Econ Journal Watch
Scholarly Comments on Academic Economics
Volume 19, Issue 2, September 2022

COMMENTS

Temperature and U.S. Economic Growth: Comment on Colacito, Hoffmann, and Phan
David Barker 176–189

Erroneous Erratum to Accounting Fraud Article
Stephen Walker 190–203

Darity, Camara, and MacLean on William H. Hutt
Phillip W. Magness and Art Carden 204–231

Additional Concerns about O’Brien and Lane’s Article on Film Incentive Programs
Bruce M. Bird, Hilde Patron, and William J. Smith 232–241

Freedom Stands: A Rejoinder to Ott
Ryan H. Murphy 242–246

Free Markets Require Good Governments, for the Sake of Liberalism
Jan Ott 247–257

ECONOMICS IN PRACTICE

The Virtues of Native Discourse: Striking a Balance Between English and the Native Language
Eva Forslund and Magnus Henrekson 258–282
Listen to Eva Forslund and Magnus Henrekson, Please!
*Lars Engwall* 283–290

A Coming Bounty of Academic Mutinies?
*Alberto Mingardi* 291–295

**CHARACTER ISSUES**

Classical Liberalism in Finland in the Twentieth Century
*Jens Grandell* 296–319

**WATCHPAD**

What Are Your Most Underappreciated Works?: First Tranche of Responses

Adam Smith’s View of Man
*Ronald H. Coase* 329–348

Foreword to Edmund Burke’s “Scattered Hints Concerning Philosophy and Learning”
*Daniel B. Klein* 349–350

Several Scattered Hints Concerning Philosophy and Learning Collected Here from My Papers
*Edmund Burke* 351–360
Temperature and U.S. Economic Growth: Comment on Colacito, Hoffmann, and Phan

David Barker

A recent paper in *Ecological Economics* opens by saying: “A large discrepancy exists between the dire impacts that most natural scientists project we could face from climate change and the modest estimates of damages calculated by mainstream economists” (Rising et al. 2022, 107437). The Intergovernmental Panel on Climate Change (IPCC) projects a 2.6 percent loss of global GDP in 2100 if no action is taken to reduce greenhouse gas emissions and the global average temperature increases by 3.66 degrees Celsius (IPCC 2018, 256). William Nordhaus (2018) predicts a 3 percent reduction in global GDP if temperatures rise by 3.66 degrees Celsius.

World GDP has been growing at an average annual rate of 2.1 percent since 1950 (Maddison Project 2020). If it continues to do so, then global per capita GDP in 2100 will be more than five times what it is today. If climate change causes GDP in 2100 to be 2.6 percent lower than it otherwise would have been, then it will be 4.9 times today’s level instead of 5.1 times.\(^2\) If climate change significantly affects

1. I thank Robert Tamura for data and comments. I also thank Colin Meade for excellent research assistance and John Macatee for interesting conversations about climate change. Views expressed in this comment are my own and not those of the Iowa Board of Regents or any other organization I am affiliated with.

2. A similar result is found in Krusell and Smith 2022. In that paper, a 1 percent trend in global GDP is assumed and in approximately 2200 global GDP would be 2.2 percent less with no carbon tax than with an optimal tax, and so global GDP then would be 5.7 instead of 5.9 times today’s GDP. Krusell and Smith (2022) also find large distributional effects which I do not address in this comment. Cochrane (2021) also notes that small economic effects from climate change would be swamped by expected economic growth.
the rate of economic growth, however, then the compounded effects over the next several decades could be very large.

In 2019, the *Journal of Money, Credit and Banking* published “Temperature and Growth: A Panel Analysis of the United States,” by Riccardo Colacito, Bridget Hoffmann, and Toan Phan (CHP). It was first published in 2018 by the Federal Reserve Bank of Richmond (Colacito et al. 2018). CHP say that they are the first to provide direct estimates of the effect of climate change on economic growth in the United States. The direct approach for the United States stands in contrast to cross-country estimates, that is, regressing the effect of temperature on growth using data from many countries, and then multiplying the resulting regression coefficients by the values of the independent variables for the United States. CHP (2019, 316) wrote that in other research, “In the absence of specific estimates for the U.S., the parameters of these ‘climate damage functions’ are generally calibrated to match cross-country estimates.” Such cross-country estimates have also been quite small compared to the effects of normal economic growth. Cross country estimates suffer from many deficiencies, such as difficulties with weighting countries of different sizes, heterogeneity within large countries, and failure to control for other factors that affect growth and may be correlated with climate, and the ability to adapt to changing climate conditions (Kahn et al. 2019; Durlauf et al. 2005). CHP (2019) promise a better approach to direct estimates of climate change effects in the US and report that expected warming in the absence of emission reduction could reduce the rate of growth by one third. Using annual Gross State Product (GSP) data from 1957–2012 and average seasonal temperatures of states they find that high temperatures for July–September, which they call “summer,” reduce that year’s rate of economic growth. Higher temperatures during October–December, which they call “fall,” increase economic growth, but not by as much as higher summer temperatures reduce growth. If true, these results suggest that the economic effects of climate change in the developed world could be far greater than have been previously estimated. Here is the abstract in full:

We document that seasonal temperatures have significant and systematic effects on the U.S. economy, both at the aggregate level and across a wide cross section of economic sectors. This effect is particularly strong for the summer: a 1°F increase in the average summer temperature is associated with a reduction in the annual growth rate of state-level output of 0.15 to 0.25 percentage points. We combine our estimates with projected increases in

3. A recent paper that makes cross country estimates, Kahn et al. (2019), finds that in the absence of any mitigation policies, global GDP per capita would be 7 percent less in 2100 if the global average temperature increases by 4 degrees Celsius. Kahn et al. (2019) also attempts to estimate direct climate effects on growth in the U.S., but the results are not robust to different model specifications.
seasonal temperatures and find that rising temperatures could reduce U.S. economic growth by up to one-third over the next century. (CHP 2019, abs., boldface added)

The CHP paper received considerable attention including academic citations and coverage in the Wall Street Journal (Derby 2018), Bloomberg (Smialek 2018), CNN (DePillis 2018), CBS (Ivanova 2019), and elsewhere.

Reproduction of CHP (2019)

The headline result of CHP (2019) is that warming could reduce the rate of U.S. economic growth by one third. Nominal GDP growth is assumed to be 4 percent, and CHP find that warming could reduce growth by 1.2 percentage points, which is roughly one third of 4 percent. The steps of this calculation are as follows:

1. Obtain regression coefficients showing how much economic growth is reduced for each degree Fahrenheit of temperature increase. These regressions are the central part of CHP.
2. Obtain an estimate of how much temperature is expected to increase by the year 2100. CHP collected data from 18 different climate models from Climate Wizard (Girvetz et al. 2009) showing the expected change in the mean of the daily maximum temperature from each model under different assumptions about aggregate greenhouse gas emissions.
3. Multiply the regression coefficients by the seasonal temperature changes to obtain the 1.2 percentage point estimate.

The regression coefficients from step one are reported in Table 1 of CHP and partially reproduced as Table 1 here. The coefficients are estimated by regressing annual state economic growth on seasonal average temperatures for that year. In other words, each observation corresponds to a state in a particular year. The dependent variable is growth in that year, and the independent variables are average temperatures of “winter” (January–March), “spring” (April–June), “summer” (July–September) and “fall” (October–December). Fixed effect dummy variables for state and year are also included, as is lagged economic growth.

The coefficient for summer temperatures is −0.154, meaning that a one degree Fahrenheit increase in summer temperature is associated with a decrease in economic growth of approximately one sixth of one percentage point. The coefficient for fall is 0.102, meaning that higher fall temperatures are associated with faster economic growth, with a one degree Fahrenheit increase in fall tempera-
tures associated with an increase in economic growth of approximately one tenth of one percentage point.

<table>
<thead>
<tr>
<th>TABLE 1. CHP regression results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression coefficient</td>
</tr>
<tr>
<td>Winter</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>0.001</td>
</tr>
<tr>
<td>Std. error by year</td>
</tr>
<tr>
<td>Std. error by state</td>
</tr>
<tr>
<td>Std. error by year, state</td>
</tr>
</tbody>
</table>

*Note:* The regression coefficients show the predicted change in GSP growth from a one degree Fahrenheit increase in average daily high temperature for the indicated season. Standard errors (in parentheses) are clustered by year, state, and both state and year. ‘*, **, and ***’ denote statistical significance at the 1%, 5% and 10% levels.

Out of the 18 climate models reported by Climate Wizard (Girvetz et al. 2009), CHP chose the one with the largest predicted temperature increase and they made the most pessimistic assumption available on Climate Wizard about greenhouse gas emissions. The estimate from CHP’s chosen climate model was an increase in summer U.S. temperatures of 8.2 degrees Celsius, nearly 15 degrees Fahrenheit. Another of the 18 climate models, using the same pessimistic assumption of greenhouse gas emissions, predicted a summer temperature increase of 5.6 degrees Fahrenheit. The other 16 models were distributed approximately evenly in between these two estimates.

The selected climate model estimated a 10.9 degree Fahrenheit increase for fall, so the 1.2 percentage point decrease in growth is calculated as follows:

\[-0.154 \times 14.839^\circ F + 0.102 \times 10.902^\circ F = 1.173 \approx 1.2\]  

I was able to replicate the CHP regression results using data and Stata code available from one of the authors, Toan Phan (link). As shown in Table 1, the coefficients for summer and fall are statistically significant at the 1 percent to 10 percent level, depending on the method used to calculate standard errors. Winter and spring effects were small and statistically insignificant.

The CHP hypothesis is that the sum of the seasonal coefficients is less than zero, meaning that higher temperatures cause overall lower economic growth. This hypothesis is never directly tested, however. CHP never explain why they do not do that direct and obvious test.

What CHP do, instead, is to evaluate the statistical significance of each seasonal coefficient, throw out winter and spring because of lack of statistical significance, and then add together summer and fall. Thus, CHP resort to another method which not only elides the direct and obvious method but which involves yet another other problem: The two coefficients, for summer and for fall, with
opposite signs, may each be statistically different from zero, but it does not necessarily follow that the sum of these coefficients is statistically different from zero.

A single line of Stata code, a “test” command following a regression, can produce a test of the statistical significance of the sum of individual coefficients, or any other linear hypothesis about the coefficients. This command is used by CHP in calculating Table 2, but only to see whether the sum of the coefficients of temperature and lagged temperature is different from zero for each season individually. In other words, CHP are well aware of the “test” command in Stata, but fail to use it to test their primary hypothesis about the sum of coefficients, relying instead on tests of the statistical significance of the components of that sum. In a compounded way, then, CHP do not do the simple and obvious things to do; it would seem that they resort to compounded chicanery.

I was able to perform tests of the hypothesis that the sum of the seasonal coefficients is different from zero using the three methods of calculating standard errors that CHP use; clustering by state, year, and both state and year. Since climate models predict different increases in different seasons, I used the climate model data chosen by CHP to weight the seasonal coefficients. The weights were 23.1 percent for winter, 26.6 percent for spring, 23.1 percent for summer and 27.2 percent for fall, meaning that fall temperatures are expected to rise more than winter temperatures.4 The results are shown in Table 2 below.

<table>
<thead>
<tr>
<th>Standard errors clustered by:</th>
<th>Sum (F)</th>
<th>Sum with lags (F)</th>
<th>Weighted sum (F)</th>
<th>Weighted sum with lags (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year (F)</td>
<td>0.18 (0.67)</td>
<td>0.08 (0.79)</td>
<td>0.06 (0.81)</td>
<td>0.00 (0.98)</td>
</tr>
<tr>
<td>State (F)</td>
<td>0.43 (0.52)</td>
<td>0.34 (0.56)</td>
<td>0.13 (0.72)</td>
<td>0.00 (0.96)</td>
</tr>
<tr>
<td>Both (χ²)</td>
<td>0.20 (0.65)</td>
<td>0.10 (0.75)</td>
<td>0.06 (0.80)</td>
<td>0.00 (0.98)</td>
</tr>
</tbody>
</table>

Using all three methods, weighted and unweighted, with lags of temperatures included and not included, the sum of the seasonal coefficients is statistically indistinguishable from zero, meaning that we cannot reject the hypothesis that there is no overall effect of temperature on economic growth at conventional levels of significance.

---

4. Seasons could also be weighted by the percentage of annual output that occurs in each season. The Bureau of Economic Analysis publishes quarterly GDP data that are not seasonally adjusted going back to 2002. Using averages from 2002–2021 the weights would be winter 24.3%, spring 24.8%, summer 25.2%, fall 25.7%. Using these weights does not materially affect the results in Table 2.
It is easy to see why the sum of the coefficients is not statistically significant by looking at the variances and covariances of the summer and fall coefficients. Using the estimates from clustering errors by both state and year, the covariance between the estimates of the effect of summer and fall is $-0.0010022$. The variances of the effects of summer and fall from Table 1 are the squares of the standard errors of 0.065 and 0.054, or 0.004225 and 0.002916. The variance of the sum of two correlated variables is the sum of the variances plus two times the covariance, so the variance of the sum is 0.006139, and the standard error is the square root of the variance, or 0.07835. The sum of the coefficient estimates is $-0.052$, which means that the standard error of the sum of the two coefficients is greater than the absolute value of the sum itself, so the sum is not statistically distinguishable from zero at conventional levels of significance.

CHP acknowledge the fact that the summer and fall effects are opposite and similar in magnitude, but they do not actually test whether the sum of the coefficients is different from zero. Instead, they say the following:

Even though the magnitudes of the summer and fall effects are comparable, we document through robustness checks (Section 4.3) and the exercise below that the summer effect is much more robust than the fall effect. (CHP 2019, 321)

The “exercise below” includes lagged temperatures in the regressions. The columns in Table 2 labeled ‘with lags’ show the results of tests of whether the sum of the coefficients on all seasonal temperatures and lagged seasonal temperatures is different from zero. Again, in all cases we cannot reject the hypothesis that there is no effect of temperature on economic growth.

In Section 4.3 of CHP, results from 16 alternative specifications are presented. There are only three specifications in which the statistical significance of fall disappears or changes substantially and the effect of summer does not. The first controls for inflation, but this control reduces the sample by more than half; from 1957–2012 to 1987–2012. Year fixed effect controls should have already acted as a control for inflation, and the reduction in the statistical significance of the fall effect is probably due to the reduced sample size rather than anything to do with inflation. (Later below I shall use alternative data that are in real terms to test CHP’s hypothesis.)

The other two specifications in which the effect of fall is reduced involve redefinitions of seasons. It is not surprising that the fall effect is weaker than the summer effect because CHP’s definition of fall includes both October and December, months with very different weather in many states. Their definition of summer consists of months with greater similarity. The standard deviation of fall tempera-
tures is 44 percent larger than for summer in the CHP data. In Table 8, CHP use what they call “core seasonal months” of January and February for winter, April and May for spring, July and August for summer, and November and December for fall, as a robustness check. But for these new definitions, the standard deviation of fall temperatures is 74 percent larger than the standard deviation of summer temperatures. Summer again has the lowest standard deviation of the four seasons.

Rather than using arbitrary seasonal definitions, it seems appropriate to look at monthly coefficients, but these are not reported in the paper. I estimated them using the replication data provided by Toan Phan. The monthly coefficient estimates are shown below in Figure 1.

Figure 1. Effect of temperature on growth with two-standard-deviation confidence intervals

Sources and notes: Data are from CHP (link). The vertical axis represents regression coefficients using the method of CHP with monthly temperatures instead of seasonal averages. A link to the data and code can be found at the end of this paper.

We see month-to-month swings in the monthly coefficients, but none are statistically different from zero and neither is the sum of them. Rather than highlight a strong summer effect and a weak fall effect, examination of monthly coefficients suggests weak, confused effects that do not appear to be consistent with a strong overall effect of temperatures on economic growth.

Notice also that while July shows a conspicuous drop down, the preceding month, June, also a warm one, shows a conspicuous pop up. What is going on here? Whatever one imagines to be the mechanisms—that is, economic forces—linking
warmth and economic growth, why such a striking contrast between the adjoining months of June and July? One would think that CHP would address this curiosity, but they do not even call attention to it.

**A replication using Khatri and Tamura’s data**

I also attempted to replicate CHP using NOAA monthly temperature averages for states from 1929–2020 and a dataset constructed by Krishna Khatri and Robert Tamura (see Khatri and Tamura 2022; Turner et al. 2013). This dataset contains estimates of total real annual state output and includes the years 1929–2020. The net effect of temperature on gross output in the basic model is positive, but the tests shown in Table 4 show that the sum of the seasonal effects is not statistically different from zero. Statistical significance was tested using the same methods as CHP. Table 3 shows the results in the same format as Table 1.

<table>
<thead>
<tr>
<th>Season</th>
<th>Regression coefficient</th>
<th>Std. error by year</th>
<th>Std. error by state</th>
<th>Std. error by year, state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Winter</td>
<td>0.006</td>
<td>(0.049)</td>
<td>(0.026)</td>
<td>(0.047)</td>
</tr>
<tr>
<td>Spring</td>
<td>0.016</td>
<td>(0.081)</td>
<td>(0.050)</td>
<td>(0.080)</td>
</tr>
<tr>
<td>Summer</td>
<td>−0.101</td>
<td>(0.074)</td>
<td>(0.058)</td>
<td>(0.077)</td>
</tr>
<tr>
<td>Fall</td>
<td>0.137</td>
<td>(0.062)</td>
<td>(0.034)</td>
<td>(0.058)</td>
</tr>
</tbody>
</table>

**Notes**: The regression coefficients show the predicted change in GSP growth from a one degree Fahrenheit increase in average daily high temperature for the indicated season. Standard errors (in parentheses) are clustered by year, state, and both state and year. **,”**, and * denote statistical significance at the 1%, 5% and 10% levels.

The results suggest an overall effect with the opposite sign of that in CHP, with the positive fall effect here outweighing the negative summer effect.

**Table 4. Test statistics and p-values (in parentheses) for the hypothesis that the sum of seasonal coefficients equals zero, with standard errors clustered by state, year, and both state and year using data from Khatri and Tamura**

<table>
<thead>
<tr>
<th>Standard errors clustered by:</th>
<th>Sum</th>
<th>Sum with lags</th>
<th>Weighted sum</th>
<th>Weighted sum with lags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year (F)</td>
<td>0.30 (0.59)</td>
<td>0.76 (0.30)</td>
<td>0.53 (0.47)</td>
<td>0.38 (0.54)</td>
</tr>
<tr>
<td>State (F)</td>
<td>0.86 (0.36)</td>
<td>2.55 (0.12)</td>
<td>1.65 (0.21)</td>
<td>1.56 (0.22)</td>
</tr>
<tr>
<td>Both (χ²)</td>
<td>0.35 (0.55)</td>
<td>0.91 (0.34)</td>
<td>0.64 (0.42)</td>
<td>0.48 (0.49)</td>
</tr>
</tbody>
</table>

Table 4 shows the results of tests of whether the sum of the coefficients is different from zero. However standard errors are clustered, and whether coef-
ficients are weighted or unweighted, and whether the lag of seasonal temperatures are included or not, the sum is never statistically significant at the 10 percent level. In all cases the overall sum of the coefficients is positive.

I was unable to find any sub-period in which the overall effect of temperature on growth was negative and statistically significant, and positive effects of temperature were more common than negative effects. In the absence of a true effect, we would expect to find positive and negative, but statistically insignificant measured effects using different datasets and different models.

Other problems with CHP

Non-linearity

CHP’s headline result that climate change could decrease GSP growth by one third was derived from a model in which temperature has a linear effect on GSP growth. Later in the paper, CHP explore the possibility of nonlinear effects by running regressions on subsets of states. They hypothesize that warmer states might see a larger effect on growth of a marginal change in temperature. In other words, a state with an average summer temperature of 90 degrees might lose more economic growth from a one degree increase in temperature than a state with an average summer temperature of 60 degrees.

CHP sort the states by average summer temperature, then they run their basic regression on data from the 10 warmest states. They then add states one by one in order of average summer temperature, running a new regression each time. The results are displayed in their Figure 4, which shows that the summer effect is largest for the warmest states. Although CHP do not mention it, their Figure 4 also shows that the positive fall effect for the 14 warmest states is larger than the negative summer effect. An innocent reader might suppose that they could justify ignoring the positive fall effect by pointing to their words: “the dramatic rise of the impact coefficient for the warmest states is precisely identified for the average summer temperature, whereas the coefficient of the average fall temperature is characterized by a higher degree of uncertainty” (CHP 2019, 333).

In the regression on the 10 warmest states, contrary to the assertion of CHP, not only is the positive fall effect larger than the negative summer effect, but the level of statistical significance is also higher for fall. Results for this regression are shown in Table 5. As more states are added the positive fall effect remains stronger than the summer effect until California, the 15th warmest state, is added. Their Figure 4 shows a clear break in the coefficient estimates when California is added.
(CHP 2019, 334). In fact, when CHP’s Table 1 estimates are replicated omitting California, the statistical significance of fall is stronger than summer, although the coefficient estimate is still slightly lower in absolute value. The sum of all four seasonal coefficients, however, is positive when California is removed from the analysis. In other words, without California the headline result of CHP would be that warming temperatures increase economic growth.

**TABLE 5. Detail from regression on 10 warmest states from CHP Figure 4**

<table>
<thead>
<tr>
<th>Season</th>
<th>Winter</th>
<th>Spring</th>
<th>Summer</th>
<th>Fall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression coefficient</td>
<td>-0.054</td>
<td>0.169</td>
<td>-0.414</td>
<td>0.436</td>
</tr>
<tr>
<td>Std. error by year</td>
<td>(0.145)</td>
<td>(0.121)</td>
<td>(0.200)**</td>
<td>(0.189)**</td>
</tr>
<tr>
<td>Std. error by state</td>
<td>-0.38</td>
<td>1.40</td>
<td>-2.06</td>
<td>2.31</td>
</tr>
<tr>
<td>Std. error by year, state</td>
<td>0.709</td>
<td>0.169</td>
<td>0.044</td>
<td>0.025</td>
</tr>
</tbody>
</table>

*Notes:* The regression coefficients show the predicted change in GSP growth from a one degree Fahrenheit increase in average daily high temperature for the indicated season. Standard errors (in parentheses) are clustered by year, state, and both state and year. **, * denote statistical significance at the 1%, 5% and 10% levels.

Considering the warmest states separately suggests a possible driver of CHP’s results. Temperatures in many states drifted higher over the time period examined by CHP. At the same time, many warm states experienced dramatic economic growth during the 1960s and 1970s. That growth slowed as these economies matured and the effects of air conditioning and improved transportation slowed at the same time that some temperatures warmed. At the end of the time period examined by CHP the recession of 2007–2009 substantially reduced growth, particularly in warm states like California that experienced large reversals in their housing markets. A correlation between rising temperatures and economic events having nothing to do with climate change could have influenced CHP’s results. California also has a very heterogeneous climate and received a large weight in CHP’s regressions.

**Lags affect coefficients**

The basic equation that CHP estimate is their equation 4, shown below as Equation (2).

\[
\Delta y_{i,t} = \sum_{s} \beta_s T_{i,s,t} + \rho \Delta y_{i,t-1} + \alpha_t + \alpha_i + \epsilon_{i,t} \tag{2}
\]

GSP in state \(i\) and year \(t\) is represented as \(y_{i,t}\) and the \(\Delta\) preceding this term indicates the change, or rate of growth of GSP. The summation is over the four seasons, and \(\beta_s\) represents the regression coefficient for season \(s\). \(T_{i,s,t}\) represents the average temperature in season \(s\), state \(i\) and year \(t\). \(\rho\) is the regression coefficient on
lagged GSP growth. \( \alpha_i \) and \( \alpha_t \) represent fixed effects over states and time, and \( \varepsilon \) is a random error term.

If there is no trend in the growth of GSP, then the expectation of \( \Delta y_{i,t} \) and \( \Delta y_{i,t-1} \) will be equal and can both be written as \( E[\Delta y_i] \). The expectation of temperature can be written as \( E[T_{i,s}] \). Equation (2) can then be expressed as follows.

\[
E[\Delta y_i] = \sum_{s \in S} \beta_s E[T_{i,s}] + \rho E[\Delta y_i] + \alpha_i + \alpha_t + \varepsilon_i
\]

Rearranging terms, we have:

\[
E[\Delta y_i] = \sum_{s \in S} \beta_s E[T_{i,s}] + \alpha_i + \alpha_t + \varepsilon_i \div (1 - \rho)
\]

While CHP say that the effect of a marginal change in temperature on GSP will be \( \beta_s \), actually, the effect of a marginal change in temperature on GSP growth will be \( \beta_s \div (1 - \rho) \), not \( \beta_s \). The regression coefficient on lagged GSP growth, \( \rho \) (not reported in CHP 2019), is 0.340. So instead of a one degree change in temperature reducing GSP growth by a third, it would be reduced by one third divided by one minus 0.340, or approximately one half.

While properly calculating the effect of temperatures taking account of the effect of lagged GSP raises the point estimate of the effect, it has little effect on the statistical significance of the estimate or of the sum of the seasonal effects. A coefficient that is close to zero will still be close to zero when multiplied by \( \frac{1}{1 - \rho} \), assuming there is no correlation between the coefficient and \( \rho \), and the standard error of \( \rho \) will add additional noise to the estimate. \(^5\)

### Concluding remarks

Results in academic literature receive attention when they are strong enough to be concerning, but not so strong as to be unbelievable. CHP’s result that climate change could reduce the rate of economic growth by one third is a Goldilocks estimate; large enough to gain attention, but not so large that it is sure to be

---

\(^5\) The Stata command “testnl” can be used to test whether nonlinear combinations of coefficients are equal to zero. Using this procedure, the hypothesis that \( \sum \frac{\beta_j}{1 - \rho} = 0 \) could not be rejected in any of the model specifications shown in tables 1–4.
CHP made a number of choices that produced the estimate that climate change could reduce economic growth by one third. For example, a different version of CHP’s Figure 5 in their replication files (link) using only post-1990 data would have increased their estimate by nearly three times, meaning that climate change would nearly eliminate economic growth in the United States. Hints of nonlinear effects later in the paper might satisfy readers wishing for larger effects, but keeping the headline result to one third of growth might have improved its perceived credibility. Failure to take account of the effect of the lagged dependent variable might have been an oversight or a choice to keep the headline result in a believable range. In a video produced by the European Economic Association and posted at YouTube (link), Bridget Hoffmann says, “this is a very large number, which should make us think carefully about what the costs of doing nothing could be.”

Most research showing economic effects of climate change addresses levels of GDP, not rates of growth. Richard Newell, Brian Prest, and Steven Sexton (2020), in a survey of the existing research, say: “Growth models generate considerably greater uncertainty of climate impacts than do levels models.” Newell, Prest, and Sexton (2020) report 95 percent confidence intervals of the effects of climate change on growth ranging from −84 percent to +359 percent. They go on to say: “Accounting for the uncertainty reflected in the set of superior models, we do not identify a statistically significant marginal effect of temperature on global GDP growth.” Combined with the fact that models looking at the effects of climate change on GDP levels find effects that are modest compared to underlying economic growth, the inability to find effects of climate change on growth makes it more difficult to justify costly programs to combat climate change.

In this comment, I have criticized CHP (2019), a paper that attempted to directly estimate an effect of climate change on economic growth. CHP claim to show that rising temperatures have significant effects on economic growth. Their result, however, comes from using an extreme estimate of warming multiplied by a statistically insignificant coefficient that changes sign when estimated with a different source of data. Their results are sensitive to removal of a small number of observations and their attempt to deal with non-linear effects shows that if anything, the nonlinear effect is that warming temperatures increase economic growth.

The no-meaningful-result result is not surprising given the fact that the warmest state in the U.S., Florida, has had the third highest rate of economic growth over the past 90 years, behind only Arizona and Nevada, two other states with large populations in very warm areas.
Data and code

Data and code used in this research are available from the journal website (link).

References


DePillis, Lydia. 2018. Most Economic Forecasts Have a Big Blind Spot: Climate Change. CNN, August 17. Link


IPCC. 2018. Global Warming of 1.5°C. Cambridge, UK: Cambridge University Press. Link


Nordhaus, William. 2018. Projections and Uncertainties About Climate Change in an Era

188 VOLUME 19, NUMBER 2, SEPTEMBER 2022


### About the Author

**David Barker** taught economics and finance at the University of Chicago and the University of Iowa. His Ph.D. is from the University of Chicago and he worked as an Economist at the Federal Reserve Bank of New York. He currently runs a real estate and finance company in Iowa and is a member of the Iowa Board of Regents. His email address is drb@barkerapartments.com.
Erroneous Erratum to Accounting Fraud Article

Stephen Walker

There was a paper in the Journal of Accounting Research (Bao et al. 2020) that I criticized in Econ Journal Watch (Walker 2021a). The authors published a concurrent reply (Bao et al. 2021), to which I rejoined in the next issue (Walker 2021b) without a second reply by the authors, though they were invited to supply one.

In August 2022, the Journal of Accounting Research posted an erratum (Bao et al. 2022) to Bao et al. (2020). Two lines in that erratum jumped out at me. First:

Walker (2021a and 2021b) identified an error in the program codes of Bao et al. (2020) posted on Github that led to an overstatement of model performance metrics. (Bao et al. 2022, 1635, boldface added)

The part in boldface is false. I discovered no errors in their program codes. Rather, the “error” was in their dataset—specifically, how they identified fraud cases in their sample. A coding error may be accidental, but the method used to define their fraud cases was deliberate. To this date, the authors have offered no explanation as to why they did what they did, nor offer any explanation as to what prompted their misidentifying of fraud cases. Their readers deserve an explanation as to the nature and causes of their misidentification.

The second portion of the erratum that jumped out at me is:

It continues to dominate the performance of the other models for the test period 2003–2005. Bao et al. (2020) argued that this test period was the cleanest because many accounting frauds in the test years after 2005 could be undetected due to reduced regulatory enforcement of accounting fraud that approximately coincided with the 2008 financial crisis (see also Donelson et al. 2021). (Bao et al. 2022, 1636, boldface added)
This is also false, and that falseness is easily verifiable from their original 2020 publication:

**We end the sample in 2008** because there is a noticeable shift in the regulators’ enforcement of accounting fraud that approximately coincided with the **2008 financial crisis.** (Bao et al. 2020, 208)

In this paper, I make the case that there is evidence of academic misconduct and make the recommendation that the *Journal of Accounting Research* launch a full and independent investigation into the matter.

**Replication of erratum code**

First, for completeness, I want to replicate their results posted in their erratum. I downloaded the new code from Github and ran it as is. I also ran a second scenario that optimized the number of tree parameters based on a grid search, which was given to readers in this new version. Recall that the original paper gave no guidance as to how they performed this search. In their reply to me, Bao et al. (2021, 72–73) led with the argument that I had not optimized this tree parameter using grid search. So, I ran this code first and the results are shown in Table 1.

<table>
<thead>
<tr>
<th>Trees</th>
<th>AUC</th>
<th>Trees</th>
<th>AUC</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>0.7350</td>
<td>800</td>
<td>0.7490</td>
</tr>
<tr>
<td>200</td>
<td>0.7432</td>
<td>900</td>
<td>0.7488</td>
</tr>
<tr>
<td>300</td>
<td>0.7451</td>
<td>1000</td>
<td>0.7495</td>
</tr>
<tr>
<td>400</td>
<td>0.7459</td>
<td>1500</td>
<td>0.7478</td>
</tr>
<tr>
<td>500</td>
<td>0.7446</td>
<td>2000</td>
<td>0.7464</td>
</tr>
<tr>
<td>600</td>
<td>0.7470</td>
<td>2500</td>
<td>0.7430</td>
</tr>
<tr>
<td>700</td>
<td>0.7484</td>
<td>3000</td>
<td>0.7418</td>
</tr>
</tbody>
</table>

What is obvious is how little this grid search matters in terms of AUC performance. That is a point I had made in my rejoinder, prior to the new Erratum (Walker 2021b, 232). The result of this search shows that optimal number of trees is 1,000. Strangely, the number of trees used in the updated code was 300. Therefore, for this replication, I run two scenarios, one with the code as-is and one with the tree parameter changed to 1,000. I report metrics AUC, NDCG@k (which the authors argued was the most important metric), and the number of correct hits identified by the model, which is the easiest metric to describe. In addition to averaging (which the authors show only), I report results by year for their original
primary test period 2003–2008. The results of this analysis are shown in Table 2.

