandparents from mother's side had been Czech merchants... Menger himself spent a part of his studies in Prague, Böhm-Bawerk entered the world in Brno, Wieser lectured for many years in Prague... Mises visited Czech economist Karel Engliš several times and was influenced by his teleological approach to economics as well as by the ordinal utility theory of another Czech economist... František Čuhel. The most famous 'Austrian' surname, that of Hayek, leaves no doubt about origin of his family. (Hudík and Šíma 2012, our translation)

The 'Austrian school' played a major role in the liberalism that developed in Czechoslovakia. The Czech lands were part of the Austrian empire until 1918 and hence in direct contact with what was happening in Vienna. Following the publication of Menger's *Principles of Economics* in 1871, a growing number of authors, including Menger's Czech students, were writing in the Austrian tradition (though not all of them can be called liberals). For example, in 1888 Emil Sax, professor of economics in Prague, published *Grundlegung der theoretischen Staatswirtschaft*, which Friedrich Hayek called "the first and the most exhaustive attempt to apply the marginal utility principle to the problems of public finance" (Hayek 1934, 408).

Other Czech authors were often contributors to the *Zeitschrift für Volkswirtschaft, Socialpolitik und Verwaltung*, which was edited by Eugen von Böhm-Bawerk and later by Menger. The journal was published from 1892 to 1918 in Prague, and another editor was Ernst von Plener, a native-born Czech. A literary portrait of Menger was published in this journal by Robert Zuckerkandl, another of Menger's students and later professor in Prague (Zuckerkandl 1910, 251-264). Zuckerkandl is also well known for his contribution to price theory, *Zur Theorie des Preises* (Zuckerkandl 1889). Sigfried von Strakosch, an agronomist, born in Brno, published articles in the journal. Strakosch once coauthored an essay with Ludwig von Mises (contained in Hainisch 1919). Mises later wrote a brief biography of Strakosch (Mises 1963). He praised Strakosch for being the only advisor to the Austria's minister of agriculture who realized that regulation and protection of agriculture are steps toward socialism.

Menger's influence on public life was also evident in the works of his other students or contributors to his journal, including Arnold Krásný or Albín Bráf (Hayek 1934, 411-412, 418). Bráf was not a consistently liberal thinker, but he fully took over Menger's subjective theory of value and published an academic critique of Marxism based on the importance of individual freedom (Holman 2005,

500–501). Bráf was influenced by Friedrich von Wieser, who at that time taught at the University of Prague.

The development of the liberal, mostly Austrian, tradition continued after the establishment of Czechoslovakia in 1918 and continued up until the late 1930s when the events preceding the Second World War ended the country's independence. Although *Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung* ceased publication, new journals appeared. One, initially called *Zeitschrift für Volkswirtschaft und Sozialpolitik* (1921–1927), was later renamed *Zeitschrift für Nationalökonomie*. A third-generation member of the Austrian school, Hans Mayer, who worked at the German Technical University in Prague, edited the journal.

Mayer's student, Alexander Mahr, was a well-known advocate of the Austrian school who tried to find a compromise between mathematical economics and Keynesianism (Schulak and Uterköfler 2011, 128–130). The connection between Czech Austrians and Keynes is noticeable also from works of Karl Pribram, a student of Wieser's. He studied social problems and unemployment, and wrote extensively on the history of economic thought, publishing an article in an anthology with John Maynard Keynes (Wright 1932).

One of the most important authors writing in the Austrian tradition in the interwar period was Richard von Strigl, who grew up in Moravia (now the eastern part of the Czech Republic). He was Böhm-Bawerk's student and a long-term participant of the seminar led by Mises in Vienna. As a professor at the University of Vienna, he influenced Hayek and Fritz Machlup (Schulak and Unterköfler 2011, 129; Hayek 1992).

Probably the most influential Czech economist was František Čuhel, whose work *Zur Lehre von den Bedürfnissen* ("On the Theory of Needs"), was cited numerous times by such writers as Böhm-Bawerk, Machlup, Mises, Eugen Slutsky, and Lionel Robbins. Murray Rothbard (1981) wrote about the "Čuhel-Mises theory of ordinal marginal utility" (see Hudík 2007). But, despite being a student of Menger and having a great impact on the Austrian school, Čuhel's opinions in public life did not align well with liberalism. For example, as a member of the Chamber of Commerce in Prague, he proposed the transfer of German-owned industry into the hands of Czechs (Jančík and Kubů 2011, 145–146).

Among the most politically active liberals of the post-World War I period was Alois Rašín, responsible for the introduction of a new national currency in 1919 and the monetary stabilization of the new state, and Karel Engliš, who was not only successful politically but also gained recognition within the Austrian school for his teleological approach to economics. Both Mises and Joseph Schumpeter came to Brno to visit and debate with Engliš (Engliš 1930; Nikodým 2014).

A then-prominent Czech liberal almost forgotten today was Rudolf Hotowetz. As a minister of foreign trade and later minister of industry and trade,



Hotowetz adamantly refused to support economic nationalism of the successor states. He was one of few economists who preserved their liberal thinking during the Great Depression, and he warned of “tariff madness” (Hotowetz 1926; 1933; 1934). In contrast, others such as Engliš proposed solving the crisis with regulatory measures such as forced cartelization (Faltus 1992, 168).

## Nazism, Communism, and liberalism

After the breakdown of the relatively liberal order in Czechoslovakia in 1938, the German *Reichsprotektor* closed down Czech universities and dismissed all professors—over 1,300 people—on November 17, 1939, eliminating one platform for liberal ideas.

Political instability and war are not fertile ground for liberalism. Most of the people who considered themselves liberal or non-socialist were dissatisfied with the ability of liberal reforms to prevent economic crisis and to deal with the social instability that led to war. During the war many of the liberals proposed various regulatory and socialization measures. They were, however, still aware that total economic planning was impossible (Feierabend 1996; Hejda 1991; Šulc 1998, 14).

It was only after World War II, with the reopening of universities, reestablishment of freedom of the press, and the emergence of a more pluralistic political system, that liberal thinking re-emerged. Some English language liberal classics were translated and published in Czech, such as Henry Hazlitt’s great book *Economics in One Lesson* by a “Club of Friends of the USA” (Hazlitt 1948).

Karel Engliš was ready to play an important role in reestablishing the liberal tradition, and he was appointed president of Charles University in Prague, the oldest and most prestigious of the Czech universities (Vencovský 1993, 133). In 1947 he was also awarded a honorary doctorate by the Masaryk University in Brno, which he had co-founded in 1919 and served as its first president). During his festive speech he staunchly defended liberal ideas. He argued, as did Hayek in *Road to Serfdom*, that the liberty of the individual is indivisible: “Where economic liberalism is knocked down, the authoritative planning extends to the political sphere... The State which controls the economy wants to control the thoughts of the whole Nation to secure its planned economic system” (Vencovský 1993, 125, our translation; cf. Hayek 2001/1944, 104).

The political scene was, however, not ripe for liberal ideas. In 1948, the Communists took power. There followed more than 40 years of political oppression and economic planning. Key proponents of the liberal agenda were expelled from their positions, including Engliš, who was seen as a leading defender of the ‘bourgeois’ system of ‘exploitation.’ Engliš was forced to move from Prague

to the countryside, his pension payments replaced by a ‘social minimum,’ his books removed from libraries and confiscated. The secret police closely supervised him, monitored his correspondence, and regularly searched his house.

During the communist era, state intellectuals made special efforts to discredit Austrian teachings. As Jitka Koderova writes, “a need existed to overcome the influence which the ideas of the founders of the Austrian school had prior to WWII and it was hence necessary to come up with a devastating criticism of the methodological approach of the Austrian authors to the study of economic phenomena and processes, especially its ultimate explanation of the theory of value, which was in stark contrast to the method of dialectical and historical materialism and the labor theory of value” (Koderová 2006, 70, our translation).

With the leading liberals silenced, exiled, or executed, political propaganda followed throughout society. University education, especially in social sciences, infused students with Marxism-Leninism.

Positive exposition of the teaching of non-Marxist authors, if it existed at all, was so much destroyed by critical objections that it became practically impossible to acquire any coherent understanding of their views. The only exception in this respect was the teaching of D. Ricardo’s classical school, especially as it related to his exposition of conflict between wages and profits; and A. Smith and F. Quesnay, whose key books were published in this period even in Czech translations. (Koderová 2006, our translation)

In 1972 a volume of some 100 pages devoted to “Austrian (Viennese) Subjective-Psychologic School and Its Predecessors” was published by Jaroslav Petráček—a key Czech author in the field of history of economic thought—and used as a textbook (Petráček 1972). The exposition was critical, but “the critical notes... did not disturb substantially” the logic of the Austrian understanding (Koderová 2006, 72).

Some revival of debates over the role of markets took place in the mid-1960s, with criticism of central planning coming from within Marxist thought, notably in the person of Ota Šik.<sup>3</sup> The revival reflected an attempt to reform socialism and eliminate its gravest problems and inefficiencies, an effort that culminated in what is known as the Prague Spring of 1968. But that process of reforms and its offshoots of independent thinking were put to an end by the tanks of invading armies of Warsaw Pact countries. During the period 1964 to 1968, however, a

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3. On the importance of Šik, who himself was not a liberal, but nonetheless was a critic of the existing system, see Aligica and Evans (2009, 34) and Havel et al. (1998, 221).

group of economists proposed ways of introducing some market features into the central planning system. Some of those people, such as Valtr Komárek, played important role over two decades later when transition toward a market-based economic regime was launched.<sup>4</sup>

In 1984 Komárek formed and became director of the Prognostic Institute, a center of non-Marxist and pro-market thinking, and staffed it with members who would, after the fall of Communism, come to oppose his gradualist approach in favor of ‘shock therapy.’<sup>5</sup> Václav Klaus joined this group in 1987, when he left the job at the Central Bank that he had held since 1971. Starting in 1979, in his capacity as a research secretary of a bank branch, Klaus had organized seminars on economic issues. These were rather big meetings, often 100 to 200 people, that were openly critical of central planning and the existing system. The meetings were attended regularly by many people who would emerge later as key figures (Klaus 2007). Such a platform of economic debates was unusual; however, it must be remembered that in those days, even mainstream economics and standard textbooks were seen as pro-market or ‘bourgeois’ literature. Later, when Paul Samuelson’s *Economics* first was translated, Klaus stated:

I wish the book pleased and taught every reader, every beginning student, every advanced economist, really everyone who takes it into his hands, as much as it did [please and teach me]. I found it necessary to get back to this book (its newest edition) at least once in a decade. Even though I often used to think that I was already supposed to know everything, I always learned a lot of new stuff. I believe that this book will become a breakthrough in our university economic education. (Klaus 1991a, iii–iv, our translation)

It is worth remarking on university economic education under Communism. Though standard mainstream training was extremely scarce, in the 1980s one could at least learn something about non-Marxist thinking in History of Economic Thought courses from economics and philosophy faculties. These courses in-

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4. Komárek had studied in Moscow, advised Che Guevara in Cuba, and then worked in Czechoslovakia in 1968 in the group of reform communists around Ota Šik on economic reform. After the fall of Communism, Komárek became the first deputy prime minister.

5. The Prognostic Institute was established as a direct consequence of the activities of Soviet KGB chairman Andropov. Its staff people played prominent roles as politicians and policymakers after 1989, such as Prime Ministers and Presidents Klaus and Zeman, Central Bank Governor Tůma, and Minister of Privatization (and translator of Hayek’s books) Ježek. But it also included a KGB agent, Karel Koecher, who was an elite spy and succeeded in penetrating the CIA and its New York office. The whole story cannot be told because even today it is still illegal to access the archives of the Institute.

cluded works by modern authors both in and outside the mainstream (Koderová 2006, 67–69). Sometimes, technical mathematized research and teaching had some liberal aspects (Mlčoch 2013).

Ondřej Schneider,<sup>6</sup> who finished his studies at the University of Economics in 1989, recollects:

I belonged to one of the last groups of students who had to pass an exam in “scientific communism.” Of course, it was brainwashing but we also had few subjects which opened us the window to the world of “normal” economics. At the department of econometrics, without being explicitly told, we studied the basics of microeconomics and game theory. Thanks to its mathematization, these subjects escaped from the attention of the guards of ideological purity. The attempts of Jíří Schwarz to “sneak” the basics of classical economics or monetarism into the subject History of economic thought were even more interesting. Thanks to these lessons, I had a chance to see distant shores of true economics while swimming in the sea of boring and totally nonfunctional socialist economics. I am still very grateful to those teachers. (Schneider 2015)

Again, training in standard economics was rare, exposure to liberal-leaning work such as public choice or property-rights economics almost nonexistent. That is why, when pro-market economists were needed after the fall of Communism to come up with reform proposals, universities had very few to offer and Klaus’s circle dominated.

## **Explosion of interest in liberal thought after the Velvet Revolution**

By 1990, Klaus became not only a symbol of radical economic reform and privatization but also the most articulate spokesman of liberalism. It was he who most forcibly introduced free-market theorists such as Hayek and Milton Friedman to the general public and made their names a part of the story of Czech economic

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6. Schneider also earned a degree from Cambridge University and CERGE-EI, and he became a leading Czech economist specializing among other things in pension reforms. He has served as advisor to several ministers, served as editor-in-chief of the *Czech Journal of Economics and Finance*, and works today for the Institute of International Finance in Washington, D.C.

transition.<sup>7</sup> Klaus attracted many students to liberal ideas both in economics and other social sciences. He continued writing for popular and academic audiences, established and kept formal links with Czech universities, and made quite an impact in the international liberal scene.<sup>8</sup> Although the extent of liberalism in Klaus's political agenda is debatable—the matter is greatly complicated by the unfathomable messiness of the politically practicable, *realpolitik*, personal foibles and controversies, and the like—Klaus's role as a liberal educator with a long-term impact on the intellectual climate in the Czech Republic is undeniable.<sup>9</sup> Others around him included Tomáš Ježek, a key political figure who translated several Hayek books and expounded his thought. Ježek became the Czech Minister of Privatization after the first free elections in 1990, and he served in many other political positions later on.

Czech economic reformers were later to benefit from another set of activities that ignited interest in liberalism as an alternative to socialism, namely, new think tanks. As central planning ended, economic schools and universities, which were full of Marxists and long-term proponents of central planning, had almost nothing to teach for some time. Old textbooks were mostly of no use anymore and new ones were not yet in existence. Knowledge of English was limited, so foreign textbooks could not be used en masse. Thus, during the first years of the new regime there was an intellectual vacuum. Literature about alternatives to socialism and central planning was desperately scarce, and at the same time people were eager to learn for the first time in generations about markets, rule of law, private property, and commercial society. Books on freedom and liberalism were read eagerly and widely.

Newly founded think-tanks led the way in delivering the missing classics. The Liberal Institute (Liberální Institut), the first free-market think tank in the country, spurred some of the first translations of liberal books.<sup>10</sup> These included Paul Heyne's *Economic Way of Thinking* in 1991, Milton and Rose Friedman's *Free to Choose* in 1992, Milton Friedman's *Capitalism and Freedom* in 1993, and dozens

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7. The liberal ethos was decisive even when 'technical' choices were made, such as the monetary policy regime: "A main reason for giving preference to the monetarist doctrine was its liberal orientation" (Koderová 2005, 96).