<table>
<thead>
<tr>
<th>Year</th>
<th>AUC</th>
<th>NDCCG@1%</th>
<th>Hits (Top 1%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.7281</td>
<td>0.0624</td>
<td>5</td>
</tr>
<tr>
<td>2004</td>
<td>0.7646</td>
<td>0.0279</td>
<td>2</td>
</tr>
<tr>
<td>2005</td>
<td>0.7289</td>
<td>0.0141</td>
<td>1</td>
</tr>
<tr>
<td>2006</td>
<td>0.7590</td>
<td>0.0000</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>0.7176</td>
<td>0.0000</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>0.6280</td>
<td>0.0000</td>
<td>0</td>
</tr>
</tbody>
</table>

Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>AUC</th>
<th>NDCCG@1%</th>
<th>Hits (Top 1%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003–2005</td>
<td>0.7428</td>
<td>0.0394</td>
<td>9</td>
</tr>
<tr>
<td>2006–2008</td>
<td>0.7015</td>
<td>0.0000</td>
<td>1</td>
</tr>
<tr>
<td>2003–2008</td>
<td>0.7228</td>
<td>0.0237</td>
<td>10</td>
</tr>
</tbody>
</table>

As to the hit number, the authors reported 9 hits from 2003–2005 and 10 hits total from 2003–2008, implying only 1 additional hit from 2006–2008.

I was unable to generate the exact results from the erratum. Using the optimal tree setting, my run shows 8 hits from 2003–2005 and zero hits thereafter, so I have 20 percent fewer hits using their code. Since this value represents the same number of hits from the logit model from previous literature shown in Table 1 Panel B of their erratum (Bao et al. 2022, 1637), it would appear that this machine learning approach does not outperform existing models. Recall that the authors originally wrote that:

We find that our best model, the ensemble learning model, identified a total of 16 fraud cases in the test period 2003–2008. In contrast, the comparable figure is 9 for the Dechow et al. model and 7 for the Cecchini et al. model. These results suggest that the differences in the performance of the ensemble learning model versus the two benchmark models are also economically significant. (Bao et al. 2020, 223, boldface added)

So, their paper originally claimed a near doubling in performance relative to the existing logit model (identifying 16 vs. 9 cases), and now they claim a modest improvement in the erratum for that same period (identifying 10 cases vs. 8 cases). When a user runs their updated code, there is not even a modest improvement (identifying 8 cases vs. 8 cases).
Another thing that bothered me

Later, something else bothered me: If an erratum were in order, why didn’t they say that in their March 2021 reply to me? In that reply, they act as though nothing in their 2020 JAR article is amiss. Furthermore, when invited by *Econ Journal Watch* to supply a second reply, why didn’t they take that opportunity to say that an erratum was in order?

Next, I’ll describe what the “error” was, and my journey writing these critiques (the present one being the third). I believe the case supports a conclusion of research misconduct. Notwithstanding the issues I identified in their erratum, the real issue is: what was this “error” and how did it arise in the first place?

What was the “error”?

The authors do not make clear to the reader what they are correcting in the erratum. Their erratum starts “Walker (2021a and 2021b) identified an error in the program codes of Bao et al. (2020) posted on Github that led to an overstatement of model performance metrics” and that this error “resulted in approximately 10% of these spanning serial fraud cases in the training period not being recoded as zero.” Let me recast this statistic. First, there were only 17 cases affected by this “error” out of 435 total fraud cases in their sample. This entire saga is about what happened to the data for those 17 cases.

In fact, “error” is not the correct word to describe the issue. The code worked fine. Rather, it was the manipulation of the dataset itself where 17 unique fraud cases in the dataset received two identifiers, a manipulation of the underlying data which made no sense.

A journey into criticism

For my dissertation work, I wanted to explore how machine learning might better answer accounting research questions, including fraud detection. I quickly discovered that detection models performed very poorly, but were characterized by the literature as contributing meaningful results that could be useful to industry professionals—which, by the way, was in contradiction to what I have heard anecdotally from those same professionals. As part of my literature review, Bao et al. (2020) was included, but I originally did not pay much attention to it because the original ( overstated) results were similar to what I achieved in my own machine
learning approach, and those results were still quite poor. As I was wrapping up a draft version of my paper for my committee in late 2020, I decided that, for completeness I should download the code from their paper and try to replicate their results.

Upon inspection of this code, I noticed a strange new field called `new_p_aaer`, which appeared to identify the fraud cases. I thought *Why would there need to be a new identifier?* The fraud cases already had one. I then downloaded the data into a spreadsheet and pivoted it to see which years and firms were affected by this new identifier. When I saw that it only affected 17 cases, I knew something was amiss. The Bao et al. (2020) article was published in what I believed was one of the top journals in accounting research, the *Journal of Accounting Research*, and the publication included the words “Accepted by Christian Leuz,” who was a legend in accounting research at the University of Chicago. At first, I thought there must have been an error in my own thinking. Surely there was a logical explanation. However, as I continued to iterate the problem, I gained confidence that there was a problem here, and it looked like it was done deliberately. However, the authors made no mention in their written paper of why they implemented the `new_p_aaer` manipulation— or even that they did. I first wrote about the issue in a paper that I uploaded to SSRN on November 29, 2020.

In talking around my department about the issue, I was given the name of Alex Young, who had previously written in EJW. His paper criticizing authors Andrew Bird and Stephen Karolyi subsequently led to a retraction at *The Accounting Review*. I first reached out to EJW on December 14. The editor suggested I first reach out to the authors to get their response before writing a journal article. On December 15, I emailed the author group a list of my questions copying their editor, Professor Christian Leuz (Figure 1). Over the next few weeks, I received no acknowledgment or reply for my questions. On January 5, 2021, I received an email from Professor Leuz asking if I had heard back from the authors. I replied no, and then he replied on January 7 that he would “nudge” the authors to answer my questions. On January 15, one month after my initial inquiry, I received the reply from the authors (Figure 1). In my original email, the first few questions were qualitative, about the robustness in the results, but the final question was the most important. The question and reply are below.

**Question (email from Walker):**

Finally, in your data, there is a field called “new_p_aaer.” You described this field as “used for identifying serial fraud”. However, the Matlab code as written would exclude serial fraud where there is a match on AAER identifier between the test and training periods. I found 17 specific serial-AAER cases that have been recoded, depending on year, to end in “1” or “2”. The
Figure 1. The author group’s replies (in entirety), indicated by >>>>, interspersed between the bulleted points of Walker’s original email

Dear Stephen,

Thank you for your interest in our paper. I am sorry for the delays in getting back to you because many of us have been very busy in the past few weeks. See below for our replies to your specific questions. I am looking forward to your paper.

Best,

[Attachment]

Fraud (Stephen Walker)

To: [Redacted]

Subject: Detecting accounting fraud

Dear Professor,

I am writing to you because part of my paper examines the results from your recently published AAR paper entitled “Detecting Accounting Fraud in Publicly Traded U.S. Firms Using A Machine Learning Approach.” I have a few questions that I hope you can help me better understand your results from this paper. I have also reached out to Professors Courten, Perils, and Desjardins for comment.

My working paper has been rejected by SSRN and can be accessed via the following link:

A Neat Fraud Machine learning does not significantly improve corporate fraud detection beyond a single screen on sales results by Stephen Walker – SSRN

I downloaded your data and Matlab model from the Github repository. I have the following questions:

1. When examining out-of-sample test results, the importance of a single year becomes clear, specifically that of 2003. However, results are reported as averages over time, including your Table 5 that reports varying test periods. Do you believe this is a valid approach to reporting out-of-sample results that always included the results from this successful year and did you consider alternative test periods that did not include 2003?

   >>> We compare all models on an equal footing, so we do not see any problem. While a model’s performance clearly varies across the last years, it is not appropriate to exclude a particular last year from the sample simply because the model’s performance happens to perform better or worse than expected as well in a particular year. Also, our results are not solely driven by a single year.

   Your paper shows a 2-year gap to separate the training and test periods. However, you did not elaborate on this aspect in the discussion. How long does this period correspond to? Can you provide more detail on why these were selected for training? When I simply returned the “new_p_aaer” field to the original AAER values, and evaluated the data for the AAER fraction of these cases in training, I was surprised to find that among the 8 total firms that hit for 2003 producing the large out-of-sample result, half were related to these serial AAERs. Since your paper says that serial fraud was excluded, can you provide detail on why these were singled out to be included for training?

   >>> Based on the data used in Courten, Maure, and Zingales (2019), there is a 2-year gap to proxy the average period from fraud commitment to the first date that fraud is revealed to the public. These data suggest that an average, the duration of frauds uncovered by all sources is 501 days, roughly two years. Firms are selected entirely at random. No group is typically used in most prior studies. I vary gap, in 2-year gap in this review process, we found that the performance of all models will increase (decrease) as the gap increases (decreases). Most importantly, however, the ranking order of the models does not change if the gap is too small. The gap is too large, almost all models cannot catch frauds, which is expected.

   Finally, one could manually select each fraud case’s first revelation date to the public, and calculate the new gap by using the actual fraud year and first revelation year. This is a very costly process and beyond the scope of our study since we do not try to build a real-time fraud prediction model (see our formula 7).

   >>> Firm-years appear to have been dropped from the sample. Examples of this are shown in my Table 1, Panel C. Are there reasons why these specific examples were dropped? If so, what was the logic, and did they change your results?

   We require all observations to contain non-missing values for the 23 accounting variables, consistent with prior studies cited in our paper. Those observations mentioned in your Table 1 are dropped because one of the 23 accounting variables is missing in FRED-D.COMPUTER database. For example, firm-years of AER No. 2472, 2014, 2851, and 2014 are missing (N/A). The dataset used in our study included each fraud case where there is a match on AER identifiers between the test and training periods. We found 17 specific serial AERs that were observed, with 11 years of serial AERs cases that were described, depending on your test period and number of tests (1 or 2). The effect of the recoding was to *include* these cases in training, even though they appear to be serial fraud cases. Out of the 8 total firms that hit for 2003 producing the large out-of-sample result, half were related to these serial AAERs. Since your paper says that serial fraud was excluded, can you provide detail on why these were singled out to be included for training? When I simply returned the “new_p_aaer” field to the original AAER values, and evaluated the data for the AAER fraction of these cases in training, I was surprised to find that among the 8 total firms that hit for 2003 producing the large out-of-sample result, half were related to these serial AAERs. Since your paper says that serial fraud was excluded, can you provide detail on why these were singled out to be included for training? When I simply returned the “new_p_aaer” field to the original AAER values, and...
reran the Matlab code, the model excluded more firm years from training and results declined significantly. (boldface and italics added)

**Answer (email from Bin Ke):**

As we discussed in Section 3.3 of our paper, “we recode all the fraudulent years in the training period to zero for those cases of serial fraud that span both the training and test periods.” Our serial frauds have two requirements: (1) have the same AAER id, and (2) are **consecutive in our sample. “1” and “2” are suffix to distinguish serial frauds with the same AAER id but not consecutive in our sample.** (boldface added)

That is really a non-answer. It is problematic for the following reasons:

1. The authors disclose an additional rule for identifying serial fraud cases—so as to remove them from training. That additional rule is shown in boldface and was not disclosed in the original publication (and, as I’ll show, in violation of the journal’s data policy).
2. They completely ignored the effect I described in the question, shown in boldface—that 17 specific cases were included in training, which was in direct contradiction to what their paper described.
3. That now-disclosed rule makes no sense, except to artificially improve the results published.

Their email annoyed me. I proceeded with my initial EJW critique (Walker 2021a). Next, I explain why I believe research misconduct occurred. But, first, I should define research misconduct.

**Defining misconduct**

A Google search for “academic research misconduct definition” returns a variety of sources, each with varying definitions. Here, I simply turn to what is defined in the law. According to the United States Code of Federal Regulations 42 CFR 93.103 (link):

§ 93.103 Research misconduct.
Research misconduct means fabrication, falsification, or plagiarism in proposing, performing, or reviewing research, or in reporting research results.
(a) Fabrication is making up data or results and recording or reporting them.
(b) Falsification is manipulating research materials, equipment, or
processes, or changing or omitting data or results such that the research is not accurately represented in the research record.

(c) Plagiarism is the appropriation of another person’s ideas, processes, results, or words without giving appropriate credit.

(d) Research misconduct does not include honest error or differences of opinion.

I believe that there is substantial evidence that the work in Bao et al. (2020) falls under (b), falsification. Falsification is the manipulation of research materials, in this case, the underlying dataset.

**The Journal of Accounting Research data policy**

The authors are in clear violation of the data policy at the journal (link). According to the data policy updated November 2016,

To be provided upon acceptance of the paper and prior to publication:

5. The computer programs or code used to convert the raw data into the final dataset used in the analysis plus a brief description that enables other researchers to use this program. The purpose of this requirement is to facilitate replication and to help other researchers understand in detail how the raw data were processed, the final sample was formed, variables were defined, outliers were treated, etc. This code or programming is in most circumstances not proprietary. However, we recognize that some parts of the code or data generation process may be proprietary, including from the authors’ perspective. Therefore, instead of the code or program, researchers can provide a detailed step-by-step description of the code or the relevant parts of the code such that it enables other researchers to arrive at the same final dataset used in the analysis. In such cases, the authors should inform the editors upon initial submission, so that the editors can consider an exemption from the code sharing requirement. Whenever feasible, authors should also provide the identifiers (e.g., CIK, CUSIP) for their final sample. (boldface added)

According to this data policy, unless the editors exempt them for proprietary reasons, they are required to produce the code. In the original zipfile, the authors included three relevant files: The (1) RUSBoost code in Matlab called run_RUSBoost28.m; (2) the SAS code to prepare the final dataset that included the 28 raw accounting variables and the 14 financial ratios called SAS coding.pdf; and (3) BKLYZ Datasheet which described the data. In the BKLYZ Datasheet, the only reference to the new_p_aar field was:
The variable new_p_aaer is used for identifying serial frauds as described in Section 3.3 (see the code in “RUSBoost28.m” for more details).

As I previously wrote, the authors did not disclose how or why the new_p_aaer variable was created. Neither the RUSBoost28.m file nor Section 3.3 of their paper describes it. The SAS coding.pdf file which provided the code to build the dataset (and would be the obvious location for the code to create the new_p_aaer variable) contains no reference to it. Clearly, the authors did not disclose the steps required to create this field and hid it from the journal and its readers, in violation of the data policy.

Interestingly, the data policy in effect was changed after the authors’ submission on October 7, 2015. Based on an online copy of the older document (link) that I found using a Google search, the previous language for the policy dated December 2014 was:

5. Prior to final acceptance of the paper, the computer program used to convert the raw data into the dataset used in the analysis plus a brief description that enables other researchers to use this program. Instead of the program, researchers can provide a detailed step-by-step description that enables other researchers to arrive at the same dataset used in the analysis. The purpose of this requirement is to facilitate replication and to help other researchers understand in detail how the sample was formed, including the treatment of outliers, Winsorization, truncation, etc. This programming is in most circumstances not proprietary. However, we recognize that some parts of the data generation process may indeed be proprietary or otherwise cannot be made publicly available. In such cases, the authors should inform the editors upon submission, so that the editors can consider an exemption from this requirement. (boldface added)

The policy at the time of their submission would have allowed the authors to opt for a step-by-step description instead of the code. However, by the time it was published, the code was required for publication.

**Why did the authors create new identifiers?**

We still do not know. They have never addressed why creating new identifiers was logical. Even with their erratum, it was hand-waved away as a coding error.

The answer, I believe, has to do with the timeline of publication. The Bao et al. (2020) paper was submitted to the *Journal of Accounting Research* on October 7, 2015, and accepted four years later on October 1, 2019. A clue from this paper tells us that this relabeling of identifiers was not part of the original submission.
Note 10 of the paper says, “We thank the anonymous referee for raising this point.” This note is in reference to the preceding paragraph in Section 3.3 “Serial Fraud,” which describes the issue: “Such serial fraud may overstate the performance of the ensemble learning method if instances of fraudulent reporting span both the training and test periods.” The authors describe their supposed remedy: “we recode all the fraudulent years in the training period to zero for those cases of serial fraud that span both the training and test periods” (Bao et al. 2020, 203).

So we know that the original submission did not correct for serial fraud, and its results were likely substantially better than those published. In my experience using machine learning, it is easy to fool oneself into believing that these models generate substantial improvements over older methodologies. Most of the time there is a data leak that causes overfitting to a test set. So, an anonymous referee pointed this serial fraud issue out to the authors, and they would obviously need to correct it in the next submission. The process to correct for these cases is simple: find where the fraud identifier in the test sample matches in the training sample and recode the indicator variable from one to zero for training purposes. As I showed in my first critique (Walker 2021a), doing exactly that produces null results relative to benchmark models.

So, the authors took a further step, an undisclosed step. Again from their email response:

Our serial frauds have two requirements: (1) have the same AAER id, and (2) are consecutive in our sample. “1” and “2” are suffix to distinguish serial frauds with the same AAER id but not consecutive in our sample. (boldface added)

The result of the requirement in boldface was to usher the 17 serial fraud cases into the training sample—a problem that I made clear in my original email. The effect of including those 17 cases was to boost the number of hits from 9 to the 16 claimed in their paper (see Walker 2021a, Table 2).

In conclusion, evidence of falsification and an ensuing coverup rests on:

1. Creating an absurd and undisclosed requirement, requiring the creation of new IDs to allow serial fraud cases in the training sample that generated misleading and false results, in contradiction to their written paper, and in violation of JAR’s data policy.
2. Writing a misleading reply to my initial inquiry of December 15, 2020, where they ignored the problem entirely, even though I clearly described the issue in detail in the email. Furthermore, that inquiry was initially ignored, only to be replied to a month later after the “nudge” by the editor.
3. Writing a misleading reply (Bao et al. 2021) to my critique in EJW where they did not address or attempt to explain the problem, instead bringing up non-germane issues such as the recalibration of trees (which the authors did not previously describe in writing or provide code for, and which, as I show here with their updated code, does not matter).

4. Writing an erratum where they admit to an “error,” but mischaracterize it as a coding error. They do not explain what the problem truly was (a direct change to the dataset itself), nor do they describe how they came to this course of action in the first place.

5. Making an obvious false statement describing their original paper in the erratum where they redefine their primary sample period from 2003–2008 to 2003–2005 in order to present new results in the most favorable light possible.

6. Publishing updated code that does not generate the results reported in the tables in the erratum.

7. Publishing that erratum after having had two chances to say in EJW what they say there. (The erratum was posted by JAR approximately 16 months after their March 2021 EJW reply to me.)

For these reasons, on August 10, 2022, I requested an independent investigation to the editors at the Journal of Accounting Research. As of September 10, 2022, I have only received an acknowledgement of receipt by JAR editor Leuz who has promised that the editorial board would respond to this request.

Gelman’s ladder

Andrew Gelman (2019) of the Columbia Statistics Department describes a ladder of response to sound criticism in academic research. I reproduce this ladder here for discussion purposes. Virtue is high, vice is low.

1. Look into the issue and, if you find there really was an error, fix it publicly and thank the person who told you about it.

2. Look into the issue and, if you find there really was an error, quietly fix it without acknowledging you’ve ever made a mistake.

3. Look into the issue and, if you find there really was an error, don’t ever acknowledge or fix it, but be careful to avoid this error in your future work.

4. Avoid looking into the question, ignore the possible error, act as if it
had never happened, and keep making the same mistake over and over.
5. If forced to acknowledge the potential error, actively minimize its
importance, perhaps throwing in an “everybody does it” defense.
6. Attempt to patch the error by misrepresenting what you’ve written,
introducing additional errors in an attempt to protect your original
claim.
7. Attack the messenger: attempt to smear the people who pointed out
the error in your work, lie about them, and enlist your friends in the
attack. (Gelman 2019)

I score the response from Professor Bin Ke to my initial email inquiry and
the authors’ EJW reply a ‘4.’ They ignored the issue entirely. I score the erratum a
‘6.’ It is a clear attempt to patch the error with misrepresentation of the primary test
period.

Journal of Accounting Research editor Christian Leuz
on academic misconduct

Not long ago, Professors Luzi Hail of the Wharton School, Mark Lang of
the University of North Carolina, and Christian Leuz at the University of Chicago
collaborated to write the article “Reproducibility in Accounting Research: Views
of the Research Community” (2020). They write in response to a 2019 survey
conducted at a Journal of Accounting Research conference: “Most have encountered
irreproducibility in the work of others (although not in their own work) but chose
not to pursue their failed reproduction attempts to publication” (Hail, Lang, and
Leuz 2020, abs.). They consider three paths forward:

1. Business as usual.
2. Public repositories of code and data.
3. Increased incentives for replication.

In the discussion under “business as usual”, Hail, Lang, and Leuz indicate
that “a substantial minority of respondents” favor business as usual, as “the status
quo reflects market forces, weighing the costs and benefits for authors, journals,
and universities” (2020, 17).

As for the second path forward of having a repository for code and data,
I am thankful for the code and data being available, which allowed me to write
the critique. For the third remedy, increased incentives, they write, “As example
for a sub-component in an existing outlet, the Journal of Finance (JF) includes a
section for “Replications and Corrigenda” that provides space for “short papers that document material sensitivities of central results in papers published in the JF.” If the Journal of Accounting Research had this remedy, I likely would have submitted my critiques there. However, as of now, they do not have a credible and independent process for submitting criticism of their articles. My hope is that a future editorial board would embrace criticism—it is vital to scientific credibility.

Appendix

Data and code related to this research is available from the journal website (link).

References


Stephen Walker earned his Ph.D. at the University of California Haas School of Business in May 2021. Prior to his Ph.D. studies, Stephen worked in equity research at Sanford C. Bernstein in New York City. He also holds an MBA from Columbia Business School. He currently works as an economic consultant for shareholder litigation and can be reached via his personal website at stephenwalker.me.
Darity, Camara, and MacLean on William H. Hutt

Phillip W. Magness¹ and Art Carden²

Duke University economist Sandy Darity, researcher M’Balou Camara, and historian Nancy MacLean (2022a) have released a working paper from the Institute for New Economic Thinking alleging that William H. Hutt was a white supremacist. We show that their claim is baseless. We abbreviate Darity, Camara, and MacLean as DCM.

DCM offer another contribution to a growing body of work purporting to link figures admired by classical liberals and other non-leftists, figures such as James M. Buchanan, Ludwig von Mises, Friedrich Hayek, and Milton Friedman, to racism. There is a lot at stake in the accusations that Buchanan, Hutt, and other liberals were racists. Based on the evidence of the last few hundred years, we are firmly convinced that classical liberalism is our best hope for liberty, equality, prosperity, and well-being generally. A recent paper by Kevin Grier and Robin Grier (2021) shows that the Washington Consensus actually hasn’t been the disaster its detractors predicted, and Andrei Shleifer shows that in “The Age of Milton Friedman,” “as the world embraced free market policies, living standards rose sharply, while life expectancy, educational attainment, and democracy improved and absolute poverty declined” (Shleifer 2009, 123). Bumping off liberal ideas by smearing liberals as racist is a recipe for lives smothered and dehumanized.

DCM’s allegation about Hutt begins with Nancy MacLean’s allegations about James Buchanan in her Democracy in Chains: The Deep History of the Radical Right’s Stealth Plan for America (MacLean 2017). Critics took issue with MacLean,
claiming that she was unjust to Buchanan and challenging her scholarship (e.g., Munger 2018; Fleury and Marciano 2018; Magness et al. 2019).

A more careful reading of the documentary evidence clears Buchanan, we think, of MacLean’s charge that he collaborated clandestinely with Virginia’s “Massive Resistance” to school desegregation and her insinuation of racism. In our Southern Economic Journal article with Vincent Geloso, “James M. Buchanan and the Political Economy of Desegregation,” we call attention to the fact that in 1965 Buchanan recruited Hutt to be visiting professor at the University of Virginia. Hutt had just published The Economics of the Colour Bar, a withering attack on the South African government’s apartheid regime. We explain that in Virginia Hutt noticed an alarming similarity between apartheid and Southern segregation (Magness, Carden, and Geloso 2019, 735). We point out how Hutt’s analysis complements Buchanan’s public-choice theory and suggest that, if Buchanan were in cahoots with Virginia’s segregation-era oligarchy—a primary allegation of MacLean’s Democracy in Chains—then it would be odd that he should invite someone like Hutt, and especially right after his attack on apartheid. We quote Hutt saying that in “both countries [the United States and South Africa], and for not very different reasons, non-Whites are condemned to inferiority of productive opportunities, income, status, and respect” (Hutt 1966a). DCM (2022a) specifically criticize the arguments of Magness, Carden, and Geloso (2019), and DCM also criticize arguments we make with Ilia Murtazashvili in our Independent Review article “The Danger of Deplorable Reactions”: W. H. Hutt on Liberalism, Populism, and the Constitutional Political Economy of Racism” (Magness, Carden, and Murtazashvili 2022). In that article we explore Hutt’s proposal for a weighted franchise in light of the problems complicating the peaceful transition to multiracial liberal democracy in postcolonial South Africa, like factional violence (see, e.g., Hutt 1966a; 1968).

DCM now allege that Hutt was a racist: “Hutt was a white supremacist;” he “was not innocent of white supremacy” (2022a, 1). Buchanan inviting a racist to join him at the University of Virginia, they argue, is not evidence in Buchanan’s favor.

In discussing the political uses of Marxism, Ludwig von Mises wrote that it “protects itself against all unwanted criticism. The enemy is not refuted: it is enough to unmask him as a bourgeois” (Mises 1922). Now, some left-leaning scholars hope it is enough to link the enemy to racism. But the world is not so simply captured, nor the liberal spirit so simply crushed. Robert Margo says of the “New History of Capitalism”:

Cliometricians who have looked carefully at the recent literature in the history of capitalism find scholarly lapses of fact and interpretation so prolific in number and egregious in content that it is easy to be dismissive of the entire
line of research. In the broader scheme of things this might not matter too much—except that historians of capitalism have received prestigious prizes, been awarded tenure in top history departments, and have influenced the presentation of historical narrative and artifacts in museum exhibits directed at the general public. 3 (Margo 2018, 399–400)

DCM write that “there were white supremacists who opposed slavery in the United States,” and that “Hutt’s opposition to apartheid, rooted in neoliberal economics (which he preferred to depict as ‘classic liberalism’), was fully compatible with a commitment to white supremacy” (2022a, 1, 11). We accept that distinction. Classical liberalism surely shines in the struggle against slavery, Jim Crow, and race-based privileges in the legal system. 4 Still, by our lights, as a strictly definitional matter, one can be a classical liberal and a racist. Hutt’s opposition to apartheid and his thoroughgoing opposition to racially based distinctions in law wouldn’t particularly make one surmise white supremacistism, but it would not be impossible. We examine the prosecution’s case.

**DCM’s charges and our objections**

In what follows we place DCM’s text in a textbox and express our objections. In the textboxes, the words and punctuation marks taken directly from DCM appear in maroon font (like this).

**Exhibit 1.** DCM (2022a, 8) write:

“The fears of the presently dominant whites are reasonable, realistic, and genuine,” he [Hutt] declared. So, too, “the determination to preserve white civilization is not ignoble” (Hutt, 1964; Hutt, 1965).

Here, DCM use two snippet quotations. The second is conspicuously missing some important qualification: Hutt’s text has the phrase “white civilisation” inside quotation marks. The snippet comes from the paragraph in Hutt’s *Economics of the Colour Bar* that is reproduced below, with the snippet in boldface:

Lurking in the background of the complex of custom and prejudice which the

---

3. Here, Margo cites an early version of Olmstead and Rhode 2018 along with Hilt 2017.
4. See, e.g., Hutt (1964), Bernstein (2001), and Magness (2020) for applications and discussions of classical liberal principles with respect to these issues.
power of the state has been used to appease is genuine alarm at the prospect of ultimate domination of the Africans in the political sphere, with spoliation of the Whites. These misgivings cannot be dismissed as illusory. They may not justify the means adopted to protect the future of the white minority, but they do, at any rate, help to explain it. And although the natural fears of the Whites have been exploited by machiavellian politicians concerned mainly with winning the votes of a badly misinformed and indoctrinated electorate, the fears themselves are wholly well-founded. **The determination to preserve ‘white civilisation’ is not ignoble.** But the unwillingness to share it is incapable of defence and the methods used expose that ‘civilisation’ to contempt. It is the cause of resentment among the non-Whites. And it is the consequence both of colour prejudice and of the not unfounded fear of ultimate domination by the Blacks. (Hutt 1964, 28–29, boldface added)

Hutt puts “white civilisation” inside quotation marks because he is treating a verbalism that operates in minds of the parties he is treating. Why do DCM not include the quotation marks that appear in Hutt’s text? And why remove the sentence from the surrounding context?

Hutt’s body of work suggests that if he is defending what some dub ‘white civilization,’ it is because it is a worthy civilization, not because it is white. A better phrase might be ‘modern civilization’ or something similar. In any event, context matters, and, in the prosecution’s charge of white supremacy, the context remains entirely hidden.

The first snippet quotation, about white fears, is from Hutt’s *Il Politico* article “South Africa’s Salvation in Classic Liberalism.” Here’s the text immediately following the quote:

> A system of «one man one vote», without an unchallengeable limitation of State power, could mean—and in the light of the anger aroused by the present regime, almost certainly would mean—spoliation and revenge. But a planned transition to an era in which the right to change rulers is gradually shared with all races, under the constitutional safeguards of «classic liberalism», could open the path to a more acceptable, more just and incomparably more prosperous regime. (Hutt 1965, 791)

Hutt might have been incorrect as an empirical matter. White South Africans’ fears might have been unreasonable. If Trevon Logan’s findings about black politicians during Reconstruction in the United States are sound and map unto post-colonial South Africa (Logan 2020), then Hutt’s concerns might very well have been incorrect. Some consequences of ‘land reform’ in Zimbabwe (Center for Global Development 2006) may suggest that Hutt was not entirely crazy.

What’s more, the Zimbabwean example illustrates what Hutt says about
how powerful factions use government generally. The overwhelming majority of victims from Robert Mugabe’s violent regime were Black Africans. In a quest to eliminate opposition political factions, Mugabe’s generals waged the Gukurahundi—a genocidal military campaign against minority ethnic groups in the country’s westernmost province with an estimated death toll as high as 20,000 (Dzirutwe 2019). Indeed, the threat of political violence and dictatorship during post-colonial transitions has long been a primary concern of economists who have tried to disentangle Africa from the harms wrought by centuries of imperialism.

Arthur Lewis in his 1965 essay “Beyond African Dictatorship” raises similar concerns about demagogues’ propensity to accrue power in post-colonial regimes, which leads to one-party rule enforced by political violence and oppression. Lewis noted that a task ahead for Africa is to remain cognizant of “the uncertainties generated by rapid change, and the emotional temperature of independence, which gave unscrupulous men a chance to seize power” (1965, 5). The institutions inherited from the previous colonial powers, Lewis continued, were “on the one hand…too democratic, in that they did not distinguish between democracy and licence [and] on the other hand…not democratic enough, in that they failed to give proper representation to minorities and opposition groups” (ibid., 16). Finding the balance, Lewis concluded, would require education that confronted the difficulties and risks ahead, instead of demanding that the world rally behind “any demagogue who, aided by a loud voice and a bunch of hooligans, captures the state and suppresses his rivals” (ibid., 18).

Exhibit 2. DCM (2022a, 7) write:

In the opening lines of The Economics of the Colour Bar, Hutt posed the following question in reference to Black Africans: “How far can their inferior economic status be said to be caused by natural handicaps and how far by injustice at the hands of white people? Usually there is a mixture of causes.” He stated “it may be charged further that insufficient was done to educate the natives as administrators for eventual self-government.” However, in addition to suggesting that Blacks required additional specialized training and education, Hutt held that Blacks are “naturally handicapped.”

In an accompanying blog post (Darity, Camara, and MacLean 2022b), they further write:
Indeed, in the very opening paragraph of his most aggressive attack on apartheid, Hutt even suggested a genetic foundation of “natural handicaps” as partly responsible for why the “non-white peoples of the world today enjoy a much lower average standard of material well-being than the white peoples.”

While it does not explicitly rule them out, the referenced portion of *The Economics of the Colour Bar* makes no claim about genetic handicaps. Instead, Hutt referred to the disease environment in tropical regions and identified it as a historical obstacle to economic development. “For instance,” Hutt stated as an example in the following paragraph, “the failure to have stamped out disease, which still retards the development of many tropical regions.” Darity, Camara, and MacLean project a genetic claim onto his text that he did not make and that is at odds with what he actually wrote.

As for education, South African whites had imposed themselves upon the native populations and made sure that Black South Africans could have no meaningful part in the governance of society by restricting access to education. Later in the paper, DCM point out that “as late as the early 1990s, the overwhelming majority of Black South Africans had no greater than a third-grade education and starkly limited income” (2022a, 10). Hutt’s body of work hardly suggests he thought them incapable.

One piece of evidence comes from the text of one of the documents DCM use to condemn Hutt, his 1966 *Modern Age* article “An Economic Plan for the Negro—Civil Rights and Young Conservatives.” Hutt wrote:

I forecast that, within two decades of the repeal of all minimum wage-rates and the outlawing of all acts of enforcement of the ‘rate for the job’ by labor unions, not only will the aggregate flow of wages have been greatly increased and full employment secured without inflation, but the Negro will have experienced incomparably more rapid economic progress (relatively and absolutely) than at any time in the past. (Hutt 1966a, 236)

The sentence referred its reader to a footnote which reads “Unless (as I personally do not believe) he should have been held back by inborn defects of intelligence and character.”

That footnote reiterates a theme in Hutt’s work—as in his 1934 essay “The Economic Position of the Bantu in South Africa”—that the observed differences between whites and non-whites are not innate but are the products of their incentives and constraints, some of which emerge from accidents of history and geography, others of which were deliberately designed to privilege white workers and oppress
black ones. Hutt noted that on pretty much all margins, South African natives compared favorably to Europeans of prior generations, pointing out that

we do not think of the peasantry of pre-War Russia or eighteenth century Ireland as ‘uncivilized’. If we made a comparison between them and the modern Bantu, clothing would be the most relevant distinction; and that is largely a matter of climate! (Hutt 1934, 202–203)

A little farther down, we read:

Christian feudalism and pagan communism produced contrasting social forms; and Western and Bantu cultures are very different. Yet as they are today they cannot be usefully opposed by the words ‘civilized’ and ‘uncivilized’. The natives’ food, clothing, laws, customs, superstitions, and economic standards generally are different. That is all we can say. (Hutt 1934, 203)

With respect to training and education, Hutt wrote, “It must be remembered in comparing European and native advancement that the opportunities of education available to the latter are preposterously small” (Hutt 1934, 203).

Hutt also explicitly rejected the claim that South Africa’s inequalities arose from innate hereditary or genetic characteristics. In Chapter 3 of Economics of the Colour Bar—the same book that Darity, Camara, and MacLean (2022b) claim “suggested a genetic foundation of ‘natural handicaps’”—Hutt wrote the following:

There are some who believe that the origins of the economic injustices perpetrated in the name of apartheid lie in deep, innate racial incompatibilities, explicable only by the social psychologists and anthropologists. Of course, psychological and anthropological factors cannot be ignored in any attempt to understand the problems of South Africa. But those who have observed, as I have, the natural friendliness of children of vastly different colours and racial characteristics playing happily together unless reprimanded by their parents and teachers, are unable to regard colour antipathies as inherent human characteristics. After 36 years of observation, I have been led to believe that colour prejudice has persisted through economic factors—through the perpetuation of the economic inferiority of the non-white peoples. In the pages which follow, I shall try to explain why I regard the economic colour discriminations in the Republic as an independent cause rather than a symptom of colour injustices. (Hutt 1964, 30–31, italics in original)

We suspect that DCM disagree with Hutt’s arguments on this point, and particularly his description of economic causation. That’s obviously reasonable ground for debate and disagreement. It is harder to accept their misinterpretation of Hutt on genetic heredity.
This isn’t to say it’s impossible to read racism into Hutt’s own words. He was a man of his time and place, mid-twentieth-century South Africa, where explicit racism was the law of the land. It is difficult to read a passage like the following and not be concerned that the author harbors at least some racial animus:

…the native ambition and aspiration of men, even though they be black, backward, and ungraceful, must not be lightly dealt with. To stimulate wildly weak and untrained minds is to play with mighty fires; to flout their striving idly is to welcome a harvest of brutish crime and shameless lethargy into our very laps.

The author, however, is not Hutt. The author is W. E. B. Du Bois, in a passage lifted and stripped of context from *The Souls of Black Folk* with a quick search for the word “backward” (Du Bois 1903). You can villainize anyone of the past if you have an axe to grind, access to the internet, and a few minutes.

Exhibit 3. DCM (2022a, 6) write:

And at a moment when students and faculty in Virginia and elsewhere in the country were demanding an end to the exclusion of African Americans, Hutt advised that owing to this principle of free association, the proscription of discrimination “does not mean that the courts must force…every white university to admit non-Whites.” (Hutt, 1966; MacLean, 2021)

A footnote to this sentence (DCM 2022a, 6 n.3) reads:

Indeed, in this piece written for young American conservatives, Hutt criticized the Warren Court twice (cagily, not by name). Hutt, “An Economic Plan for the Negro—Civil Rights and Young ‘Conservatives,’” 793.

Both DCM’s “Hutt, 1966” citation and the footnote indicate that the quotation about forcing admissions comes from Hutt’s article “Civil Rights and Young ‘Conservatives’” in *Modern Age*, but the citation is wrong. “Civil Rights and Young ‘Conservatives’” makes no mention of any “courts.” It does, however, propound a freedom of association, and notes the assault on that principle not only by Jim Crow laws but by the Ku Klux Klan:

[The right of free association implies the right not to associate as well as to associate. In any free society, a club should have the right to restrict its membership]
to, say, women, teetotallers, veterans, Negroes, Baptists, Jews, or whites. Equally, clubs which wish to admit both whites and Negroes should, under the same rules, have the **effective** right to do so, and be protected from private coercion of the Ku Klux Klan type. (Hutt 1966a, 235)

The point about the Ku Klux Klan is crucial to historical understanding. Racist discrimination persisted as much and as long as it did in the United States not only because of the Jim Crow laws, but also because in many cases violence was threatened and sometimes carried out against enterprises that moved in the integrationist direction, and one reason that such threats were effective is that corrupt and racist governments failed to come down hard on “private coercion of the Ku Klux Klan type” (see, e.g., Higgs 1977).

So where do the words about “courts” that DCM quote come from? We find them in Hutt’s article “South Africa’s Salvation in Classic Liberalism,” which appeared in *Il Politico* in late 1965, shortly before Hutt arrived in Virginia. Boldface shows the words quoted by DCM:

> It will be especially important, however, in a country as complex as South Africa, that there shall be no misapprehension about the purpose. In no way should the right of every person to choose his associates be questioned. Because discrimination on grounds of sex, religion, race or colour is forbidden, that does not mean that the courts must force every women’s club to admit men, every Catholic club to admit non-Catholics, every Jewish club to admit Gentiles or every white university to admit non-Whites. (Hutt 1965, 793, boldface added)

And so Hutt was writing about South Africa—and doing so in an Italian journal, not “for young American conservatives” as DCM aver. He did not “cagily” avoid criticizing the Warren Court by name because he was such a cagey guy. He avoided criticizing the Warren Court because it was irrelevant to “South Africa’s Salvation in Classic Liberalism.”

The rest of the paragraph is interesting, as well, because different contexts might call for different degrees of proscription. Hutt continued:

> But to the extent to which the free choice of associates has indirectly the effect of excluding those of a particular group from economic opportunities, then persons who feel themselves materially prejudiced thereby should have the right to seek admission (if they are qualified on other grounds) [Hutt’s footnote 32 here]. The existence of material prejudice would be a question of fact. For instance, at one time the universities of Oxford and Cambridge excluded Catholics and women. This was clearly an abuse because there were no other institutions of learning which could offer opportunities of a roughly
equivalent nature. But there may be no discrimination involved if some universities and colleges restrict admission to students of a particular religion or sex. Of course if institutions of learning are State-subsidised the duty to ensure that there is an equal right to enjoy the subsidised services is enhanced [Hutt’s footnote 33 here]. (Hutt 1966a, 793)

Hutt’s footnotes in this passage are also illuminating. Note 32 reads, “Thus a university would retain the right to apply its own academic admission standards.” Note 33 reads, “But if the State subsidised students (via scholarships) instead of subsidizing institutions, leaving students free to choose their own school or college, most of the problems would, we think, solve themselves, except during the difficult transition period” (italics in original). Hutt’s reasoning here is murky, and the point about Catholics and women at Oxford and Cambridge seems to walk back his allegiance to a simple (perhaps simplistic) freedom-of-association principle. What’s significant here is how DCM fail to represent Hutt at all adequately or justly. DCM indeed not only omit what is relevant but twist what they include: Hutt’s thoughts on the complex and politically charged quandary in South Africa was not informed by what he saw in Virginia—indeed Hutt had not even arrived in the United States yet when “South Africa’s Salvation in Classic Liberalism” came out in print in 1965.

**Exhibit 4.** DCM (2022a, 10) write:

In light of the record presented here, it makes sense that W. H. Hutt chose to conclude his scholarly career at the Ludwig von Mises Institute in Auburn, Alabama.

On the same page, DCM describe the Mises Institute as “Hutt’s final scholarly home.”

Hutt died in 1988 as an emeritus professor at the University of Dallas, and never took up residence in Auburn, Alabama—an 11-hour drive from Dallas—let alone made it his final academic home. Numerous colleagues of Hutt at the University of Dallas confirm that he spent his final years gathering his papers and delivering an occasional guest lecture on their behalf in their classes. He died near Dallas in Irving, Texas, and is buried there. It is true that Hutt accepted an adjunct affiliation with the Mises Institute in 1987 in conjunction with their offer to publish an unfinished book project, but this is a lot like saying that professor William Darity, Jr., emeritus at Duke University in North Carolina, “chose to conclude his scholarly career” at the Roosevelt Institute and has made his “final scholarly home” in New York because he is a Senior Fellow of the Roosevelt Institute.
Exhibit 5. DCM (2022a, 3) write:

Buchanan advised… the Chilean military junta headed by General Augusto Pinochet…

No, he didn’t. Some intellectuals and leaders in Chile read some of Buchanan’s work, but there’s no evidence that Buchanan ever “advised” Pinochet or had a hand in writing the Chilean constitution. Did Aquinas advise Pinochet because some Chilean intellectuals and leaders read his work? Did Marx advise Pinochet? MacLean makes this charge against Buchanan a centerpiece of *Democracy in Chains*, yet it is unambiguously false—a product of misreading the evidence and general unfamiliarity with the history of Pinochet’s government. Andrew Farrant and Vlad Tarko have documented the errors of MacLean’s claim, and they discuss them in a book in progress (Farrant 2019; Farrant and Tarko 2019; 2022). Magness (2019) goes into greater detail on the “Pinochet slur.” In one of the first major responses to *Democracy in Chains*, MacLean’s Duke colleague Michael Munger (2018) draws on Farrant and Tarko as well as his own personal experience in Chile to refute MacLean’s claims about the relationship between Buchanan and Pinochet.

Exhibit 6. DCM (2022a, 10) write:

A final intriguing fact about the desperation of Buchanan’s defenders: they simply invented the notion that Buchanan invited Hutt to Virginia because of his anti-apartheid position.


Consider MacLean’s interpretation of Hutt’s visit to Charlottesville. In *Democracy in Chains*, MacLean (2017, 59) says “the AFL-CIO was a thorn in the side
of the Byrd Organization.” Since Hutt’s earlier academic work harshly criticized labor unions, MacLean concludes that Hutt simply must have been recruited by Buchanan to garner favor with Byrd. MacLean produces no evidence of this charge. She simply speculates. Meanwhile, Hutt’s actual research, teaching, and public lectures during his time in Charlottesville overwhelmingly place his anti-apartheid work at the center of his interests—including a pair of articles where he likened the segregated South’s discriminatory institutions to the South African regime.

Exhibit 7. DCM (2022a, 10–11) write:

In actuality, although the work on apartheid became Hutt’s most famous writing, Buchanan said he most “admired two of his earlier books, Economists and the Public and A Plan for Reconstruction.” As to the output for which Hutt became better known, including “on the South African Color Bar,” Buchanan said that he “was not really familiar enough with these works to lead a seminar.” Given a chance to comment in print on Hutt’s contributions to economics, Buchanan never mentioned the anti-apartheid writings.

DCM’s point here is to argue that there is little reason to think that Buchanan liked Hutt because he appreciated Hutt’s work on apartheid. But our discussion of Exhibit 6 shows that DCM are wrong: There is plenty of reason to think that Buchanan liked Hutt’s work on apartheid.

To the last sentence we reproduce in Exhibit 7, DCM attached a footnote citing a 1983 interview by Buchanan with the Manhattan Institute. The truncated and published version of that interview with Buchanan includes no mention of The Economics of the Colour Bar. But the complete transcript of the interview does. Buchanan says there: “His Economics of the Color Bar [1964], for instance, should be very widely read, by people of whatever political persuasion.” Buchanan then continued to discuss Hutt’s critique of apartheid and its relation to the South Africa situation, filling the next two pages of the transcript, again affirming his belief in the importance of that work. Buchanan specifically credited a review essay that Hutt wrote in 1966 that applied The Calculus of Consent to the South African situation, and he expressed his concurrence with that essay.

DCM (2022a, 11 n.7) cite accompanying correspondence between Buchanan and the Manhattan Institute regarding this interview, and they list the Hutt Papers

5. Transcript: Interview with James M. Buchanan, 1983, Box 70, W. H. Hutt Papers, Hoover Institution.
at the Hoover Institution Archives as their source. But this suggests they likely saw
the complete interview transcript stored there in addition to the shorter published
version. Did they not? Did they see it and not read it, assuming it was all in the
published interview? Did they read the transcript and simply overlook Buchanan’s
remarks about *The Economics of the Colour Bar*? Notice how DCM phrase their claim:
“Given a chance to comment in print on Hutt’s contributions to economics,
Buchanan never mentioned the anti-apartheid writings” (DCM 2022a, 11). Does
the complete interview transcript count as a comment “in print”? Regardless, it is a
plain endorsement that Buchanan put out for public discourse.

Exhibit 8. DCM (2022a, 8–9) treat Hutt’s letters to P. W. Botha and Mangosuthu Buthelezi.6

DCM refer to letters written by Hutt in the early 1980s to two South African
politicians, the Prime Minister P. W. Botha and the Inkatha movement leader
Mangosuthu Buthelezi. Hutt’s letter to Buthelezi repeats a common phrase in his
work (“The free market is color-blind”) and makes an argument that he had been
making in multiple books since his 1930 *The Theory of Collective Bargaining*: “It has
been restraints on the free market which have effectively kept the black people in
subjugation ever since it became obvious that they were capable of performing not
only semi-skilled work, but highly skilled work” (emphasis in original). He wrote to
Buthelezi to recommend Walter Williams’s “epoch-making book, entitled *The State
Against Blacks*.” Hutt quotes Williams:

> The history of ethnic minorities in the United States and elsewhere seriously
calls into question those premises which argue that disadvantaged minorities
in the United States must acquire political power and undertake programs ‘to
end racism’ in order for socio-economic growth to occur. (Williams 1982, 6;
quoting in Hutt 1983)

He is, in short, recommending Williams’s conclusion that political power is neither
necessary nor sufficient for economic advancement. Hutt argues, rather, that it is
likely the other way around. He argues further that he has “been trying to impress
on our Prime Minister the advantages for the Whites of complete enfranchisement
of the Blacks, which can be safely done when individual voting power is linked to
the value of each man’s contribution (including the value of the services of any
assets he owns) to the common pool of material well-being.” In short, he explains

---

the proposal for a qualified franchise that he had endorsed for decades, and he closes by writing that he believes Buthelezi “can have the greatest influence by making a gradual transition to equality of opportunity in the market for labor your top priority.”

There is considerable overlap between the letter to Buthelezi and an undated letter to Botha from approximately the same time—the quotations Hutt takes from Williams are identical. DCM (2022a, 8–10) offer a conspiratorial reading of these documents, suggesting that Hutt recommended a stealth plan to chain democracy: “substitute class for race, he intimated.” They close their discussion of the letters with this sentence: “The system Hutt proposed, far from ending white supremacy, would lock it in on more solid ground because ostensibly race-neutral injustice would be more challenging to contest…” (DCM 2022a, 10). We will pause here to ask: compared to what? For Hutt, the relevant counterfactuals were the existing oppressive regime and a populist regime that ran the real risk of springing the violence trap. DCM (2022a, 10) continue: “…even as it pushed Black South Africans further into poverty and economic exploitation.” This is the opposite of Hutt’s argument. A free labor market, Hutt argued, held the keys to racial uplift, and we think wide-ranging evidence on how labor markets work with just a bit of liberalization is squarely on Hutt’s side.

DCM described Hutt’s proposal for “proportional, not progressive taxation” as one of his “practical proposals to shore up the advantages whites had accrued through generations of domination” (DCM 2022a, 9). We think that Hutt’s work offers a nuanced and egalitarian understanding of taxation and its incidence, not an effort “to shore up the advantages whites had accrued through generations of domination” (DCM 2022a, 9). Hutt wrote, for example, the following:

>Sales taxes obviously hit the poor proportionally more than the rich (except, perhaps, when levied on luxuries). And all so-called ‘employers’ contributions’ are deductions from the wages of the supposed beneficiaries. Corporation taxes are blanket costs of production, borne ultimately by the people as consumers, and hence regressive. Moreover, even supposedly progressive taxation is ultimately regressive when the additional sums raised through the discriminative or ‘progressive’ element are squandered in vote-purchasing hand-outs or ‘free’ consumer services (instead of being maintained intact as collectively-owned capital, or used to reduce the general taxation burden through the writing off of some part of the community’s ‘negative capital’, namely, the national debt. (Hutt 1984, 48)

---

8. See also where Hutt (1984, 55) quotes Milton Friedman: “corporation taxes are ultimately borne by consumers and employees.”
Hutt may be wrong. If he is right, though, then our concern for the least of these among us suggest we are making a grievous error by simply dismissing him out of hand or trying to discredit him as a white supremacist.

Right or wrong, DCM do not present Hutt’s words and ideas accurately. There is an asymmetry in how they interpret Hutt’s letters to Botha and Buthelezi. Even though Hutt approached each with nearly identical arguments, including recommending Williams’s book, DCM depict his letter to Botha as an act of de facto acquiescence to the leader of the apartheid regime, whereas his letter to Buthelezi—emphasizing nearly identical arguments—they depict as patronizing, demeaning, and insincere. DCM reach their conclusion by reading Hutt’s words through an uncharitable lens that closes off the possibility that Hutt was sincerely seeking a non-violent post-apartheid transition for South Africa.

Indeed, DCM’s assessment does not appreciate Buthelezi’s attempts to position himself in the 1970s and early 1980s as a voice for a non-violent anti-apartheid settlement at a time when sizable Marxist factions advocated a violent revolutionary overthrow of the apartheid government. DCM depict Hutt’s purpose as a cynical ploy to prop up white rule at the expense of Black Africans. In reality, all evidence points to Hutt’s sincerity in deploiring the prospect of violence, and in attempting to reason with willing parties on both sides. We can debate the practicality of Hutt’s proposals and even find them wanting through the benefit of hindsight, yet for the uncertainty of the moment, we find it difficult to question his sincerity and overarching concern for avoiding the same violent and anti-democratic settlements that had befallen numerous other post-colonial African governments.

Exhibit 9: DCM (2022a, 10) write:

Hutt himself testified to an affinity for elite southern reactionaries when he dedicated a 1984 manuscript to Strom Thurmond and Jesse Helms. Hutt judged these two senators, who build their careers on race-baiting and opposition to civil rights reform, to rank among “the most enlightened congressmen in the United States” (Hutt, 1984).

Here DCM grace us with another pearl of scholarly compunction and fastidiousness. First of all, the words “the most enlightened congressmen in the United States,” which DCM say Hutt said of Thurmond and Helms, do not seem to appear anywhere in the 1984 manuscript. DCM do not provide a page citation; we were unable to find those words.

DCM claim that Hutt “dedicated a 1984 manuscript to Strom Thurmond and
Jesse Helms.” That plainly gives the reader the impression that Hutt dedicated the manuscript to Thurmond and Helms only. Figure 1 shows Hutt’s dedication:

Figure 1. Hutt’s dedication in a 1984 manuscript work


With the dedication in plain view, a scholar will ask: Why those seven Congressmen? The answer is easy to see and has nothing to do with the motivation that DCM allege. In the early 1980s, the seven named Senators and Representatives were united around balancing the federal budget and entitlement reform, and Hutt’s manuscript is about how a combination of entitlement spending and inflation (induced by budgetary largesse) produced an incentive structure that hurt workers. Hutt also expresses regard for Thurmond’s battle against organized labor (Hutt 1984, 13), but Hutt’s criticisms of organized labor predate Thurmond’s appearance on the political scene by at least a decade and a half.

On another page of the 1984 manuscript, Hutt mentioned the six of the seven politicians to whom he dedicated the book in the text, plus former Senator John Tower:

I have briefly met four of the seven American congressmen to whom I have dedicated this book, and who could, I think, best formulate the legislative program I am to recommend, although I do not believe they would all remember me. They are Senator Goldwater and former Senator Tower, Representatives Kemp and Phillip Crane. They, together with Senators Thurmond and Helms and Representative Van der Jagt (whom I have not met), could form the nucleus. (Hutt 1984, 13, boldface added)

Thurmond and Helms are not among four that Hutt had met. It seems clear that Hutt included mention of Thurmond and Helms because of their economic views as of 1984 on fiscal and labor issues.
Finally, Hutt used cultural determinism to explain the economic position of Black South Africans. He deployed terms like “tribal superstitions and customs,” “primitive background,” “irrational,” “backwardness of the indigenous peoples.” He further adduced a “leisure preference of Africans,” owing to their “unacquisitive nature” and general “wantlessness.” Through such language, Hutt propagated an idea that Blacks are not efficient economic agents; they are lacking, and their irrational behaviors help explain their position in society.

Was Arthur Lewis, who went on to be awarded a Nobel Prize, a white supremacist? One could easily snippet-quote Lewis in the same way. In a book published about a decade before The Economics of the Colour Bar, Lewis referred to “the institutions of primitive peoples” (1955, 22), “primitive countries” (ibid., 38, 122, 123, 304), “primitive communities” (ibid., 30, 70, 116, 372), and “primitive societies” (ibid., 32, 40, 46, 114, 165, 312, 423). Lewis wrote of “primitive societies” with increases in income that “There is also a temporary demand for useless novelties, both to satisfy curiosity, and also for display” (ibid., 31), but followed it by pointing out that “All these motives, of course, are present in all societies, whatever their degree of development.”

As for Hutt, it’s worth noting he also referred to “irrational race prejudice” (1964, 29, emphasis added), so “irrational” was not a term he reserved for certain races.

In regard to racial inequality and Black poverty in the United States in 1984, he [Hutt] stated that “there seems to have been a reluctance to admit that the major cause of the damage wrought on the Black people was due to the unwillingness of their community to fight aggressively for well-paid employment by deliberately reducing their per capita demands for wage compensation” (Hutt, 8 1984). “The major cause”? Yes, he actually wrote that. Hutt maintained that Blacks have excluded themselves through unwillingness to undercut prevailing wages by volunteering to work at a discount.
which was clumsily worded. Before we do provide the context, notice that what Hutt said directly implies that he did not think that “the major cause” was any kind of genetically-based difference.

The context of the quotation is Hutt’s view that, given that market forces in the United States were not being allowed to operate freely, pressure groups were bound to fight politically or collectively for their interests, and within that context, the Black community had not played the game of politics in a way that would serve Black workers. In what follows immediately after this passage, Hutt (1984, 20–21) indicated what he surely would agree is the labor market’s root “major cause” of poverty and inequality:

In my judgment, by all odds the most important step needed for the elimination of avoidable poverty and inequalities of income is the withdrawal of the right to use the strike and the strike-threat; for I hold steadfastly to the following ‘law of wages,’ which I have enunciated and proved almost ad nauseam in previous publications, with no attempted rebuttals. The determination of labor costs under duress instead of through market pressures forces down the aggregate wages-flow, creates social injustice in wage distribution, and causes inflation to become expedient (as the preferred means of mitigating the repression of the workers’ earnings and consequent widespread idleness in assets and temporary worklessness on the part of many wage and salary earners). (Hutt 1984, 20–21, emphasis in original)

Here Hutt cited his books The Theory of Collective Bargaining (1930), The Strike-Threat System (1973), and The Economics of the Colour Bar (1964). Hutt’s argument, which he says he has “enunciated and proved almost ad nauseam,” is not a distributional question about whether workers or capitalists deserve more money. Rather, he argued that restrictions on the labor market generated economic rents for incumbents and led to higher unemployment and lower earnings by shutting people out of the labor market. It isn’t an unusual point. Mancur Olson relied on Hutt’s work for parts of his 1982 book The Rise and Decline of Nations (Olson 2008/1982, 161ff.; see also Olson 1983). It’s essentially the logic that informs Sheilagh Ogilvie’s 2019 book on medieval guilds. It is why a lot of economists think Anne O. Krueger should win the Nobel Prize (see Krueger 1974). It is certainly not any kind of evidence of white supremacy.

Institutional barriers like minimum wages make it illegal for low-productivity workers to compete by lowering their price. A structural excess in quantity supplied of labor, i.e., a surplus, means that people will find it harder to get a job. Economists have long highlighted the unemployment effects on the marginalized. In fact, some of the early big names in economics—like Richard Ely and John R. Commons, to whom MacLean referred approvingly in Democracy in Chains—understood this and thought it was a good thing, as Thomas Leonard (2005; 2016) has pointed out.
While we acknowledge studies suggesting no or small employment effects from modest minimum wage increases, we still think the policies do more harm than good based on the preponderance of evidence.\(^9\)

This is also what happened in South Africa under the colour bar. Hutt is not alone in his rent-seeking interpretation of South African labor history. G. V. Doxey (1961) noted that a proposed minimum wage disregards any element of comparative productivities, so that it might equally be argued that industrialists seeking to maximize profits would, when faced with the obligation of paying a minimum wage, attempt to supplant the less efficient African by the more efficient white, which of course was what the white trade unionists sought to achieve. They had argued that in the absence of statutory minimum wages, employers found it profitable to supplant highly trained (and usually highly paid) Europeans by less efficient but cheaper non-whites. (Doxey 1961, 112)

Describing “colour prejudice” and interventions in the labor market and other rules aimed at suppressing black competition, Doxey writes:

> Legislation has thus aimed at bolstering white supremacy by either curtailing the competitive advance of the non-white on the basis of keeping him in his place (which has been defined as ‘any place that at any particular time the European does not think it desirable to fill’), or on the more theoretical basis of ‘separate development’. (Doxey 1961, 114)

DCM emphasize income and wealth inequality and have great faith in labor unions and collective bargaining to make things right. They criticize Hutt for his strident anti-unionism, and they furthermore deride his proposal for a weighted franchise as evidence of his white supremacy. In both cases, however, Hutt is concerned with economic growth over the long run and, in particular, its effect on the poor.\(^10\) We have yet to find anywhere that Hutt criticizes a position or makes a proposal because he is defending capitalists and elites. Rather, in Plan for Reconstruction and elsewhere, he notes that in his judgment, the long-run effects of securing consent by honoring established expectations are worth it if they lead to growth-promoting reforms sooner rather than later. In this respect, Hutt’s analysis reminds us of a memorable quote from Nobel Laureate Robert Lucas:

---

9. See, e.g., Meer and West (2016) for an example of a paper finding that minimum wages mean lower job growth and Cengiz et al. (2019, 1405) for a paper reporting more mixed evidence.

10. This is not an unorthodox position. McCloskey and Carden (2020, 228ff.) summarize evidence that the Great Enrichment didn’t come about because “unions and regulation” ended “wage slavery.”
Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution. In this very minute, a child is being born to an American family and another child, equally valued by God, is being born to a family in India. The resources of all kinds that will be at the disposal of this new American will be on the order of 15 times the resources available to his Indian brother. This seems to us a terrible wrong, justifying direct corrective action, and perhaps some actions of this kind can and should be taken. But of the vast increase in the well-being of hundreds of millions of people that has occurred in the 200-year course of the industrial revolution to date, virtually none of it can be attributed to the direct redistribution of resources from rich to poor. The potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production. (Lucas 2004)

Hutt embraces economic growth rather than redistribution because it raises standards of living for everyone, with the biggest effects, he believes, on those who need it most.

Exhibit 12: On page 2, DCM write:

We argue here that Hutt’s economic rationale for eliminating apartheid was not anti-racist (as advertised), but rather an all-too-familiar attempt to preserve white elite power through promotion of economic liberty.

That’s not Hutt’s “rationale.” First of all, a rationale is a reason articulated, and Hutt never articulates as a reason for his fighting apartheid the preserving of white elite power. Presumably DCM meant motivation or motive, not “rationale.”

To suggest that Hutt’s motivation was the preserving of white elite power is absurd. Hutt believed that elite power—of whatever colors—tends to advance, elevate, and consolidate itself by using government’s unique, monopolistic feature: institutionalized coercion. In seeking to reduce the governmentalization of social affairs, classical liberals like Hutt seek to eliminate elite privilege, by teaching and persuading people against the governmentalization of social affairs. Adam Smith fittingly called the aspiration “the liberal plan of equality, liberty, and justice” (1976/1776, 664).

Hutt—who once had his South African passport suspended in retaliation for his attacks on apartheid—treated the challenges concerning a sustainable post-colonial transition from racist oppressive hierarchy to liberal democracy. Throughout his work Hutt argued that competition and bottom-up decision making are the enemies of elite power, including “white elite power.”
Hutt did not object to all forms of discrimination, viewing prejudicial decisions in associational relations as a matter of private preference.

Should the government make it illegal for Nancy MacLean to discriminate? MacLean has time and again refused to debate her critics who travel in libertarian circles. Classical liberals support her right to do so. It’s her right by basic justice not to associate with those she chooses not to associate with. We think her refusal to debate is unjust in a larger and loose sense, but she should be free to make such choices for herself. Likewise, it is unjust to discriminate against people based on skin color, but Hutt believed people should be free to make such choices for themselves, and accept the consequences—both the social and moral consequences of conducting oneself unjustly and the forgoing of the blessings that people offer.

Hutt (like us) was willing to swallow hard and let people believe awful things. First, respecting people’s right to be wrong is a way of acknowledging their responsibility for their conduct.11 Second, even if it is our right to cure others’ moral leprosy through reeducation, reprogramming, or training, that doesn’t mean it’s going to work the way we want it to. Governmentalizations undertaken in the name of grand visions generally do not work out well.

As we point out elsewhere (Magness et al. 2022, 534), Hutt said he regarded “colour prejudice as the worst social evil of the contemporary era” in a 1968 article, which, incidentally, is a defense of Rhodesian constitutional reform and a much more plausible candidate for accusations that Hutt is a white supremacist (Hutt 1968, 12). He wrote there:

Those who, like myself, regard color prejudice as the worst social evil of the contemporary era must strive for the removal of the sanctions which were imposed against Rhodesia after she was condemned, unheard and unrepresented, by the United Nations.

Hutt criticizes “the Rhodesian calumny” not because he wanted to entrench and defend white supremacy but because he believed that creating a sustainable, multiracial, liberal democratic society would require more than just “one man, one vote.” In the same article, Hutt wrote:

In defending the Rhodesian regime from contemporary misrepresentations,

11. This is a recurring theme in Otteson 2021.
I must not leave the impression that, in my judgment, the Africans have no legitimate grievances. There are surviving discriminations. How rapidly the causes of the discrimination can be removed will depend upon the wisdom of those elected as the weight of the African vote gradually increases. (Hutt 1968, 10–11)

Perhaps his faith in Rhodesian Prime Minister Ian Smith’s ultimate commitment to “non-discrimination and the right of all to progress on merit” was poorly placed. Perhaps he was naive about the prospects for a genuine multi-racial democracy in Rhodesia. But Hutt was ultimately concerned about the peaceful transmission from a racist, white-dominated regime to a genuinely multi-racial liberal democracy.

Exhibit 14. DCM (2022a, 6) write:

[Hutt] also argued that prior to “extending the franchise” to Black Africans, “ironclad’ property-rights protections” must be put in place. Hutt wanted to ensure that there was no possibility of land or other redistribution from the white colonizers to Blacks victimized by colonialism (Magness, Carden, and Murtazashvili 2022, 534).

Hutt was wary of the possibility that the absence of such protections would put South African whites at the mercy of a populist autocrat. Moreover, as we explain in our Independent Review article, Hutt’s analysis had nothing to do with race as such. His analysis applied the arguments he made in Plan for Reconstruction to the South African case: buying off special interests might be necessary for a non-violent transition to liberal democracy. We can have a debate about how continually contested property rights would affect economic growth over the long run. Perhaps the addition of the racial element should have changed Hutt’s analytical framework, but concluding that race per se is essential to Hutt’s analysis here requires ignoring the larger framework he applies to not-obviously-racial issues in Plan for Reconstruction and elsewhere.