8. He became the first East European member of the Mont Pelerin Society, was praised by many free-market think tanks, and received many prizes and honorary degrees worldwide.

9. See Šima and Št'astný (2000) for criticism of insufficient steps toward classical liberal reform, and Švejnar (1990) for criticism of too much reform. Švejnar, currently a professor at Columbia University, is one of the founders of CERGE (Center for Economic Research and Graduate Education), a U.S.-style postgraduate mainstream economic program founded in Prague. Švejnar ran for President in 2008 but was defeated by Klaus.

10. Its first steps were encouraged by the help of Albert Zlabinger, of the Carl Menger Institute in Vienna, and Tom Palmer. It also acquired a part of Gordon Tullock's library.

of books by authors associated with Austrian economics, ordo-liberalism, public choice, and the Chicago school.<sup>11</sup>

The Civic Institute—established in 1991, and more conservative than libertarian—published a translation of Mises’s *Anti-Capitalist Mentality* in 1994, and later translations of Charles Murray’s *Losing Ground*, Bertrand de Jouvenal’s *Ethics of Redistribution*, and others. The Academy of Science published a Czech translation of Hayek’s *Road to Serfdom* in 1990 and his *Law, Legislation and Liberty* in 1991 (these had been translated under socialism, but circulated only in manuscript). Karel Kouba, a respected academic with ties to Fritz Machlup, published a book on the dispute over central planning with translations of liberal authors (Kouba and Kameníček 1992). In an underdeveloped book market, these liberal publications were very visible.

Widely used textbooks in late 1980s included still more pages devoted to treating Austrian-school authors. After the fall of Communism new textbooks were written, and the one that is currently the most widely used (Holman 2005) so devotes about 50 pages out of slightly over 500 pages; public choice gets less than 20 pages, ordoliberalism less than 10, and the Chicago school less than 40. Austrianism is prominent in other professional forums. For example, the Czech Economic Association held a special meeting devoted to the Austrian School in 1999 called “The Austrian School and Its Significance for Today: A View on the Market as a Process,” and published its proceedings (Čihák 1999).

Not only were these books available and widely read, but many liberal authors came to the Czech Republic, giving talks to hundreds of people and being interviewed on public television. These included Milton Friedman in 1990 and 1997, Gary Becker in 1995, and many more later on, including James Buchanan and Vernon Smith. Others, including Paul Heyne and Gary Walton, taught both students and high-school teachers as part of an annual project first organized jointly by the Foundation for Teaching Economics and The Liberal Institute in 1993.

With political debates of late becoming more pragmatic and less ideologically driven, a new generation of young politicians, many steeped in Austrianism, is attempting to reestablish a liberal agenda, and these are gaining some influence. Peter Mach, who as a student in the 1990s was a participant in the free-market summer programs conducted by The Liberal Institute, has founded the liberal/libertarian “Party of Free Citizens.” After several years of building the party’s infrastructure, he was elected to the European Parliament in 2014. Although originally ignored by the media, he is now a visible advocate of liberal principles.

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11. Again, the translation of Samuelson and Nordhaus’s *Economics* (1991) was also notable.

Mojmír Hampl, the current vice-governor of the Czech Central Bank, belongs to the same generation and is also an outspoken liberal. Hampl has written some scholarly articles devoted, interestingly enough, to a Julian Simon-style defense of market approaches to environmental issues (see, e.g., Hampl 2004). He has debated topics related to central banking, exploring such alternatives as the gold standard and free banking.

With the Velvet Revolution of 1989, initially, politics itself was a cultural force for liberal ideas. But that force was short-lived. Once politics lost its liberal ethos, no longer being driven by attempts to privatize and deregulate, further spread of liberalism in the 1990s and early 2000s was achieved predominantly by think tanks.

Václav Klaus himself launched the Center for Economics and Politics in 1998 and started a conference series and publication activities.<sup>12</sup> The Liberal Institute and Civic Institute have organized summer schools, seminars, and training programs with famous foreign scholars, giving hundreds of people an opportunity to be exposed to liberal scholarship. Over the years, alumni of these programs have constituted a group sizable enough to be visible in a small country. Their presence in academia, journalism, and public administration reflects how much liberal ideas are represented in university teaching, economic textbooks, newspaper articles, and other areas. Also, numerous people who learned about liberalism through these channels have started their own think tanks and groups, so there is a ‘second generation’ of institutions spreading liberalism. These include the Mises Institute CZ&SK, Czech Students for Liberty, and the Institute of Economic and Social Studies (INESS), which is very influential in Slovakian policy debates.

The availability of liberal training and the visibility of liberal ideas are not limited to the weekend or summer activities of a handful of think tanks. A founder of The Liberal Institute, Dr. Jiri Schwarz,<sup>13</sup> in his position from 2003 to 2010 as the Dean at the Faculty of Economics at the University of Economics in Prague,<sup>14</sup> gave a new dimension to the spread of liberalism. Whereas think tanks are capable of educating hundreds of people through their activities, universities can do it more rigorously for thousands. Among many other activities, Dean Schwarz encouraged

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12. When Klaus left politics after his second presidential term, he started in 2012 the Václav Klaus Institute, whose main goal is to develop the political and intellectual heritage of Václav Klaus, which is broadly defined, so the institute functions as a classical-liberal/conservative think tank.

13. Dr. Schwarz became the second Czech member of the Mont Pelerin Society and among other activities served several years as a member of the National Economic Council of the Czech government and was instrumental in the success of the Restitution of Church Property Law in 2013.

14. The University of Economics in Prague is the biggest economics school in the country with the most comprehensive economic education in terms of majors. Faculty of Economics and Public Administration is one of the six schools within this university.



liberal professors from Europe and the United States to visit,<sup>15</sup> and he introduced a first-year course that covers the basics of market forces, an introduction to the modern era, the industrial revolution, and the ‘European Miracle.’ The course assigned such materials as Hazlitt’s *Economics in One Lesson* and Johan Norberg’s *In Defense of Global Capitalism*. Thus, some 700 freshmen each year were encouraged to think about the role of private property and free and voluntary exchange before they received technical training in economics, banking, and so forth. Not only did that approach give students better understanding of the importance of economics, but as the school simultaneously opened up to the world with the help of visiting professors, it dramatically improved its quality, achieving a position as the number-one or number-two (depending on the organization doing the ranking) economics school in the country.<sup>16</sup>

The increasingly visible new research agenda devoted to free banking, polycentric law, and generally to alternatives to state provision of goods and services has led many critics to denounce the school’s tilt toward the market. Thus a leading journalist writes, in a widely read weekly: “Such a school as the Faculty of Economics of the University of Economics, Prague, spews out annually ‘on the market’ huge numbers of these young fundamentalists. You can easily identify them: central banks are criminal organizations that should be abolished. Courts should be private, taxation through a single tax, there should be only two ministries—defense and interior—deflation is a good thing, etc.” (Macháček 2011, our translation).

At Czech universities generally, however—that is, apart from the University of Economics in its healthy period up to 2012 (more on this below)—liberal and Austrian topics are studied only partially, with much more limited scope. Some work on free banking is done at Masaryk University in Brno by and under Michal Kvasnička. Luděk Kouba at Mendel University in Brno focuses on the problem of excessive legislation and its negative effect on economic growth, the unsustainability of the welfare state, and public choice. Ladislava Grochová did work on different approaches to entrepreneurship. Also in Prague, at the Institute of Economic Studies at Charles University, market-oriented theses were written under the supervision of Prof. Kouba, for example by Dalibor Roháč, who later got his Ph.D. at King’s College London, and by Adam Geršl, who focused on the constitutional economics of James Buchanan.

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15. Among those who taught at least week-long courses were Robert Higgs, Peter Boettke, Terry Anderson, Steve Pejovich, Daniel Klein, Boudewijn Bouckaert, Richard Ebeling, Thomas DiLorenzo, and Hans-Hermann Hoppe.

16. The research is done by *Economic News* and is based on various criteria: studying in English, exchange programs, the success of students in the labor market, etc. (see Keményová 2015).

One young private school, the CEVRO Institute (established by a think tank, CEVRO-Liberal-Conservative Academy, and directed by the lead author of the present article), has incorporated liberal scholarship into its B.A. and M.A. programs in social sciences and is regularly visited by liberal scholars, and it has worked especially closely with Peter Boettke of George Mason University.<sup>17</sup>

Sadly, things at the University of Economics in Prague recently took a terrible turn for the worse. Nearly two dozen liberal or Austrian-leaning scholars, including former Dean Schwarz and three associate deans, were purged from the Faculty of Economics after a new dean was elected in 2010.<sup>18</sup> The actions of the new dean threw the Faculty of Economics into many controversies and disaffections; the Accreditation Commission of the Czech Republic suggested the Ministry of Education withdraw accreditation of several programs from the school due to lack of qualified personnel. Most of the liberal scholars who left the school have found jobs at other universities. One group led by Dan Štátný ended up at Purkyně University in Ústí nad Labem (and Dr. Štátný became an associate dean). Another group led by David Lipka went to Anglo-American University, a private university located in Prague; Lipka became the Dean at the School of International Relations and Diplomacy. A third group, including ex-Dean Schwarz, joined the faculty of CEVRO Institute.

## Liberalism in professional economics

It is a well-documented fact that economists tend to be more free market-oriented than is the average citizen. The same pattern is visible among Czech economists. Daniel Štátný (2010a; 2010b) asked professional economists 21 policy-issue questions to discern whether the consensus leans toward or away from the liberal direction. Štátný concludes: “On most issues treated, most Czech economists would prefer less governmental involvement or restriction. On the whole, they tend to favor liberalization” (Štátný 2010a, 285). He found that younger economists tend to be more pro-market. The study found differences

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17. See the history of the annual Prague Conference on Political Economy ([link](#)).

18. Dean Ševčík’s steps, which, in our estimation were outrageous and terribly unjust, were covered widely by popular press and television and publicly criticized by several presidents of Czech universities as acts that seriously violated academic standards. Ševčík is one of the founders of *Liberalní Institut*, and it cannot be said that the source of conflict was differences in professed political ideology. An open letter, dated October 7, 2012, and addressed to Dean Ševčík, protested his actions. Signers of the letter were Daniel Klein, Peter Boettke, Niclas Berggren, Robert Higgs, Deirdre McCloskey, and Giovanni Battista Ramello. We mention this letter to alert the reader of possible bias: Not only was the lead author of the present paper (Šíma) centrally involved in the conflict, but, with the open letter, the editor of the present journal (Klein), along with the other signers, protested publicly.

between Czech and American economists on such issues as illicit drugs and organ markets, where “the Americans seem to be more disposed toward liberalization” (ibid.).

Czech economists of a liberal bent are successful in publishing articles reflecting such orientation in leading national professional journals. We have examined all issues from the past ten years of three leading Czech professional journals listed in Thomson ISI’s Social Sciences Citation Index (SSCI)—*Politická ekonomie* (“Political Economy”), published by the University of Economics; *Finance a úvěr* (“Czech Journal of Economics and Finance”), published by Charles University; and *E+M Ekonomie a management* (“Economics and Management”), published by a consortium of local Czech and Slovak universities—to find articles that can be classified as liberal-leaning (see supplement with titles and abstracts [here](#)). We counted over 30 such articles in *Politická ekonomie* over the ten-year period.<sup>19</sup> As seen from the bibliography in online supplement, most of these articles include references to Austrian economists (Mises, Hayek, Rothbard, Israel Kirzner), Chicago-school economists (Friedman, Becker), or public choice economists and ‘institutionalists’ (Buchanan, Gordon Tullock, Mancur Olson, Elinor Ostrom, Douglass North). Among them are articles on economic method, antitrust, environmental protection, institutional development, discrimination, and the economics of altruism. *E+M* has some visible traces of a liberal ethos, though much less than *Politická ekonomie*. *Finance a úvěr* has almost no signs of liberal influences, and it publishes predominantly mainstream technical papers on finance, banking, taxation, and so forth.

Roháč (2015) has observed that “Over time...‘mainstream’ economic thinking slowly emerged and became respectable, as freshly minted PhDs were returning from Western graduate programs and also from local schools such as CERGE-EI or CEU. ... As a result, the debates about economics and public policy have moved closer to what one observes in the West—for better and for worse.” While it is true that professional journals moved toward the Western-style academic economic mainstream, a visible liberal scholarly community has been reestablished as well. The situation in the Czech Republic is remarkably and measurably different from the West.<sup>20</sup> Liberal authors do not represent a marginal community; rather, there is a sizable group of established scholars pursuing a liberal research agenda, publishing, and teaching. Some occupy influential positions in

19. The journal *Politická ekonomie* was published six times a year (eight issues per year are published since 2015) and each issue typically featured five articles.

20. The tilt of the professoriate to the political left is well known for the United States, Canada, and the Anglosphere generally, and seems to us to be very much the case in Europe generally. But a study of social science professors in Sweden suggests a different situation there (Berggren et al. 2009), and perhaps other countries are exceptions as well.

school management as dean, associate dean, or president, which gives them some control over what and how to teach and where to concentrate research activities.

## Conclusion

With the fall of Communism 25 years ago, the Czech Republic became once again a normal country (Shleifer and Treisman 2014) and a space for liberal thinking opened up. Czechs have built on their liberal roots and now have a strong liberal current—but it is a current among a mix of currents. Mojmír Hampl correctly observes that the ideas of Mises, Hayek, Buchanan, Friedman, Olson, Becker, George Stigler, William Niskanen, and many others

...had an extraordinary and probably unrepeatable influence on the entire intellectual environment in Czechoslovakia and the Czech Republic, an influence that is hard to share with outside observers who did not experience it themselves. Over time, however, the pendulum in the Czech Republic started to return to its “natural” position, with all its consequences for the intellectual richness and diversity of public debate. Today we are much further away from Hayek and much closer to [Joseph] Stiglitz, and are thus floating somewhere in the middle of the grey and boring European intellectual mainstream. (Hampl 2015)

Although the Czech Republic may have moved toward a “boring European intellectual mainstream,” the time between the breakdown of Communism and the impress of a mainstream paradigm and social-democratic mentality offered a window of opportunity. An intellectual vacuum was filled with entrepreneurial activities presenting a liberal vision to the population and the research community. Those activities were partly political, as represented mostly by Czech economic reformers led by Václav Klaus, and partly nonpolitical, as represented by think tanks and scholars at several universities. These activities promoting liberalism have had a marked influence on younger generations.

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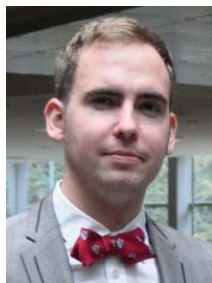
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## Foreword to Republication of “A Beginner’s Guide to Esoteric Reading”

*Taking a hint* is fundamentally different from deciphering a formal communication or solving a mathematical problem; it involves discovering a message that has been planted within a context by someone who thinks he shares with the recipient certain impressions or associations. One cannot, without empirical evidence, deduce what understandings can be perceived in a nonzero-sum game of maneuver any more than one can prove, by purely formal deduction, that a particular joke is bound to be funny.