Hutt’s analysis here also resembles Gary Cox, Douglass North, and Barry Weingast’s analysis of “The Violence Trap” (Cox et al. 2019). In Plan for Reconstruction, Hutt agrees that bribing the holders of illicit privileges might be morally offensive, but the attendant increases in economic growth from better rules would make it worthwhile in the long run. Bribing slaveholders for the loss of their slaves offends our sense of justice, but it might have been an acceptable price to pay had we been able to avoid the political cataclysm that was the Civil War (Ransom 2001). Paraphrasing Thomas Sowell, there are no “solutions” to social problems. There are only trade-offs.
Hutt did not propose “iron-clad” property rights protections because of any affinity for whites as such. He proposed the protections as the least-bad of the feasible options. A footnote about South Africa in Hutt’s 1966 essay on *The Calculus of Consent* makes this point and notes that he’s not just talking about whites but all racial minorities: ¹²

A peaceful and just solution of the race problem can be won only by the adoption of rigidly entrenched provisions which protect racial minorities like the Whites, the Indians, and the Coloureds, by declaring unconstitutional legislation or administrative decisions which discriminate on grounds of race, colour, ancestry, property, income, or district. But owing to the bitterness aroused among the Africans by decades of pandering to a white proletariat, and owing to British and American encouragement of African nationalism, there is now hardly any chance of free general acceptance of such a constitution at a national convention at which the Africans were represented. (Hutt 1975/1966b, 31–32n.)

Hutt might have been empirically wrong, but he did not defend existing property patterns or voting restrictions because he wanted to maintain white rule and black subordination. He made his proposals because he thought they gave South Africa the best chance at a peaceful transition to multi-racial liberal democracy.

**Exhibit 15.** DCM (2022a, 4) write:

…the connections between libertarians and racist causes that a growing number of recent scholars have charted.

DCM refer to historian Quinn Slobodian’s (2018a; 2018b) work purporting to tie Mises (and Hutt) to racist and nativist ideas, but as Magness and his coauthor Amelia Janaskie (2022) show, Slobodian reaches his conclusions by selectively quoting Mises’s words and twisting them. The racist/nativist/colonialist meanings Slobodian purports to extract from Mises’s words are identified through question-begging interpretive gymnastics and selective editing that alter Mises’s meaning and give the impression that he is claiming one thing when a plain reading of the texts in question shows that Mises is actually claiming the opposite. Slobodian’s inversion of Mises’s meaning is academic malpractice: a close examination of Mises’s writings in full context, including passages that Slobodian selectively edited out of his presentation, shows that Mises was arguing forcefully against colonialism, racial eugen-

---

¹² DCM (2022a) make no mention of South Africa’s sizable Cape Coloured or Indian populations.
ics, and racial discrimination writ large.

Exhibit 16. DCM (2022a, 6 n.4) write:

MacLean (2017) provoked Buchanan’s acolytes by arguing that the ‘nondiscrimination principle’ in his version of public choice theory actually aimed to entrench minority rule, particularly that of the wealthy.

MacLean provoked Buchanan’s admirers, like us, and scholars like Henry Farrell and Steven Teles (2017), who don’t admire Buchanan like we do but who nonetheless know Buchanan’s work, by presenting a false, unrecognizable version of Buchanan containing allegations based on indefensible readings of Buchanan’s work and misrepresentation of documents she found in Buchanan’s papers. She refused to debate her Duke colleague Michael Munger (Boudreaux 2017), and she accused her colleagues Munger, Georg Vanberg, and Geoffrey Brennan of “undisclosed conflicts of interest” (Bradham 2017, 12). Jean-Baptiste Fleury and Alain Marciano (2018) published a 46-page review in the Journal of Economic Literature, and they said that “in the midst of abundant archival material, her historical (and biographical) narrative is at best sketchy, and shows significant flawed arguments, misplaced citations, and dubious conjectures” (Fleury and Marciano 2018, 1494).

Concluding remarks

William H. Hutt was a great economist and a great human being. He wrote against greed and oppression. His writings are rich, insightful, and rewarding. Getting to know Hutt is like getting a new friend, good and true. A consequence of DCM’s treatment of Hutt is that it moves us to visit again with our friend and renew our admiration for his fortitude, integrity, and brilliance.

There is a big asymmetry between destruction and construction. Throwing bombs is easy. Cleaning up the mess is not. In consequence, this comment on DCM has run to a length more than twice that of DCM (2022a). Still, we hope that DCM will reply to the present paper, and, more broadly, that this conversation can turn a corner.
After M’Balou Camara presented an early version of DCM at the 2019 Philosophy, Politics, and Economics Society conference, one of the present authors, Art Carden, who was in the audience, told Camara that if she ever finds herself near Birmingham, Alabama, with a paper or something to present, he would work to find her an audience and a good meal. The offer still stands, it applies to Darity and MacLean, as well, and to any of their students. Open, civil discourse remains the best means of tracking the truth, and life is too short to have enemies.

References


Buchanan, James M. 1983. Transcript: Interview with James M. Buchanan. Box 70, W. H. Hutt Papers, Hoover Institution (Stanford, Cal.).


**Farrant, Andrew, and Vlad Tarko.** 2022. *The Allure of the Liberal Dictator.* Unpublished manuscript. [Link](#)


Phil Magness is a Senior Research Fellow and interim Director of Research and Education at the American Institute for Economic Research. He holds a Ph.D. and MPP from George Mason University. His research focuses on the economic history of the United States, with an emphasis on the 19th century. His email address is phil.magnitude@aiier.org.

Art Carden is Margaret Gage Bush Distinguished Professor of Business and Medical Properties Trust Fellow at Samford University in Birmingham, Alabama, and Senior Research Fellow with the American Institute for Economic Research. He is also co-editor of the *Southern Economic Journal* and author (with Deirdre Nansen McCloskey) of *Leave Me Alone and I’ll Make You Rich: How the Bourgeois Deal Enriched the World* (University of Chicago Press, 2020). His email address is wcarden@samford.edu.

---


About the Authors

---

Discuss this article at Journaltalk: https://journaltalk.net/articles/6055/

Go to archive of Comments section
Go to September 2022 issue
Additional Concerns About O’Brien and Lane’s Article on Film Incentive Programs

Bruce M. Bird¹, Hilde Patron², and William J. Smith³

LINK TO ABSTRACT

In this note, we follow up on the exchange between John Charles Bradbury, Nina F. O’Brien, and Christianne J. Lane in the March, 2020, issue of Econ Journal Watch. The exchange highlighted a disagreement by Bradbury with O’Brien and Lane regarding the benefits and economic impact of state film incentive programs. During the last three decades or so, such programs have become very popular in the United States. As a result, a small but steady stream of academic research has emerged to examine the effects (or net effects) of such programs on accepted measures of economic activity.

Two of the authors of the present note, Hilde Patron and William J. Smith, participated several years ago in a study by the Georgia Department of Audits & Accounts that evaluated the economic impact of the Georgia Film Tax Credit. As with most other academic studies of its kind, that study (link) found that the film credit’s return on investment and its economic impact to Georgia had been significantly overstated by the Georgia Department of Economic Development.

Building on the exchange involving O’Brien and Lane’s (2018), Bradbury (2020), and O’Brien and Lane (2020), we conclude that O’Brien and Lane’s (2018) statistical results should be viewed as doubtful. In this note, we explain in more detail how O’Brien and Lane’s construction of their key independent variable Incentives(millions) likely underestimates the standard errors of their coefficients and affects the significance of their results. We focus on some inconsistencies in

1. University of West Georgia, Carrollton, GA 30118.
2. (Corresponding author.) University of West Georgia, Carrollton, GA 30118.
3. University of West Georgia, Carrollton, GA 30118.
O’Brien and Lane’s work, the significance of which is reinforced by some publicly available data that is new to this discussion. O’Brien and Lane have not made their dataset public, which made the efforts by Bradbury and ourselves to assess their work more difficult. But central to our comment is a data point that did emerge, late in the discussion, namely, O’Brien and Lane’s identification, in their reply to Bradbury’s comment, of “New Mexico in 2012” as the state and year in which “the highest incentive allocation in [their] dataset,” a capped incentive amount of $274.9 million, occurred (O’Brien and Lane 2020, 67). The maximum data point is of substantial importance because O’Brien and Lane use its value to estimate an incentives value, $300 million, that they apparently assigned to each state that had uncapped incentives. As we show here, there were a number of states with uncapped incentives, and so the value of incentives assigned to each of those states would be quite important to O’Brien and Lane’s results. It cannot even be that the $274.9 million figure upon which that estimate is based could have come from New Mexico for 2012—that year is not within O’Brien and Lane’s sample period of 1998 to 2010; New Mexico did not have capped legislative allocations during the sample period; and, in any event, starting in fiscal year 2012, New Mexico’s yearly legislative allocation was capped at $50 million.

Background

In the journal Regional Studies, O’Brien and Lane offer a “comprehensive, longitudinal overview of project-based [film] incentive programmes as they developed over and across the United States as a whole” (2018, 872). They developed “longitudinal linear mixed-effects models, centred around [film industry] incentive introduction in each state” (ibid., 865). They drew data from:

…the Internet Movie Database (IMDb), an online database of film, television and other entertainment products and the actors, crew and organizations who create them (see http://www.imdb.com/). Between 1998 and 2010, all English-language feature films appearing in IMDb which were produced and distributed in the United States were recorded, as were shooting locations and the names, addresses and screen credits of all companies participating in each film’s production. In total, 9056 films met these criteria, with 13,138 companies collaborating on their production.

Incentive data were collected from states’ departments of economic development, film and television commissions, and the official record of incentive legislation. Additional data from the US Census Bureau provided annual national and state-level gross domestic product (GDP), number of film industry workers and number of film industry establishments by state (US
Their study found:

…consistent trends despite the sizeable variation in film incentives from state to state and over the 13-year observation period, specifically that economic development outcomes are related not only to the presence and value of financial incentives but also to the ecological factors organizational diversity and presence of dominant firms.

These analyses show that the introduction of incentives in any amount is associated with a 37% increase in the number of films produced, a 17% increase in employment and a 19% increase in new firms. However, while each additional US$1 million spent on incentives increases the number of films shot in-state by 2.6%, it is also associated with decreases in employment (−4.2%) and the new firm establishment (−3.4%). (O’Brien and Lane 2018, 872)

In “Do Film Incentive Programs Promote Economic Activity? A Comment on O’Brien and Lane,” Bradbury (2020) observed that O’Brien and Lane’s findings appeared to run contrary to what he perceived to be an academic consensus regarding film incentive programs. “Using a variety of samples and empirical methods”, he wrote, “most studies have found little to no positive net impact of film incentives on economic activity (e.g., employment, industry establishments, and output), which indicates film incentives are ineffective as economic development policy” (Bradbury 2020, 56). Bradbury then expressed his concerns about “the accuracy of the data and interpretation” which he felt “need to be answered before the results of O’Brien and Lane (2018) can be relied upon for evaluating film incentives as a policy tool” (Bradbury 2020, 63).

In “Reply to Bradbury: Effects of Economic Incentives in the American Film Industry,” O’Brien and Lane write:

…the impact of [film] incentives are relatively small for all dependent variables [Industrial Activity, Employment, and Establishment]. We found that simply offering an incentive of any value has significant effects on outcomes, but that offering more money did not promote better outcomes, except for filming, the shortest-term gain and one which may not promote longer-term local economic development. This is important for policy makers, who may find that small incentives are just as effective as large ones in terms of promoting filming activity, employment in filmmaking, or the establishment of film-specific firms.

These results do not run “contrary” to academic consensus, nor do we quarrel with J. C. Bradbury’s claim that our paper “does not present itself as providing strong support for incentive programs.” (O’Brien and Lane 2020, 66–67)
New concerns

In this article, we focus on O’Brien and Lane’s descriptions of—and decisions regarding—their independent variable Incentives(millions). O’Brien and Lane wrote:

Incentives(millions). States use a variety of instruments to promote economic development. The combination and level of incentives varies dramatically from state to state. However, all states targeting the film industry include a tax credit on in-state spending on goods, services, and wages as their primary tool (Chianese et al., 2012). The size of an incentive is the allocation a state’s legislature earmarks for a programme, specified in the state budget. Capped allocations ranged from less than US$100,000 to US$274.9 million per year. Capturing the level of resource munificence, the variable Incentives(millions) reflects the US dollar amount a state committed to film incentive programs per year (in millions). (O’Brien and Lane 2018, 868)

In examining film incentive programs, O’Brien and Lane use “legislative allocations,” and we follow suit. In this context, a “legislative allocation” refers to a legislative authorization; actual utilization and resultant government spending/tax credits typically will be different—and most likely less—than the allocation amount for that year. In other words, what is ‘allocated’ in an allocation is not governmentally expended dollars, but authorizations to expend dollars.

O’Brien and Lane use actual allocations for states with legislatively capped allocations and estimated allocations for states without legislatively capped allocations. They begin with the reasonable notion that a state with an uncapped legislative film incentive allocation, ceteris paribus, should “signal more munificence” to filmmakers than one with a capped legislative film incentive allocation. After consulting with “film commission informants,” O’Brien and Lane valued “uncapped incentives…at US $300 million, reflecting a 10% increase over the highest incentive offered.” Stated alternatively, to estimate the value of film incentives for those states with uncapped legislative allocations, O’Brien and Lane simply multiply the actual allocation for the state with the highest capped film incentive legislative allocation by 1.1. O’Brien and Lane are vague regarding whether this amount is computed on a yearly basis or whether one amount is computed and used for all years in the sample period.

In their reply to Bradbury, O’Brien and Lane (2020, 67) make the following statement:

The highest incentive allocation in our dataset was $274.9 million (offered by New Mexico in 2012).
This statement cannot be correct. First, the dataset itself relates to the period from 1998 to 2010. However, they claim that the data point they use relates to 2012. We don’t imagine that O’Brien and Lane would have used a data point from 2012 to construct data points for any year during the period 1998–2010. So we presume that when O’Brien and Lane wrote “2012” they meant to write another year, perhaps “2010,” and that this was merely a typographical error in a parenthetical remark on their part.

Although Bradbury (2020) had mentioned New Mexico in his comment, he did not write a rejoinder to O’Brien and Lane, so he has not taken up this curious identification of the $274.9 million Incentives(millions) maximum as having come from “New Mexico in 2012.” However, we sure noticed it, and here we make the case that the figure O’Brien and Lane use is incorrect and that this mistake should undermine confidence in the results of their original study. In his comment, Bradbury (2020, 61) coincidentally did set out the history of New Mexico’s film incentives program: “New Mexico instituted its uncapped film tax credit program in 2002…New Mexico imposed a $50 million cap on its program in 2012.” We have verified that these two statements are correct. 4 And so, whether O’Brien and Lane meant to write 2012, 2010, or some other year, if New Mexico was at least the correct state, then they did not follow their own stated approach in constructing their independent variables for the uncapped legislative allocation states. Even for 2012, New Mexico was a capped legislative allocation state with a $50 million cap. It is unlikely that New Mexico, with a $50 million cap, would have been the state with the highest capped amount in 2012. In any event, the $50 million cap is much less than the $274.9 million amount that O’Brien and Lane indicated for “New Mexico in 2012.” Further, had O’Brien and Lane meant to say 2010, or indeed any other year in their sample during which New Mexico had an incentives program, their approach would also have been incorrect, but for a different reason: from 2002 to 2010, New Mexico was an uncapped legislative allocation state (and before that, it did not have an incentives program). Under O’Brien and Lane’s approach, for a given year, a state with an uncapped legislative allocation cannot be used to estimate legislative allocations for other uncapped states. Either way, for either year, using New Mexico to estimate legislative allocations for uncapped states would be incorrect.

To illustrate the important consequences this data point would have for O’Brien and Lane’s results, we bring to bear fiscal year 2010 data contained in Appendix Table 1 of a study authored by Robert Tannenwald (2010) for the Center on Budget and Policy Priorities. We adapt parts of Appendix Table I to reflect O’Brien and Lane’s stated approach for estimating the independent variable

---

4. See, for example, MNP LLP (2014, 7–8).
Incentives(millions) for those uncapped legislative allocation states.

We use 2010 data for two reasons. First, it is readily available. In his Comment on O’Brien and Lane, Bradbury (2020, 58) mentioned that he contacted O’Brien and Lane seeking access to their “database of film incentive programs and spending,” but they refused. Second, Tannenwald’s 2010 data represents the last year in O’Brien and Lane’s study sample. Given that legislative allocations in this area have grown dramatically between 1998 and 2010, we think that the “$274.9 million” amount used by O’Brien and Lane can be presumed to correspond closely to 2010, the last year in the period.

Using Tannenwald’s numbers, for fiscal year 2010, the low end of the Incentives(millions) independent variable’s range should be $0 given that Arkansas, Idaho, Kansas, and Maine each had a film incentive program but no legislative allocation for that year. Regarding the high end of this range, Appendix Table 1 of a report by the Center on Budget and Policy Priorities (Tannenwald 2010) lists the dollars appropriated—also known as legislative allocation—in fiscal year 2010 for each state with a film incentive program and a capped legislative allocation. Accordingly, we will keep each of these amounts as-is for the Incentives(millions) variables. For each state with a film incentive program and an uncapped legislative allocation—a so-called “open-ended subsidy” state—the Tannenwald (2010) table uses the dollar amount claimed (typically by production companies or by those who acquired tradable credits) in fiscal year 2010. Here, using O’Brien and Lane’s approach, we will need to replace each of these amounts with an estimated legislative allocation.

Tannenwald (2010, 11–14) lists 43 states with a film incentive program for fiscal year 2010; of these, twelve had an uncapped legislative allocation: Connecticut, Georgia, Hawaii, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Montana, New Mexico, North Carolina, and Pennsylvania. After excluding Iowa, this means that among states with an incentives program, 26 percent of them would take on the O’Brien and Lane ‘guesstimated’ value for uncapped incentives programs, the maximum value for Incentives(millions), the $300 million figure that was estimated by multiplying the mysterious $274.9 million by 1.1.

O’Brien and Lane, in calculating their statistics, excluded Iowa; accordingly, we will follow suit. Because California and New York represent the lion’s share of the film and entertainment industry—the “dominant outliers”—O’Brien and Lane calculated their statistics first by including California and New York, and then by excluding them both. Interestingly, the highest capped legislative allocation in

5. In their study, O’Brien and Lane (2018, 868) observed that in “several” states, legislative bodies chose to install incentives without capping allocations.
6. O’Brien and Lane (2018, 871) wrote: “As a check the analyses described above were repeated with data
2010 as reported by Tannenwald was $350 million for New York—higher than the $274.9 million that O’Brien and Lane (2018) report as being the maximum for any state in any year 1998–2010. Presumably, O’Brien and Lane should have used $385 million ($350m × 1.1) for the uncapped legislative allocation states for 2010 when the data for California and New York are included.

When we include California and New York, and therefore assign $385 million as the value of Incentives(millions) for every uncapped state, we find that 84.7 percent of the summed value of Incentives(millions) in 2010 would come from the uncapped states, that is, from the estimated, assigned figures. In our second calculation, when we exclude both California and New York, the estimated, assigned figures comprise 91.3 percent of the summed values of Incentives(millions) in 2010.

That result illustrates how O’Brien and Lane’s procedure would tend to overstate the legislative “munificence” coming from those states with uncapped legislative allocations. To give but one example: in our first calculation, California (a capped state) had 2 percent of total so-called allocations, and New York (another capped state) had 7 percent of total so-called allocations. However, Montana (an uncapped state), by most measures not a powerhouse in the film and entertainment industry, had 7.7 percent of total so-called legislative allocations.

Aside from the problematic estimation procedure that O’Brien and Lane use to fill in allocation amounts for uncapped film incentives states, their use of estimated or generated regressors creates additional sampling variance for the estimated regressor on top of that which is generated by the regression itself. This will lead to the standard errors from the regression equation being too small. O’Brien and Lane do not appear to take this additional sampling variance into account in their estimation, nor in their inference.

Using O’Brien and Lane’s method of estimation, it is unclear whether taking into account this additional sampling variance would be feasible, as these estimates would have no variance. Furthermore, even assuming it would be feasible to account for the additional sampling variance for the generated regressor, this would only serve to further dilute the statistical significance of the variable of interest (Pagan 1984). In any event, if feasible, the likely result of such an exercise, in our opinion, would be to turn a weakly significant variable—such as the Incentives (millions) variable used by O’Brien and Lane—into an insignificant one.

As alluded to earlier, another issue with O’Brien and Lane’s study is its lack of transparency. Neither O’Brien and Lane’s original article nor their reply to

---

from California and New York excluded. For the dependent variables Employment and Establishment, the interpretation of the results is unchanged. However, for the dependent variable Industrial Activity excluding California and New York makes a substantive difference.”
Bradbury cite their original source for the $274.9 million legislative allocation maximum value they attribute to “New Mexico in 2012.” One of our co-authors searched online trying to find any information about New Mexico film incentives and an amount of $274.9 million. He did turn up a chart on page 8 of the state-sponsored New Mexico Film Production Tax Incentive Study (MNP LLP 2014) that does contain the amount of $274.9 million; however, this amount is the direct production spending—that is, not the amount of government incentives, but the amount expended by the producers of film and television—in New Mexico for fiscal year 2008.

That of course may be a mere coincidence, but it is worth reflecting on the differences among the amounts spent to produce film and television, the amounts allocated by state governments for incentives, and then the amounts actually claimed by the producers and therefore actually spent by the state governments in incentives. O’Brien and Lane (2020, 67) chide Bradbury for “incorrectly and repeatedly” stating that O’Brien and Lane’s “measure for incentives documents state spending on film incentives.” There indeed can be significant differences between the legislative allocations and the amounts claimed (tax incentives/credits) and provided by a state in a given year. For instance, there can be timing differences. Consider the following: During the six-year period 2005–2010, a grand total of approximately $508,000 in film incentives had been claimed in Montana, which, at the time, was an uncapped legislative allocation state. Of this amount, the actual film tax incentives claimed in Montana for 2010 amounted to $28,697. Using O’Brien and Lane’s approach with a $300 million amount as their Incentives(millions) independent variable for Montana for 2010 would result in a surprisingly large timing difference. Further, assigning $300 million as the Incentives(millions) value for Montana for any year during the period 1998–2010 makes little sense given Montana’s actual historical spending on film/entertainment tax credits, as well as other factors unique to Montana.

Under O’Brien and Lane’s approach, the estimated legislative allocation is the same amount for each uncapped state. In effect, this assumes that one uncapped allocation state signals the exact same amount of legislative “munificence” to filmmakers for that year as any other uncapped allocation state. In 2010, the film incentive programs of most of the uncapped legislative allocation states—Connecticut, Georgia, Hawaii, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Montana, New Mexico, North Carolina, and Pennsylvania—differed in significant respects from each other. These differences include but are not limited to the

---

7. This information comes from a “performance audit” conducted for the Montana legislature (link). We could not find any publicly available film incentives data for Montana for 2011 through 2014. On January 1, 2015, Montana’s uncapped allocation film incentives program ended.
definition of ‘filmmaking costs’ upon which film incentives are based, the film incentive credit percentage itself, the transferability of film incentive credits, and the existence of credit carrybacks and/or carryovers in a given state.

**Conclusion**

O’Brien and Lane should make all of their data publicly available so that their work can be properly examined. Also, they should provide more detailed information for each of the years involved in their study, including the names and allocation amounts of each capped/uncapped film incentives state along with the lower and upper ranges of the Incentives(millions) independent variable. Researchers and tax policymakers must have greater transparency from O’Brien and Lane if they are to make any use of their findings. Based on our concerns about the Incentives(millions) independent variable as described by O’Brien and Lane, absent access to their data, we do not have confidence in the results of their study.

**References**


About the Authors

Bruce M. Bird is a professor of accounting and Director of the MPAcc Program at the University of West Georgia. He received both his J.D. and M.S. in Taxation from the University of Cincinnati. His research focuses on taxation issues and has appeared in *Journal of Taxation, Tax Adviser, Employee Benefits Journal*, and elsewhere. His email address is bbird@westga.edu.

Hilde Patron is a professor of economics and statistics and the Director of the Center for Business and Economics Research at the University of West Georgia. She has a Ph.D. in economics from Michigan State University. Her research focuses on applied macroeconomics, economic policy, and business analytics. Her interest in film incentives programs developed after participating in a study that evaluated the economic impact of Georgia’s film tax credit program led by the Georgia Department of Audits & Accounts. Her email address is hpatron@westga.edu.

William J. “Joey” Smith is a professor of economics, the David A. Johnson Distinguished Scholar, and Chair of the Department of Economics at the University of West Georgia. His areas of expertise are program participation, state and local taxation, and urban and regional economics, focusing on the West Georgia region. Joey has provided expert and technical research for energy providers, the Georgia State Legislature, and private businesses. Formerly, Joey worked as a Senior Research Associate for the Fiscal Research Center (FRC) at Georgia State University. While working at the FRC, Joey specialized in county growth patterns of the Atlanta metro area, Georgia tax policies, and welfare reform. He has a Ph.D. in Economics from Georgia State University. His email address is wjsmith@westga.edu.
I am thankful to Jan Ott (2022) for replying to my criticism (Murphy 2022) of his objection (Ott 2018) to the methodology used in Economic Freedom of the World index of economic freedom, a project which I am directly involved in. In retrospect, I feel that my treatment of the main issues was not as clear and simple as it could have been. The exchange has helped me to understand the discourse, and with that new insight I rejoin briefly here.

Ott uses Cronbach’s alpha to recommend dropping size-of-government from the index. That kind of objection would only be pertinent for what is called a reflective construct, as opposed to a formative construct, which is what the index is. I wrote my comment on Ott on the supposition that he did not understand that.

I’d like to start fresh, with simple examples. Imagine we were constructing a performance review metric for a fast-food company wishing to evaluate its workers. It is judged that in order to be a good employee you must be able to (1) make change quickly and accurately, (2) arrive on time, and (3) get along well with your coworkers. These things 

1. Bridwell Institute for Economic Freedom, Cox School of Business, Southern Methodist University, Dallas, TX 75275.
from the metric because doing so increases the Cronbach’s alpha score would be a complete non sequitur. A researcher or consultant may believe that employers should not feel that getting along with coworkers is important; the research might mount a body of argument as to why their construct of job performance should not include getting along with coworkers. But Cronbach’s alpha would not have any place in that body of argument.

Ott (2018) calls for dropping government size from the *Economic Freedom of the World* Index. One of the arguments he gives for doing so is based on Cronbach’s alpha results; that is not a pertinent argument for dropping government size. The liberal, or at least classical liberal, idea of freedom in economic affairs concerns not being taxed or interfered with by the government. Government size is a conceptually suitable metric because big government subsists on taxation, privileges, and restrictions that sustain government’s big-player status and guard its operations from competition. Ott does not mount any argument against government size being a conceptually suitable metric for a formative construct of the classical liberal notion of freedom in economic affairs. That is what he would need to do to provide a pertinent reason for dropping government size from the index.

Studying classical-liberal freedom does not preclude studying other things. A proper attitude is to hope that numerous interpretations of freedom are explored. There are different ways of making sense of the world, and they should compete freely and openly with one another. The classical liberal tradition has developed distinctive ways of making sense of the world, and central to that sense-making is the tradition’s idea of liberty as not being taxed or interfered with by government, or, as Adam Smith put it, “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice” (1976/1776, 664).

Does Ott oppose our studying of classical-liberal freedom? It’s unclear, but it seems so. He seems to suggest that there is only one way to interpret freedom, namely, “as the actual possibility to choose” (2022, 58), and that therefore the classical-liberal interpretation, which is something else, should not be studied and discussed. Removing government size from the index would impair our investigation of classical-liberal freedom. Again, big government subsists on taxation and on privileges and restrictions that are rooted in coercion. Ott’s apparent suggestion is analogous to a consultant urging employers to take ‘getting along with coworkers’ out of their construct of job performance, because he has the only right conception of ‘job performance’ and it does not include ‘getting along with coworkers.’ After all, why is Ott criticizing our inclusion of government size when other projects, such as the Human Development Index, seem already to represent what Ott seeks, a formative construct of “the actual possibility to choose”?

A formative construct stands in contradistinction to a reflective construct. That is where Cronbach’s alpha is pertinent. When you build a reflective construct,
you look for signs that the variables you include are all picking up on the same latent, unobservable concept. Assessing that question is one purpose of using tools like predictive validity or convergent validity. Suppose we wanted to construct a math test assessing whether a student understands a particular concept. You can create a set of questions which seem to address the same concept, but you can’t actually observe whether the concept is understood. The way you can get around that is to see whether performance in one kind of question is predictive of performance in another question. If the questions are all actually testing the same concept, then performance across those questions should highly correlate.

**Figure 1.** Reflective construct

![Reflective construct diagram]

**Figure 2.** Formative construct

![Formative construct diagram]

In my initial critique of Ott (Murphy 2022), I did not include the standard diagrams for distinguishing between formative and reflective constructs, but I have adapted a simplified version of the diagrams above in Figure 1 (for reflective constructs) and Figure 2 (for formative constructs), using the examples of a math test and an employee performance review. In Figure 1, there is the unobserved

---

2. These appear in almost any elaboration of formative and reflective constructs (e.g., Bagozzi 2011, 270).
variable, which is the student knowledge of the concept we wish to test. We can indirectly observe student knowledge by seeing it reflected in other variables: her answers to the test questions. Note that the direction of the arrows goes from the latent variable to the observables; the latent variable is being reflected.

In Figure 2, the situation is reversed. The constituent parts are what forms the basis for the formative construct, in this case employee performance. Punctuality, making change accurately, and getting along with co-workers are how we define high levels of employee performance. If you remove one of these dimensions of employee performance, you end up with a worse measure of performance, regardless of their correlation. Using predictive and convergent validity in this context would be impertinent.

That also holds for economic freedom. The intuition for the *Economic Freedom of the World* index is that of the formative construct, not the reflective construct. Our definition of what to include in defining economic freedom is well-grounded in the literature. I provided several citations establishing that conceptualizing economic freedom in terms of a small size of government (in addition to the other variables we use) is well aligned with the classical liberalism associated with, say, Adam Smith. If Ott wishes to argue that the *Economic Freedom of the World* index should stop being an empirical project focused on and rooted in the Smithian liberal idea of freedom in economic affairs, he would need to give an argument for that. In doing so, Cronbach’s alpha would not be relevant.

**References**


Ryan Murphy is a research associate professor at the Bridwell Institute for Economic Freedom at Southern Methodist University. He received a Ph.D. in economics from Suffolk University in September 2013. His research interests are diverse and include institutional economics, public policy, and macroeconomics. His email address is rhmurphy@smu.edu.

Discuss this article at Journaltalk:
https://journaltalk.net/articles/6057/

Jan Ott's reply to this article
Go to archive of Comments section
Go to September 2022 issue
Free Markets Require Good Governments, for the Sake of Liberalism

Jan Ott

In my article about the measurement of economic freedom by the Fraser Institute and the Heritage Foundation (Ott 2018) and in the following discussion with Fred McMahon of the Fraser Institute (Ott and McMahon 2018), I argued that leaving out the size of government as a negative indicator for economic freedom would lead to a better measurement. Ryan Murphy, a member of the Fraser Institute research team, presented some critical remarks about my arguments (Murphy 2022a) and I replied (Ott 2022). In a further contribution Murphy (2022b) clarified his previous remarks. His clarifications are helpful and informative, and I am happy to continue our discussion.

Murphy (2022b) presents a distinction between two types of concepts. I have some remarks about conceptualization in general and about this distinction. I also pay attention to the conceptualization and measurement of economic freedom by the Fraser Institute. Concepts like economic freedom can be used in different ways, each with specific benefits.

Murphy (2022b, 243) is concerned that I oppose the study of classical-liberal freedom, interpreted as limited government. I respond to his concerns.

I withdraw my suggestion to leave the size of government out of the measurement of economic freedom, and will present some new suggestions. I also present arguments to put a higher priority on the quality of governments than on their size, as conditions of economic freedom.

1. World Database of Happiness, Erasmus University Rotterdam, 3062 PA Rotterdam, Netherlands.
Conceptualization in general

Conceptualization is about the development of concepts. Conceptualization is like organizing or re-organizing your home and your closets. You put things together because they are similar or are related to the same needs. Conceptualization is also related to the needs people share; Eskimos have more concepts for snow than have people who live in a desert. Taste and normative convictions may play a role in conceptualization. It is, however, helpful to be practical. You are entitled to put your laundry and fresh vegetables in one heap in the basement, but it is not practical and possibly confusing for other people.

Complex concepts are occasionally denoted as constructs, but I just use the term concepts. There is a taxonomy of concreta, illata, abstracta, and theoretical concepts (Boesjes-Hommes 1970). Abraham Kaplan (1964) made a very similar taxonomy. The distinction between abstracta and theoretical concepts is important. Abstracta are usually used in a descriptive way and are defined or stipulated in a nominal way. There are therefore no validity issues because the measurement results cover the meaning. Theoretical concepts refer to actual phenomena and are usually used in an explanatory way and defined in a real or realistic way. The measurement results cover the hypothetical meaning only up to a point, and there is always a difference between the meaning of the concept and the measurement results, that difference being a surplus meaning. The validity of the measurement is therefore an important issue to be considered in the measurement of theoretical concepts. Many concepts can be used in either way, as abstracta or as theoretical concepts.

Murphy’s formative and reflective constructs

Murphy (2022b) makes a distinction between formative and reflective constructs or concepts. Formative concepts are comparable with abstracta: a stipulative definition without validity concerns. Reflective concepts are comparable with theoretical concepts; they refer to actual phenomena but there are validity issues.

Murphy’s example is employee performance. If it is used as a formative concept or abstractum then there is no need to look at the relations between underlying factors, because there are no validity issues. The selection of factors, their definitions and their relative weights, are stipulated and fixed. This is fine, but it is nevertheless useful and informative to see what happens if we use this concept in a reflective way as a theoretical concept. The first step is the collection of information
about factors that might be relevant, either in a positive or negative way. In a second step we can look at their relations. If the correlation is high, with a high Cronbach Alpha, then the factors may measure the same actual phenomenon. If the correlation is low, with a low Cronbach Alpha, then there are usually three options. The first option is to keep all factors in, if they have something in common and if all of them have a specific and valuable contribution. The second option is to leave out factors with a low correlation with the other factors. The third option is to split up the concept in two or more specific concepts, with a more accurate measurement of the related phenomena. This option is attractive if the observations can be explained by two or more components with different dynamics.

Employee performance, with punctuality, making change accurately, and getting along with co-workers as underlying factors, can be used in Murphy’s way as an abstractum or formative concept. It is interesting, however, to see what happens if we use the concept as a reflective or theoretical concept. If there is no correlation, or even a negative correlation, between getting along with co-workers and the other capabilities, punctuality and making change accurately, then the perfect employee is apparently rather exceptional. Employers can use such information in their recruitment policies. It obviously depends on the actual jobs, but perhaps they will have to pursue a reasonable balance of capabilities in teams, composed of different people with different but complementary capabilities. Treating employee performance as a reflective or theoretical concept is therefore helpful to get a better understanding of the situation.

My appreciation of academic freedom

Murphy (2022b, 243) is concerned that I oppose the study of classical-liberal freedom as freedom by limited government. Let me remove his concerns. I put a high priority on freedom in general and on academic freedom in particular. So I do not oppose the study of anything, let alone the study of classical-liberal freedom or the size of government. Information about governments is always useful. I withdraw my suggestion to leave out size of government as one of the items in the measurement of economic freedom!

---

2. In this respect I follow John Stuart Mill, who puts a high priority on the freedom of thought and discussion (Mill 1992/1859, 17–53).
The reflective/theoretical conceptualization of freedom

Freedom can be defined in a reflective/theoretical way as personal autonomy, enabled by the possibility to choose. This possibility depends on two dimensions: the opportunity and the capability to choose. The opportunity is a characteristic of the social-economic environment and can be interpreted as the absence of inhibitions and the availability of options. Capabilities are characteristics of individuals; they must at least have some understanding of the situation and some courage to take decisions. This model implies that full freedom depends on a chain with three elements: absence of inhibitions, availability of options, and individual capabilities. This chain is as strong as the weakest link. The Human Development Index presents no information about freedom as the possibility to choose, as Murphy suggests (2022b, 243), but only about average levels of certain capabilities in nations through purchasing power, years at school, and health as reflected in life expectancy.

It is not unusual to leave capabilities out as a condition of freedom and to look exclusively at the opportunity to choose as a characteristic of the social-economic environment. Some examples: Global Freedom, Personal Autonomy, and Press Freedom, as defined and measured by Freedom House, and Freedom to Make Life Choices, as defined and measured in the Gallup World Poll. There is always a substantial positive correlation between types of freedom in nations, and this is an indication that individual freedom in nations is a general cultural standard and phenomenon.

The stipulative conceptualization of economic freedom by the Fraser Institute

If we look at the Annual Reports of the Fraser Institute about the Economic Freedom of the World (EFW) we always see the same enumeration of cornerstones, or economic freedom basics (link):

3. The absence of manmade inhibitions is comparable with Isaiah Berlin’s negative freedom. The availability of options is, however, not comparable with his positive freedom. This positive freedom implies that an individual can be his own master and that his life and decisions depend on himself, and not on external forces of whatever kind. This freedom is about individual autonomy as an individual capability and not about the availability of options as a characteristic of the environment (Berlin 1969, 122–131).
The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property.

This enumeration usually goes together with the same explanation in the section “What is Economic Freedom?” in the first Chapter of the reports. We can look at the 2021 Annual Report (link) as an example.

The cornerstones and the first part of the section suggest, in my view, that economic freedom can be interpreted as the individual opportunity to choose. The second part of the specification is about institutional conditions of freedom, and in particular about the role of governments. The Fraser Institute finds that governments should protect property rights and arrange for the provision of a limited set of important public goods. Examples of such important goods are national defence and access to money of sound value. The Institute finds that governments should do little beyond these core functions. The Institute assumes, apparently, that this type of limited government, with low levels of government activities, contributes to the individual opportunity to choose. The Institute is, however, not very explicit about the relation between the opportunity to choose and the role of governments. It is not clear whether limited government is a necessary and/or sufficient condition for freedom, or just one of many factors. The Institute is critical about such discussions and holds on to the stipulative/formative conceptualization. The implication is that we have to look at the actual measurement, because there is, in this approach, no difference between conceptualization and measurement.

The measurement of economic freedom by the Fraser Institute

The Fraser Institute has selected five items to measure Economic Freedom in nations, all with equal weights. The level of Economic Freedom is expressed in summary scores on a 1–10 scale; higher summary scores indicate more freedom.

1. Size of government (more government activities → lower scores),
2. Legal system and property protection (more protection → higher scores),
3. Sound money (sounder → higher scores),
4. Freedom to trade internationally (freer → higher scores),
5. Regulation of credit, labor, and business (freer → higher scores).
This is the formative concept of economic freedom as defined by the Fraser Institute. It is interesting, however, here again, to look at this measurement if we define economic freedom as a theoretical or reflective concept. If we follow this approach we see that we can make a distinction between the first item, size of government, and the other four items. All items apparently contribute to more freedom, but in different ways.

In item 1 (size of government) nations with higher levels of government activities get lower scores. No distinction is made between appreciated activities, related to core functions, or rejected activities. This item can be interpreted, arguably, in my view, as freedom by smaller government, because smaller government usually goes together with lower levels of taxation and more individual freedom to spend money.

In the other items 2, 3, 4 and 5, nations get higher scores for specific appreciated government activities related to core functions. These items can be interpreted, arguably, in my view, as freedom as the opportunity to choose, because they create more and better options for specific economic activities.

The Fraser Institute is critical about such interpretations, but if we accept these interpretations, perhaps as a thought experiment, then we may conclude that limited government is not a necessary or sufficient condition of economic freedom, but just one of the five factors with the same weight as the other four. We may also conclude that these types of freedom are not just different, but even contradictory. Higher levels of appreciated activities contribute to more economic freedom as the opportunity to choose, but simultaneously to less economic freedom by bigger government. This contradiction is a consequence of the stipulative definition of economic freedom as a formative concept, and is not related to actual observations.

If we look at actual observations we see that the four items, if interpreted as the opportunity to choose, have a similar positive and significant correlation with the summary scores. The size of government, if interpreted as freedom by limited government, has a negative but not significant correlation with these scores.

<table>
<thead>
<tr>
<th>TABLE 1. Correlation between the items of the Index and the final summary scores for 127 nations in the years 2010–2012 (Ott 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Size of government</td>
</tr>
<tr>
<td>2. Legal system and property protection</td>
</tr>
<tr>
<td>3. Sound money</td>
</tr>
<tr>
<td>4. Freedom to trade internationally</td>
</tr>
<tr>
<td>5. Regulation of credit, labor, and business</td>
</tr>
<tr>
<td><strong>Note.</strong> &quot;ns&quot; = not significant; &quot;&quot; = significant at .01 level.</td>
</tr>
</tbody>
</table>

The negative correlation between Size and the summary scores is consistent with the stipulated relation, but is peculiar if we look at the correlation between the sub-
TABLE 2. Correlation between the sub-items of Size of government and the final summary scores for 127 nations in the years 2010–2012 (Ott 2018)

<table>
<thead>
<tr>
<th>Sub-item</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Government consumption as a % of national consumption</td>
<td>+ .18*</td>
</tr>
<tr>
<td>b. Transfers and subsidies as a % of GDP</td>
<td>+ .29**</td>
</tr>
<tr>
<td>c. Government enterprises and investment as a % of GDP</td>
<td>− .52**</td>
</tr>
<tr>
<td>d. Top tax rates</td>
<td>− .20*</td>
</tr>
</tbody>
</table>

* = significant at .05 level; ** = significant at .01 level.

We see now that the sub-items (a) and (b) have a positive correlation with the summary scores, while this correlation is negative for the sub-items (c) and (d). This is peculiar because the sub-items (a) and (b) are the most typical of the general levels of government activities. The sub-items (c) and (d) are less typical in this respect. Sub-item (c) is somewhat obsolete and volatile after the implosion of communism. The sub-item top tax rates (d) is about technical characteristics and is not representative of the level of taxation in general. The total tax burden as a percentage of GDP would be more representative in this respect. The Heritage Foundation uses this sub-indicator (as Tax Burden) and the correlation with the summary scores of the Heritage Index is around zero (−0.00, not significant).

If we define economic freedom as a theoretical or reflective concept, just as a thought experiment, then we may conclude that there is a positive and significant correlation between levels of government activities and freedom as the opportunity to choose, as measured by the items 2, 3, 4, and 5. There is no contradiction but consistency. We must be critical about governments but must also acknowledge this positive correlation. Perhaps we may say that we have to be critical in order to establish and maintain this positive correlation.

In my previous contributions I suggested that size of government should be left out of the measurement, in order to get a better measurement of economic freedom as the opportunity to choose. This suggestion was based on the assumption that the Fraser Institute is defining and measuring economic freedom as a theoretical concept, related to one unequivocal phenomenon. I agree with Murphy, however, that validity arguments are irrelevant because economic freedom is defined in a stipulative way as a formative concept. In the next section I will present some new suggestions for the Index.

New suggestions for the Index

I withdraw my suggestion to leave size of government out, and present some alternative suggestions instead.
1. Split up the Summary scores: one summary score for freedom by limited government, measured by item 1, the size of government, and one summary score for freedom as the opportunity to choose, measured by the other items. The Index will be more transparent and it will be easier to analyze the relations between these two freedoms, and between these freedoms and other freedoms. The current summary scores are impractical, because they are addition sums of different and contradictory types of freedom.

2. Define and measure the size of government in a better way. It is better to look at the total tax burden as a percentage of GDP, instead of looking at some technical characteristics. The total burden is more typical for general levels of government activities. It is also an option to add government employment as a percentage of total national employment, either in persons or in full-time equivalents.

3. The Fraser Institute puts a high priority on competition and free markets. It would be nice to pay some attention to the effectiveness of anti-trust policies, as an appreciated government activity related to the core functions.

4. The quality of governments deserves more attention! The previous research results are based on observations in a full sample of 127 nations. It is informative to split up this sample in nations with a low or high government quality and to specify summary scores for these sub-samples. In the next section I present some arguments to pay more attention to the quality of governments.

5. Whatever is decided, it is wise and helpful to present a better explanation of the Index. The relation between the first item, Size of government, that can be interpreted as freedom by limited government, and the other items, that can be interpreted as freedom as the individual opportunity to choose, deserves more attention.

**Quality of governments deserves more priority than their size**

There are important arguments to put more priority on the quality of governments than on their size.

1. Limited government can be interpreted as the absence of totalitarian
government. Totalitarianism can be avoided by the quality of government. This quality implies a separation of powers, with an independent judiciary, rule of law, control of corruption, and respect for elementary principles of good governance. This quality of governments is more important for freedom than their size.

2. The quality of governments is a more powerful factor than their size. It has a strong impact on economic growth and the relation between the size of governments and subjective well-being in nations depends heavily on this quality (Ott 2010).

3. The quality of governments is not a vague concept. It is obviously a normative concept, but at a very elementary level. It is therefore a universal concept and not related to a specific culture or to specific policies. There is a lot of excellent information available, provided by the World Bank (Kaufmann and Kraay 2021), and there are usually practical and non-controversial options to improve this quality.

4. Adam Smith (2003/1776, 879–1152) is not very explicit about the size of governments. He writes about taxation and expenditures of the government, but not in any axiomatic way. He even supports government expenditures for education. This argument is consistent with current economic theory that government expenditures are justifiable, if they are used in an efficient way to minimize the negative effects.

4. The World Bank evaluates six dimensions of the quality of governments in nations each year: (1) Voice and Accountability; (2) Political Stability and Absence of Violence; (3) Government Effectiveness; (4) Regulatory Quality; (5) Rule of Law; (6) Control of Corruption (Kaufmann and Kraay 2021). The average of the first two dimensions can be interpreted as the democratic quality; the average of the last four as the delivery or technical quality.

5. Well-known examples are: carefulness and accuracy of decisions, attention for all relevant information, respect for all legitimate interests, accounting for decisions, fair play and equality (equal situations must be treated equally), respect for reasonable expectations, powers have to be used in accordance with their legal background, proportionality (no disproportional negative consequences for citizens, relative to public interests), decisions have to be communicated timely and in an understandable way, with information about possibilities to make objections and to appeal at a higher level. Most nations have adopted such principles, either in a specific code or in jurisprudence.

6. Kaufmann (2005) made the following observation about causality in the relation between governance and wealth: “In fact, the evidence points to the causality being in the direction of better governance leading to higher economic growth.”

7. It is undeniable, however, that the introduction of certain principles of good governance can be a challenge. Rule of law and control of corruption demand that relations between citizens and government agencies are based on the principle of ‘universalism’: meaning that citizens must be treated equally and without discrimination. This is difficult if personal relations are important and based on the ‘reciprocity principle’: if I do something for you, then you should do something for me. That is sympathetic and very understandable, but the principles of ‘reciprocity’ and ‘universalism’ are incompatible in relations between government agencies and citizens.
impact of fundamental market failures (Andersen 2021).  

5. The liberalization in Russia after the implosion of communism was inevitable, but has been implemented without sufficient attention for the quality of the government. This reckless liberalization is one of the causes of the current problems, namely, a dictator who started a war without any justification, and is, unfortunately, supported by some kleptomaniacs and a zombie army without any morality, killing people at random. This situation should remind us that the quality of governments deserves a high priority—also in international relations.  

Conclusion  

The Fraser Institute defines economic freedom in a stipulative way as a formative concept, measured with five items. If we define economic freedom as a theoretical/reflective concept and look at the measurement results, then we see that different phenomena are measured. These phenomena can be denoted as freedom by limited government and freedom as the opportunity to choose. These types of freedom are different and contradictory. It is therefore more informative to report their summary scores separately.

It is also wise to pay attention to the quality of governments as a crucial factor for freedom. The current attention for the size of governments is perhaps an inheritance of the Cold War. This Cold War is over and now we have to fight a real war. To win this war we have to pay attention to our soldiers and guns, but also to our core values like freedom. Freedom and liberalism need good governments more than anything else.

References  


8. Andersen (2021) explains that the Scandinavian governments invest a lot of money in education, health care, and care of elderly people. Such investments contribute to higher levels of labour productivity and more participation in paid employment. Such investments may even enhance Murphy’s employee performance!


### About the Author

**Jan Ott** studied sociology and law at the Erasmus University in Rotterdam, specializing in social economic policy, labour relations, constitutional law, and public administration. He worked as a policy adviser at the Dutch Ministry of Social Affairs and Employment. Nowadays he works as a social researcher at the World Database of Happiness at the Erasmus University. In 2020 he finished his book *Beyond Economics: Happiness as a Standard in our Personal Life and in Politics* (Palgrave Macmillan). His email address is jan.ott@kpnmail.nl.

Go to archive of Comments section
Go to September 2022 issue

Discuss this article at Journaltalk: https://journaltalk.net/articles/6058/
When should a native language be used in economics? ‘Almost never,’ seems to be the answer in an increasing number of countries where the native language is not English. The choice between the native language—be it Swedish, Spanish, Japanese, or any other native language—and English as the working language at universities in non-English-speaking countries entails many tradeoffs. The issues are treated by linguistics and other scholars, in such works as *English as a Global Language* (Crystal 2003), *English as a Lingua Franca: Studies and Findings* (Mauranen and Ranta 2009), and *English as a Lingua Franca: Perspectives and Prospects* (Pitzl and Osimk-Teasdale 2016).

Our essay is homespun and offered as a point of departure. We are economists and we are Swedes; we illustrate using economics in Sweden, but the issue is confined neither to economics nor to Sweden. It pervades the academic disciplines in all countries whose language is not English. Our general posture on the issue is that the use of native language is being given up either too readily or without proper regard for the consequences. In the countries at the forefront of the anglicization process, at most of the relevant margins, a rebalancing against English and toward the native language should be considered.

Economists are keen to identify and clarify tradeoffs. There are many advan-
tages to using English. When research and teaching is in English, a larger market opens up. Researchers can publish in international journals, communicate with other researchers, build on research conducted in other countries, and reach a greater number of people in the world.

Furthermore, using English, faculty and students can be recruited from other parts of the world. International student exchange becomes possible, which brings with it significant cultural upsides. When English is the language of instruction domestic students become better prepared for an increasingly globalized labor market. In many countries, academia is still dominated by old, petrified structures that hold back scientific progress (on South Korea, see Schwekendiek 2016). In those contexts, a larger role for English can break structures, pave the way for scientific progress, and contribute in a valuable way to public affairs.

However, using the native language has plenty of advantages as well. Using the native language makes it easier to teach domestic institutions, history, and conditions of high relevance. It makes it easier to apply economic analysis to specific domestic conditions that native students are likely to be familiar with, rather than, say, examples from the U.S. economy. There is less risk of superficial learning. Students become better prepared for a professional life in their native country. The distance between academia and society is reduced if universities and societies share a common language, so universities need to develop terminology suitable to native discourse.

Around the world, researchers aim to publish in international journals. We certainly acknowledge that it is neither possible nor desirable to use native language to publish original research of the kind sought by international journals. Language barriers in many senses are also barriers to research, and the shift to a common language for economists worldwide has undoubtedly impacted economics research positively. Nevertheless, it is crucial that the shift towards English not be carried too far, at the expense of concreteness, relevance, and participation in public affairs.

There are tradeoffs, and one must strike the right balance between the native language and English. For countries that are rapidly increasing the use of English as the language of instruction already at the beginner’s levels of university studies, it is important to avoid overshooting. New generations of economists need to be encouraged and equipped to engage in their own country’s development. This means communicating their findings in the native language in various ways, contributing in their home country, e.g., in government commissions and reports. Even general insights need, when valuable, to be popularized at home, in the native language.

The present article grows out of the experience one of us had when she wrote an article on this topic in the daily newspaper *Upsala Nya Tidning* (Forslund 2021).
The article sparked an unprecedented amount of reader feedback. It touched on Swedish conditions specifically and higher education at the university generally, and it argued that the use of English was too often at the expense of students learning efficiently. The many emails we received from people who believed the shift from Swedish to English was happening without conscious contemplation showed clearly that there is a need to formulate the issue, and consider the tradeoffs, and consider ways to reduce the tradeoffs. Our goal is to raise questions as much as it is to answer them. Even if our perspective is European, or even Swedish in particular, and economics-oriented, the dilemmas we are highlighting are becoming increasingly apparent in the rest of the world, and in more and more fields of research and learning.

**The European context—higher education in English**

An increasing share of courses and programs are given exclusively in English. Economics departments are switching into a more Anglo-American approach in the recruitment of students and junior faculty, introducing career ladders and evaluation criteria for promotion that closely resemble those that evolved over a long period of time in the U.S. university system.

In the European Union and the additional four countries comprising the European single market there are no fewer than 26 different native languages. In many of these countries the anglicization process has gone very far, particularly in the Netherlands, Germany, Sweden, France, and Denmark, while it has barely started in some of the other countries (Wächter and Maiworm 2014, 16).

Internationalization is related to other incentive structures. Lars Engwall and Linda Wedlin (2022) argue that the combined forces of how business schools are ranked and accredited, for example, contribute to a skewed type of internationalization. When universities adapt to global rankings, they tend to treat the university market as a global one. Yet today and in the foreseeable future, the vast majority of university students will be recruited domestically and will remain in their native country during all or most of their professional career, and in order to improve, universities still need to compete on a market that remains largely domestic.

In Sweden, 91 percent of all full-time university students are Swedish natives.

---

3. This process is accelerated by the introduction of the European Job Market for Economists (link) in 2018. The setup of this market is almost a carbon copy of its U.S. counterpart (see European Economic Association 2018).
4. The 24 official EU languages plus Norwegian and Icelandic.
A large majority of them can be expected to remain in Sweden during their professional careers, according to Statistics Sweden (link). In effect, universities in non-English-speaking countries are by and large domestic institutions that prepare national students for careers in the national labor market; it is misguided to treat them as actors primarily catering to a global student and labor market.

The university systems in Europe are typically highly centralized. Central or regional governments grant charters to universities and decide on the size and admission rules of a university (through budgetary allocations). The centralization leaves less leeway for universities to adjust remuneration to track an individual professor’s research and teaching performances, to vary the level of remuneration according to the economic value of the professor’s field of specialization, and to adjust the allocation of its research budget across fields in response to changing social demand.

Nevertheless, in all areas of the academic world in Europe, there has been movement in recent years toward English as the language of instruction. The trend toward anglicization of academia has gained additional momentum in Europe through the Bologna Process, the overarching aim of which is to create a European Higher Education Area (EHEA) based on international cooperation and academic exchange that is attractive to European students and staff, as well as to students and staff from other parts of the world. The process involves cooperation between ministries, higher education institutions, students, and staff from 48 countries (link).

The stated aim of the Bologna Process is to facilitate mobility of students, graduates, and higher education staff. That aim would have EHEA countries embark on a standardization of their degree structure and quality assessments as well as to the removal to the greatest extent possible of obstacles stemming from the fact that countries have different native languages. These efforts lead to an increased use of English as the language of instruction. In Sweden in 2020, two thirds of all teaching at the master’s or higher level was in English, up from roughly half in 2010 (Malmström 2022).

The dual roles of universities both as promoters of the Bologna Process and internationalization, on the one hand, and as domestic institutions, on the other, are not always easy to combine. In most European countries, the university sector is part of the government sector. In their capacity as higher educational institutions, their administrative working language is therefore the official native language.

In Sweden, for instance, there is a Language Act stating that colleges and universities have “a special responsibility for Swedish terminology to be available, used, and developed within their various disciplines.”5 At the same time, the

Bologna Declaration requires universities to take part in the internationalization of research and higher education.

Combining these two responsibilities has resulted in an ambition to achieve what is called “parallel language use” (Salö and Josephson 2014). The aim has been formulated by Uppsala University (2018) as follows: “Swedish and English are the main working languages [and] are used side by side.” In practice, parallel language use has proven to be difficult. It is easy to point to situations where the goal fails. Undergraduate programs are to a large extent given exclusively in the native language, while graduate courses are often taught only in English. Thus, graduate students may never combine their specialization with the qualifications to development of terms, concepts, and arguments in their native tongue, while undergraduate students will lack the means to do so. Thus, this structure of how and when we use the respective languages may create a gap, not only between the general public and each field, but between those who studied on lower and higher levels within each field.

In addition, many administrative jobs cannot be handled in English. Combined with the fact that large parts of advanced level education are unavailable in Swedish (Salö and Josephson 2014, 310), the use of different languages in undergraduate studies, graduate studies, and administration are examples of when the ambition of parallel language use in reality is not parallel, but segmented and to some extent disjointed.

Nowadays, national universities in Europe are typically assigned an objective, in addition to teaching and research, to communicate to society insights and results and apply them to social affairs. This objective, customarily denoted “the third mission” (Compagnucci and Spigarelli 2020) has come to be interpreted more broadly as collaboration between universities, on the one hand, and private industry and the public sector, on the other.

In Sweden, this third objective was added back in 1975 and was explicitly codified in 1998 (SOU 1998, 128, 153–154). The universities are obliged to be open to influences from the outside world, to disseminate information about their teaching and research activities outside academia, and to facilitate access to relevant information about research results. Nevertheless, the task is often not prioritized. In a 2019 survey of 3,699 researchers at 31 Swedish universities, 32 percent of social science respondents said they would engage more in communication if it were valued more highly in promotions and 27 percent said they would do so if it were given more weight in funding applications (Vetenskap & Allmänhet 2019). Perhaps researchers should be given more incentives and encouragement to develop their public-discourse skills in their native language. Such encouragement can be given even if English remains the language for writing research.
The teaching of economics at Swedish universities

To get an idea of how economics departments in Sweden are thinking about these issues, we contacted them. We found that, in accordance with the trend for higher education in Sweden in general, English dominates as the language of instruction in master’s programs. Linköping University is the only institution that offers a master’s degree taught in Swedish.

The pattern at the undergraduate level is that the earlier the program, the more the teaching is in Swedish. Several departments offer a first-semester course in economics in Swedish, but transition to English gradually throughout the program. At Uppsala University, the working language at the undergraduate level is to some extent dependent on the availability of teachers. At Stockholm University, first-semester economics is taught in Swedish and thereafter practically all courses are in English. Several departments allow undergraduate students to choose which language to use for their thesis. However, the general tendency is clear: English is gradually becoming predominant as the language of instruction in higher education.

The Stockholm School of Economics is unique in that all courses, including at the undergraduate level, are taught exclusively in English, although there are plans to introduce a course with the aim of being relevant to economic policy issues in a Swedish context, using Swedish as the language of instruction. At the University of Gothenburg, the School of Business, Economics and Law plans to offer an English-only language track for the economics program at the undergraduate level from the fall of 2023. Until now, the first three semesters have been given in Swedish only, but the change means that the entire program will be offered in English.

Why give courses in English? The departments argue that they want to be able to attract foreign students and honor exchange agreements. Teachers are recruited from abroad and textbooks are in English. Many take it as given that the language of instruction is English since the workplace is international, and the university has an international profile. Also, it is often mentioned that Swedish-speaking students request instruction in English. An additional reason adduced for choosing to teach in English is that the subject is research-heavy, and researchers...
use English as their working language. Course content closely coordinated to research thus justifies teaching taking place in the same language.

If very few courses are taught in the native language, there will not be much demand for textbooks in the native language. Thus, the trend comes to ensure its own justification. We see here an element of self-fulfilling prophecy.

Choices of the language for individual undergraduate courses are to some extent made on a case-by-case basis, while decisions about international master’s programs were typically made in connection with the implementation of the Bologna Process in Swedish higher education in 2007. In cases where courses are given in Swedish, the reasoning is that Swedish students should be proficient at communicating economics in Swedish, and that Swedish lecturers teaching Swedish students in English should be avoided. Some institutions also raise a concern that it may be more difficult for students to discuss economics in Swedish if they do not master the terminology in Swedish, and more difficult for students and graduates to talk about economics with people lacking economics training, i.e., the overwhelming majority of the population.

Accounting and law departments sometimes include as requirements undergraduate courses in economics. While economics courses are typically taught in English, the major subjects are taught almost exclusively in Swedish. The reason cited for this state of affairs is that law and accounting are topics that deal specifically with Swedish conditions.

The development of economics is similar to that of Sweden’s university sector in general (Malmström 2022), but it is clear that the transition to English instruction at the graduate level has gone much further than in many other disciplines.

**Different subjects, different language choices**

Although the trend generally looks the same, the picture turns out to be a little more variegated when you break it down into different subject areas, where the extent of anglicization varies. This is no coincidence—as the structure of different subjects differs, so does the language of their research and teaching (Bolton and Kuteeva 2012).

Crudely speaking, there are three main subject groups: natural sciences, social science, and the humanities.7 When it comes to natural science, say, physics, national, regional, or local conditions and institutions do not affect how physics works, and domestic physicists do not need a nationally adapted language in order

---

7. The boundary between the humanities and social science is somewhat fuzzy.
to function. Language can thus be said to be less important in the natural sciences, since knowledge is conveyed to a large extent through equations, formulas, figures and diagrams, and the most important means of communication is thus the language of mathematics itself. Moreover, the body of knowledge that students need to master can almost always be found written in English. In this context, John Airey and coauthors (2017) note:

In the sciences, language is often viewed as a passive bearer of meaning—an unproblematic means for reporting quantitative results. Clearly, this is not the case in the humanities and social sciences where language is conceived as integral to the thoughts and meanings being expressed.

The humanities—the study of languages, literature, the arts, history, philosophy, archaeology, anthropology, law, and religion—are at the other end of the spectrum. It might be said that they are devoted to the unique value of the particular within its cultural and human contexts and do not seek general laws (Rickert 1986/1913). And when the humanities are pursuing things of a universal or general nature, they often do so by appreciating instantiations and exemplars best kept in the native context. Studies in the humanities tend to be deeply embedded in a specific cultural and temporal context, which often make them inappropriate for publication in a 9,000-word format in an international English-language journal. In law, each individual word carries special meanings, significations, and connotations, and high demands are placed on the reader to master the language in which laws are written. Also, domestic conditions are crucial. Academic articles in law are written so that practitioners, i.e., judges, lawyers, and professionals, can read them. The bond between the profession and academia is therefore particularly strong. Law as a subject is thus tied closely to specific national conditions, which justifies a higher degree of native language usage, both in research and teaching.

Social science is devoted to the study of societies and the relationships among individuals within those societies. The main disciplines are sociology, economics, management, political science, and psychology. Without going deeply into the matter, we may just note that the aptness of native language, as opposed to English, varies.

The tradeoffs themselves, therefore, vary by field, by country, and by many other categories. It is less problematic to switch to English in disciplines where the subject itself is universal and where mathematics is central. The transition to English in these subjects therefore tends to be faster (Kuteeva 2014). English now totally dominates scientific publications in the natural sciences in Sweden; the share of articles in English exceeds 98 percent and all Ph.D. theses in recent years were
written in English. In the humanities and social sciences, the share of Ph.D. theses in English was below 30 percent until the mid-1980s and is now almost 70 percent in the humanities and approaching 80 percent in social science (Malmström 2022).

In 1929 Karin Kock wrote the first ever Swedish Ph.D. thesis in economics written in English. It was not until the 1980s that a majority of economics Ph.D. theses in Sweden were written in English. By 1990, the English language had almost totally taken over (Sandelin and Rankki 1997). From 2000 to 2021, among a total of 1,100 Ph.D. theses in economics at Swedish universities, only one (Ljungberg 2007) was written in Swedish and one in Norwegian (Davidsen 2000), while all others were written in English.

Learning and language

It might be thought that unique domestic conditions can be treated just as well in English. But there is considerable risk that student learning will suffer, much could be lost in translation, and then students would be “dumber in English” (Hadenius 2003, 3). The study environment is inevitably affected by a change in language. Both students and educators are affected. In a review of Scandinavian research on how language choice affects the learning environment, Camilla Falk Rønne Nissen and Lars Ulriksen (2016) conclude that when lecturers with non-English mother tongue teach in English, they make both conscious and unconscious changes to their pedagogy. They use a formal language more reminiscent of course literature than plain language and natural idiom. The same content is thus formulated more narrowly, and the teaching is less rich. Hanne Tange (2010, 143) believes that when you switch to English as the language of instruction, it happens at the expense of jokes, anecdotes, examples from everyday life, and relevant references to current events. The lectures become more boring. Lectures often become reminiscent of monologues rather than dialogues, as teaching becomes less interactive when it is conducted in a language other than the students’ first language (Nissen and Ulriksen 2016, 19).

Mastering a certain corpus of knowledge is a gradual process. Lectures provide one key means in this process, ideally an overview and introduction of the subject matter, making the student well prepared for in-depth absorption of the course content through reading, repetition, solving of problem sets, and so on. Arguably, the lectures should not be a substitute but a complement to reading

---

8. Up through the early 1930s, most Swedish Ph.D. theses in economics that were not written in Swedish were in German (roughly 20 percent). Kock was the second woman in Sweden to get a Ph.D. in economics, and in 1947 she became the first female cabinet minister in Swedish history.
the literature. Lectures should provide insight, intuition, and motivation to the student’s ensuing study of the reading materials. They should entice the students into applying themselves. Insight, intuition, and motivation are much easier in your own language. If knowledge is formulated only in an anglicized way, it can be difficult for those students who do not understand that particular phrasing, if no alternatives are offered to absorb the material. Having set the language to English, assignments and exams are returned in English, and it can be more difficult to determine whether a student has gained a deeper understanding.

A more generalized way of teaching, where a handful of highly similar and thus largely substitutable English-language textbooks are used from introductory economics courses and onwards across the globe, indeed makes the market for the successful textbook larger, but it does not necessarily help students. A more generalized way of teaching means that there are fewer hooks for students to hang onto mentally. If one cannot relate material to other parts of one’s life, the material becomes not only harder to process and remember but also appears less relevant and useful. Despite these problems, using English might be redeemed by counter-vailing benefits, but we must mind the downside effects if we are to make ourselves responsible to what Ronald Coase (1960, 43–44) calls “the total effect” of our decisions.