—Thomas Schelling (pp. 163–164 in *The Strategy of Conflict*, Harvard University Press, 1960)

The distinction between *exoteric* and *esoteric* is that, with her text, an author offers certain ideas or meanings, the exoteric ones, that are explicit, obvious, or apparent, and between the lines offers additional or other meanings, the esoteric ones. The distinction implies a multiplicity of interpretations, obvious and nonobvious. An author writes esoterically if she intends to make some of her ideas or meanings nonobvious. A reader reads esoterically if he is alert and sensible to nonobvious meanings. If we look at the world, or at one’s set of worldly impressions, allegorically or theologically, as something authored and carrying meanings, economists may associate esoteric readers with entrepreneurs, who find opportunity in nonobvious interpretations of the world—the entrepreneur as exegete.

Today the topic of esoteric writing is very often associated with Leo Strauss (1899–1973). Strauss accentuated the esotericism of past authors because doing so was requisite to his view of things, historical and philosophical. But there is much about esotericism that can be separated from Strauss’s wider view of things. Only to a small extent did Strauss himself provide such separation. Nor have any of the

Straussians, that is, Strauss's students and admirers, provided very much in the way of instruction and edification about esotericism separated as much as possible from the wider Straussian view of things.

Enter Arthur Melzer. In his book *Philosophy between the Lines: The Lost History of Esoteric Writing*, published by the University of Chicago Press in 2014, Melzer strives to separate, where possible, the analysis and history of esoteric writing from the wider Straussian view of things, and he largely succeeds in doing so. If esotericism needed to be rescued from Straussianism, Melzer's book provides that rescue.

Melzer makes great strides in establishing the following claims:

- From Moses down to about the time of the American Founding (and the onset of the Industrial Revolution), esotericism was widely practiced and acknowledged; its ubiquity was taken for granted. And, outside the West, it typically still is. Melzer provides ample evidence in the book, and he provides still more in a freely available online compendium of quotations ([here](#)).
- In the 18th century there was a lively, open literature exploring the worthiness and justness of writing esoterically.
- From around 1800, the practice of esoteric writing declined sharply.
- A few decades later, people developed a lack of awareness of esoteric writing, even in regard to its practice in earlier times. The lack of awareness has persisted to today.

Melzer's book explains four purposes or forms of esoteric writing, called defensive, protective, pedagogical, and political. He elaborates reasons for the common hostility to esoteric reading. He also provides a beginner's guide to esoteric reading, which we reprint here.

Melzer himself is a Straussian. But, again, in offering up all of the things just listed, he strives to separate them from the wider Straussian view of things. And, then, particularly in the last chapter of the book, there is yet one more valuable offering: An explanation of the wider Straussian view of things.

Here we reprint, with permission of The University of Chicago Press, Chapter 9 of the book, verbatim. The two lettered footnotes are ours. The numbered footnotes are Melzer's endnotes. Instead of completing the citation information in those notes that refer to material cited earlier in the original book, the notes are left as-is, and a complete References section has been appended.

Daniel B. Klein  
May 2015

# A Beginner's Guide to Esoteric Reading<sup>a</sup>

Arthur M. Melzer<sup>b</sup>

[LINK TO ABSTRACT](#)

You tell me...that after the reading of my book, you are hardly any further along concerning the heart of the question. How by the devil! ... do you not read the white [spaces] of works? Certainly, those who read only the black of a writing will not have seen anything decisive in my book; but you, *read the white, read what I did not write and what is there nonetheless; and then you will find it.*

—Abbé Galiani to a friend

## The loneliness of modern readers

If it is really true that most philosophers prior to the nineteenth century wrote esoterically, then we had better read them esoterically. Otherwise, we risk finding ourselves in the uncomfortable position of Galiani's friend.

In fact, doesn't the experience that his friend reports have some real ring of familiarity? We start out, many of us do, as enthusiastic undergraduates, eagerly hoping to learn from the great and wise thinkers of the past about whom people speak with such reverence. But after some time spent reading their books, we often find that we are "hardly any further along concerning the heart of the question." While these books contain many interesting ideas and sentiments, they also seem full of contradictions, illogic, and leaps of faith. From an early age, a quiet sense of disappointment hovers over our experience of such reading.

And yet we know that people in the past report having been greatly moved and formed by these classic works. Somehow these books spoke to them in a way

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a. ©2014 by The University of Chicago. All rights reserved. Reprinted with permission. Originally published as Chapter 9 in *Philosophy Between the Lines: The Lost History of Esoteric Writing*.

b. Michigan State University, East Lansing, MI 48824.

that they do not to us. Isn't it reasonable to wonder whether our unique alienation from the writers of the past might not be due, at least in part, to our ignorance of their manner of writing? If we were to recover the art of esoteric reading, perhaps we might also restore something of this lost connection to the past.

Still, to say that "we" must learn to read esoterically does not necessarily mean that every one of us must. Some amount of division of labor is both possible and necessary in scholarship. Cautious analytic minds will do close analyses; bold, synthetic ones will provide sweeping syntheses. Those able to assimilate vast amounts of material in multiple languages from alien times will discover and detail the historical context. So also, those with a gift and taste for close textual analysis and reading between the lines will pursue the esoteric dimension.

All of us do not have to specialize in every one of these jobs, but we all have to appreciate the necessity of each. We also need to be well enough versed in each of the jobs to be able to understand, judge, and assimilate their particular contributions. In short, *some* of us need to devote ourselves to esoteric reading, and the rest need to be willing and able to give this work an intelligent hearing.

## You can learn esoteric interpretation

For those seeking to learn to read esoterically, the first thing that needs to be understood is that there is not and cannot be a science of esoteric reading. It is an art, and even a particularly delicate one. Therefore, it is also not something easily taught.

There could be a science of esoteric reading, of course, if esoteric writing consisted of employing an exact "secret code," where the enciphered message can, in a rigorous, mechanical way, be deciphered. But such a code, useful in wartime and on other occasions, would clearly fail the purposes of esoteric writing. For if the writer is trying to avoid persecution and especially prosecution, the last thing he or she would want to do is hide a secret message in such a way that it could be demonstrably and scientifically decoded. Again, if the writer is esoteric for pedagogical reasons—to compel readers to think and discover for themselves—a mechanically decipherable message would again be completely useless. Given the long, variegated history of esoteric philosophical writing, one hesitates to assert categorically that no one has ever employed a strict code of this kind, but in general I agree with the formulation of Paul Cantor: "a demonstrably esoteric text is a

contradiction in terms.”<sup>1</sup> Thus, esoteric writing cannot be a science, in the first instance, because its very purpose compels it to avoid being so.

Even without such compulsion, however, esoteric reading could never be a science because there is too much individual variation in it: no two esoteric writers are the same. Thinkers have different beliefs, different mixtures of motives for writing esoterically, and they face different external conditions regarding censorship, the reigning political and religious ideas of their times, the degree of social health and corruption, and so forth. And even where all these factors are essentially the same—as with Plato and Xenophon, who were of the same age, born and raised in the same city, and both disciples of Socrates—one still sees a very considerable difference in general styles of composition as well as in esoteric technique.

But most fundamentally, there is no science of esoteric interpretation for the same reason that there is none for reading a poem or figuring out a joke. These are not rule-based activities—and, by their nature, they cannot be. Both a poem and a joke are ruined the moment they become obvious or predictable. The same is clearly true of esoteric writing. And there cannot be a science of the unpredictable—of indirection, allusion, and suggestion. To be sure, these are modes of communication that human beings are fully capable of understanding—there cannot be any serious doubt about that. But people understand them not by following a small number of general and stateable rules, but by the appreciation and combination of a thousand small rules and particular observations that, taken together, constitute what we mean by such things as intuition, tact, delicacy, sensibility, taste, and art.

So if esoteric reading is an art, how then does one acquire it? Approaching this question in Aristotelian fashion, one might say that, if it were a science, following fixed rational principles, it would be fully teachable. If, at the other extreme, it were a natural gift, like say perfect pitch, it would be neither teachable nor even learnable, but innate. But as an art, it is in the middle: it cannot be strictly taught, but it can be learned. So how, then, does one learn it? And the good Aristotelian answer is: by doing it.

No one teaches you, for example, how to understand jokes—but you do learn it (although here, as with poetic and esoteric reading as well, there is also probably an element of “gift”). There are no *rules* of humor that one person can or does convey to another, but only a *sense* of humor that each must, by his own efforts, exercise and develop within himself. You do so simply by listening to jokes and trying to figure them out, with others helping only by telling you if you got

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1. Cantor, “Leo Strauss,” 277. Throughout this chapter I rely on this superb essay which the reader is urged to consult directly.

it right or not (or occasionally by explaining this or that particular joke, without conveying anything of a more general nature). Through this process the sense of humor—the particular intuitions and sensibilities involved—gets awakened, exercised, and honed.

The case of interpreting poetry, like that of esoteric reading, is similar, only more complicated. In the end, both are also learned and perfected by doing. But here there is a relatively larger role for teaching.

The first and most important thing for reading well is simply to *connect* with the text in the right way. If you do that, all the rest will tend to follow of its own. And to connect well, one needs certain attitudes and practices with respect to the text that can be described, explained, and conveyed by a teacher. To a beginning student of poetry, for example, one might first explain that to activate the full power of a poem, it is important to read it slowly and also to read it out loud. Similarly, one must give oneself over fully to the sounds and rhythms of the words, letting them work their effect on you, in a way that one commonly avoids doing in reading prose.

Beyond this, there are also certain general techniques, tips, and rules of thumb that can be very useful, even if they do not quite take one (as in a science) to the true heart of the matter. And these too are fully teachable. Thus, one can explain to our beginning reader of poetry the character and uses of the different meters and rhyme schemes, as well as rhetorical effects like metaphor, synecdoche, onomatopoeia, and so forth.

Last, it is very useful for stimulating and training one's interpretive abilities to have models for emulation, to observe the masters—either live or in print—in the exercise of their art. The masters cannot teach their art, but they can perform it, display it, and from this the students are able somehow or other to “catch on.”

Generally speaking, these are the three categories of things that one can try to provide for the guidance of readers of poetry—and of esoteric texts: connection or attitude, common techniques and rules of thumb, and models for emulation. After that, it is pretty much up to them.

## **“Only connect”: the right attitude toward the text and reading**

The most essential thing for becoming a good reader of any kind, but especially an esoteric one, is simply coming from the right place with respect to the text—connecting with it. That is what awakens the requisite intuitive faculties and, before long, shows us that we are capable of far greater delicacy and insight than we previously imagined. This can be illustrated by a simple example.



Imagine you have received a letter in the mail from your beloved, from whom you have been separated for many long months. (An old-fashioned tale, where there are still beloveds—and letters.) You fear that her feelings toward you may have suffered some alteration. As you hold her letter in your unsteady hands, you are instantly in the place that makes one a good reader. You are responsive to her every word. You are exquisitely alive to every shade and nuance of what she has said—and not said.

“Dearest John.” You know that she always uses “dearest” in letters to you, so the word here means nothing in particular; but her “with love” ending is the weakest of the three variations that she typically uses. The letter is quite cheerful, describing in detail all the things she has been doing. One of them reminds her of something the two of you once did together. “That was a lot of fun,” she exclaims. “Fun”—a resolutely friendly word, not a romantic one. You find yourself weighing every word in a relative scale: it represents not only itself but the negation of every other word that might have been used in its place. Somewhere buried in the middle of the letter, thrown in with an offhandedness that seems too studied, she briefly answers the question you asked her: yes, as it turns out, she has run into Bill Smith—your main rival for her affection. Then it’s back to chatty and cheerful descriptions until the end.

It is clear to you what the letter means. She is letting you down easy, preparing an eventual break. The message is partly in what she has said—the Bill Smith remark, and that lukewarm ending—but primarily in what she has not said. The letter is full of her activities, but not a word of her feelings. There is no moment of intimacy. It is engaging and cheerful but cold. And her cheerfulness is the coldest thing: how could she be so happy if she were missing you? Which points to the most crucial fact: she has said not one word about missing you. That silence fairly screams in your ear.

The example of this letter and your reading of it, while fanciful, is meant to be realistic: if you really had been in this situation, you really would have read the letter in something like this manner; that is to say, with a degree of sensitivity and insight—moving almost *effortlessly* from the lines to what lies between them—that far exceeds your experience with other texts. If this is granted, what it demonstrates is the primacy of connection over technique: if only one is situated in the right place with respect to a text, one can suddenly become, without prior training, a passable esoteric reader. It just comes naturally, because, from that particular place, our faculty of “communicative intuition,” so to speak, which lies dormant or rather underutilized within most of us, suddenly gets activated and exquisitely sensitized.

The first task in teaching esoteric reading, then, is to teach how to achieve something loosely resembling this kind of connection with a book. But this means that the crucial beginning point is to choose the right book to read in the first place.

For reading is not a mechanical skill that can be applied indifferently to any text. How one reads is inseparable from why and what one reads.

Thus, one must choose a book that one is capable of feeling passionately and personally about based on the hope of learning things of the greatest importance. If one reads with only a dry, academic interest, one is likely to achieve only a dry, academic reading. Real passion is necessary, first, to motivate the great effort and intensity that good reading requires. As Thoreau remarks in *Walden*:

To read well, that is, to read true books in a true spirit, is a noble exercise, and one that will task the reader more than any exercise which the customs of the day esteem. It requires a training such as the athletes underwent, the steady intention almost of the whole life to this object. *Books must be read as deliberately and reservedly as they were written.*<sup>2</sup>

We must feel passionately also to awaken and energize our deeper intuitions and concerns—to make full contact, read with our whole souls. Finally, passion is necessary to establish a real connection with the author of the book, who presumably shares with you this passion for its subject.<sup>3</sup>

But to actualize this connection, one must also approach the book with the right “tempo.” Esoteric reading, being very difficult, requires one to slow down and spend much more time with a book than one may be used to. One must read it very slowly, and as a whole, and over and over again. It will probably be necessary to adjust downward your whole idea of how many books you can expect to read in your lifetime.

The issue here is not just the *amount* of time devoted to going through a book but also the *kind*—as in the difference between driving and hiking as ways of going through the world. When you journey by foot you are no longer in that automotive

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2. Henry David Thoreau, *Walden*, ed. Stephen Fender (Oxford: Oxford University Press, 1997), 92 (emphasis added).