In his 2009 dissertation, Airey described learning patterns among Swedish students of physics. The students themselves said it did not matter whether the language of instruction was English or Swedish; they asserted that they could absorb the knowledge just as easily either way. But when Airey analyzed video recordings of students in lectures, a different picture emerged. Students generally asked fewer questions when the language of instruction was English. They also focused more on their own notes than on following the lecturer’s reasoning. It was more common for students, when teaching was conducted in a second language, not to fully absorb the knowledge. Instead, they memorized what they heard or read and reproduced it verbatim in discussions or during exams. Teaching in a second language can lead to students hiding their own ignorance or misunderstandings, from the teacher and from themselves.

Learning is more than just knowledge. Learning can also be about identification. In order to spark the interest of students, one has to make sure that they identify with the material. Cultural references and idiomatic expressions are important pedagogical tools in this respect. Introducing a student to economics, or any subject, means inviting the student into a new world—a world which they must envisage they could be a part of.
Economics lost in translation

A South African study looked at what happens when students of economics do not know how to translate a certain word or term (Paxton 2009). A common learning strategy identified by the study is that students instead only try to remember the word. Again, it becomes difficult for examiners to determine whether a student has only learned to repeat the terminology or whether they understand it. It also happens that students have difficulty finding a proper translation for different concepts. Sometimes there simply is no very apt translation. The alternative is then to find the concept that is closest. This increases the risk of so-called false friends, that is, translating a concept into something that sounds similar in the other language, but whose significations or connotations do not line up well with those of the English term. The understanding of the concept then becomes at best incomplete; in the worst case, a misunderstanding arises.

To give an example, the English noun sanction can be negative or positive, punishment or reward, disapproval or approval. The seemingly identical Swedish noun sanktion has the negative meaning only, and when “sanction” is used in the positive sense, it is likely to cause confusion.

There are many examples of concepts and expressions in economics that were originally established in English but lack a recognized translation into the domestic language. The problem is especially acute at the advanced level. Since teaching and examination at that level increasingly takes place in English, there is no reason for the individual domestic student or educator to formulate a proper translation of the concepts. But when the young economist is then called to talk about economics in the domestic language, she faces a problem. One option is to pepper her Swedish discourse with borrowed English terms. Another alternative is homemade translations. But these may be poorly anchored in the student’s native language or difficult to understand if he or she has not already mastered the English concept.

An example is the concept of asset specificity in English. It means the asset has only one or a few areas of usage and can therefore rarely or with great difficulty be repurposed or sold off to third parties. Translation into Swedish has given rise to the term tillgångsspecificitet, where tillgång means asset and specificitet is supposed to mean specificity. However, the Swedish word specificitet is a statistical term that currently bears no other meaning than the probability that a binary diagnostic test indicates a negative result when the true result is negative. That meaning differs from the meaning in the composite tillgångsspecificitet. The Swedish concept of specificitet lacks the everyday meaning of the English specificity. Students who learn the concept in Swedish are likely only to memorize it, without necessarily understanding its
meaning, and the composition of the term itself does not help one to remember its meaning. The translation *tillgångsspecificitet* has, in effect, turned *specificitet* into a polyseme, that is, a word with multiple meanings, and to use a polyseme competently, one should comprehend the multiple meanings and their connotations.

Of course, language is a changing tool that is continuously created and recreated in interactions between people. If enough individuals use a word or concept long enough and with a certain meaning, it will eventually acquire that meaning. Will this be the case with a concept such as *tillgångsspecificitet* in economics? Probably not. Terms such as *asset specificity* are not likely at any point in the near future to become a term that ordinary citizens use habitually; the term will continue to be used almost only by economists. At the same time, the meaning and concept of *asset specificity* could be useful for a larger public as well, for example, to explain some of the seemingly irrational phenomena when goods with high acquisition cost are difficult to find a market for or are sold very cheaply. But if no effort is made to make sure the terminology resonates in the natural domestic discourse, the concept’s usefulness—the insight—is forsaken. The only thing that is then created and recreated in the interactions between economists are the group’s own treatments, while the distance between economists and laypeople increases. As a result, knowledge of economics becomes more difficult to disseminate to the public.

Another example is the word *policy*, a word that exist both in Swedish and English, but with different meanings. In English, it is defined as “the art, study, or practice of government or administration; the conduct of public affairs; political science,” while in Swedish, the word *policy* is described as “basic principles for the actions of a company or organization in general or in a certain respect,” such as a company’s or organizations attitude towards, e.g., anti-discrimination, alcohol, or work environment (*Oxford English Dictionary; Nationalencyklopedin*). A *policy* in a Swedish sense thus refers to a specific code of conduct. Within economics in Sweden, however, the meaning of *policy* has been recreated to bear the same meaning as in English. Some may argue that meanings of *policy* are continuing to change—the term has a complicated past (Heidenheimer 1986). At any rate, there is a risk that an internal lingo among students and researchers, differing from how people in the society at large communicate, alienates the two groups from one another.

**Is Sweden to abandon Swedish?**

While the need for education in the native language is important in teaching, small countries like Sweden have long turned to German, French, and English
to engage international research, but German and French have long since been pushed off that stage, leaving English. However, research and education are naturally intertwined. Here, we aim to shed light on how the transition to English in higher education also has consequences for how research in economics is conducted, and how—and whether—it is communicated to a larger public.

There are subjects that rely on a universal language, notably mathematics, and where the findings and insights gained are universal in the sense that they are quite independent of the national or linguistic context within which the discourse takes place. By contrast, there are topics and disciplines that require an understanding of local institutional conditions including the cultural and temporal circumstances—topics and disciplines where the meaning of each word is particularly important. Like psychology, economics ends up somewhere in the middle.

According to the Merriam-Webster Dictionary “economics” has two definitions. First, it is described by its subject matter: “a social science concerned chiefly with description and analysis of the production, distribution, and consumption of goods and services.” The second definition corresponds to what constitutes the bulk of contemporary university courses in economics, namely “economic theory, principles, or practices.” Economic knowledge is conveyed to a large extent with the help of diagrams, mathematical equations, and econometric estimates. Consistent with this state of affairs, David Colander and Arjo Klamer (1987) reported that, already in the 1980s, a mere 3.4 percent of the U.S. Ph.D. students at the leading departments believed that a thorough knowledge of the economy was very important, while 68 percent believed that this was unimportant. By contrast, 57 percent said that excellence in mathematics was very important and 41 percent that it was moderately important.

Hence, many parts of economics as it is taught are universal; knowledge is often thought to be hierarchical and to build on previous research in a fairly straightforward manner. Against this background, it is easy to argue that English should be the primary working language in economics.

On the other hand, economics is a social science, where it is important both to understand local conditions and to have a deeper understanding of theories and concepts. A mathematical formula always means the same thing, regardless of language and country. But how human purposiveness is manifested differs based on existing incentive structures and cultures, and these differ from society to society, from era to era and from context to context.

Economists such as Samuel Bowles (2016) have highlighted the problems of placing too much emphasis on abstract formulations and of exaggerated claims that findings are universal in scope. Findings may in fact be the result of a highly idiosyncratic blend of culturally evolved motivations or preferences. Therefore, one necessarily needs to look beyond one’s own culture in order to do comparative
analysis. Comparative analysis teaches us about one thing by contrasting it with another. If people exclusively studied their own cultures in their own languages, that would preclude comparative cultural analysis and the kind of unexpected conclusions laid out by Bowles. But the pretense of a theoretical universality, or the exclusive focus on Anglo-American institutions, discourages comparative analysis. Research by economists from so-called peripheral economies is deemed less relevant, discouraging the kind of detailed comparative analyses that may be needed to understand complex motivations and preferences and the resulting behaviors. The high value placed by universities and colleagues on highly ranked journals means that the choice of research topics and methods becomes increasingly governed by the priorities of the editors of those journals.

Esther Duflo (2017, 23) asserts that, in addition to understanding and creating universal frameworks for how people behave, and how the economic system works, economists must be able to apply these insights in the “complicated, messy policy environment” where reform takes place. In her review of Bowles’s book *The Moral Economy* (2016), Rachel Kranton (2019, 158–159) points to the same thing: to understand the consequences that follow from a new reform proposal, and thus a changed incentive structure, detailed knowledge of social and political conditions is required. This general point is made forcefully by the world-leading human evolutionary biologist (and former professor of psychology and economics) Joseph Henrich:

> Economics remains saddled with a way of thinking that has little place for culturally evolved differences in motivations or preferences, let alone differences in perception, attention, emotion, morality, judgment, and reasoning. People’s preferences and motivations are taken as fixed. Even when thinking about something as straightforward as beliefs, the standard approach in economics is to assume that these beliefs reflect their empirical reality. Cultural evolution, however, need not create a correspondence between reality and people’s beliefs. (Henrich 2020, 487–488)

Unique domestic conditions affect the national, regional, or local economy, and the activity or phenomenon being studied, and, in turn, economic actions affect institutional conditions. An understanding of economic theories and models is important. But it is also essential to understand how these play out in the context at hand and how they are affected by local conditions and culture (Markey-Towler 2019). Using one’s own native language when treating one’s own native culture

---

9. The reader is also referred to Mayer (1992), who argues that economists tend to prioritize precision over truth because the profession acts as if the strength of an argument depends on the strength of its strongest link.
surely conduces to contextual understanding.\textsuperscript{10}

Students still need knowledge of local institutions and structures at all levels of their education. If all teaching and reading assignments are in English, a great deal of local institutional detail and context has to be left out for an obvious reason: the relevant texts will not be available in English. Instead of learning how the central bank pursues monetary policy in the students’ native country and the law governing its operations, students learn about the Federal Reserve system and how it operates. If these students then go into research, their research ideas and contributions to the field will naturally be less oriented towards issues of domestic importance. Furthermore, many of the most essential economic policy institutions in the country, such as those engaged in the operation of monetary policy, conduct their communications in the native language, for which these students will be less well-prepared.

The research frontier itself is affected. Most research can—ideally—claim to be internally valid. However, little social science research can pretend to achieve external validity, which is not a problem in and of itself. External validity is not about being able to extrapolate every research result to any other country or context in the world, but about understanding what conditions are key for some results to hold. Therefore, the same question needs to be asked in many different contexts. At the same time, there is a tendency that once a certain research question has been asked in one specific context, using one set of data, this result does not need to be replicated (or debunked) in other contexts. These issues are intertwined with issues that emerge from the quest for getting into the most highly ranked journals, which results in an ever more intense hunt for new previously unresearched questions that could warrant publication in one of the top journals. Once the seminal article is published, interest subsides despite the fact that findings of the first study are unlikely to carry over fully to other contexts. The reason is obvious: subsequent studies, however aptly performed, are unlikely to be accepted in one of the most highly ranked journals, unless the first subsequent study happens to be the first study for the United States.

When writing in English for international journals, there is a greater risk that the conceptualization becomes abstract, and that the voice of non-native English speakers becomes unnatural. If there is an overemphasis of academic prestige, researchers may be diverted from true learning, true participation in public affairs,

\textsuperscript{10} A further adverse effect is caused by the increased emphasis on publishing in the most highly ranked journals, the ‘top five.’ Papers using U.S. data have a much greater chance of being published in the top five instead of in other journals, conditioning on author affiliation and field of study (Das et al. 2013). The focus on the top five may therefore incentivize non-U.S.-based researchers to use U.S. data, leading not only to less knowledge about other economies, but to even more research based on data generated by an economy about which the researcher is likely to have little detailed knowledge.
and naturalness in finding their own voice. The point is nicely made by Agnar Sandmo, one of Norway’s most prominent academic economists in the postwar period. In his memoir, Sandmo (2019, 88; quoted in Sandelin 2020) says that “writing in your mother tongue is special; one is released, becomes freer and in a way manages to get a better expression of one’s true self.” Sandmo goes on to say that “an ideal Norwegian economist publishes both in English and Norwegian, in English when she or he has original results to present to the research community, in Norwegian when communicating research to a wider circle of domestic readers or when analyzing topical economic policy problems.”

It might be useful to think of a discourse span connecting research and public instruction and persuasion in domestic life. The flow should be bi-directional, from research to public dissemination, and from public life to research. Public life tests and challenges the reality and validity of research claims. By devoting themselves to the full discourse span in Swedish, the Swedish economists improve their Swedish prowess both in research and in public discourse. They integrate their language across the discourse span, strengthening their Swedish and arguably their science.

How we research, teach, and communicate economics has clear consequences for how economics develops as a field. If economics gradually ceases to focus on domestic conditions, economists—even within their own countries—will cease to have specialized knowledge about the domestic economy. Once again, academics is in danger of losing touch with non-academic sources of validation.

Where should the demand for native language use come from?

It is not by chance that English has become increasingly common in business and teaching in recent years—there are good reasons for it. Language barriers are a type of transaction cost to interactions, and the use of a common language reduces this cost. It makes it easier for foreign students to come to the country in question and for domestic students to study or work abroad, and it reduces transaction costs in the global academic market. As for why the lingua franca should be English as opposed to say German, French, Spanish, Russian, or Chinese, the question is taken up by David Crystal (2003).

But turning to a common language also gives rise to new difficulties. When students are not taught in their first language, it becomes more difficult to communicate insights and knowledge to their immediate environment. One reason why law is still mostly taught in the native language is that law is tied to specific national conditions, and that the subject’s academic articles are written so that
judges, lawyers, and other professionals can also read them.

The same argument can be made regarding economics, a subject that permeates virtually every aspect of national policymaking in developed countries and their public sectors. In comparison with other social science subjects, the emphasis of economics on mathematics makes the subject less accessible to the general public (Calmfors 2021, 41). If one adds that domestic students and recent graduates are increasingly likely to lack knowledge of specific national conditions and to express themselves poorly in their mother tongue about economics, we might expect economics to recede in a national context.

The number of newly minted economics Ph.D.s per year is staggering. In Sweden there are 50 to 60 new Ph.D.s per year, the total number in Europe probably exceeds 2,000, and in the United States there are roughly 1,200 (Wessel 2021). One indication of the sea change may be had by noting that in Sweden the total number of Ph.D.s in economics in the fifty-year period 1920–1969 was 60 (Sandelin 1999), a number that has been attained in single years in the 2000s. At any rate, the present numbers far exceed the demand from academia, so the majority of these graduates will end up working in ministries, government agencies, regional and municipal authorities, and private industry. Those who work in government will mostly write, present, and talk in the native language. Deep knowledge of national institutions and conditions will therefore be a key determinant of the value of their work.

It is not necessarily wrong to switch to English as the language of instruction, but we need to consider what it means to do so. Consideration and awareness can be manifested, for example, by ensuring that students translate the material they have acquired and formulate their new knowledge in their first language as well, whatever that language may be. To ensure that learning does not become superficial, more focus on interactive teaching would probably contribute to students having the chance to rephrase in their own words, both orally and in writing, what they have learned. Discussions in small groups in both first and second languages give students more opportunities to process and internalize the content (Nissen and Ulriksen 2016, 22).

It would also be good to develop economics terminology in the native language, so students could more easily translate, and thus understand, what they have learned—and also be able to communicate it to people outside the field. Last but not least, we need greater understanding regarding what happens to learning outcomes when teaching takes place in a second language.

In some places there is cause to slow down the transition to English, and in others to adapt our teaching to the new linguistic conditions. But how should this be done? It seems unlikely that Swedish students—or students in other small European countries—will insist on instruction in the native language. In the
documentation for a new English-language track in the Bachelor of Economics program at the University of Gothenburg, demand from Swedish students was singled out as a compelling justification. A survey of students on the bachelor’s program showed that 72 percent would have applied for an English-language track if one had existed (University of Gothenburg 2021, 15).

Three decades ago, Bruno Frey and Reiner Eichenberger (1993) described how incentives differed between the European and North American academic markets for economists. They argued that, because American economists were expected to be more mobile, there were fewer reasons for them to study national institutions or the economic and political conditions specific to a particular region or locality. They painted a very different picture for Europe:

In a typical European country, the smaller market size and the higher degree of government intervention give quite a different picture. … Economics professors are induced to invest their human capital in specific knowledge of local economic problems and institutions, which is helpful for a political career and getting various appointments. Graduate students know that they will almost certainly stay in the same country, quite likely in the same city, and hence have an incentive to learn about local institutions. (Frey and Eichenberger 1993, 189)

In the three decades that have elapsed since this was written, the situation has changed radically. English as a lingua franca has enabled greater exchange and mobility among European researchers; postdoc and tenure-track positions are customarily filled by recruiting on the institutionalized U.S. or European job market for economists. One reason for using English as the language of instruction is precisely the subject’s ties to research, which is conducted in English. It does not seem likely at present that lecturers and researchers will demand a greater use of the native language in economics education in the European countries at the forefront of this development.

Even if individual students and researchers do not have sufficient reasons to demand more teaching in the local language in economics, there are many indications that it is desirable at a societal level. After all, most graduates from national universities in Europe will spend all or most of their professional career in their native country communicating in the local language, analyzing issues of great social importance in the local, regional or national context. For those people it is a major concern that their academic training also includes learning about pertinent institutional conditions and that they become proficient in economics writing in their native language.

An equally serious cause for concern is how research is done and on what. Arguably, the ultimate goal in economic analysis is social welfare, and as noted
by Duflo: “many of us chose economics because ultimately, we thought science could be leveraged to make a positive change in the world” (2017, 23). Also, this is the main reason why government and private institutions grant large amounts of money to economic research. If in doubt, one only needs to visit the website of the Swedish Research Council and check out their assessment criteria, where one of them reads “strategic and national relevance” (link). The largest private funder in Sweden, the Wallenberg Foundations, state that they “grant funding to excellent researchers and research projects beneficial to Sweden” (link).11

Nevertheless, many career economists these days seem to believe that the main objective of the government and other financiers is something else, namely the financing of a very costly research tournament where most participants are set to lose, and where taxpayers foot the bill. Allegedly, this demanding tournament is necessary in order to select the most capable future professors, professors who will therefore be the most capable of teaching economics to future generations of students. This notion is probably behind stories of senior researchers who have dropped research projects at a fairly mature stage based on the motivation that it turned out not to have potential to garner publication in a top-five economics journal. Of course, there are projects that fail just because the research idea turned out not to be good enough and therefore should be dropped. But dropping a project because it lacks ‘top-five potential’ is an act of utter contempt towards the financier and one’s ultimate employer at a national university, one’s fellow citizens.

When the market for research becomes globalized and self-validating, the crucial institutional details unique to the particular environment that generates the data used by the career economist risk being overlooked. Indeed, data themselves can be suspect when researchers do not understand their institutional lineage—that is, how the data are generated. The academic focus risks being shifted from searching for knowledge that could improve the functioning of the national/regional/local economic system to writing streamlined papers using the preferred methods on issues deemed to be of interest to the editors and reviewers of the most prestigious journals (Ruhm 2019). High rewards for publishing in a small number of journals with very similar views on what constitutes high-quality research thus discourages the kind of pluralism that may be necessary to address non-U.S. societies’ most pressing issues (Novarese and Pozzali 2010).

The journal editors cater to the representative reader—who is unlikely to be interested in the particularities needed to understand the specific phenomenon analyzed in a small country. George Akerlof (2019) speaks of “sins of omission;” issues of high social relevance will not be researched, or unique idiosyncratic details will be left out of the analysis despite being substantively important. Perhaps most

---

11. The two Söderberg Foundations have a virtually identical formulation (link and link).
importantly from a societal point of view, academic economists are disincentivized from taking to heart and acting in accordance with the insights from the work of Bowles and many others, which is aptly summarized by Kranton (2019, 147) as follows: “To understand the relation between incentives and behavior, economists must grapple with the full range of human motivations. … In the realm of policies to enhance the public good, there is no escape that the devil is in the details.”  

Imagine a student in a small non-English speaking country, say Sweden. The student has just graduated and faces a choice: what career trajectory to pursue? One possible path is a research career, trying to get published in a top journal, writing about a subject that is perceived to be of general concern or contributes to the broader research field; it could be an experiment, an equilibrium model, a sophisticated analysis of U.S. data, or a multivariate analysis using OECD data. Another path is working with institutional analysis of some aspects of Swedish affairs, such as the pulp, paper, and timber industries and how their potential is dependent on the functioning and regulatory frameworks of the housing and energy market. To do so, one needs, inter alia, deep knowledge about the inner workings of Swedish society, the cultural importance of the timber industry in the northern parts of the country, and how geography affects the economic conditions. 

It is not far-fetched to imagine that having predominantly or only been taught economics in English leads the student to believe she is fully qualified to write in English. The education’s sharp focus on those parts of economics that are independent of context is likely to make the student feel more confident to embark on a project where specific institutional conditions seem to matter less (or where one gets away with assuming that they matter less). By contrast, the student is likely to be less confident to analyze specific economic conditions and relate economic insights to cultural and geographical conditions unique to Sweden. The likely choice is then to opt for the international project rather than the domestic one. Meanwhile, Swedish industry is beset by policy measures and reform proposals sorely lacking an appreciation of economic principles, knowingly applied to the actual domestic state of affairs.

**Concluding remarks**

When should a native language be used in economics? This is not a theo-

---

12. See Heckman and Moktan (2020) for a discussion of the detrimental effects on economic research of an excessive emphasis on publishing in the five most highly ranked journals. Ek and Henrekson (2019) discuss the same problem from a European perspective.
retical question, but a practical one with clear consequences. Individuals make language choices every day, but they rarely see the consequences on an aggregate level. That does not mean there are none.

The fact that human beings speak different languages no doubt gives rise to transaction costs that hinder many potentially important interactions from taking place. It is understandable that economics as a field is keen on reducing these transaction costs. But no cost can be eliminated merely by ignoring its existence. If the aim truly was to eliminate the transaction costs caused by the fact that people have different native languages, the solution would not be to switch to English without compensating for other consequences. There should be efforts to improve the understanding of English terms in the respective domestic languages, and a thorough reflection on what economics as a subject is and should be.

If or when we should use the official native language in economics teaching and writing depends on how we measure the value of international exchange against the value of understanding domestic institutional conditions, the importance of economists being able to communicate their insights, and their ability to understand insights from other subjects. One should also consider how learning is affected when teaching does not take place in students’ native language, and how teaching should be suitably adapted.

If the tradeoffs involved in what Coase called “the total effect” are not given their due, the academic trend may have ill far-reaching consequences not only for students and teaching, but for research as well. If all economics students are immersed into highly similar academic settings, where the shift to English is made without heeding the tradeoffs, who will then—down the line—contribute to economic research and analysis of domestic conditions in countries other than the economically and politically most significant ones? We see a clear risk that an increasing number of issues of great domestic importance will remain unresearched or underresearched. The choice of language affects how and what we learn. It affects what we talk about. More specifically, domestic—be they local, regional, or national—conditions are easier to describe in one’s native language and therefore have more room to breathe when discussed in the local language.

Language choice affects how we speak. Teachers who teach in a language other than their first language joke less and use fewer anecdotes and everyday examples to convey knowledge and insights, which may affect how students view the subject they are learning. Indeed, the choice of language affects how we view economics, and how we view economics affects which language we use. Translation requires bringing both the meaning and the intent into another language, which is rarely accomplished through literal translation.

Language choice affects what we research. Language is not a neutral bearer of meaning; it affects what we think about and what we value. The shift from native
languages also means that local contexts and institutions become more difficult to describe and therefore to do research on.

The choice of language is thus more than deciding among a number of different tradeoffs. To change languages is, at least to some extent, to change worlds. English has opened up many valuable and useful doors for students, academics, and professionals throughout the world. It would be a shame if the zeal for academic validation shuts the door on a world of economics grounded in differing national and cultural contexts.

**References**


Ek, Simon, and Magnus Henrekson. 2019. The Geography and Concentration of


**Nissen, Camilla Falk Ronne, and Lars Ulriksen.** 2016. Sker der noget med læringsudbyttet, næruniversitssprogets skiftes? *Dansk Universitetspedagogisk Tidsskrift* (Dansk Universitetspedagogisk Netværk, Odense, Denmark) 11(23):
14–103.


Uppsala University. 2018. Språkpolicy för Uppsala universitet—vägledning och råd för en ändamälsenlig språkanvändning. December 5. Uppsala University (Uppsala, Sweden). [Link](https://www.uu.se/sprakpolisy/)


STATISTICAL INFORMATION
About the Authors

Eva Forslund holds a Master’s degree in economics from Uppsala University. She is currently executive secretary of the Swedish Economic Association and works on an economics dictionary in Swedish. She has previously worked as a research assistant at the Stockholm School of Economics, as a freelance writer, and as an editorial writer and columnist at *Uppsala Nya Tidning*. Her email address is Eva.Forslund@nationalekonomi.se.

Magnus Henrekson is professor of economics and Senior Research Fellow at the Research Institute of Industrial Economics (IFN) in Stockholm, Sweden. He was IFN President until 2020, after 15 years of service. Until 2009, he was Jacob Wallenberg Professor at the Department of Economics at the Stockholm School of Economics. He served as chairman of the Swedish Economic Association in 2020–2022. After receiving his Ph.D. in 1990 from Gothenburg University with his dissertation titled *An Economic Analysis of Swedish Government Expenditure*, he led several projects that aimed to explain cross-country growth differences. Since the turn of the new millennium, he has focused on entrepreneurship economics and the institutional determinants of the business climate. He has extensive experience as an advisor, board member and lecturer. His personal website is [https://www.ifn.se/mh](https://www.ifn.se/mh) and his email address is Magnus.Henrekson@ifn.se.

Discuss this article at Journaltalk: [https://journaltalk.net/articles/6059/](https://journaltalk.net/articles/6059/)
Listen to Eva Forslund and Magnus Henrekson, Please!

Lars Engwall

In 1729, the Royal Swedish Society of Sciences at Uppsala elected as one of its members the man who introduced the steam engine into Sweden. His name was Mårten Triewald. One of Triewald’s reactions to his election was to propose that the Society should change from publishing in the lingua franca at the time, Latin, to Swedish (Ellegren 2019, 176–181). The Society at Uppsala did not listen to this proposal, but ten years later Triewald’s vision came true in the Royal Swedish Academy of Sciences, founded in 1739. A corresponding reform, inspired by Eva Forslund and Magnus Henrekson (2022), is not likely today. Those who read Forslund and Henrekson will probably instead dismiss their arguments as backward-looking and point to the international character of modern academia. However, these skeptical readers also have reasons to take onboard their pleading for “a rebalancing against English and toward the native language” (2022, 258). Their arguments are important for all three tasks of universities: research, education, and collaboration with society.

Research

First, in terms of research, it is of course a great advantage that scholars all over the world who read English can get access to the research results of their international colleges. However, as pointed out by Forslund and Henrekson, the strong focus on publishing in international top journals has unfortunate effects for our understanding of real-world economics. Since most of the top journals are Anglo-American, non-English speakers are already, in writing their papers, at
a disadvantage in relation to native speakers. Although language editing before submission is almost mandatory nowadays, language editors cannot perform miracles. The original text is the input to the editing, and if the input has deficiencies in terms of precision and formulations, there is a considerable risk they will remain in the edited text.

The problems are, of course, as pointed out by the two authors, less severe in disciplines where the natural language is less important. Thus, as suggested in Figure 1, the opportunities for international publication are greater the higher the degree of formalization in the presentation. Another significant factor is the generality of the study object. The more general the research objects and consequently the research results, the greater opportunities for international publishing. According to this reasoning, mathematics and theoretical physics end up in the upper right-hand corner of the diagram, followed by other natural sciences and life sciences, while the humanities are located in the lower left-hand corner. The social sciences are to be found somewhere above the humanities but below the natural sciences and life sciences.

**Figure 1.** Opportunities for international publishing for different disciplinary areas

In the race for publishing in top journals, economists have shown ambitions to move up on the third axis. Economics has become more and more formalized, using more and more mathematics. Economists have also increasingly turned to research that is less context-dependent, such as game theory, experiments, and studies of large databases, notably from financial markets.
A basic reason for the efforts of researchers, economists included, to move up along the third axis in Figure 1 is the increasing pressure to publish in journals with high impact factors and to achieve high citation figures. Behind these efforts lie not only the availability of metrics but also the emergence of rankings (Wedlin 2007; Espeland and Sauder 2016) and accreditations (Hedmo 2004). These are important for leaders of academic institutions, who increasingly tend to use the metrics for evaluations of and resource allocations between departments. Metrics are even used for the evaluations of individuals, and individuals tend to choose metrics in promoting themselves.

An effect of the pressures to publish in high-impact journals is a homogenization of research. In the field of economics, the American Economic Review, Econometrica, the Quarterly Journal of Economics, the Journal of Political Economy, and the Review of Economic Studies are often considered as the top five journals (Heckman and Moktan 2020). Since publications in these journals count much more than publications in other journals, economists tend to adapt their research to the earlier contents of these journals. However, rejection is the fate of most of the manuscripts submitted to the top five journals, leading to subsequent submissions to other journals. In this way, the papers in regional and even national journals will also have the same kind of orientation as the top five journals. In terms of the national journals, this is possible since they have been inclined to change their language to English. The Swedish Ekonomisk Tidskrift, founded in 1899, became the Swedish Journal of Economics in 1965, and eventually in 1976 in collaboration with Danish and Norwegian colleagues, the Scandinavian Journal of Economics. Likewise, the German Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung, founded in 1892, became the Journal of Economics in 1986.

The efforts to move up on the third axis entail that the research presented tends to become more formalized and less grounded in empirical studies of specific problems in a particular country. The exception to the latter appears to be studies from the United States. While authors from other countries often get the question “Why country X?”, this does not seem to be the case for U.S. authors. As a result, many research results are based on data from one particular country, which is not representative of all countries in the world. At the same time, the understanding of economic systems aside from that of the United States has become meagre.

The efforts to raise the reputation of institutions have also had the effect that institutions in non-English speaking countries are starting to recruit on the international labor market, in economics through interviews at the annual meeting of the American Economic Association. In this way, these institutions add faculty members who are not native speakers. The logic behind these recruitments is that the new faculty members have experience from international publishing and have valuable academic networks, both being factors that can facilitate publishing in
international journals. This may be a successful strategy in terms of publications but tends to have disadvantages related to their ability to address nationally grounded research problems as well as to take part in collegial decision-making. The latter may be particularly problematic in times when there is a pressure on university presidents, deans and heads of departments to behave as strong and strategic leaders.

Thus, the tendency to move from native languages to English in research is a result of ambitions to raise the reputation of institutions and individuals through publishing in journals published in the United States. This is less problematic in disciplines where research objects are not dependent on context and where formalization is high. For the social sciences, to which economics belong, it is more problematic. Non-English-speaking authors in social sciences have disadvantages in international publishing at the same time as national research problems are neglected.

### Education

A native English speaker as a faculty member at, for example, a Swedish university, may have the above-mentioned shortcomings in terms of nationally grounded research and collegial decision-making, but he or she should have an advantage from teaching in English. However, there is some evidence that students have another opinion. They appear to have difficulty in understanding native English speakers, finding they speak too fast and with accents that are difficult to understand. Therefore, they prefer the English spoken by their compatriots. Still, there is a problem of communication. According to the Swedish author Kjell Espmark (2012, 156), who is one of the eighteen members of the Swedish Academy, information is lost at both ends. He reports that non-English-speaking faculty members feel that they can express 70 percent of their mother tongue capacity when speaking English. Similarly, students estimate that they apprehend 70 percent when taught in English instead in their own language. Since 70 percent times 70 percent is 49 percent, half of the message from the teacher to the student is lost in translation! Obviously, lack of a broad sophisticated vocabulary and grammatical deficiencies lie behind the difficulties for the students and teachers. In contrast to research papers that go through language editing before submission, teaching means broadcasting directly. As for the students, they often have limitations in their command of English. Experiences in Swedish universities indicate that these in many cases are even more severe for incoming international students.

In view of the above-mentioned problems, it is relevant to ask why universities chose to teach in English. The answer is that they face strong pressures to
internationalize. Both rankings and accreditations use this variable for their assessments. In addition, national governments push for increasing internationalization (see, e.g., SOU 2018). Together these pressures provide strong incentives for academic leaders to jump on the internationalization bandwagon. However, there are of course also both hopes of brain gains and commercial benefits. For some academic institutions, internationalization has provided considerable financial contributions (Birrell and Betts 2018). In order to be part of this market for international students, it is common for universities to join educational fairs to recruit students.

English-speaking countries, particularly the United States, have become a role model for internationalization for non-English speaking countries. However, the two types of countries differ in one very significant way: the mother tongue. English-speaking countries do not need to adapt their language of teaching, while the non-English speaking countries have to adjust in order to attract foreign students. This means that the majority of students have to adapt to the minority, despite the fact that the majority are nationals and after graduation will work in their native country. It is therefore important for them to know central concepts in their mother tongue. The international students may fare no better if they go back to their home country. In fact, these students may have problems getting jobs when they return home, since labor markets tend to have barriers to entry for those with foreign education. Consequently, many metropolitan cities have a large number of well-educated taxi drivers (Engwall 2019).