3. This kind of passion and connection cannot, of course, simply be willed. One can feel them only on the basis of certain presuppositions that are increasingly uncommon. One must be a real, old-fashioned believer in books and especially in old books (old enough to have been written esoterically). One must harbor, that is, the lively hope that some of these old classics can teach one things of the first importance for one's life that cannot so easily be found in more modern books. But if instead one is a firm believer in progress (so that later books inevitably contain all the solid wisdom of earlier ones) or, alternatively, in historicism (so that old classics are inevitably time-bound, expressing only the unquestioned assumptions of their society), then one will lack all reasonable basis for this kind of passion. With the best of intentions, one will be psychologically incapable of anything but an academic interest in these old books—which, given their difficulty, is too weak a motive and connection to enable one to unlock and truly understand them. In this way, the doctrines of progress and historicism—with their implicit but unavoidable dismissiveness toward the thought and writings of the past—become self-confirming: we expect that there is nothing truly important there, and that is what we find.

state of “on-the-way.” There is a spirit of tarrying and engagement that lets you enter fully into the life of each place as you reach it. This is how you must travel through a book. Nietzsche describes this very beautifully in the final paragraph of his preface to *Daybreak*, a passage that could well stand as the preface to every profound book.

A book like this, a problem like this, is in no hurry; we both, I just as much as my book, are friends of *lento* [slowly]. It is not for nothing that I have been a philologist, perhaps I am a philologist still, that is to say, a teacher of slow reading:—in the end I also write slowly. Nowadays it is not only my habit, it is also to my taste—a malicious taste, perhaps?—no longer to write anything which does not reduce to despair every sort of man who is ‘in a hurry.’ For philology is that venerable art which demands of its votaries one thing above all: to go aside, to take time, to become still, to become slow—it is a goldsmith’s art and connoisseurship of the word which has nothing but delicate, cautious work to do and achieves nothing if it does not achieve it *lento*. But precisely for this reason it is more necessary than ever today, by precisely this means does it entice and enchant us the most, in the midst of an age of ‘work,’ that is to say, of hurry, of indecent and perspiring haste, which wants to ‘get everything done’ at once, including every old or new book:—this art does not so easily get anything done, it teaches to read *well*, that is to say, to read slowly, deeply, looking cautiously before and aft, with reservations, with doors left open, with delicate eyes and fingers. ... My patient friends, this book desires for itself only perfect readers and philologists: *learn* to read me well!<sup>4</sup>

A teacher of esotericism is necessarily, like Nietzsche, a teacher of slow reading in this sense.

At this lower speed, new sorts of experiences and connections start to become possible. You begin to live with the book. It becomes your companion and friend. Your interactions with it become more unhurried, and so more wide-ranging, bold, and experimental, and at the same time more delicate, nuanced, and intimate.

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4. Friedrich Nietzsche, *Daybreak: Thoughts on the Prejudices of Morality*, trans. R. J. Hollingdale (Cambridge: Cambridge University Press, 1997), 5 (emphasis in the original). My attention was drawn to this passage by the website of Lance Fletcher, who also has an interesting discussion of it there, from which I have borrowed freely. See <http://www.freelance-academy.org>.

And what is especially important for the esoteric reader, at this lower speed the “particularity” of the text starts to emerge. For when you first read one of these books, say Plato’s *Republic*, you are simply overwhelmed. Three hundred pages of claims, arguments, observations, images, stories. All you can hope to grasp are the most gross features of the book. You inevitably experience most of the rest through a kind of haze—it’s just one thing after another. Only after a long time and many slow readings can you start to see all of it in its detail.

And then more than its detail: its particularity. That is, you begin to wonder—as you did with your beloved’s letter—why use this word here instead of these other words? Why broach this topic now and not a different one? Before this, you didn’t feel such questions because you were too overwhelmed and also because the text was covered in a false sense of necessity. The book is a classic, part of the canon. And the printed words sit there on the page in all their mechanical perfection—timeless, flawless, and universal—the same words that are there in countless other copies sitting on library shelves throughout the world. The book in all its details seems as necessary and immutable as a Platonic idea.

But when, through many slow readings, you gradually settle in to the book, this sense of false inevitability lifts, and you begin to feel how every topic, every argument, every word is the product of a *choice*. That, indeed, is what a writing *is*: not a fixed, necessitated thing, but a vast, delicate web of human decisions. As this thought fully dawns on you, you become truly alive to the text and full of wonder at its every decision and detail. These now cry out for interrogation and understanding. It is from this place—this connection—that you start to become a good reader.

But with books, unlike personal letters, it is very difficult to get to—and to stay in—this place. It often helps, as you read, to remind yourself of another story, this one true. One fine day in ancient Greece, Plato, a man of flesh and bone, sat down at his table before a clean sheet of papyrus. And after a few moments’ reflection, he chose to write a word, then another and still another, and these words became the *Republic*. A book is a sequence of choices.

Next, in order to make sense of these choices, one must strive to get close, to acquaint oneself as fully as possible with the text. That, to repeat, is why one must read slowly. But, in addition, one must read the book in its original language when at all possible. Many of the text’s linguistic subtleties, which can take on particular importance in esoteric interpretation, may be lost in translation. But one cannot learn every language, so where this is not possible, one should at least seek out the most literal translation available. The last thing one wants is a translation that, in its eagerness to win over the modern reader, papers over the difficulties, irregularities, and strangenesses of the text, which may turn out to be necessary parts of the author’s design.

Since no text exists in a vacuum, it is also important to familiarize yourself with the history surrounding it—both political and philosophical. The political history is of importance at all times, since writers are always addressing audiences that have been conditioned by existing political arrangements, but it will be especially important in those (typically modern) authors who are writing for the purpose of having a major political effect. Such writers are political actors, who, as such, cannot be understood without a close acquaintance with prevailing political circumstances.

Studying the *philosophical* history surrounding the text will also be important in helping one to figure out the author's vocabulary of terms, concepts, and questions. Often in a certain passage, a writer will be debating someone without openly acknowledging it, especially if the other is a contemporary. One needs to know the surrounding scene well enough to figure these things out.<sup>5</sup> But it should also be kept in mind, of course, that the thinkers who had the greatest influence on the author or those whom he is truly responding to will not necessarily be those closest in time or place. If I were studying Thomas Aquinas's *Summa Theologica*, for example, I would surely spend far more of my background time reading Aristotle, whom Thomas calls "the philosopher," and Averroes, whom he calls "the commentator," than Brother John of Vercelli.

It is not enough, however, to form this vital connection to the text: one must also be able, as it were, to protect and sustain that connection against the powerful forces that oppose it. For notwithstanding the passionate desire to learn that may connect us to some classic work, when we actually get close to the book, inevitably a secondary force emerges that pushes us away. This force of resistance is composite, made up primarily of vanity, laziness, and ethnocentrism, in varying proportions. Thus, in our reading, when we come across a claim by the author that strikes us as incorrect, we puzzle over it for a while, but soon lazily dismiss it as a bit of weak reasoning on the author's part that we are clever enough to have seen through or else as a prejudice of the author's time. "That's just what people thought back then." We dismiss the author's claim, rupturing our connection, rather than doing what it is our true desire and interest to do: to strain every fiber to see if there is not after all some superior wisdom to his claim, and to search our own souls to see if it is not rather we who are prejudiced by our times.

Similarly, when we come across a passage that is textually incongruous—that makes no clear sense or contradicts earlier statements or departs from the author's declared plan, and so forth—we are quickly inclined to discount the problem as

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5. See Quentin Skinner's *Reason and Rhetoric in the Philosophy of Hobbes*, which gives a powerful demonstration of how the careful historical study of the rhetorical practices of Hobbes's age aid us in understanding his art of esoteric writing.

due to negligence on the author's part, or an unannounced change of mind, or the effect of competing influences, later editors, and so forth. We give in to our lazy dismissiveness instead of vigorously exploring all the other possibilities, including especially that the textual irregularity is part of the author's well-controlled effort to communicate esoterically.

These are the resistances that slowly wear us down. It is imperative, then, to find some systematic way to *sustain* our connection in all its original earnestness and energy.

The best way of doing so—although this suggestion will be met with great resistance—is to provisionally adopt, as a working hypothesis or heuristic device, the assumption that the author is essentially omniscient: correct in all the major aspects of his thinking and also in perfect control of all the major aspects of his writing. Since humans are never omniscient, this assumption obviously involves a considerable exaggeration (a point to be discussed at greater length below). Nevertheless, embracing it—*provisionally*, as I say—is a useful heuristic device and indeed a rational expedient because necessary to counteract the even more harmful and distorting tendency within most of us to believe the opposite. It is a question of self-management. We *need* an exaggerated faith in authorial omniscience to save us from the debilitating influence of our laziness, vanity, and prejudice, and to empower us to maintain the energetic level of open-mindedness that we truly intend.

A similar piece of advice is given by Montesquieu, who, in his *Pensées*, presents his own brief account of how one ought to read a book.

When one reads a book, it is *necessary* to be *in a disposition to believe* that the author has seen the contradictions that one imagines, at the first glance, one is meeting. Thus it is necessary to begin by *distrusting one's own prompt judgments*, to look again at the passages one claims are contradictory, to compare them one with another, then to compare them again with those passages that precede and those that follow to see if they follow the same hypothesis, to see if the contradiction is in the things or only in one's own manner of conceiving. When one has done all that, one can pronounce as a master, "there is a contradiction."

This is, however, not always enough. When a work is systematic, one must also be sure that one understands the whole system. You see a great machine made in order to produce an effect. You see wheels that turn in opposite directions; you would think, at first glance, that the machine was going to destroy itself, that all the turning was going

to arrest itself. ... It keeps going: these pieces, which seem at first to destroy one another unite together for the proposed object.<sup>6</sup>

But, to repeat, this whole posture, which is very much out of step with our times, will raise hackles and suspicions. People will rush to object that the assumption of authorial omniscience can easily be taken too far, leading to abuses. That is obvious enough. There have been whole periods in history, like the Middle Ages, when the reigning religious and philosophical dogmas pushed people toward an excessive deference for thinkers of the past, and this had the effect of greatly stifling thought. In such times, a very different, exaggeratedly *skeptical* heuristic device would be needed to stimulate thought.

But we do not live in the Middle Ages. We live in the digital age of breezy irreverence and short attention spans where excessive authorial deference is, to say the least, not our major problem. What is more, the reigning philosophical doctrines of our day, with their celebration of “the death of the author” (in Roland Barthes’s famous phrase), all push powerfully in the other direction—almost as if they were expressly designed to flatter the forces of resistance and dismissal. So the assumption of authorial omniscience, although always dangerous, is nevertheless necessary today and precisely because it runs strongly counter to the tendency of our times.

There is also another big advantage to this provisional assumption: it is self-correcting, whereas its opposite is self-confirming. By giving the author every benefit of the doubt, every opportunity to prove himself right, one still leaves open the very real possibility that he will fail and so prove himself wrong. The provisional assumption of infallibility will eventually correct itself if it does not pay off. But the opposite assumption that prevails today—call it “authorial hyperfallibility”—tends to confirm itself. By flattering our inclination to dismiss the author after relatively little effort when he disagrees with us, this assumption works to close off the possibility of discovering that the author was right after all. If you assume there is not much to find, you will likely not find much. Thus, although both assumptions involve an exaggeration, the former is manifestly preferable as a heuristic device—as an aid to genuine connection and discovery.

But in order to maintain and properly develop one’s connection to the book, one further working hypothesis is required—this one in tension, not with our times, but with the central thesis of this work. One must proceed—at least at the beginning and for a good long time—on the assumption that the book is *not* written

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6. Montesquieu, *Œuvres complètes*, ed. Caillois, 1:1228, quoted and translated by Pangle, *Montesquien’s Philosophy*, 13 (emphasis mine).



esoterically. In *Persecution and the Art of Writing*, Strauss presents a number of rules for the responsible conduct of esoteric reading. The first two are these:

Reading between the lines is strictly prohibited in all cases where it would be less exact than not doing so. Only such reading between the lines as starts from an exact consideration of the explicit statements of the author is legitimate.<sup>7</sup>

In other words, one must always *begin by reading literally*, taking the surface text, the “explicit statements,” at face value. And if one is able to understand and explain the text adequately in this manner, then one has no warrant to go searching beneath the surface. But if the text contains significant problems that, despite one’s very best efforts, resist resolution on the literal level, then and only then does it become legitimate to investigate whether they can be successfully resolved through a nonliteral, esoteric interpretation (especially if the author hints at this possibility, for example by speaking of the esoteric practices of some other writer). But even then, of course, not any esoteric interpretation is warranted, but only one that, as it were, grows out of the surface text and out of an exact understanding of its particular problems and puzzles.

These rules suggested by Strauss are reasonable and necessary, but in practice they give rise to the following grave difficulty. One’s awareness of the possibility or even likelihood that the text is esoteric—an awareness promoted by his writings and mine—can easily undermine one’s ability to take the surface seriously and to exert these needed efforts. One sees this problem especially in graduate students (but not only there). Once they learn about esotericism, they feel they have achieved a privileged perspective. They don’t want to undertake the long and challenging work of studying the surface argument. The surface is for dupes. They want to cut to the chase. What’s the secret? Whenever they encounter a seeming contradiction or puzzle in the text, they quickly decide that the author does not really mean it, he’s being esoteric here, when some further hard thinking or historical research might reveal that there is a perfectly good explanation on the literal level. In other words, the awareness of esotericism itself becomes yet another factor contributing to the aforementioned forces of resistance and dismissal: it hinders people from thinking with the requisite energy and seriousness about the surface argument of the text.

This is a real problem and there is no simple solution to it. Certainly, it helps to be aware of it. One further thing to try is another working hypothesis or heuristic posture: one must emphasize to oneself the uncertainty as to whether the author

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7. Strauss, *Persecution*, 30.

is really esoteric, or at least very esoteric, or, at a minimum, whether this particular puzzle in the text is due to esotericism. And one must continually stress one's scholarly duty to always give the literal level its full due. One might even make some sort of rule for oneself: no esoteric interpreting allowed until after the completion of three careful, literal readings, including a full engagement with the secondary literature.

One's attitude to the secondary literature is a large part of the problem being addressed here. When students hear of esotericism, their first impulse is to turn their backs on the nonesoteric scholarly literature. They need to be shown that precisely the opposite attitude is what they especially need. For given the absolute necessity of beginning from a thoughtful nonesoteric and literal reading of the text, and given the peculiar disadvantage that they themselves labor under in this area as believers in esotericism, they are the ones in greatest need of the secondary literature that has devoted itself to this task.

In short, an important part of learning to read esoterically is becoming aware of and cautious about the dangerous temptations to which this interpretive approach itself inevitably gives rise.

## Some common esoteric techniques

If one truly connects with a book, I have been arguing, one will spontaneously begin to read it with delicacy, tact, and, where appropriate, esoteric sensitivity. This is possible because many esoteric techniques—like poetic ones and comic ones—are intuitively obvious and do not need to be studied. One of the ways this intuition works is that when you suspect an author of hiding something, you start to think about how you would go about hiding that thing if you were in his place. Like every good detective, you start to think like a criminal. Continuing in this vein, I will try to describe, explain, and historically confirm some of the more common techniques of esoteric writing.

It is necessary to emphasize once again, however, that every esoteric writer is different. Thus, a more precise account would treat each individual thinker separately. Since lack of space, to say nothing of other shortcomings, prevents me from doing so, all I can hope to provide here is a basic “starter kit,” which the reader will have to supplement in turning to any particular writer.

Let us begin where we left off: esoteric interpretation must start from a literal reading, taking the surface text at face value. It acquires the right as well as the means for venturing beyond the surface only if it encounters problems there—contradictions, ambiguities, surprises, puzzles—that *compel* it to go beyond. The *surface itself* must point you beyond it.

If most people do not see these pointers on the surface, that is, paradoxically, because they do not read literally enough. Consider very simply what we do when we read. We do not plod along like second-graders, reading one word after another. We skim along the words and sentences, taking a representative sample, and then we essentially *form a guess* of—conjecturally reconstruct—the meaning from that partial information. Certain speed-reading techniques even teach you to read a line left to right and then, to save time on the return, the next line right to left—or several lines at once. Surprisingly, we are able to do this—precisely because in reading we are not passive but active. Since we are conjecturally putting the meaning together for ourselves, it is not necessarily a problem that we encounter the parts in the wrong order.

This fairly commonplace observation about the constructive character of reading has an important further consequence. Part of the difficulty of this inferential process is that, not only are some of the words missing, but others, which are present, do not easily fit into the meaning that we have conjecturally constructed for ourselves. So an inseparable part of this process is the ability to ignore or wave off the pieces that do not fit our meaning-hypothesis (unless the lack of fit becomes too glaring and we have to go back and start over). In other words, normal, “literal” reading is not only a *constructive* process, but also—what necessarily goes along with this—a *suppressive* one, shutting our eyes to things that do not seem to fit.

And this filtering process is a large part of what makes esoteric writing possible. It turns out that you can plant all kinds of “pointers”—problems and contradictions—right there on the surface of the text and they won’t be noticed. You can hide things in plain sight. Either the reader, busy constructing the meaning for himself, eager to make sense of it all, will not notice them at all, or if he does, he will just dismiss them as part of the standard level of meaningless noise to be encountered in every text. The point is: *shrugging off textual problems* is an essential aspect of the normal, constructive process of reading. Without being aware of it, we are always cleaning up the text, eagerly making it more coherent than it is. That is why this kind of reading does not typically become aware of the irregularities and puzzles through which, in an esoteric work, the surface points beyond itself.

Thus, in saying that the first step in esoteric interpretation is a literal reading, what I mean is a *genuinely* literal reading. This is not normal reading but something that becomes possible only through a conscious break with normal reading. One has to stop one’s mind from grabbing a few words and running off to construct a meaning. One has to stay glued to the text, slowly reading every word, but above all one has to stop filtering out the things that don’t fit. One has to see the text in its messiness. It is only through a literal reading in this precise sense that one can encounter the textual problems that legitimate and guide an esoteric interpretation.

Once one has become aware, through this process, of the problems in the text, the next step is to interpret or make esoteric sense of them. But how does one do that? John Toland, in his treatise on esotericism, suggests that one should look for a key in the text itself: "It is to be, for the most part, borrowed by the skillful from the writers themselves."<sup>8</sup> Since the author certainly desires that the intelligent reader be able to penetrate his veils, it makes sense that he might endeavor to provide him some subtle guidance. Thus, it is very important to be on the lookout for such clues, especially whenever the author speaks about writing in general or his own writings in particular. Rousseau, for example, places a "Notice on the Notes" at the beginning of his *Second Discourse*, where he declares:

These notes sometimes stray so far from the subject that they are not good to read with the text. ... Those who have the courage to begin again will be able to amuse themselves the second time in beating the bushes, and try to go through the notes. There will be little harm if others do not read them at all.

It is reasonable to take this as a clue that his deeper thoughts, intended for "those who know how to understand," are to be found especially in the notes; and if there are any contradictions between the notes and the main text (which there are), these should be resolved in favor of the former.

Similarly, Francis Bacon has included in his *Advancement of Learning*—albeit in widely scattered places—an extensive discussion of writing that is very useful for the interpretation of his own works.<sup>9</sup> Other thinkers give hints about how they should be read by showing us how they read other writers. Thus, Strauss, in his interpretations of Maimonides, Spinoza, and Machiavelli, draws primary guidance from how the first two read the Bible and the latter, Livy.<sup>10</sup>

Beyond this, there is also a certain logic inherent in the situation of trying to communicate esoterically, a logic that makes it possible to deduce certain elemental strategies. If the thought to be conveyed has the structure "I claim X about Y," then there are essentially three possible ways to dissemble in communicating it. One can dissemble regarding the "I," the person who is making the claim, or regarding "Y," the object of the claim, or regarding "X," the content of the claim itself. One could of course also combine several of these strategies.

In the first case, one openly states the objectionable idea but manages to put it in somebody else's mouth. In the broadest sense, you do that by publishing the

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8. Toland, *Clidophorus*, 76.

9. For both of these examples, see the excellent discussion by Cantor, "Leo Strauss."

10. See "The Literary Character of the *Guide for the Perplexed*," in Strauss, *Persecution*, 55–78; "How to Study Spinoza's *Theologico-Political Treatise*," in *ibid.*, 142–201; and Strauss, *Thoughts*, 29–53.

whole book anonymously or pseudonymously—and no one denies that this was done all the time, especially in the early modern period. So it stands to reason that a writer might also pursue the same strategy in a more targeted fashion by arranging to have a certain specific view expressed by some character, real or fictional, from whom the writer can conspicuously distance himself. One possibility is to put it in the mouth of a child, a madman, a drunkard, or a fool, speakers who enjoy a certain immunity because they are presumed not to know what they are saying. For example, Diderot explains in a letter to Sophie Volland regarding his work *D'Alembert's Dream*:

It is of the greatest extravagance and at the same time, the most profound philosophy; there is some cleverness in having put my ideas in the mouth of a man who is dreaming: it is often necessary to give to wisdom the appearance of folly to obtain admission for it.<sup>11</sup>

Appropriately, in *In Praise of Folly*, Erasmus has Folly herself explain this idea:

From [fools] not only true things, but even sharp reproaches, will be listened to; so that a statement which, if it came from a wise man's mouth, might be a capital offense, coming from a fool gives rise to incredible delight. Veracity, you know, has a certain authentic power of giving pleasure, if nothing offensive goes with it: but this the gods have granted only to fools.<sup>12</sup>

Alternatively, one might put the offending claim in the mouth of a villain, again real or fictional. The English Deists, for example, would often quote some irreligious passage from the villainous works of Hobbes or Holbach, suitably surrounded with words of high disdain and refutation. But they would also make sure that the refutation came off as bland and weak in comparison with the power of the quoted passage. In this way, they sought, in the already quoted remark of Bishop Berkeley, to “undermin[e] religion under the pretence of vindicating and explaining it.”<sup>13</sup> A like strategy was commonly practiced—and similarly attacked—in Renaissance Italy by such thinkers as Tommaso Campanella, Giulio

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11. Quoted and translated by Lester G. Crocker in *Diderot: The Embattled Philosopher* (New York: Free Press, 1954), 311.

12. Erasmus, *Praise of Folly*, trans. Hudson, 50.

13. For an excellent account, see David Berman, “Deism, Immortality and the Art of Theological Lying,” in *Deism, Masonry, and the Enlightenment: Essays Honoring Alfred Owen Aldridge*, ed. J. A. Leo Lemay (Newark, NJ: Associated University Presses, 1987), 61–78; and *A History of Atheism in Britain: From Hobbes to Russell* (New York: Croom Helm, 1988).

Cesare Vanini, and Cesare Cremonini.<sup>14</sup> In both czarist and Soviet Russia this technique was also very common. According to Lev Loseff, a Soviet dissident writer who wrote a book about the use of Aesopian language in Russia,

In political journalism quotations have been Aesopically manipulated since the nineteenth century by one favored and still widely used method: the stated opinions of the regime's ideological opponents, when quoted, are framed by what from the standpoint of the Russian censorship are ideologically correct counter-claims; these latter arguments, however, take such a deliberately banal form that they are given no credence by the reader and are merely screens.<sup>15</sup>

As Strauss points out, the broad popularity of this general strategy helps to explain an otherwise puzzling fact about the great literature of the past, that it contains “so many interesting devils, madmen, beggars, sophists, drunkards, epicureans, and buffoons.”<sup>16</sup>

The second strategy consists in expressing a criticism openly and in one's own name, but dissembling the true target of it. In the *Discourses*, Machiavelli explicitly discusses this strategy in speaking, not indeed of himself, but of Roman writers under the empire. They were forbidden to criticize Caesar, who was the source of all the subsequent emperors' authority. Silenced in this way, they expressed their views covertly by criticizing Catiline, who had tried and failed to do just what Caesar had done, and also by praising Brutus: “unable to blame Caesar because of his power, they celebrate his enemy.”<sup>17</sup>

But in describing this strategy of speaking about Z when you mean Y, Machiavelli is at the same time employing it, for this open description of the Roman writers is also meant, covertly, to be about himself—to teach us how to read him. This becomes clear, as Strauss points out, in the very next chapter, where Machiavelli celebrates the great virtues of pagan Roman religion—an indirect way of criticizing its enemy Christianity.<sup>18</sup>

Another example, which many scholars have pointed out, is Montaigne's very explicit critique of Mohammed's and especially Plato's doctrine's of the afterlife: his true target was something else. As one critic put it: “Montaigne stabs

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14. See Zagorin, *Ways of Lying*, 305–316; and Don Cameron Allen, *Doubt's Boundless Sea: Skepticism and Faith in the Renaissance* (Baltimore: Johns Hopkins University Press, 1964).

15. Loseff, *On the Beneficence*, 109.

16. Strauss, *Persecution*, 36.

17. Machiavelli, *Discourses*, trans. Mansfield and Tarcov, 32 (1.10).

18. Strauss, *Thoughts*, 33.

the Christian teaching...through the body of Plato.”<sup>19</sup> It was indeed a very common practice, especially among early modern thinkers, to go on at length about the ancients, the Chinese, the Amerindians, the Hindus—either in extravagant praise or blame—as an indirect means of criticizing their own government and religion.

The same strategy is just as apparent in more contemporary authors. According to J. M. Ritchie, writers in Nazi Germany could count on “the sensitivity of the reader to pick up a literary allusion, a biblical reference or a historical parallel with relevance to National Socialism.”<sup>20</sup> Similarly, an article in the *New York Times* about the covert practices of Tin Maung Than, a dissident writer and newspaper editor in Myanmar (Burma), reports:

“You cannot criticize,” Mr. Tin Maung Than said. “You have to give hints that you are being critical, that you are talking about the current system.” ... He wrote about repression in the education system under British colonial rule. Readers were nudged to draw their own conclusions about the education system of today. He wrote about flag burning in the United States, ostensibly to criticize it but, between the lines, to give a glimpse of freedom. “If we want to talk about fear, we cannot talk about fear in the political context,” he said. “So we talk about children’s fear and its impact on society. The key is that you have to give little hints that you are not really talking about children.”<sup>21</sup>

Again, the article “Aesopian Language” in *The Modern Encyclopedia of Russian and Soviet Literature* reports:

Writers tended to employ a number of stock situations, comparisons and contrasts as well as techniques. These included narration about life in foreign countries with implicit application to the writer’s own society, such as Saltykov-Shchedrin’s 1863 article “Parasite Dramatists in France”...[and] narration about current events in the guise of an account about the past.<sup>22</sup>

Lev Loseff agrees and emphasizes the particular popularity of this technique:

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19. Montaigne, *The Essays of Michel de Montaigne*, ed. and trans. Jacob Zeitlin (New York: A. A. Knopf, 1934), 2:500–501, quoted by David Schaefer, *The Political Philosophy of Montaigne* (Ithaca, NY: Cornell University Press, 1990), 94.

20. Ritchie, *German Literature*, 119.

21. Seth Mydans, “Burmese Editor’s Code: Winks and Little Hints,” *New York Times*, June 24, 2001.

22. Parrott, “Aesopian Language,” 43.



In literary writing, and in Russian literature particularly since the latter half of the eighteenth century, one of the most widely proliferated types of Aesopian plot has been the exotic variety, its infallibility ironically sworn to by Nekrasov:

When the action is shifted to Pisa  
Endless volumes of fiction are spared.<sup>23</sup>

The two strategies we have discussed so far are relatively concrete and uncomplicated, since the main issue—the *content* of the claim or thought involved—is stated openly, and all that is dissembled is the very narrow question of the source or the target of that claim. And it is not as if there is a wide range of possible answers in play. In each case, the esoteric reader is really faced with a simple, yes-or-no question: contrary to appearances, is the claim being advanced secretly embraced by the author himself and is it really meant to target the author's own time and place? To be sure, the answers may still be difficult to arrive at, but at least the questions themselves are very obvious and determinate, and thus the reader can know exactly what he or she is looking for.

The situation becomes much more complex and open-ended when we turn to the third strategy, which involves dissembling the very content of the thought or claim. Here, at least in principle, the hidden thought of the author could be anything at all. The esoteric reader is much more at sea. There are some thinkers, to be sure, regarding whom the possible alternatives are, in practice, very narrow. Most Hobbes scholars would agree, for example, that if there is any issue of esotericism here at all, it is confined to the very specific question: atheist or unorthodox believer? (But even here, it is not so clear that the issue of religious belief can be completely separated from other elements of Hobbes's thought such as the status of natural law, the meaning of obligation, and the source of the binding power of consent and social contract.) At any rate, with many other thinkers, with Plato, for example, the possibilities in play are far broader. To judge simply by the history of the interpretation of Plato and the "Academic school" beginning in antiquity, his esoteric teaching could be anything from mysticism to Epicureanism, extreme dogmatism to extreme skepticism—and everything in between.

Further contributing to the complexity and open-endedness of the third strategy is the fact that there is a very wide range of possible methods and techniques that can be used when one seeks to cover over, but subtly indicate, the content of one's thought. In what follows, I will describe some of the most important of these, without aspiring to anything approaching exhaustiveness.

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23. Loseff, *On the Beneficence*, 65.

The most obvious way to express a thought while not making it too clear is simply to state it unclearly. In one degree or another, every esoteric writer employs this basic expedient. We have already seen Thomas Aquinas openly recommend it:

Certain things can be explained to the wise in private which we should keep silent about in public. ... Therefore, these matters should be concealed with obscure language, so that they will benefit the wise who understand them and be hidden from the uneducated who are unable to grasp them.<sup>24</sup>

There are, however, a number of different ways of speaking unclearly, most of which are listed by Diderot in a previously quoted letter where he explains how he avoided the censors: “Me, I saved myself by the most agile irony that I could find, by generalities, by terseness, and by obscurity.”<sup>25</sup> One can avoid clarity, he suggests, by speaking in very general and unspecific terms (generality), or by compressing one’s thinking into very few words (terseness), or by expressing oneself in terms that seem to mean either nothing at all (obscurity), or the opposite of what one means (irony), or—I would add—more than one thing (ambiguity).