The internationalization of higher education does not only mean a transition to teaching in English. In the same way as researchers try to move up on the third axis in Figure 1, curriculum designers tend to make the content more general and formalized. In this way, the contents of the education tend to lose the links to the particular problems of the domestic nation.

Thus, in the same way as English has infiltrated research, it has invaded education. This is an effect of ambitions to gain in reputation but also of hopes for brain gains and moneymaking. While pursuing those ambitions, institutions in non-English speaking countries have not taken language problems seriously. As a result, native students may face problems in learning and not have the right vocabulary when they try to enter the job market.

Contributions to society

In addition to research and teaching, universities have long had expectations to collaborate with society. That was the case even in Mårten Triewald’s day. In fact, the Royal Swedish Academy of Sciences manifested this mission with an
emblem showing an old man planting a tree and the quote “For posterity” (För efterkommande). In recent times, these expectations have increased, and evaluations are trying to assess the impact of academic institutions. There are also arguments (Gibbons et al. 1994; Nowotny, Scott, and Gibbons 2001) that modern science is not an activity in isolation but in interaction with different stakeholders as well as in collaboration within a triple helix comprising academia, industry, and government (Etzkowitz 2008). For this to happen, command of the language in the specific country is obviously very important. It is also essential that researchers should be familiar with the particular conditions in the country. Such knowledge risks being neglected in academic programs resulting from efforts to move up on the third axis in Figure 1. Therefore, in order for universities to contribute to society, there is a need to adapt both research and teaching to national circumstances.

There are also expectations to make research results publicly available. Traditionally, popular articles in the native language have been the means to achieve this. However, with the increasing pressures to publish in international journals, many, particularly young scholars in their early career, abstain from such publishing, since these articles are not counted in evaluations. This is unfortunate, since it means that research results are kept away from a wider audience. In disciplines like economics, where the results have policy implications, this is particularly regrettable.

An argument against the above-mentioned tendency is that nowadays all publicly funded research should be available in the form of open access (Suber 2012). Everybody should be able to read research results. However, this is not an alternative to publications in the native languages, not only because the access has technical restrictions but above all because the published articles are written for specialists and are not easily understandable for those outside the discipline. This is particularly the case as academic authors have the ambition to move upwards on the third axis in Figure 1. In this way, research in for instance economics may miss an important opportunity for validating research results against reality.

**Concluding remarks**

The article by Forslund and Henrekson (2022) has a focus on the discipline of economics and on Sweden. However, it has much wider implications. Their reasoning is applicable for many of the social science disciplines as well as the humanities. In addition, it is valid not only for Sweden but for most non-English-speaking countries. A demonstration of the latter is a recent debate in the Netherlands, where about 40 percent of the freshmen are international students (CBS 2022). Similar to the reasoning by Forslund and Henrekson, and above, there are worries about the future preparedness of domestic students for the Dutch labor
market (Wiggers 2021).

The policy implications of the internationalization issue appear to be that politicians and university leaders should focus more on the home market and the preparation of domestic students for the national labor market. In so doing, it seems, particularly for the preparation of social science students for a global world, wise to increase the element of language training beyond English and the element of cultural studies. In relation to Figure 1, this means moving down on the third axis rather than moving upwards. For its success, it will be very important to integrate international faculty members in their new country by increasing their understanding of the particular institutional conditions and by encouraging them to acquire high proficiency in the domestic language. Overall, we should welcome the plea by Forslund and Henrekson for a balanced view. There is no need to go as far as Mårten Triewald and recommend the mother tongue only, but there are strong reasons for using it to a much higher extent in universities where English is not the native language.

References

Hedmo, Tina. 2004. Rule-Making in the Transnational Space: The Development of European Ac-
ENGWALL

Lars Engwall is professor emeritus of management at Uppsala University, Sweden. He has done research about the production and diffusion of management ideas, particularly in media companies, banks, and academic institutions. His recent publications include *From Books to MOOCs?* (coedited with Erik De Corte and Ulrich Teichler, Portland Press, 2016), *Defining Management: Business Schools, Consultants and the Media* (with Matthias Kipping and Behlül Üsdiken, Routledge, 2016), *Corporate Governance in Action* (editor, Routledge, 2019) and *Missions of Universities* (editor, Springer, 2020). He is an elected member of a number of learned societies, and he has received honorary degrees from the Åbo Akademi University and the Stockholm School of Economics. His email address is lars.engwall@fek.uu.se.

Go to archive of Economics in Practice section
Go to September 2022 issue

Discuss this article at Journaltalk: https://journaltalk.net/articles/6060/
A Coming Bounty of Academic Mutinies?

Alberto Mingardi

Eva Forslund and Magnus Henrekson (2022) have written a fascinating paper. On the more practical side, the problems and the trade-offs they mentioned are familiar to almost anyone involved in academic teaching in Europe. It is now common in Italy to have degree programs which are offered in English, albeit with Italian teachers. The quality of spoken English is not up to the most exacting standards, to say the least. Yet such courses come both from the drive towards internationalization which the authors mention in their paper, and from the demand side. While English is not the common European language, families in Italy associate proficiency in the English language with the possibility of accessing a wider labor market. Or at least so their wishes are interpreted by administrators and educational reformers.

On a more profound level, Forslund and Henrekson raise a subject which makes most of us uncomfortable. Science, social science included, is global; thanks to contemporary digital technology, scientific research is disseminated at unprecedented speed everywhere. A scientific discussion with more participants, ready to attempt to falsify their colleagues’ theses and provisional results, is a healthier one and one apparently conducive to better and stronger research. Hence the globalization of science requires a common language, and that is English.

So far so good. But Forslund and Henrekson point out that the language in which we write is not alien to the way in which we argue what we want to argue. They list a few examples of “economics lost in translation:” words that are not perfectly matched by another in English, and vice versa. But they need not to be

1. IULM University, 20143 Milan, Italy.
words. My favorite example is a story, possibly apocryphal, according to which once President George W. Bush grumbled that “the trouble with the French is that they don’t have a word for entrepreneur.” This was likely a bon mot to make fun of a Republican President and of course a learned economist may point out that the opposite is true, as the e-word was sadly missing in Adam Smith’s Wealth of Nations. Yet, on a more fundamental level, President Bush, actual or fictional, was right: he meant that France has, at least now, a culture which is impermeable to the sort of active and happy endorsement of economic dynamism so profoundly rooted in American culture. President Bush, actual or fictional, may not have spotted the irony of using a word which so clearly smells of the French language, but was right in considering it a problem of translation.

Madame de Staël commented once that reading a book in translation, even in the case the reader knew well enough the language it was originally written in, brought with itself “a more intimate and domestic pleasure” (de Staël 1816). Translation is a complex exercise, in which what is brought from a language to another is not simply a word, a few printed letters on a piece of paper, but the universe of nuances and meanings that words bring with themselves. At best we may “say almost the same thing,” to quote the title of a book by Umberto Eco (2003) on the subject. And yet, saying almost the same thing, meaning almost the same thing, is the best we can hope also when we talk with friends that like us are born in Italy, in Italian—or in Sweden, in Swedish, etc. For me, it is a recurring doubt, when I teach to 20-year-olds: Do we mean the same thing, when we use the same words? Or is that life—our age, the books we read, the movies we watched, the games we played—are enough to take the Italian 20-year-old and me so far apart that what I consider obvious, when I talk, is actually far from obvious to her?

Translating is almost a universal exercise. Up to a certain extent, teaching in a social science—if done properly—is about translating concepts into a language accessible to younger and less informed people, while supplying them at the same time with a dictionary which will allow them to become conversant in the original language. In this regard, I am sure it is true that intuition comes more easily to students in their own language, as Forslund and Henrekson maintain, but I would not understate how much of learning per se is a matter of mediation and translation.

Forslund and Henrekson see problems in moving towards a global, English supply of economic teaching and researching. Among the problems they set out, there are two I consider most relevant:

1. By using English as their sole working language as economists, economists can indeed lose the sense of many local, institutional, historical and cultural nuances. This may backfire on them when they engage
in the “third mission,” that is, in the dissemination of the knowledge they produce at the broad level of public discourse in their respective countries. But it also impoverishes the quality of economic research.

2. Hence follows their fear that “the pretense of a theoretical universality, or the exclusive focus on Anglo-American institutions, discourages comparative analysis. Research by economists from so-called ‘peripheral’ economies is deemed less relevant, discouraging the kind of detailed comparative analyses that may be needed to understand complex motivations and preferences and the resulting behaviors. The high value placed by universities and colleagues on highly ranked journals means that the choice of research topics and methods becomes increasingly governed by the priorities of the editors of those journals” (Forslund and Henrekson 2022, 271). In short, homogenizing the language is the first step towards homogenizing the research. But if we all think and write the same, what’s the purpose of trading the information and knowledge we built? Globalization of scientific research may thus be self-defying.

I think both these concerns are legitimate, but the recourse to English as the standard language is part of a profound trend. The emphasis on publishing in top journals, the small regard for books in academic economics, and the attraction of top American universities as the place to be have forged a language of its own. The problem is not English, but the current version of ‘Economese,’ a cant within English.

I am not sure that English per se is nudging scholars towards “abstract formulations” (see Forslund and Henrekson 2022, 270). Indeed, considered as a language, English is rich in concreteness; its success has lain in part in the fact that the many versions of broken English spoken all over the world suit the needs of very practical people, the kind who would be quite uncertain on how to spell abstract.

It is more the attraction, than the abstraction—the attraction of institutions and journals whose prestige is founded on the obvious centrality of the United States in our world. Even in Europe we are likely to be better informed about what are the must-go places in the U.S., than in our neighboring countries. We European academics all speak English, but furthermore we all acknowledge the eminence of those institutions, those journals, those scholars, the commanding heights of our professions.

Something similar happens to political theory (my field) and other social sciences besides economics. I do not want to understate the problems Forslund and Henrekson point out. Those problems are very substantial, and they point
towards a conformism which, to firmly take root in scholarship, needs the framework of top institutions. In the game, too often played, of what should and what should not be researched, it is of paramount importance that the top places define the political boundaries of the permissible. The top places generate limits on what can be professionally discussed and considered.

The critics of globalization have long pointed out that it was bound to breed homogenization. In many fields, this has not been true. Think about food. Globalization added tastes and created markets for local cuisine, worldwide. Our diet has not been McDonaldized—unless for those who happen to enjoy McDonald’s no matter where they are.

But perhaps it is true that the English trend that Forslund and Henrekson so valuably explore is homogenizing thought. The problem is not easily addressed and will not be addressed by discouraging English learning. It has been shown that the American Economic Association—its personnel, authors, etc.—is essentially devoid of Republican voters (Langbert 2020). This suggests that the AEA—consciously or otherwise, simply reflecting the way its members think—may be effectively fostering homogenization both in terms of politics and in terms of fashionable academic Economese.

Some mutinies would help. What we would need is more contestation or more liberality among the officers of the AEA themselves—for example, actually living up to the title Journal of Economic Perspectives, by institutionalizing features and journal space that are open to people who believe, as Adam Smith did, that except in unusual instances we want social affairs to be less governmentalized, not more.

Furthermore, we need to encourage competition in the world of ideas. Reputation is the currency of academia and, in this case, we would certainly be better off if the dollar was not the world’s currency. We should prize creative outcasts. We need more academic entrepreneurship: more journals and more publishing houses, perhaps behaving differently than most academic publishers. We need creative ways to reach readers. We have so many tools to share information and yet there is so much room to improve the way in which we share it. There is more and more scope, in our global world, for translation, in the sense of a daily exercise to attempt to decipher, if not our fellow man, at least our fellow scholar.

Isn’t it wonderful?

References

Alberto Mingardi is Associate Professor in History of Political Thought at IULM University in Milan. He is also the Director General of the Istituto Bruno Leoni in Turin, Italy, the think tank he helped to establish in 2003, and a Presidential Fellow at Chapman University in Orange, California. He holds a Ph.D. in Political Science from the University of Pavia. He has translated Antonio Rosmini’s *The Constitution Under Social Justice*, and edited critical Italian editions of works by Thomas Hodgskin, Elie Kedourie, Herbert Spencer, and Vilfredo Pareto. He regularly blogs at EconLog (link). His email address is alberto.mingardi@iulm.it.


About the Author

Alberto Mingardi is Associate Professor in History of Political Thought at IULM University in Milan. He is also the Director General of the Istituto Bruno Leoni in Turin, Italy, the think tank he helped to establish in 2003, and a Presidential Fellow at Chapman University in Orange, California. He holds a Ph.D. in Political Science from the University of Pavia. He has translated Antonio Rosmini’s *The Constitution Under Social Justice*, and edited critical Italian editions of works by Thomas Hodgskin, Elie Kedourie, Herbert Spencer, and Vilfredo Pareto. He regularly blogs at EconLog (link). His email address is alberto.mingardi@iulm.it.

Discuss this article at Journaltalk: https://journaltalk.net/articles/6061/
Classical Liberalism in Finland in the Twentieth Century

Jens Grandell

As shown in my article on liberalism in Finland in the 19th century (Grandell 2021), liberalism had peaked there by the 1880s. As an ideology and a political movement, liberalism in Finland started to fragment as it came under growing pressure from competing political ideologies. That fragmentation became a defining feature of Finnish liberalism. The Liberal Party, founded in 1880, was short-lived, and one of the main liberal newspapers, *Helsingfors Dagblad*, ceased to exist in 1887. While the 1880s marked the end of the heyday of classical liberalism in Finnish history, the key ideas of the liberal creed were by now so deeply engrained in Finnish political culture that they continued to inform public discussion well into the 20th century, and still do today. In this second article, my focus is on the development of classical liberalism in Finland from the late 19th century to the late 20th century. This is to say I understand liberalism in the classical sense, as opposed to the social liberalism of the 20th century.

From the earliest stages of liberal thinking in Finland in the late 18th century, liberalism had been largely the province of the country’s Swedish-speaking minority elite. The reason for Swedish-language dominance in state affairs and intellectual life was that Finland had been a Swedish province from the Middle Ages up until 1809, when it became an autonomous grand duchy under Russia. In the 1880s, the liberals of the Liberal Party transferred an understanding of the freedom of the individual and the idea of free competition to the language question, which was becoming an ever more pressing issue. In short, the language question was whether the main political focus should be on raising the official status of the Finnish language in Finland. On one side of this issue, there were the Fennomans and, on the other, first the liberals and later the Svecomans.

The divide between Fennomans and liberals dated back to the time of the
Crimean War, but after 1863, during the period of reinstated parliamentary life, the gap split wide open. For the Fennomans, a term that indicates the prioritization of the Finnish language, the most important question was that of language. Using the catchphrase ‘one mind, one language,’ they held that Finnish had to become the official language of Finland. Only in this way would Finland become strong enough to remain internally independent and fight off a Russian threat to further incorporate Finland. The cause drew inspiration from romanticism, German idealistic philosophy and continental nationalism. In contrast, liberals regarded well-defined laws and constitutionalism as the most reliable bulwark against any threat from the east. It was their aim to conceptualize Finland as a self-contained polity as completely as possible and thus reduce its dependence on Russia. Concerning language the liberals were on the defensive, but when it came to economic thinking they represented the modern society of trade and commerce (Engman 2016, 119; Alapuro 2019, 232).

Understandably, the language issue, a distinctively Finnish problem, was not at the core of the Liberal Party’s philosophy. Most of the writings promoting liberal thought in the late 19th century were in Swedish, and the Liberal Party (formed in 1880) was Swedish-speaking. There was a sharp line of division, dating back to the 1850s, between the up-and-coming Finnish Party and the Liberal Party. The Finnish Party’s chief goal was to politically further the creation of a unified Finnish nation, which is to say it was dedicated to the Fennoman cause. The Liberal Party was less nationalistic in its outlook, and hence was seen as detached from the Finnish-speaking majority population and merely concerned about a small, well-off minority. As a result, the Liberal Party was unable to compete with the Finnish Party or with the Swedish movement promoting the cause of the Swedish-speaking population in Finland. Nor was it able to establish sufficient co-operation with Finnish-speaking liberals within the Fennoman camp. The Liberal Party soon left the political stage without achieving any real success—though it should be pointed out that in all this the term *party* is somewhat misleading, as the Finnish parliamentary system was far from democratic in the 19th century.

However, the end of the Liberal Party did not equal the end of liberalism in Finland. The once coherent Fennoman movement started to fragment in the late 19th century, as the younger generation, supporting ideas such as Darwinism, positivism, and liberalism, no longer felt at home within the traditional Fennoman movement, which emphasized the unification of Finland under one language. This development led to the birth of the Young Finnish Party, or the Constitutional-Fennoman Party, established in 1894 as a separate wing of the Finnish Party. The eventual reason for the breakup between the two political groupings was the Russification program of Emperor Alexander III and subsequently Nicholas II in the 1890s.
For most of the 19th century, the relationship between Finland and Russia had been comparatively harmonious, and Finland had been able to develop independently within the boundaries of the autonomous status granted to the country by the Russian emperor Alexander I in 1809. Things started to change in the late 19th century, when Russia adopted its new nationalist policy of Russification, with the objective of tying its border areas more closely to the Russian motherland. This policy was an infringement on the laws outlining Finland’s autonomy and the promises made by previous emperors of Russia. The two periods of Russification lasted from 1899 to 1905 and from 1908 to 1917 and prompted broad resistance in Finland, passive as well as active.1

The main political opponents of Russification were Swedish-speaking liberals and liberal-minded members of the Young Finnish Party. Those two groups found further common ground in the concept of constitutionalism and formed a loose coalition (Kuisma 2013, 152). The rather tumultuous years of Russification had a significant impact on the history of liberalism in Finland because constitutionalism, that is, support of a Rechstaat or a state based on the rule of law, became the leading strand of thought among liberals, and still today remains at the heart of Finnish liberalism (Freeden 2015, 40).

From the Liberal Party onward

Finland has a long liberal tradition, but as David Arter and others have pointed out, division and discontinuity have also marked that tradition. Liberalism failed to embrace and unite the two national cultures—Finnish and Swedish. Accordingly, liberalism has appeared numerically weak in comparison to the number of people in liberal parties in other Nordic countries (Arter 1988, 327, 329).

Yet Finnish liberalism evolved from a linguistically purely Swedish project to adoption by the Finnish side. That development can be traced to the Finnish language cultural and political journal *Valvoja* (meaning ‘The Observer’), established in 1880 by liberally minded academics associated with the Faculty of Arts at the University of Helsinki. Just like the earlier liberals in Finland, the people behind *Valvoja* belonged to the Swedish-speaking elite, but they supported Fennoman ideals, including the promotion of Finnish language and culture. The rising Swedish cultural movement highlighting Swedish-language identity and an aspiration to safeguard the status of the language in Finland did not appeal to them ideologically, nor did they back the ambivalent attitude toward the Finnish language commonly.

---

1. One of the most notable cases of active resistance to Russification was the assassination of Russian Governor-General of Finland Nikolai Bobrikov in 1904.
held by the Liberal Party. In general, they did not accept the Liberal Party platform. Rather, in their societal views, they were outspokenly ‘liberal’ and they saw the importance of discoursing in Finnish. Yet the *Valvoja* group also represent the drift in the meaning of ‘liberal.’ Contrary to the Liberals, the *Valvoja* group were to some extent in favor of state interference in order to fix problems they regarded as caused by unregulated economic conditions (Paaskoski 2002, 25, 33). On the other hand, they did not accept the state imposing the Finnish language as the national language of Finland. A measure like this would have gone against the values of liberalism (Rein 1890, 41).

*Valvoja* included many liberal themes in its political reasoning but also paid heed to another topical school of thought—conservatism. More precisely, some of its proponents sought to combine liberalism and conservatism, making a case for the importance of conserving what is already good and working in society. One example of this kind of reasoning was the conserving of already liberal laws. In a New Year’s article in *Valvoja*, Thiodolf Rein, one of the journal’s leading figures, sought to strike a balance between liberalism and conservatism and thus treat the two ideologies not as opposites but as complementing one another. Broadening the perspective one finds the same kind of realignment between liberalism and conservatism in the late 19th century on an international scale (Backman 2022, 33; Paaskoski 2002, 21–23; Laapotti 2018, 5; Rein 1890, 39; Vares 2000, 40–43; see also Rein 1915, 58; Vincent 1990, 144).

If *Valvoja* was one of the first expressions of liberal thought being brought into the Fennoman project, the second such event was the founding of the newspaper *Päivälehti* in 1889 by the prominent figures in Finnish public life Juhani Aho, Eero Erkko, and Arvid Järnefelt. This newspaper was the voice of the younger generation of Fennomans. Thus, the Young Finnish Party put forth its party program, “The Program of Päivälehti,” in the newspaper in the fall of 1894. In the first sentence of the program, the founders of the party state that the party would strive for the promotion of liberalism and democracy, which they considered the only true remedy to the threat posed by expanding bureaucracy. They also demanded tax reforms, freedom of press, civil marriages, and rights for Jews.

As mentioned above, the creation of the Young Finnish Party reflected the growing division between the old and the young generation within the Finnish Party. Many of the younger activists regarded the older generation as stuck in the past: overly cautious concerning Russia, and too obsessed with the language question. Their aim was to steer religious and cultural issues more firmly in a liberal direction. They also pointed to the importance of staying in tune with currents in European thought and international developments at large. One important factor in the building of the party was that many famous artists and cultural figures joined it. Some of the more prominent names were the authors Minna Canth, Eino Leino,
and Arvid Järnefelt, the painters Eero Järnefelt and A. Gallén, the poet J. H. Erkko, the writer Juhani Aho, and the composer Jean Sibelius (Paastela and Paloheimo 2006, 14–15; Vares 2000, 50; 2002a, 7; Leitzinger 1988, 13).

Many of the activists within the Young Finnish Party held positions in Finnish newspapers, helping them get their message across more effectively. Newspapers essentially in the hands of the party were Kaiku in Oulu, Keski-Suomi in Jyväskylä, Savo in Kuopio, Viipurin Sanomat in Viipuri, and the already mentioned Päivälehti in Helsinki. When members of the burgher estate (the Finnish diet was still divided into four estates) started to gather around the vocally classical liberal Young Finn lawyer Jonas Castrén (1850–1922), the power of the group grew within the broader Finnish Party, which the Young Finns still formally belonged to. In their political program, the Young Finnish Party demanded strong commitment to constitutionalism. In particular, the Young Finns stressed the importance of relying on the Finnish constitution in dealing with issues between Finland and Russia. In the mind of to the Young Finns, the constitution was close to sacred.

The policy of the Finnish Party, on the other hand, was compliance, meaning that Russian demands were to be met, even though that meant intruding on the laws defining the Finnish-Russian union. Furthermore, the Young Finns promoted the broadening of enfranchisement until an equal right to vote for everyone was realized.

Broadly speaking, the party platform of the Young Finns can be defined as a turn toward the “New Liberalism” of L. T. Hobhouse (1864–1929) and J. A. Hobson (1858–1940), as opposed to the classical liberal view. The program also included sections on school obligation, progressive taxation, and laws to protect the working class, as well as religious toleration. The party supported the principles of freedom of trade, but its views were closer to the British school of ‘new’ or, later, ‘social’ liberalism.

The turn towards new liberalism was however not a complete 180-degree turn, as there were two competing factions within the Young Finnish party, one more socially liberal and the other more classically liberal. Later on, the split between the two groupings became even more apparent. Even though many of the Young Finns had differing views from the Liberal Party before them there were some commonalities, such as a tempered view on the language issue, constitutionalism, and, importantly, the fact that their base of political support was rather small in a mostly peasant society. Indeed, the fact that political liberals in Finland lacked a clearly defined voting bloc was one of their chief predicaments during most of the 20th century. In terms of class politics, support for the liberals was considered somewhat “too intellectual” (Paastela and Paloheimo 2006, 14–15; Vares 2000, 43, 50–52, 62–63; 2002b, 274; see also Borg 1965, 22–25).
The rediscovery of Anders Chydenius

Anders Chydenius (1729–1803), today considered one of the forerunners of liberal thought in Finland and Sweden, had been more or less forgotten during large parts of the 19th century. The main reason for this was probably that his writings were intended for his own time and therefore published as pamphlets easily destroyed or lost. Beginning with the years of the liberal breakthrough in the 1860s, however, journalists and historians started to bring Chydenius to the attention of the Finnish public, rather modestly at first but with more vigor in the following decade and onward.

Why the renaissance of Chydenius? Many of the liberals with ties to the Liberal Party had framed the events leading up to the Diet of 1863 as their defining moment— because during that time, the foundations for the party were laid and the newspaper *Helsingfors Dagblad* was founded. Thus, the Diet of 1863 came to be associated with the Liberal Party, and the younger generation of liberals, often with stronger sympathies for the Fennoman cause, had to turn to new sources for spiritual inspiration. One such source was Chydenius, previously not ‘used’ by any political grouping, and a fitting figurehead for the liberalism of the late 19th century, even though Chydenius himself was a figure of the late 18th century. Furthermore, there was an ideological demand for a thinker like Chydenius during the tumultuous years of Russian repression in the late 19th century and early 20th century. The values of freedom that Chydenius stood for were extremely valuable in the battle against Russian attempts to undercut the autonomy of Finland. Chydenius had written on and defended in parliament issues such as freedom of the press and freedom of trade. The most famous of Chydenius’s writings was *The National Gain* (*Den Nationale Winsten*), in which he put forth his liberal ideas in a concise way: private citizens as well as the whole nation benefit most from the economic life when it functions free from “artificial constraints” (Chydenius 1765, §4).

The first academic to publish the main political writings of Chydenius in new editions was the historian and politician E. G. Palmén (1849–1919). Palmén belonged to the *Valvoja* group and supported the aim of making Fennoman politics more open and liberal. Palmén was already acquainted with the works of Chydenius from his thesis *Historisk framställning af den svensk-finska handelslagstiftningen från Gustaf Vasas regering till 1766* (*A Historical Exposé of the Fenno-Swedish Commerce Legislation*...
from Gustav Vasa’s Reign until 1766) (Palmén 1876). After completing his thesis, Palmén quickly edited two volumes of Chydenius’s political texts in 1877 and 1880. Furthermore, he wrote several publications about Chydenius that reached wide audiences.

Also significant in the rediscovery of Chydenius was a series of articles, “A Finnish Liberal from the Previous Century,” published by the liberal politician and journalist Robert Castrén (1851–1883) in the newspaper Helsingfors Dagblad in 1880–1881. The articles were a comment on the works of Palmén, in which Castrén enriched the knowledge of Chydenius based on original manuscripts made available to him.

The newly found interest in Anders Chydenius can also be observed in academic dissertations, as exemplified by the piece Anders Chydenius in Comparison to Contemporary Economists (Anders Chydenius i förhållande till samtida nationalekonomer), published by Axel Lille in 1882. In this work, Lille, who later would found the Swedish People’s Party, points to the fact that Chydenius was a precursor of Adam Smith. About three decades later, the historian Georg Schauman (1870–1930), son of the Finnish liberal forerunner August Schauman, published an extensive biography of Chydenius complete with 150 pages of Chydenius’s previously unpublished texts.

In their works, Palmén and Schauman highlighted different aspects of Chydenius. Palmén focused on freedom of the press; Schauman, the democratic and radical tendencies in Chydenius’s thought. Owing to the work done by these two historians, and with help from the Finnish news press from the 1870s onwards, Chydenius was brought to the attention of the broader public and given a rightful place among the ranks of great Finns (Karonen 2019, 142–143; Väisänen 2014). The recent scientific editions of Chydenius’s works published between 2006 and 2016 highlight his role as an originator of many ideas at the foundation of modern liberal societies.

**Economic associations**

The end of the 19th century marked a significant revival in the activities of economic associations—scientific associations dedicated to discussion and publication. There were several foreign examples to draw on, such as the Société d’Économie Politique (founded in Paris in 1842), the Verein für Sozialpolitik (Berlin, 1872), the Nationalökonomiska Forening (Copenhagen, 1872), the Statsökonomiska Foreningen (Oslo, 1883) and the Nationalekonomiska Föreningen (Stock-

2. On August Schauman see Grandell 2021.
The focus of the new organizations in Finland were far from purely scientific. More like the German Verein, they were a combination of a scientific discussion forum about economics, a research organization, and a social pressure group. As with most other forms of organization in Finland, the language issue formed a dividing line separating the different economic associations from each other (Heikkinen et al. 2000, 35; Björkqvist 1986, 521–527; Pipping 1944, 7).

The association with closer ties to the Fennoman cause was the Finnish Economic Association (Kansantaloudellinen Yhdistys), which dates back to 1884. When it started more formally in 1891, its first chairman was the leader of the Finnish Party, G. Z. Yrjö-Koskinen (1830–1903). The association also had other well-known intellectuals and politicians as members, such as J. R. Danielson-Kalmari, J. N. Lang, August Hjelt, and Agathon Meurman. The activities of the Finnish Economic Association reflected the thinking among Finnish-speaking intellectuals of the time. It incorporated nationalist ideology and interest in social policies aimed at improving the living conditions of the Finnish-speaking population. In combination, these factors led to support of an active role for the state in improving the material and cultural well-being of the nation.

The closest foreign role model for the Finnish Economic Association seems to have been the French Société d’Économie Politique, which Yrjö-Koskinen had gotten to know during a visit in Paris. Most of the social scientists in Finland at this time, however, were strongly inclined toward the German historical school, or ‘socialists of the chair’ (see Grandell 2021) in their methodological approach (Heikkinen et al. 2000, 36; Björkqvist 1986, 521–527; Pipping 1944, 7; Pekkarinen and Vartiainen 1993, 83–84).

The most active period of the Finnish Economic Association occurred in the first decade of the 20th century, after which its focus turned away from social policy to more conventional economic policy issues. On the Swedish side of the language issue, the corresponding economic association was formed in 1894, when Ekonomiska Samfundet i Finland (the Economic Society in Finland) brought together liberal intellectuals, businessmen, and politicians. Among the figures behind the society, one finds prominent liberals like Leo Mechelin (1839–1914) and Wilhelm Chydenius (1863–1926), who had a more cautious attitude toward the role of the state and emphasized the self-organizing potential of a market economy. In his opening speech, Mechelin said that the Economic Society was not founded to further the cause of any specific theory, but at the same time, he pointed to the successful practice of Adam Smith’s teachings in Finland since the 1860s and stated that any deviation from this path would be rather foolish. At least during its early years, under the aegis of Mechelin, the Economic Society of Finland made efforts to influence political decision-making by articles framed as open questions for the state apparatus. Thanks to the gravitas associated with Mechelin, it is very likely that
Diet circles took note of these articles.

Seen from a broader perspective, the ideological divide between the linguistically Finnish and Swedish economic associations is a defining characteristic of Finnish and Swedish ‘liberalism’ in Finland up until the 1920s. The Finnish and Swedish economic associations thus had differing ideological frames of reference, the Swedish closer to the tradition of the Liberal Party and *Helsingfors Dagblad*, and the Finnish more in tune with the ideology of the Young Finns and a burgeoning social liberalism. As the language question gained prominence, however, the gap between the two associations grew smaller. One factor that remained constant was that the Swedish-speaking society attracted more businessmen, whereas civil servants were more common in the Finnish Economic Association. Still, given the overall drift of things in the first half the 20th century, the Economic Society in Finland remained true enough to its classical liberal roots to tend to be a force on that side of things; it continued its activity in the 20th century more or less on the same principles, with a few exceptions such as during the Second World War. The society was also part of the effort to bring back Anders Chydenius. One of its members, the previously mentioned Georg Schauman, gave a speech on Chydenius to the society. This spawned an initiative to raise a monument for Chydenius in his hometown of Kokkola for his 100 years’ celebration (Heikkinen et al. 2000, 36–37; Björkqvist 1986, 521–527; Vares 2000, 55; Pipping 1944, 8–9, 16, 20–21, 23–24, 32). The contrast between the two associations is instructive but should not be overstated.

**Partisan liberalism in Finland up until independence**

‘Liberal’ is notorious for its polysemy, and not everything a liberal party stands for or supports is by default liberal. Politics is after all politics. In Finland, several political parties invoking ‘liberalism’ have been identified with different stages in the state-building process (Leitzinger 1988, 2–3, 15; Arter 1988, 327; Paaskoski 2002, 21–23). As noted, as the 20th century approached, liberal thought had started to fragment along the lines of the two national languages of Finland and between classical and new liberalism, as social liberalism was referred to at the time. On the Swedish side, the legacy of the Liberal Party with its adherence to classical liberalism was still rather strong, while on the Finnish side the new social liberalism of the Hobhouse British type was growing in popularity, as demonstrated above.