Since these forms of unclarity are all fairly obvious, let me just briefly illustrate two. An example of obscurity is provided by Vaclav Havel, who describes, in a passage previously quoted, how he wrote his *Letters to Olga* while under the eyes of his prison guards in communist Czechoslovakia:

Very early on, I realized that comprehensible letters wouldn’t get through, which is why the letters are full of long compound sentences and complicated ways of saying things. Instead of writing “regime,” for instance, I would obviously have had to write “the socially apparent focus on the non-I,” or some such nonsense.<sup>26</sup>

Terseness or brevity is another form of unclarity with a particularly long history. We have seen, for example, Rousseau’s statement about how he wrote the *First Discourse*:

I have often taken great pains to try to put into a sentence, a line, a word tossed off as if by chance the result of a long sequence of reflections. Often, most of my readers must have found my discourses

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24. Aquinas, *Faith, Reason*, 53–54 (art. 4).

25. Diderot to François Hemsterhuis, summer 1773, in Diderot, *Correspondance*, 13:25–27. Translation mine.

26. Havel, *Letters to Olga*, 8, quoted by Patterson, *Censorship and Interpretation*, 11.

badly connected and almost entirely rambling, for lack of perceiving the trunk of which I showed them only the branches. But that was enough for those who know how to understand, and I have never wanted to speak to the others.<sup>27</sup>

In his thinking, he engages in a long sequence of reflections (the “trunk”) but then shows the reader only his conclusions (the “branches”) which therefore appear disconnected and rambling. He shows us some dots and challenges us to connect them. A similar form of terseness is used by Montesquieu according to the account of Hippolyte Taine (quoted earlier):

We must possess some intelligence to be able to read him, for he deliberately curtails developments and omits transitions; we are required to supply these and to comprehend his hidden meanings. ... He thinks in summaries.<sup>28</sup>

Similarly, Maimonides declares in his introduction that one way in which he has hidden his teaching in the *Guide of the Perplexed* is by extreme brevity, conveying only “the chapter headings.” And in using this technique (and this phrase) he is only following the explicit injunction of the Talmud:

The Account of the Chariot [i.e., of Divine Science] ought not to be taught even to one man, except if he be wise and able to understand by himself, in which case only the chapter headings may be transmitted to him.<sup>29</sup>

A means of avoiding clarity that is very different from those just considered—generality, terseness, obscurity, irony, and ambiguity—and one that can also be elaborately suggestive, is the use of stories, allegories, myths, fables, parables, and so forth. The very fact that, in Russia, the practice of esotericism was known as “Aesopian language” testifies to the popularity of this technique. Francis Bacon, in his list of the various forms and uses of poetry in the *Advancement of Learning*, states that a poetic style can be used to help demonstrate and illustrate a body of thought, but it can also be used for the opposite purpose: “to retire and obscure it: that is, when the secrets and mysteries of religion, policy, or philosophy

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27. Rousseau, “Preface,” 2:184–185.

28. Taine, *Ancient Regime*, trans. Durand, 260 (4.1.4), quoted and translated by Pangle, *Montesquieu's Philosophy*, 17–18.

29. Maimonides, *Guide* 6, quoting from Babylonian Talmud, Hagigah 11b, 13a.

are involved in fables or parables.”<sup>30</sup> Similarly, Hobbes speaks of the ancients who “rather chose to have the science of justice wrapped up in fables, than openly exposed to disputations.”<sup>31</sup> This technique is obviously a great favorite with Plato. In all his analogizing, dramatizing, storytelling, and mythmaking, he isn’t just being poetic, but esoteric. As we have heard Alfarabi report in his commentary on the *Laws*:

The wise Plato did not feel free to reveal and uncover the sciences for all men. Therefore, he followed the practice of using symbols, riddles, obscurity, and difficulty.<sup>32</sup>

Toland makes the same point in saying that Plato wrote “rather poetically than philosophically” as a means of concealment.<sup>33</sup> For readers to whom this still seems unlikely, consider that Plato himself makes exactly the same point about an even more unlikely subject: he claims that Homer, Hesiod, and some other early poets were covertly presenting Heraclitean ideas about nature when they gave their genealogies of the gods and other mythical accounts. As Socrates states in the *Theaetetus*:

Have we not here a tradition from the ancients who hid their meaning from the common herd in poetical figures, that Ocean and [his wife, the river goddess] Tethys, the source of all things, are flowing streams and nothing is at rest? (180c–d)<sup>34</sup>

Similarly, Montaigne, a writer notable for his frequent use of stories and quotations, acknowledges at one point that he often uses these forms to suggest things that he is not willing to state openly:

And how many stories have I spread around which say nothing of themselves, but from which anyone who troubles to pluck them with a little ingenuity will produce numberless essays. Neither these stories nor my quotations serve always simply for example, authority, or ornament. I do not esteem them solely for the use I derive from them. They often bear, outside my subject, the seeds of a richer and bolder

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30. Bacon, *Advancement of Learning*, ed. Kitchin, 81 (2.4.4).

31. Preface to *De Cive*, in *Thomas Hobbes: Man and Citizen*, ed. Bernard Gert (Indianapolis: Hackett, 1991), 103.

32. Alfarabi, *Plato’s Laws*, 84–85.

33. Toland, *Clidophorus*, 75.

34. See also 152e; and *Cratylus* 402a–c. For a similar view, see Sextus Empiricus, *Against the Physicists* 1.4–9; and Aristotle, *Metaphysics* 1.984b15–30.

material, and sound obliquely a subtler note, both for myself, who do not wish to express anything more, and for those who get my drift.<sup>35</sup>

As we have seen, even Jesus makes it explicit that he employs his famous parables for the express purpose of obscuring his meaning:

Then the disciples came and said to him, "Why do you speak to [the people] in parables?" And he answered them, "To you it has been given to know the secrets of the kingdom of heaven, but to them it has not been given." (Matt. 13:10–12)

Another method, distantly related to what Plato attributes to Homer and Hesiod, is to state one's views, but to conceal their novelty and heterodoxy by clothing them as much as possible in the terminology and categories of the reigning philosophical and religious orthodoxy. This tactic is clearly described—indeed resolutely insisted upon—by Descartes in a letter to one of his more imprudent disciples:

Do not propose new opinions as new, but retain all the old terminology for supporting new reasons; that way no one can find fault with you, and those who grasp your reasons will by themselves conclude to what they ought to understand. Why is it necessary for you to reject so openly the [Aristotelian doctrine of] substantial forms? Do you not recall that in the *Treatise on Meteors* I expressly denied that I rejected or denied them, but declared only that they were not necessary for the explication of my reasons?<sup>36</sup>

In the *Advancement of Learning*, Bacon, another enemy of Aristotelity and scholasticism, indicates that he follows this same practice, without of course openly revealing why. "Wheresoever my conception and notion may differ from the ancient, yet I am studious to keep the ancient terms."<sup>37</sup> D'Alembert sees very clearly that Bacon practices this esoteric technique and even criticizes him, as we have seen, for taking it too far, timidly hiding his novelty too much. Bacon "seems to have shown a little too much caution or deference to the dominant taste of his century in his frequent use of the terms of the scholastics."<sup>38</sup>

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35. Montaigne, *Complete Essays*, 185 (1.40).

36. *Œuvres de Descartes*, 3:491–492, quoted and translated by Hiram Caton, "The Problem of Descartes' Sincerity," *Philosophical Forum* 2, no. 1 (Fall 1970): 363.

37. Bacon, *Advancement of Learning*, ed. Kitchin, 88 (2.7.2); see 89.

38. D'Alembert, *Preliminary Discourse*, 76.

Because many esoteric writers employ this practice in one degree or another, it is an important rule of esoteric reading to carefully follow the usage and potentially changing meaning of key terms and concepts in the text. It is essential, for example, to closely monitor Machiavelli's every use of the word "virtue," in order to see how he gradually brings this crucial, traditional term around to a radically new meaning.

There is another very common esoteric strategy that enables a writer, should he so desire, to state a novel or dangerous thought even quite clearly—just so long as he takes it all back by contradiction. More specifically, he must make the dangerous statement in a muted and unobtrusive way and surround it with more explicit and more emphatic and far more numerous statements to the contrary. He will soon discover that most readers will find a hundred reasons to discount and ignore the first statement. For in reading a book, as in reading the world, we all start with a profound and powerful tendency to believe that what we see repeated everywhere must be true. The beginning of wisdom in both realms is to recognize this as a fundamental illusion. The most important truths tend, on the contrary, to be rare and secret, covered over by what is repeated everywhere. Thus, in esoteric reading, we must resolutely reverse valuations and give more weight and credence to the quiet, isolated statement than to the ones noisily repeated everywhere else in the book.

The esoteric reader, then, must be especially on the lookout for those unique places where the mask of conformity momentarily slips and the heterodox truth is allowed to be glimpsed. At those moments, to be sure, the internal voice of conventionality, imperfectly conquered, may reassert itself. One thinks: "Can it *really be* that the author spent all that time and all that effort asserting and even thoughtfully elaborating and arguing for the orthodox view when he didn't really believe in it?" To which one must firmly reply: it is much easier to see why a heterodox thinker would frequently say the orthodox thing than why an orthodox thinker would ever say the heterodox thing. For this reason, John Toland asserts as a fairly reliable rule of esoteric reading:

When a man maintains what's commonly believ'd, or professes what's publicly injoin'd, it is not always a sure rule that he speaks what he thinks: but when he seriously maintains the contrary of what's by law establish'd, and openly declares for what most others oppose, then there's a strong presumption that he utters his mind.<sup>39</sup>

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39. Toland, *Clidophorus*, 96.

A strikingly similar claim is made by Malebranche—and later quoted approvingly by Bayle:

It is a rule of good sense that when someone speaks in the language of the people and following common prejudices, we should not take literally everything said even if it is repeated often in the same terms; but if someone says only one single time something contrary to prejudice we must take it with great strictness. Should a philosopher say only one or two times in his life that animals do not consciously perceive, I believe him a Cartesian on that ground and I have reason to believe it: but even if he says one hundred times a day that his dog knows him and loves him, I do not know what to think of his sentiments, because when one speaks as the others do and following common ideas one does not always say what one thinks.<sup>40</sup>

Sometimes, of course, an author will contradict the conventional or orthodox view not openly and frontally but only indirectly through the denial of one of its essential premises or consequences. Thus, we find this somewhat modified formulation of the rule in Strauss:

If an able writer who has a clear mind and a perfect knowledge of the orthodox view and all its ramifications, contradicts surreptitiously and as it were in passing one of its necessary presuppositions or consequences which he explicitly recognizes and maintains everywhere else, we can reasonably suspect that he was opposed to the orthodox system as such and—we must study his whole book all over again, with much greater care and much less naiveté than ever before.<sup>41</sup>

At this point, however, a very common counterargument—call it the “fallibility objection”—will be raised. At the risk of a brief digression, it will be useful to confront it at some length. The rule for reading just recommended proceeds on the assumption that the contradictions (and other blunders) one comes across in the text are intentional, part of the author’s exquisitely controlled esoteric design. But how can one ever be sure of this? People make mistakes and contradict themselves in their writings all the time. Thus, isn’t this particular kind

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40. Nicolas de Malebranche, *Réponse à une dissertation de Mr Arnaud contre un éclaircissement du traité de la nature et de la grace* (Rotterdam: Reinier Leers, 1685). Quoted by Pierre Bayle in Bayle, Daniel de Larocque, Jean Barrin, and Jacques Bernard, *Nouvelles de la république des lettres* (Amsterdam: H. Desbordes, May 1685), 794–795 (art. 8).

41. Strauss, *Persecution*, 32; see 169–170, 177–181, 186.



of esoteric interpretation that works by seizing upon the author's supposedly intentional blunders based on some kind of old-fashioned idealization of human nature? Doesn't it ignore what our more realistic or honest age is able to see more clearly: the simple phenomenon of *human fallibility*—the random lapses, the meaningless errors, the inevitable irregularity to be found in every writing? There is just too much "human static" on the line to permit of the kind of esoteric interpretation that draws large consequences from tiny irregularities.<sup>42</sup>

This important objection (which continues the discussion of "authorial omniscience" begun in the previous section) is one manifestation of the hermeneutical pessimism that is a leading characteristic of our time. But does this marked tendency of our age represent a unique insight or a local prejudice? That is what is unclear.

In reply to this specific objection, one must start from a distinction that has been neglected. It is certainly true—and has always been known—that *most* books are filled with all kinds of unintentional errors and shortcomings. But the particular procedures for esoteric reading being proposed here are not intended to apply to most books: they do not aim to supply any kind of "universal hermeneutical theory." They are expressly designed for a tiny subset of books, primarily the great masterpieces and works of rare genius. And while rare geniuses too are fallible—if "even Homer nods," as Horace says—still they are sometimes capable of feats of concentration, control, and perfection that are in a class entirely by themselves. We would all like to insist on our ordinary sense of plausibility, but in truth there is nothing at all plausible about the *Divine Comedy*, or the B Minor Mass or the *Pietà*. If we did not know such things existed, we might well be tempted to say they are not possible. To pick a simpler example, most people cannot even imagine being able to play an entire game of chess blindfold, but there are people who can play twenty such games simultaneously. The current world record is forty-six.<sup>43</sup> There is a great danger in claiming to know what human beings are and are not capable of.

What is clear is that we today feel very powerfully that past ages naively entertained too exalted a view of the great thinkers and writers; but we must concede, if we are honest, that it is possible that, on the contrary, it is we who somehow take too jaundiced a view. To judge of the latter possibility, it would help if we could step outside of our own perspective and see ourselves from the standpoint of an earlier observer.

Enter Tocqueville, who is ready with some apt observations on just this issue. We have already heard him describe the familiar leveling tendency of democratic

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42. For a good example of this argument, see John Dunn, "Justice and the Interpretation of Locke's Political Theory," *Philosophy* 16, no. 1 (1968): 68–87.

43. Eliot Hearst and John Knott, *Blindfold Chess* (Jefferson, NC: McFarland, 2009).

cultures: “the general idea of the intellectual superiority that any man whatsoever can acquire over all the others is not slow to be obscured.”<sup>44</sup> Beyond this, he emphasizes that in our informal, mobile, and dynamic commercial society, we have grown dangerously accustomed to writing that is hasty, prolix, artless, and inexact—in a word, peculiarly “fallible.” He dedicates an entire chapter of *Democracy in America* to the claim that, for an antidote, we desperately need to immerse ourselves in the literature of classical antiquity, lest we altogether forget what exquisite care and refinement, what jewels of delicacy and precision, great writers are really capable of.<sup>45</sup> In short, he predicts something like our coming hermeneutical pessimism and “fallibilism” and regards it as a culture-bound distortion.

To Tocqueville's observations one could add the closely related fact that earlier ages seem to have taken the whole question of rhetoric and composition far more seriously than we do. The greatest ancient philosophers—Plato, Aristotle, Cicero—all dedicated major works to rhetoric, as did certain medieval and early modern philosophers like Augustine, Thomas Aquinas, Erasmus, and Hobbes. More generally, from antiquity through the late nineteenth century, rhetoric—being one-third of the “trivium”—constituted an essential part of the established curriculum of higher, liberal education. Today, it is so utterly neglected that most people are completely unaware that it was ever considered so important. Something like rhetoric and composition, on a very rudimentary level, are taught in our primary schools, but rarely in college, except on a remedial basis, and not at all in graduate school.<sup>46</sup> Somehow, nobody today finds it the least bit strange that graduate students, future academics, who will be spending the rest of their lives reading, writing, and lecturing, study not one word of rhetoric. Our actions and institutions speak loudly, betraying a deep and unquestioned assumption that there is nothing too terribly serious to be learned here.

This remarkable neglect seems to represent the ultimate expression of the cultural transformation that Tocqueville feared: conditioned by modern society, we have essentially come to forget that prose composition is or ever was a high art that could be studied and practiced and—with great and sustained effort—polished to a high degree of perfection. Thus, we approach writing with a combination of artistic inexperience and literary easygoingness, which makes it more or less inevitable that when we read masterful writers of the past, we often fail to appreciate their well-honed art of composition or even to recognize that such an art exists and that they

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44. Tocqueville, *Democracy in America*, trans. Mansfield and Winthrop, 613 (2.3.21).

45. Tocqueville, *Democracy in America* 2.1.15: “Why the Study of Greek and Latin Literature Is Particularly Useful in Democratic Societies”; see also 2.1.11–14, 2.1.16–21.

46. To be sure, many scholars today write *about* rhetoric as a theoretical topic, but that makes all the more striking their neglect of it as a *practice*—as something that could teach them and others how to write.

are practicing it. Thus, we systematically underestimate the degree of control and precision that these great past writers of prose aspired to and were in fact able to achieve, their general human fallibility notwithstanding.

Our experience of past writers has been still further distorted by one additional factor: our ignorance of esotericism. This has caused us to assume that all the many contradictions and other blunders we find in the text are unintentional, whereas many and especially the most egregious are probably part of the author's esoteric design. As a result, we systematically overestimate the frequency of genuine errors and contradictions to be found in the greatest writers. In this way, ignorance of esotericism inevitably leads to the exaggeration of fallibility. This in turn leads us to conclude that close esoteric reading is impossible. In this way the long-standing denial of esotericism comes to be self-confirming.

While these arguments do not come close to settling the matter, there is at least good reason to suspect that our dominant literary instincts of pessimism and hyperfallibilism are culture-bound, deriving from certain limitations imposed by our particular historical circumstances and experiences. With this suspicion in mind, let us return to the point from which we began this digression, the question of whether major contradictions (and other blunders) in the text should be regarded as intentional. Let us try to evaluate the dominant paradigm of our culture by examining the views on this issue of readers from a variety of other historical periods. Consulting the views of earlier readers is particularly important here because in earlier periods, prior to the age of forgetfulness, people had vastly more concrete, hands-on experience of esoteric reading than we do, so their reactions are likely to be far more educated and empirically based than our own. They speak from experience, we from a combination of gut feelings and abstract theory.

We certainly find an attitude starkly different from our own in Maimonides, who, in his lengthy introduction to the *Guide of the Perplexed*, takes up the very question of what to make of the contradictions that one finds in various kinds of texts. He is speaking here primarily in his capacity as a *reader* of texts, including esoteric ones. It is clear from his finely observed account—he explores no fewer than seven different causes of contradictions—that he is no less “realistic” and hardheaded than we and fully acquainted with the fallible, sloppy, random side of human nature. Thus, one cause of contradictions, he reports, is when the author changes his mind but leaves both views in his book, and another is when the author is simply unaware of the contradiction. But at the same time, Maimonides emphasizes the great inequalities that exist among human minds; and he does not hesitate to assert that he is particularly experienced in the higher levels of thought and literary artistry. It is this direct experience that gives him the confidence to assert that in the greatest writings we possess (as also in his own), major contradictions are almost certainly intentional, produced by one form or another of

esoteric design.<sup>47</sup> That is what his own experience of reading and interpreting—as well as his experience of writing esoterically—tells him.

A similar conclusion is reached by Toland. He begins by endorsing an observation of Cicero about the great prevalence of contradiction in philosophical writing: “[Cicero] rightly concludes that the same philosophers do not always seem to say the same thing, though they continu’d of the same opinion.” Toland adds that this ancient claim regarding contradiction is also “as true as Truth itself, of many writers in our own time.” What then is the cause of this striking phenomenon? He answers:

Nor are we to wonder any longer, that the same men do not always seem to say the same things on the same subjects, which problem can only be solv’d by the distinction of the External and Internal Doctrine.<sup>48</sup>

Again, we have already seen Machiavelli’s admonition—“When one sees a great error made by an enemy, one ought to believe that there is deception underneath”—as well as the similar statement by Pope: “Those oft are stratagems which errors seem / Nor is it Homer nods, but we that dream.”<sup>49</sup> Even in the thoroughly modernist James Joyce, one reads:

—The world believes that Shakespeare made a mistake, he said, and got out of it as quickly and as best he could.  
—Bosh! Stephen said rudely. A man of genius makes no mistakes. His errors are volitional and are the portals of discovery.<sup>50</sup>

In contrast to the reigning opinion of today, these various thinkers, representing vastly different times and places, all agree that, notwithstanding our great human fallibility, the significant contradictions to be found in the works of the greatest writers should be—and, with some care, *can* be—interpreted as part of their intentional esoteric design.

What is also apparent from these diverse statements is that over the last two thousand years, the strategy of deliberate contradiction has been very widely practiced. And from this simple fact, this long-running popularity, it is perhaps

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47. Maimonides, *Guide*, ed. Pines, 17–20.

48. Toland, *Clidophorus*, 77, 85.

49. Machiavelli, *Discourses*, trans. Mansfield and Tarcov, 307 (3.48); Pope, *Essay on Criticism*, 69 (lines 175–180).

50. James Joyce, *Ulysses: An Unabridged Republication of the Original Shakespeare and Company Edition, Published in Paris by Sylvia Beach, 1922* (Mineola, NY: Dover, 2009), 182. Although Stephen Dedalus is clearly Joyce’s alter ego, one cannot assume that the view expressed here is Joyce’s settled opinion.

possible to draw further support for our conclusion. For it would seem to indicate that this esoteric technique has also met with reasonable success, that it has tended to be recognized by its intended audience.

After all, esoteric philosophical writers typically start off as *readers* of earlier philosophers—indeed *esoteric readers*. And it is very likely that this initial hermeneutic experience is very important in helping them determine what strategies to use in their own esoteric writing. If they had commonly found, in their own personal efforts at esoteric interpretation, that the technique of contradiction and of other intentional blunders was too difficult to decipher owing to the frequency of unintentional blunders (as predicted by the fallibility objection), they surely would not have continued to use that technique in their own writing. They do, after all, want to be understood. Therefore, when a thinker makes significant use of a given esoteric technique, he is at the same time asserting, through that deed, his considered opinion—probably based on long, personal experience of esoteric reading—that that technique is indeed decipherable by a careful reader. Thus, when we encounter a widely popular esoteric technique, like deliberate contradiction, that *popularity* must also be seen as wide *testimony* to its decipherability—testimony that is, in this case, very broadly distributed over time and place and that represents the considered reflection of some of the greatest minds applied to a great range of firsthand hermeneutic experience. By contrast, the skeptical and pessimistic objections of our contemporaries are based on little if any hands-on experience of esoteric interpretation. In view of all this, it seems reasonable to conclude that the interpretive pessimism uniquely characteristic of our time should be viewed with considerable skepticism, and that the rules for interpreting contradictions in the text as stated above by Toland and Strauss are likely to prove both sound and practicable for the careful reader.

In the same vein, it is also important to be on the lookout for other intentional blunders. One common practice, for example, is the use of altered quotations. We have already seen a classic example of this in the second chapter: Machiavelli quotes a phrase from the New Testament as part of his description and criticism of David's tyrannical behavior—but in the Bible, the phrase refers to the actions not of David but of God.<sup>51</sup>

Another very common esoteric strategy that is, in a way, the opposite of contradiction is dispersal. With contradiction, you state the dangerous idea whole, but then negate it by placing an opposite whole on top of it. With dispersal, you divide the idea into parts, presenting one in one place, another in a different place,

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51. Machiavelli, *Discourses* 1.26.

so that the whole idea is present in the book, but hidden because dismembered and dispersed.<sup>52</sup>

As we have seen, Maimonides declares in the introduction to the *Guide* that the truths he means to convey are

not set down in order or arranged in coherent fashion in this Treatise, but rather are scattered and entangled with other subjects that are to be clarified. For my purpose is that the truths be glimpsed and then again be concealed.<sup>53</sup>

Similarly, Clement of Alexandria, the Platonizing second-century church father, indicates in the very title of one of his books—*Stromata* or “Miscellanies”—his intention to use this esoteric technique, “since the composition aims at concealment.” As he explains in a chapter entitled “The Meaning of the Name *Stromata*”:

Let these notes of ours...be of varied character—and as the name itself indicates, patched together—passing constantly from one thing to another, and in the series of discussions hinting at one thing and demonstrating another.

As he continues in a later chapter, his book has

here and there interspersed the dogmas which are the germs of true knowledge, so that the discovery of the sacred traditions may not be easy to any one of the uninitiated.<sup>54</sup>

Montesquieu is another writer who employs this strategy, although he is less willing to announce it openly in the way that Maimonides and Clement do. The obvious drawback, however, of following this strategy without announcing it is that then your book will tend to be dismissed as rambling and disordered—a fate certainly suffered by the *Spirit of the Laws*, especially in more recent times. It

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52. On this technique, see the superb discussions by Ralph Lerner, from which I have profited, in “Dispersal by Design: The Author’s Choice,” in *Reason, Faith, and Politics: Essays in Honor of Werner J. Dannhauser*, ed. Arthur Melzer and Robert Kraynak (Lanham, MD: Lexington Books, 2008), 29–41, and in *Playing the Fool: Subversive Laughter in Troubled Times* (Chicago: University of Chicago Press, 2009).

53. Maimonides, *Guide*, ed. Pines, 6–7 (introduction).

54. Clement of Alexandria, *Stromata, or Miscellanies*, in vol. 2 of *The Ante-Nicene Fathers*, ed. Alexander Roberts and James Donaldson (Grand Rapids, MI: Wm. B. Eerdmans, 1983), 409 (bk. 4, chap. 2), 556 (bk. 7, chap. 18).

is only in a private letter defending his book against this particular charge that Montesquieu states more openly how he has written it:

That which renders certain articles of the book in question obscure and ambiguous is that they are often at a distance from the others which explain them and that the links of the chain which you have noted are very often at a distance the ones from the others.<sup>55</sup>

In a similar way, d'Alembert, in his admiring analysis of the book, feels the need to respond to “the pretended lack of method of which some readers have accused Montesquieu.” It is necessary, he claims, to “distinguish apparent disorder from real disorder.”

The disorder is merely apparent when the author puts in their proper places the ideas he uses and leaves to the readers to supply the connecting ideas: and it is thus that Montesquieu thought he could and should proceed in a book destined for men who think, whose genius ought to supply the voluntary and reasoned omissions.<sup>56</sup>

Montesquieu encountered the problem that he did largely because, for a variety of reasons, he sought to combine the strategy of dispersal with a book that took the outward form of a systematic treatise, so that the lack of order, deriving from his strategy, made his book seem fundamentally defective.

Other literary forms—dialogues, essays, dictionaries, and encyclopedias—being inherently more disjoint and promising less in the way of order and system, go together more naturally with the dispersal strategy. By writing dialogues, for example, Plato is able to move from one very partial account of things to another without producing an appearance of defect or failure. One of the keys to understanding Plato, according to Strauss, is to see that each dialogue is intentionally partial or one-sided, abstracting from something important relating to its subject matter. In the *Republic*, the dialogue on justice, for example, the whole erotic side of life is both downplayed and denigrated—think of the collectivization (i.e., abolition) of family life or the identification of the tyrant with *eros*—in a way that is reversed in the *Symposium*.<sup>57</sup>

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55. Montesquieu to Pierre-Jean Grosley, April 8, 1750, quoted and translated by Paul Rahe, *Montesquieu and the Logic of Liberty* (New Haven: Yale University Press, 2009), 87.

56. D'Alembert, *Œuvres complètes* (Paris: A. Belin, 1822), 3:450–451, quoted and translated by Pangle, *Montesquieu's Philosophy*, 11–12.

57. See Strauss, *City and Man*, 62, 69, 110–111; and Strauss, *Rebirth*, 154–155.



Montaigne is another classic practitioner of dispersal. His *Essays*, with its repeated claims of spontaneity and the deliberate avoidance of order, is a perfect vehicle for this strategy. While pretending to allow his mind simply to wander where it will, he carefully plants the disassembled pieces of his systematic view. As he acknowledges at one point:

My ideas follow one another, but sometimes it is from a distance, and look at each other, but with a sidelong glance. ... It is the inattentive reader who loses my subject, not I. Some word about it will always be found off in a corner, which will not fail to be sufficient, though it takes little room.<sup>58</sup>

Seeing how this particular game is played, one might turn one's suspicions next to Pierre Bayle, who happens to have been a great admirer of both Maimonides and Montaigne, and who does appear to be employing a version of their dispersal strategy in his sprawling *Historical and Critical Dictionary*, with its rambling essays and byzantine notes inside of notes. In the "Clarifications" that he appended to the second edition in reply to some criticisms by religious authorities, he more or less openly admits this. Speaking of some of the heterodox opinions that he reports in his *Dictionary*, he states:

If a man...should relate, among vast historical and literary collections, some error about religion or morality, one should not be disturbed at all about it. ... No one takes as a guide in that matter an author who only speaks about it in passing and incidentally, and who, by the very fact that he acts as if he were tossing off his views like a pin in a field, makes it well enough known that he does not care to have followers at all. ... This is how the faculties of theology in France behaved with regard to the book of Michel de Montaigne. They allowed all this author's maxims to pass, he who without following any system, any method, any order, heaped up and stirred together all that came into his mind. But when Pierre Charron [Montaigne's friend and disciple]...bethought himself to relate some of the views of Montaigne in a methodical and systematic treatise on morality, the theologians did not remain tranquil.<sup>59</sup>

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58. Montaigne, *Complete Essays*, trans. Frame, 761 (3.9).

59. Pierre Bayle, *Historical and Critical Dictionary: Selections*, trans. Richard H. Popkin (Indianapolis: Hackett, 1991), 396–397.

Bayle explicitly acknowledges that in composing his *Dictionary* as he did, he was seeking to give it the same immunity and appearance of harmlessness that Montaigne had given to his *Essays*, and by the same means—intentional disorder, offhandedness, and dispersal.

Still further testimony to the popularity of this technique can be found in Condorcet's lengthy description, examined above, of the wily literary campaign waged against throne and altar by the philosophers of the early modern period. He describes these writers as

employing every form from humor to pathos, from the most learned and vast compilation to the novel or pamphlet of the day; covering the truth with a veil to spare eyes too weak, and leaving others the pleasure of divining it; sometimes skillfully caressing prejudices, the more effectively to attack them; almost never threatening them, and then *never several at one time, nor ever one in its entirety*.<sup>60</sup>

These last items point to the strategy of dispersal: one never shows all of one's cards or presents the whole of one's critique in any one place.

This turns out to be exactly what Strauss reports finding in his studies of Spinoza and also of Hobbes:

To exaggerate for purposes of clarification, we may say that each chapter of [Spinoza's] *Treatise* serves the function of refuting one particular orthodox dogma while leaving untouched all other orthodox dogmas. ... Fundamentally the same procedure is followed by Hobbes in the Third Part of his *Leviathan*.<sup>61</sup>

Let me cite one last report of the technique of dispersal—this one by another careful reader, John Locke. The first, if much less well-known, of Locke's *Two Treatises of Government* is a close interpretation and refutation of Filmer's treatise *Patriarcha*—which Locke reads esoterically. As he explains, Filmer feared to put off his readers by too precise and complete an account of his doctrine of authority, so “clear distinct speaking not serving everywhere to his purpose, you must not expect it in him.” Instead, Filmer intentionally “scattered” his teaching “in the several parts of his writings” or “up and down in his writings.” Filmer acted

like a wary physician, when he would have his patient swallow some harsh or corrosive liquor, he mingles it with a large quantity of that

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60. Condorcet, *Esquisse*, 216–217. Translation mine (emphasis added).

61. Strauss, *Persecution*, 184 and n82.

which may dilute it that the scattered parts may go down with less feeling and cause less aversion.<sup>62</sup>

One may of course wonder whether Locke himself did not also make use of this technique that he attributes to Filmer.<sup>63</sup>

In all of the esoteric strategies discussed so far, the dangerous thought is indeed stated, but hidden in some way—by being obscured, contradicted, or dispersed. But the purest or most classic esoteric technique is to communicate a thought precisely by *not* saying it—by meaningful silence or conspicuous omission. This may sound particularly arcane, but it is actually a fairly common and intuitive form of communication. For example, according to communications scholars Ge Gao and Stella Ting-Toomey, it is characteristic of the indirect style of conversation found in contemporary China, which “emphasizes what is implied or not said, rather than what is said. . . . That is, focusing on *how* something is said, and on what is *not* said, is equally, if not more important, than what is said.”<sup>64</sup>

In this context, it is also well to recall your beloved's letter: almost all the important thoughts were conveyed by significant omissions, especially by her failure to mention that she missed you. In normal communication, every positive statement derives much of its meaning through reference to a silent background of expectations—expectations produced by the situation, by shared understandings, and by the preceding statements. This is what makes it possible to convey ideas by *not* saying certain things, that is, by the conspicuous violation of those expectations.

Thus, in the first chapter of Xenophon's *Constitution of the Lacedaemonians*, where he proposes to examine the uniqueness and wisdom of the famous Spartan regime, he sets up a certain structure or rhythm: first he describes how certain things are done in the other Greek cities and then he explains the very different, almost opposite practices of Sparta. But, as Strauss points out, in one case he omits the parallel. He tells us that in the other Greek cities young maidens are kept on a very austere diet with respect to food and wine, but he neglects to say a word about the Spartan practice in this matter. This is a loud silence, since it breaks the rhythm, violating the expectation the author has just created. It spurs us to supply the missing thought ourselves, and, following the established pattern, we are led to conclude that Spartan maidens must be immoderate with respect to food and wine. This thought, furthermore, is clearly meant to play into a widely held opinion

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62. Locke, *First Treatise*, in *Two Treatises of Government*, ed. Peter Laslett (New York: New American Library, 1965), sections 23, 8, 9, 7.

63. See the discussion of Locke's reading and writing in Richard Cox, *Locke on War and Peace* (Oxford: Clarendon Press, 1960), 1–44; and Michael Zuckert, *Launching Liberalism: On Lockean Political Philosophy* (Lawrence: University Press of Kansas, 2002), 33–43.

64. Gao and Ting-Toomey, *Communicating Effectively*, 38.

that Spartan women were rather licentious, not only with respect to food and wine, but—perhaps in consequence of the latter indulgence—with respect to sex. This proves to be the first of many passages in which Xenophon’s artful and playful silences turn this grave encomium of Sparta into a very subtle satire.<sup>65</sup>

Another, particularly striking example of the esoteric use of omission occurs in Alfarabi’s *The Philosophy of Plato, Its Parts, and the Grades of Dignity of Its Parts, From Its Beginning to Its End*. In this summary of Plato’s thought, the very title of which creates the expectation of comprehensiveness, there turns out to be not a single reference to the afterlife or the immortality of the soul. Even the summary of the *Phaedo* is completely silent on the subject. This striking omission, Strauss argues, is Alfarabi’s esoteric way of indicating that Plato’s genuine beliefs did not include his famous teaching regarding the soul’s immortality.<sup>66</sup>

A further esoteric strategy, not unrelated to that of omission, involves the arrangement or plan of a writing. For you can convey information not only by what you say (or don’t say) but also by where you say it. For example, if you arrange the topics of your discourse in a discernible pattern, say, from less to more important, then you can communicate your view of the relative importance of various issues or phenomena without having to say anything explicitly—just by where you place the discussions. Again, Plato presents an extensive account of theology in the tenth book of his *Laws*, but on closer examination one notices that he has placed it in the context of a discussion of penal legislation. That conveys something about his views of religion’s role in political life. Obviously there are a hundred ways in which the placement or context of a discussion can silently communicate something important about its content. Conversely, one can also present a hint or puzzle to the reader by the violation of one’s plan, either by the introduction of a brief digression or of a wholly unannounced or ill-fitting topic, or by a surprising omission. For this reason, one of the first things that the esoteric reader should do in approaching a text is to construct a careful outline, paying particular attention to deviations and anomalies.

Still another esoteric technique concerning order is repetition. An author can make a claim or argument and then, somewhat later, “repeat” it—only with some significant (but perhaps barely visible) change. In this way, the writer signals the careful reader that the first statement was not his final or genuine view and points him in the direction of his true understanding.<sup>67</sup>

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65. See Leo Strauss, “The Spirit of Sparta or the Taste of Xenophon,” *Social Research* 6, no. 4 (1939): 502–536. On the notorious licentiousness of Spartan women, see 504n3.

66. See Strauss, *Persecution*, 9–16. For further discussion of the technique of omission, see Strauss, *Thoughts*, 30–32.

67. See Strauss, *Persecution*, 62–64; and Strauss, *Thoughts*, 42–45.

Finally, concerning order or arrangement in general, it is possible to formulate a basic rule. Common sense tells us—as does Cicero in his writings on rhetoric—that in the construction of a speech or writing, one should put the most important points at the beginning and at the end. The weaker or less important ones should go in the middle. This is because the listener's or reader's attention is typically greatest at the beginning, wandering off toward the middle, and picking up again at the end—at the sound of “and finally....” Consequently, if a writer has a heterodox idea that he seeks to communicate, not with maximum clarity and power but rather quietly and surreptitiously, he will carefully follow the opposite of this basic rhetorical rule and bury the dangerous idea somewhere toward the middle, while filling the beginning and ending with earnest protestations of the orthodox view. Indeed, through a somewhat stylized extension of this common practice, many writers will often signal what thought is really on their minds by placing it (or some hint of it) in the exact center of a list or sequence that they have constructed.<sup>68</sup>

This list of esoteric techniques is far from exhaustive. I have simply tried to include those that are most common while also being most immediately intelligible and plausible by virtue of either their internal logic or their external testimony or both.

## Some examples of esoteric interpretation

In addition to establishing a genuine connection with the text and possessing a basic understanding of common esoteric techniques, budding esoteric readers should also study some examples of esoteric interpretation—to see it done. Unfortunately, there is no single book that, in my view, combines all of the qualities that one would want in such a model for instruction and emulation. What follows is a short list of imperfect models.

But in using this list, readers must select works on writers that genuinely interest them. To appreciate a performance of esoteric interpretation and to learn from it, you must be a participant and not a spectator. You must begin by reading the text carefully on your own and struggling to interpret it. Only then will you be ready to understand and appreciate what the interpreter has found. If you sit back with arms folded, like a king who commands his wise man to say something wise, it will all fall flat.

From my own experience, I do believe that Strauss's interpretations are generally the best from the standpoint of esoteric penetration and especially

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68. See Cicero, *Orator* 15.50; *De oratore* 2.313–315; Strauss, *Persecution*, 185; and Cantor, “Leo Strauss,” 273–274.

philosophical profundity. They also seem to me quite sober and accurate—not at all prone to “perverse ingenuity.” But their drawback for current purposes is that they are themselves quite difficult to understand. By taste as well as conviction, Strauss is averse to making things easy for the reader. He prefers to state his conclusions in a fairly compressed manner and challenge his readers to figure out for themselves how he arrived at them. He also likes to speak in the original vocabulary of the thinker he is interpreting without repackaging him in the terms and concepts of today, and this too can give his writings an initially antique and forbidding quality. I will recommend certain of his works below, but they are not the best place to begin.

To begin, we need an author who, in his interpretations, is willing to follow the very un-Straussian injunction—often found on mathematics exams—“show all work.” We need to see, once or twice, how the sausage is made. The best writing for this purpose that I am familiar with comes from an appropriately un-Straussian source: Stanley Fish. His “Georgics of the Mind: The Experience of Bacon’s *Essays*” is a brilliant and nuanced exercise in close textual analysis that openly displays, at every stage of Fish’s encounter with the text, what he thinks and why he thinks it.<sup>69</sup> He shows us what it feels like to truly take a text seriously, to engage its every word with patience and delicacy, to actually *trust* the author one has chosen to read, and to undergo, while striving to understand, the complex experience that the author, in his artfulness, has prepared for the careful reader.

Another excellent and highly communicative reader who, like Fish, is associated with the reader-response school of criticism is Robert Connor. His *Thucydides* is a very sensitive reading of Thucydides’s great history, a reading openly arrived at and clearly conveyed.<sup>70</sup> In conjunction with this, one should also read Clifford Orwin’s superb *The Humanity of Thucydides*.<sup>71</sup> After that, one could try Strauss’s chapter on Thucydides in *The City and Man*, a brilliant essay, although not an easy one.<sup>72</sup> This trio of works strikes me as perhaps the single best initial training course in close and esoteric reading, but it would involve a very serious commitment of time, especially when several readings of Thucydides himself must be included.

For shorter and easier fare, I would recommend—again, starting with non-Straussians—David Wootton’s closely argued “Narrative, Irony, and Faith in

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69. Stanley Fish, “Georgics of the Mind: The Experience of Bacon’s *Essays*,” in *Self-Consuming Artifacts: The Experience of Seventeenth-Century Literature* (Berkeley: University of California Press, 1974), 78–156.

70. W. Robert Connor, *Thucydides* (Princeton, NJ: Princeton University Press, 1984). Reader response is the contemporary method that has most in common with the approach to reading being proposed here. For a brief comparison of the two, see Cantor, “Leo Strauss,” 271–272.

71. Clifford Orwin, *The Humanity of Thucydides* (Princeton, NJ: Princeton University Press, 1994).

72. Strauss, *City and Man*, chap. 3.

Gibbon's *Decline and Fall*,"<sup>73</sup> and David Berman's "Deism, Immortality, and the Art of Theological Lying."<sup>74</sup> Then, for some Straussians: Wayne Ambler's esoteric reading of Aristotle's defense of natural slavery in the *Politics*, "Aristotle on Nature and Politics: The Case of Slavery."<sup>75</sup> Also, Clifford Orwin's careful reading of chapter 17 of the *Prince*: "Machiavelli's Unchristian Charity."<sup>76</sup> And Strauss's dense but clear "On the Intention of Rousseau."<sup>77</sup>

Another particularly clear piece by Strauss is the posthumously published book *Leo Strauss on Plato's Symposium*.<sup>78</sup> This is essentially the transcript of a course that Strauss gave at the University of Chicago (edited and polished a bit by Seth Benardete). A more difficult but more finished work that was intended by Strauss precisely as a demonstration of how to read an esoteric text is *On Tyranny*. This work includes a detailed interpretation of Xenophon's short dialogue *Hiero or Tyrannicus* as well as a debate on it with Alexandre Kojève.

Other especially helpful writings on Plato are David Leibowitz, *The Ironic Defense of Socrates: Plato's Apology*; Allan Bloom, *The Republic of Plato*;<sup>79</sup> and Christopher Bruell, *On the Socratic Education: An Introduction to the Shorter Platonic Dialogues*.<sup>80</sup>

Two other works to be recommended are Thomas Pangle's *Montesquieu's Philosophy of Liberalism: A Commentary on the Spirit of the Laws*, and Harry Jaffa's *Thomism and Aristotelianism: A Study of the Commentary by Thomas Aquinas on the Nicomachean Ethics*.

Finally, I would mention two last examples of esoteric reading, these more interesting for their source perhaps than for their content: both are by earlier philosophers. Augustine in *The City of God* gives an extended esoteric interpretation of the religious writings of the Roman philosopher Varro (and to a lesser extent of Seneca).<sup>81</sup> It seems a clear and thoughtful interpretation, following many of the

73. David Wootton, "Narrative, Irony, and Faith in Gibbon's *Decline and Fall*," in *History and Theory* 33, no. 4 (December 1994): 77–105.

74. Berman, "Deism, Immortality," 61–78.

75. Ambler, "Aristotle," 390–410.

76. Clifford Orwin, "Machiavelli's Unchristian Charity," in *American Political Science Review* 72, no. 4 (December 1978): 1217–1228.

77. Leo Strauss, "On the Intention of Rousseau," in *Hobbes and Rousseau: A Collection of Critical Essays*, ed. Maurice Cranston and R. S. Peters (Garden City, NY: Anchor Books, 1972), 254–290.

78. Leo Strauss and Seth Benardete, *Leo Strauss on Plato's Symposium* (Chicago: University of Chicago Press, 2001).

79. Allan Bloom, "Interpretive Essay," in *The Republic of Plato*, 305–436.

80. Christopher Bruell, *On the Socratic Education: An Introduction to the Shorter Platonic Dialogues* (Lanham, MD: Rowman & Littlefield, 1999).

81. Augustine, *City of God*, trans. Dods, 138–140 (4.31–32), 185–201 (6.2–9).



principles described above. In the end its utility for us is somewhat limited by the fact that Varro's writings have been lost in the intervening centuries.

Another, particularly charming example is provided by Samuel Butler (1835–1902), author of *The Way of All Flesh*, who was something of a philosopher as well as novelist. In 1879, he published a book on evolution entitled *Evolution Old and New: Or the Theories of Buffon, Dr. Erasmus Darwin and Lamarck as Compared with That of Charles Darwin*. Chapters 9 and 10 on the French naturalist and philosopher Buffon give an esoteric reading of his famous work *Histoire naturelle, générale et particulière*. Butler tries to show, among other things, that Buffon, while adhering to the biblical view on the surface, embraces an evolutionary view between the lines. Butler writes with wit and displays a particularly good feel for the motives, techniques, and pleasures of esoteric writing and interpretation. His work shows, better than most, how one could actually enjoy reading esoterically. Unfortunately, there is a drawback here too: whereas Buffon's book has not been lost, it does run to over thirty volumes.

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