In 1906, Finland introduced universal suffrage, becoming the first European country to recognize women’s right to vote. The number of people with the right
to vote increased by tenfold compared to before the reform. In addition, overnight Finland went from an extremely antiquated parliamentary system with four estates to showcasing one of the first systems in Europe with only one chamber. The 1906 reform meant a massive democratic overhaul as it opened up opportunities for organized political parties with popular backing. To its core, this was a liberal reform ending the old class society based on the four estates. Most notably the reform brought the recently founded Social Democratic Party to parliament as the largest party, right from the first elections in 1907.

At the time of the Finnish voting reform of 1906, the other political parties already had prepared for the first elections by renewing their party machinery and redrafting their party platforms. The Young Finnish Party was in haste to do the same. The 1906 reform had also brought with it the dawn of organized and programmatic party organizations in Finland. The Young Finns put emphasis on the rule of law and regarding the language question, the party positioned itself firmly on the Finnish side. In the party platform, one also finds references to the improvement of workers’ conditions, furthering municipal democracy, furthering women’s rights, and the introduction of compulsory education.

With this platform, the Young Finns went to the elections of 1907 and fared quite well. They became the third largest party with 26 seats out of 200, outflanked only by the Social Democrats with 80 seats and the Finnish Party with 59 seats. This balance remained in place in the Finnish parliament until 1917, the year of Finnish independence from Russia. On the other hand, the Young Finnish Party had split into two factions, one side led by Kaarlo Juho Ståhlberg (1865–1952) supporting a more social liberal policy and the other, led by the already mentioned liberal Jonas Castrén and Pehr Evind Svinhufvud (1861–1944) emphasizing classical liberalism and individualism. Both Ståhlberg and Svinhufvud were later to become presidents of Finland, demonstrating the general high regard for Young Finn politicians. The ideological divide within the party, certainly a strain as the two sides could not agree on much more than distaste for the policy of complying with Russia, was persistent until the party split up in 1918 (Paastela and Paloheimo 2006, 15–16; Vares 2000, 87, 89; Kuisma 2013, 153; Vares 2002b, 275; Luoto 1983, 254–255).

Independence and the republican constitution

In the two or three years up to independence in 1917, liberal currents became
closely associated with two central political issues in Finland. First, there was
constitutionalism and principled opposition to tsarist designs to reduce the basic
rights of the grand duchy of Finland. Second, there was rural revivalism and Low
Church opposition to a higher Lutheran clergy. The higher Lutheran clergy
allegedly neglected their pastoral duties in favor of maintaining their privileged social
status. David Arter (1988, 329) suggests that liberalism had achieved an identity
by reference to the national question and the church question—issues of “high
politics” rather than economic creed. This entailed a further step away from the
classical liberalism of the Liberal Party and the Swedish liberals, although the core
idea of constitutionalism and the rule of law still worked as a glue holding together
different liberal groups.

A key event in Finnish history is the independence of 1917 and the country’s
civil war, which ensued in 1918. The war, fought between the ‘red’ socialist side
(whose supporters included the Social Democratic Party) and the ‘white’ non-
socialist side, ended in white victory with the help of highly trained German troops.
The war was a major test for the young nation and it left long-lasting marks on the
common understanding of Finnishness. It was a national trauma, which had to be
overcome during the following decades in order to keep the country together and
to form a stable independent democracy. The efficient and rapid manner in which
reforms were carried out after the serious societal crisis was significant although
not unique in Finnish legal history (Kekkonen 1999, 66).

Independence in 1917 and the civil war in 1918 also had implications for
party dynamics, as both the Finnish Party and the Young Finnish Party split up,
and two new parties were founded to continue their legacy. Finnish independence
meant that the so-called Russian question ceased to exist, which in turn implied
that the main reason for division between Young and Old Finns was no more. However, new issues quickly arose.

One such issue was the question of which form of government the newly
established state should adopt. The social liberals largely supported a republican
constitution, while the majority of the Swedish Party and the conservatives within
the Fennoman side held that monarchy, as in the other Nordic countries, was more
fitting for Finland. They argued that the too-rapid democratic development of the
early 20th century had caused Finland’s civil war of 1918. Even though many of
the Young Finns under the leadership of Kaarlo Juho Ståhlberg, fiercely flanked
by the Agrarian League and its leader Santeri Alkio (1862–1930), campaigned for
a republic, they lost to the monarchists. An important reason for the defeat was
that the Social Democrats, who also supported a republican constitution, were not
allowed to take part in the work of the parliament because of the socialist revolution
of 1918. The order of business was to pick a king for Finland, and a candidate
thought suitable was found—in Germany (Paastela and Paloheimo 2006, 16–17;
Suvanto 1994, 220). But that was in early 1918, and as we know, Germany then emerged as the loser of the First World War, which implied that a German king was no longer a viable option for Finland. Germany’s defeat brought a swift end to the monarchical project in Finland. In 1919 parliament finally voted for a republican constitution with a robust presidency comparable to the United States and France (Kekkonen 1999, 63).

The matter of choosing a form of government had broad implications for the Finnish political field. The liberal grouping that had supported a republican constitution formed a new party at the end of 1918, the National Progressive Party (Kansallinen Edistyspuolue). Those who had supported monarchy within the Young and the Old Finns formed the conservative National Coalition Party (Kansallinen Kokoomus) on the following day; the National Coalition Party is still today one of the major political parties in Finland. In 1919, when parliament voted on the first president of Finland, it elected K. J. Ståhlberg, of the Young Finns, the spiritual leader of the republican front and the man behind the constitution of independent Finland (Paastela and Paloheimo 2006, 18–19; Soikkanen 2002, 223; Arter 1988, 331; Muukkonen 2005, 58; Väisänen 2002, 68).

The National Progressive Party and interwar liberalism

In Finnish politics, the National Progressive Party played an important role as a flexible, mediating party. By the 1930s, among the parties in parliament that had held seats there since the start in 1918, the NPP had become the smallest. However, it can be argued that during the interwar period its impact was greater than its actual election successes. Many of the most well-known and popular politicians of the time were members of the party. These included K. J. Ståhlberg, Risto Ryti, Kaarlo Castrén, J. H. Vennola, Oskari Mantere and Rudolf Holsti. Its politicians held the post of prime minister on several occasions, and two presidents of Finland were members of the party. One of these politicians was Risto Ryti (1889–1956), who among other things was head of the Bank of Finland from 1923–1943 and 1944–1945, prime minister 1939–1940, and president of the Finnish republic 1940–1944.
Ryti was a lawyer who had started his career in the private sector and moved on to politics after the civil war in 1918. He supported the republican cause and adhered pragmatically to liberal ideas in the classical sense. His political mentor was the leader of the National Progressive Party, K. J. Ståhlberg. As minister of finance, Ryti succeeded in balancing revenue estimates and government spending reviews. As head of the Bank of Finland, one of his chief goals was to once again tie the Finnish currency to the gold standard, which according to him was the utmost monetary system in the world. Ryti is commonly regarded as a supporter of classical liberal economics, and as head of the Bank of Finland he held considerable sway on the economic policy of the country. As the governments tended to be short-lived in the tense years after the civil war, the role of the Bank of Finland as an economic policymaker was heightened. In accordance with the strongest economic current of the time, classical liberalism, Ryti opposed state intrusion in economics and held that the more the state interferes in the economy, the more damage it will do. Accordingly, Ryti had a distaste for socialist economics and especially its Soviet practice. Nor did he accept ‘socialism’ in the German ‘National’ variety. More broadly, Ryti had no love for German culture, and in his home country he opposed fascist movements of every kind. Above all Ryti was an ardent admirer of British civilization and culture and of American free enterprise (Turtola 2007/2000; Carlson 2016, 23–32; Pekkarinen and Vartianen 1993, 84).

The program of the NPP reveals how social liberalism had become a prevalent strand of liberalism in the early 20th century. In the thinking of Hobhouse, who was one of the inspirations behind the NPP’s political platform, the divide between public and private was still there, but he emphasized the ‘social’ side of individuals as central to their very being. Hobhouse advocated governmentalization of social affairs including a public right to work and a living wage, unemployment and health insurance, and universal old-age pensions. He would nonetheless say that the state was not there to compete with individual initiative but to facilitate it by redistributing material goods and hence life chances to those who were disadvantaged through personal misfortune or unfair social arrangements (Freeden 2015, 79).

When the National Progressive Party adopted its political program in 1918, it became the first Nordic party to implement a program of social liberalism. The NPP juggled both classical liberal concern for freedom from government and moderate favor for higher taxes, more restrictions, and bigger government. The platform adopted by the NPP bore the clear imprint of the lawyer and constitu-
tional theorist K. J. Ståhlberg. After the civil war, Ståhlberg stressed the importance of continuing the reform work interrupted by the war—the key issues were renewing legislation on religious freedom, taxation, and legal proceedings (Borg 2002, 32).

One of the key liberal themes also promoted by the NPP was realized in 1923, when Finland finally instituted a Freedom of Religion Act, which had been a demand in the platform of the Liberal Party as early as 1880. The law granted every individual the right to remain outside every religious group or to freely form new religious communities. Even though state and church were not separated, as the Social Democrats had demanded, the reform was a testament to the liberalization of social affairs (Luoto 1983, 268).

The political platform of the NPP does not mention liberalism or liberal principles. Speaking of liberalism in a Finnish frame of reference, one also has to take into account that the word ‘liberal’ was not commonly used in the Finnish language; to a large extent, it had been replaced with the domestic term ‘vapaamiehitys’ or free-mindedness (Kolumäki 2013, 22). The term has its roots in the Swedish word ‘frisinn,’ something like ‘free sense’ or ‘freedom of spirit,’ which often was used in connection with liberalism during the 19th century. In its Finnish use it was mainly picked up in order to avoid the use of ‘liberal,’ which was seen as too closely linked to the Liberal Party and the classical liberalism it represented.

From the 1920s and forward, many NPP supporters viewed state interference with less skepticism because the Finnish government had won its sovereignty from Russia and because it was highly democratic. The NPP grew increasingly favorable toward governmentalization, corresponding to the general drift of the 1930s and the advent of Keynesianism. The party held that the welfare of the citizens was to be promoted by the state. This implied an active state role in the job market and issues concerning workers’ rights. In addition, a complete overhaul of the existing taxation system and the institution of a progressive income and wealth tax were on the program of the NPP. At the heart of the NPP’s ideology was what had become known as ‘new liberalism,’ as opposed to ‘old liberalism,’ which was commonly associated with the writings of Adam Smith and the Manchester school. The Swedish political economist Eli. F. Heckscher’s work *Old and New Economic Liberalism*, translated to Finnish in 1923, displays the dichotomy between these two liberalisms (K. L. 1923, 412).

The turn from classical liberalism to new liberalism, as contemporaries referred to it, was something that Zachris Castrén (1868–1938), a prominent member of the NPP, delved into in an article he published in 1930. He criticized classical

---

liberalism for being too centered on the individual detached from society, and he saw the new liberalism as a course correction. Castrén stated that freedom was not only a natural right possessed by the individual, but was dependent on several conditions that established, within the individual, responsibility and a readiness to operate, which together constitute true freedom. “To combine freedom and social awareness, that is essentially the meaning and striving of new liberalism” (Castrén 1930, 236). This definition of sorts laid forth by Castrén speaks of how liberalism was conceptualized within the NPP, and more broadly of how social liberalism was seen as a modern liberalism replacing classical liberalism.

However, just as the earlier Young Finnish Party was divided on the lines of classical and new liberalism, so too was the ideological fabric of the National Progressive Party. Two of the more prominent supporters of classical liberalism within the party were the politician and prime minister T. M. Kivimäki (1886–1968) and the newspaperman and politician Eljas Erkko (1895–1965). Erkko was chief editor of the largest Finnish newspaper, *Helsingin Sanomat*, and as such held considerable sway over public discourse. In his newspaper, he was not only a sturdy champion for freedom of speech and defender of free markets but he also made a case against state interference in the economy, opposing all “artificial restrictions.” In the 1930s, Erkko laid out his position in *Helsingin Sanomat* as an explicit response to new liberalism and socialism. In one article, he wrote as follows:

> …a healthy economy must be built on self-responsibility. Neither society nor the state is primarily responsible for the success of its members, but it is the responsibility of each person to take care of it. It is self-responsibility that forms a strong incentive for people to make an effort, and the more economic life is based on it, the more well-being it will cultivate. Solidarity and reliance on others leads to laxity…. Erkko continued his argument by illuminating the general consequences of state interference:

> This leads to the deprivation of that natural incentive of economic entrepreneurship, which is included in the requirement that each individual must, above all, take care of his or her own subsistence and well-being…. What we mean to say is that the state must keep its patronizing and regulatory hand as far apart as possible from commercial as well as other economic entrepreneurship. (quoted in Kolumäki 2013, 112–113; see also Soikkanen 2002, 247)
The post-war years

The National Progressive Party was constantly aware of its shrinking support and uncertain future, as the party’s popularity declined in the interwar period. The leading political parties had developed into parties promoting the economic interests of specific groups, which is to say that the field for a more individual-centered party like the NPP was no longer sufficient. It had to find a specific societal group to carry the party, and so its leadership started to speak of safeguarding the economic position of the middle class. This tactic proved to be somewhat underwhelming and the Finnish electoral system, not favorable for smaller parties, worked against the NPP. Indeed, at the opening of the 1949 party conference, Akseli Nikula, chairman of the Progressive Party, held that “in this context, reference should also be made to a certain universal phenomenon…and this is the current weakness of the status of liberalism in most democratic countries.” Then there was also the internal split between more classically minded liberals and new liberals, which held back the party (Karimäki 2018; Rantala and Kolumäki 2014).

In 1951, the NPP drew the consequences of its weak election successes and ceased its activity. In the same year, leading figures of the NPP together with people from the minor party Itsenäinen Keski-1uokka (Independent Middle Class), a classical liberal party emphasizing negative liberty, created the People’s Party of Finland (PPF) (Suomen Kansanpuolue). The founding of the new party was not without its complications, as the self-described true liberals, representing the ideals of Ståhlberg, did not join the new party and instead founded their own party, Vapaamielisten Liito (the Liberal League). The Liberal League took the place of the NPP in the liberal international organization Liberal International, founded in 1847 (Paastela and Paloheimo 2006, 20–21; Vares 2002b, 281).

In its party platform the People’s Party of Finland referred to itself as a liberal/free minded (‘vapaamielinen’) party and characterized its leading principles as follows: “The ideological foundation of the PPF is made up of a positive and constructive Finnish, liberal worldview, grounded in a Christian conception of life, a national and social overview, individual freedom and strong democratic principles” (link). The party pledged itself to speak for the middle class, just like its predecessor, and to espouse free enterprise (Paastela and Paloheimo 2006, 21; Arter 1988, 332).

Ideologically the PPF continued along the path of social liberalism already traveled by the NPP, but this time in a less pronounced fashion. Its economic thinking was much closer to classical liberalism than the NPP’s. The role of the state was toned down and bestowed with only minimal regulatory functions, while
considerable emphasis was put on free competition and free markets. As said, the party strived to appeal to the middle class, which it considered a socially underprivileged group.

As it evolved away from classical liberalism, the PPF became, in its policy tendencies, close to the Agrarian party and the Social Democrats—the two largest parties. In turn, these two parties had steered closer to social liberalism from the 1930s onward. The PPF looked to consolidate the welfare system, which meant health and unemployment benefits, better care facilities for the elderly and dispensations for invalids and war veterans. In this way, they sought to attract voters away from the Social Democratic Party. Where the PPF came closest to a classical liberal strain was in its opposition to statism and in economic enterprise. This is also where it paralleled the National Coalition Party, which in its economic views drew on classical liberalism. By and large, the National Coalition Party had turned more resolutely toward liberalism after the Second World War. The PPF proposed a minimal role for the state in production and in the overall handling of the national economy. The party’s program (link) stated: “the PPF stresses the importance of individual ownership and the spirit of free enterprise as the foundation of the economic system. Normal development should occur through free competition and the market” (Arter 1988, 345, 347–348; Vares 2002b, 294–295; Leitzinger 1988, 28; Rantala and Kolumäki 2014).

In the elections of the 1950s, the People’s Party of Finland managed to double its support over that of the NPP in the 1930s and ’40s. In 1963, the PPF had 13 representatives out of 200 in parliament. Soon after, discussions about uniting the forces of the heirs of the old National Progressive Party began. The PPF had managed to solidify its position on the Finnish political stage and was regularly represented in government in the 1950s and ’60s. However, the appeal of the PPF had started to fade and it became relevant to put plans in action to unite the forces of the different liberal groups, which happened in 1965 with the founding of the Liberal People’s Party—only the second Finnish party since 1880 to use “liberal” in its name. In its first party program in 1965 (link), the LPP positioned itself as a “modern” liberal party, meaning a new/social liberal party. (As the decades since Hobhouse passed, ‘new liberalism’ no longer felt new, and the expression ‘social liberal’ became more common.) The LPP was regarded as in the center, between the left and the right (Paastela and Paloheimo 2006, 22–23). Thus, the LPP in general continued the ideological strand introduced by the NPP back in 1918, even though the LPP did not have a very strong classical-liberal profile (Ruoho 2005, 70).
The classical liberal heritage in party politics

In addition to the political parties carrying on the legacy of the Young Finns, there were other parties supporting classical liberal themes. Many of the former politicians of the Liberal Party from the 1880s jumped over to the Swedish People’s Party, as their mother party split up chiefly due to pressure from the language issue. One of the most notable was Leo Mechelin, the founder of the Liberal Party. This meant that liberal ideas were absorbed into the Swedish side, and, as an official party founded in 1906, the Swedish People’s Party of Finland was from the start a party with a sturdy liberal heritage supporting individualism and economic liberalism. Some of the most notable imprints left on the party by the liberals were a responsible concern for the good of the country as a whole, a respect for the constitution and constitutionally fixed rights, dislike for state intrusion on the economic life, and, compared with the Finnish Party, a more cautious attitude toward social reforms. Other clearly liberal traits were interest in furthering religious toleration, protecting the rights of Jews, and working for the realization of equality of the sexes. The party sought to speak to the entire Swedish-speaking population of Finland, meaning that it had to accommodate a broad political spectrum. In the words of one of its founders, Axel Lille, it had to cater to “conservatives as well as liberals.” From this followed a continuing tug of war between its different elements, with the positions shifting over time (Paastela and Paloheimo 2006, 27; Vares 2000, 55; Fagerholm 2016, 7–8; Bonsdorff 1956, 18, 225–227).

In the program adopted by the Swedish People’s Party in 1937—when fascism and antidemocratic fascist movements were on the rise throughout Europe—the party underlined its allegiance to liberal principles. In the perilous early years of the 1930s when rule of law came under threat from the Lapua movement, the Swedish People’s Party were aligned with the National Progressive Party, the Social Democratic Party, and the Agrarian Party in the defense of the ideals of the constitutional state (Kekkonen 1999, 77; Rantala & Kolumäki 2014). An article published in 1933 in the student journal *Ylioppilas* (‘The Student’) recognized that liberalism was largely being contested during this time and was not very popular, but also stated that the legacy of liberalism was especially important to cherish and foster in the midst of different anti-liberal movements posing easy solutions to the depression (L. L. 1933, 7). In another article published in the liberal newspaper *Helsingin Sanomat*, one writer defended the virtues of liberalism against the fascist Lapua movement, which had criticized the National Progressive Party for being unpatriotic. He wrote as follows:

Current Finnish liberalism grants freedom to every citizen and demands it for
itself. Freedom and independent thinking, not a straitjacket, is the most fruitful way to build the independent and free Finland that we all wish to maintain and to do one’s bit for the betterment of the shared culture of humankind up here in the North. (V. 1930)

Some of the objectives the Swedish People’s Party strived to advance were to defend the Western community founded on the rule of law, to highlight the sanctity of the law and the authority of the legal order, to object to dictatorial strivings and all sorts of activity that disrupts society, to safeguard freedom of speech and freedom of association, to further thriftiness in the state economy as well as lowering the direct as well as indirect tax burdens, to give confidence to trade and industry, which should be founded on free and healthy economic entrepreneurship, and at the same time to limit state business (Borg 1965, 263–264; Bonsdorff 1956, 227). This political program bears great resemblance to the liberalism proposed by the Liberal Party and the newspaper Helsingfors Dagblad in the latter part of the 19th century. Without a doubt, the troublesome years of the 1930s begged for more outspoken support of liberal ideas, and this is what we see in the program of the Swedish People’s Party of 1937. Opposition to 1930s fascism and communism also characterize the liberal National Progressive Party, which saw some positive election outcomes early in the decade. The violent and radical Finnish nationalist, fascist, pro-German, and anti-communist Lapua Movement pushed forward the constitutional liberalism of both the Swedish People’s Party and the Progressive Party, as they stood for legality against violence and dictatorial tendencies. Liberalism was now bestowed with the role of defending the system against threats from the radical left as well as from the fascists (Soikkanen 2002, 224; Arter 1988, 330).

From the 1960s, the ideological tug of war within the Swedish People’s Party has continued pragmatically. First, the party followed the left-leaning winds of the postwar period, and more recently it has turned to a more right-leaning classical liberalism (Fagerholm 2016, 8, 32). Today the party, with nine seats in parliament, presents itself as “the liberal party in Finland.” Also, the National Coalition Party, nowadays much more classical liberal than in the early 20th century, rests steadily on classical liberalism in its party program, highlighting individual capacity, the rule of law, democracy, the market economy, and respect for human rights. The National Coalition Party holds 38 seats in parliament. As is often the case, conservative parties have become more liberal since the 1970s, even though the term liberal usually has been avoided.

Apart from the parties mentioned above, the liberal-party heritage ended in 1982 when the Liberal People’s Party joined the Center Party as a member organization. This was a move that much of the party’s support basis frowned
upon. One reason for the LPP’s downfall was that the much more popular National Coalition Party had moved closer to liberalism and started to attract liberal voters as well (Niemeläinen 2005; Leitzinger 1988, 73, 76; Ruoho 2005, 67; Muukkonen 2005, 71). In 1994, Risto E. J. Penttilä made an effort to revive the liberal party tradition with the aptly named Young Finns. Even though it bore the same name as the liberal party from the beginning of the century, the new party was much closer to classical liberalism (link). However, this venture as well as other similar attempts at forming liberal parties have failed due to lack of popular support.

One common explanation for the general failure of liberal parties in Finland is that they do not accept the promotion of the interests of social groups or special groups (Vares 2002b, 274; Leitzinger 1988, 11). Liberals in Finland tend to vote for liberal politicians within the larger general parties like the National Coalition Party and the Swedish People’s Party.

Some remarks on liberalism in Finland today

In Finland, the respect for individual freedom is high, dating back to Swedish times and the free peasant, if not even longer. Today the foundation for a free society rests on constitutionalism centered on the individual, which in turn goes back to liberals like Leo Mechelin and K. J. Ståhlberg (Luoto 1983, 220; Inha 2002, 43). In the Human Freedom Index 2021 put together by the Fraser Institute, Finland shares sixth place. In the Economic Freedom Index by the same institute, Finland comes in at 21st place (Vásquez et al. 2021, 156–157). These numbers are also mirrored in a recent survey made by the Finnish think tank EVA (Elinkeinoelämän Valtuuskunta, or Finnish Business and Policy Forum).

According to the EVA study, 50 percent of Finns are positive towards ‘liberalism.’ Even though people have differing ideas of what liberalism stands for, what the survey shows is that ‘liberalism’ mainly has positive connotations among the Finnish population. This is also proven by the fact that certain political parties have started to refer to themselves as ‘liberal’ in recent years. What the study also shows is that the areas where the correspondents find freedoms most lacking are entrepreneurship and business. It also illustrates that conservatism and liberalism often go hand in hand, where conservatism highlights tradition and continuation and liberalism the freedom of the individual. According to the survey, this would reveal the real opposite of liberalism being totalitarianism or big government, not
conservatism (EVA 2020; see also Vares 2002b, 273). The notion is of course not a new one; in fact, it was noted in the beginning of this article in connection with the visions of the Young Finn Thiodolf Rein, who sought to combine liberalism and conservatism.

In party politics, the Swedish People’s Party is today the party closest to the liberal heritage of the 19th century, with a strong adherence to both individual and economic freedom. Although there is no large political party clearly stating its allegiance to liberalism, it is quite clear that Finland in general is a country with a sturdy liberal history and a country where principal tenets of liberalism are deeply engrained in the mentality of the people and in many of the political parties active today. Of the larger parties, the National Coalition Party, with roots partly in the liberal Young Finn Party, most notably adheres to classical liberal ideas. The two most notable liberal think tanks are Libera and Agenda, the former an independent and politically unaffiliated think tank and the latter with ties to the Swedish People’s Party.

The history of liberalism in Finland dates back to Anders Chydenius and the 18th century, when the winding path of the ideology began. The general trend has followed international developments from rather humble beginnings to the heyday of the late 19th century and the tug of war between classical and new/social liberalism during most of the 20th century.

Liberalism as an ideology is separable from liberal parties. Even though liberals were not able to maintain their positions in Finnish politics, their ideology has continued to influence societal views. In present times, the sturdy liberalism developed by the 19th century liberals continues to inform the public discussion, guaranteeing liberal ideas a place in Finnish political culture for now and, it is hoped, for the future to come.

References


Jens Grandell holds a D.Phil in history from the University of Helsinki. He is a researcher at the Prime Minister’s Office working on a scientific edition of the works of the liberal statesman Leo Mechelin. From 2008–2022, he was editor of the historical journal Historisk Tidskrift för Finland and from 2022 of the journal Historiska och litteraturhistoriska studier. His most recent publication is Från ett årtionde i Finland: August Schauman, republikanism och liberalism 1855–1865 (Helsinki: Societas Scientiarum Fennica, 2020). His research is characterized by a biographical methodology and an interest in the individual as an exponent for political ideologies. His email address is jens.grandell@yahoo.com.

About the Author

Jens Grandell holds a D.Phil in history from the University of Helsinki. He is a researcher at the Prime Minister’s Office working on a scientific edition of the works of the liberal statesman Leo Mechelin. From 2008–2022, he was editor of the historical journal Historisk Tidskrift för Finland and from 2022 of the journal Historiska och litteraturhistoriska studier. His most recent publication is Från ett årtionde i Finland: August Schauman, republikanism och liberalism 1855–1865 (Helsinki: Societas Scientiarum Fennica, 2020). His research is characterized by a biographical methodology and an interest in the individual as an exponent for political ideologies. His email address is jens.grandell@yahoo.com.

Go to archive of Character Issues section
Go to September 2022 issue

Discuss this article at Journaltalk: https://journaltalk.net/articles/6062/
What Are Your Most Underappreciated Works?: First Tranche of Responses

Econ Journal Watch

prologue by Daniel B. Klein

At a scholar’s Scholar Profile page at Google Scholar—for example this one for Angus Deaton—one finds a list of the scholar’s publications, the citation count for each, and the scholar’s h-index. The h-index is the largest number \( h \) such that \( h \) publications have at least \( h \) citations.

We posted an open invitation to scholars working primarily in the social sciences and/or humanities with at least 4,000 Google Scholar citations, asking them to identify one or two publications with publication date 2012 or prior, for which the citation count is lower than their present h-index, that they consider underappreciated. We encouraged them to remark briefly on why they selected the publication, and to provide a link to it.

We believed that this project would be useful, first, because a scholar herself is likely to be a good judge of what work of hers is underappreciated and therefore this project will alert people to works worthy of greater attention, and, second, because the selection she makes here will inform understandings of that scholar herself.

The plan is panning out nicely. We look to publish another tranche of responses in a future issue of this journal. So the invitation remains open!

response from Douglas Allen


Written in 1986, the paper contains one of the first double moral-hazard models, and, to my knowledge, is still the only moral-hazard matching model. Most matching models match fixed types to maximize joint utility. In this paper, different matches generate different levels of moral-hazard losses. The result is that, without side payments, in equilibrium similar people match and share 50-50. The paper has been ignored, even by survey papers on matching. Instead of selling it as spouse-selection paper, I should have sold it as a matching paper.

response from Niclas Berggren


The article’s first point is that legal positivism is compatible with a defense of the institutions of a free society, since legal positivism is about form and not content. Legal positivism is an idea about what law is, not what the laws should say.

The second point is that legal positivism is unlikely to weaken the institutions of a free society, since it is hard to see how a formal idea could influence preferences and law-making and since legal positivism is compatible with legal features that offer protection for the institutions of a free society, such as the common law and constitutional constraints.

People in favor of a free society of the Hayekian type can, therefore, not only embrace legal positivism but also stop fearing its embrace by others. The article argues that classical liberals should focus on explaining how the institutions of a free society can contribute to human well-being, as opposed to on combatting a legal philosophy.
response from Christian Bjørnskov


The paper shows that companies can buy protection against international competition by bribing officials or politicians. It documents that more corruption is strongly associated with higher non-tariff barriers.

The article further demonstrates that higher levels of press freedom reduce the ability to buy non-tariff barriers. When the media are free to write about it, buying interventionist and protectionist policies becomes more costly to the corrupt, and potentially prohibitively so.

response from Peter J. Boettke


The topic is of vital importance for political economy of development in general and specifically for periods following atrocity, regime collapse, and war. How do we reconcile with our problematic past, and our troubling present? Wrestling with these questions is key to making progress.

response from Nick Bostrom


If a brain is duplicated, so that there are two identical copies of the same brain states, are there then two “minds,” that is, two numerically distinct streams of phenomenal experience, or only a single (redundantly instantiated) one? I argue that there are two. I show that the answer has implications for what it means to implement a computation. I then consider what happens when a computation is implemented in a system that uses either unreliable components or various forms of parallelism. I show that in such cases there can be, in a deep and intriguing sense, a *fractional* (non-integer) number of qualitatively identical phenomenal
experiences—there could, for example, exist 1.57 qualitatively identical experiences of a particular experience of eating an apple. Finally, I show that these findings undercut two famous thought experiments, by David Chalmers and John Searle, respectively, thus casting light on a central issue in the philosophy of consciousness. These issues are theoretically interesting and will become practically important when AI advances to the point of making it possible to create sentient digital minds.

response from Bryan Caplan


Even hard-core rational choice theorists have long made an exception for “mental illness.” This article questions that exception. Most alleged mental illnesses are, in textbook terms, clearly preferences, not constraints. Consistent with this insight, there is strong empirical evidence that even severe mental illness responds to incentives. Upshot: The view of the late dissident psychiatrist, Thomas Szasz, that mental illness is a myth, should actually be economists’ default position. Reports of Szasz’s craziness have been grossly exaggerated. The ongoing medicalization of human behavior is a thinly veiled effort to replace hard questions of moral philosophy with scientism.

response from Joshua Gans


Oliver Hart and John Moore’s famous result was that outside owners will not own the assets of a firm because they contribute nothing and ownership takes away rents used to incentivise others. That didn’t square with reality for many firms. What if the asset was allocated via an auction rather than assumed efficiency?

The outcome hinges on willingness to pay. The auction has externalities as some agents earn rents even if they don’t win. Productive agents’ willingness to pay for ownership is the amount they will get from owning less the amount they will get from non-owning. If differing productive agents are complementary (or essential), then non-ownership gives them each a relatively high rent share. Suppose $1 can be created with an asset and two agents and nothing otherwise. Under outside
ownership, each agent splits value three ways (1/3 each). If a productive agent owns the asset, there are only 2 parties for 1/2 each. So the WTP of an outside owner is 1/3 and for a productive agent it is 1/6 (= 1/2 − 1/3). The outside owner wins the auction. The Hart-Moore result didn’t hold up for a very reasonable and realistic extension.

response from Terri Griffith


It is a field study of 39 research teams within a global Fortune 100 science/technology company. As we write in the abstract, we demonstrate that “teams containing breadth of both research and business unit experience are more effective in their innovation efforts under two conditions: 1) there must be a knowledge-sharing climate in the team (arguably allowing the team to have access to the knowledge developed through the members’ breadth of experience) and 2) the team leader also has a breadth of research and business experience allowing for the member breadth to be knowledgably managed.” With 13 years perspective, I still find these results valuable and often share them in my innovation management courses.

response from N. Zoe Hilton


It analyzes perceptions of battered women in family law disputes and showed how those perceptions affected settlements. Women who conformed to traditional notions of a subordinate wife and ‘weak victim’ had relatively fair settlements (50 percent of marital property). Those who appeared to be ‘willing victims,’ by not immediately and effectively leaving abusive relationships, had less favorable results.

The article critically appraised using mediation in domestic violence cases during mediation’s apparent peak of popularity, and challenged the ‘public vs. private’ concept in feminist scholarship.

The lessons from this research remain relevant and important in today’s post-feminist society, which assumes that gender equality is established
Parents protecting children from domestic violence may be accused of ‘parental alienation,’ a claim whose use in U.S. courts has increased 20-fold since 1990 (Lorandos 2020). Many family law and criminal cases are settled out of court in mediation and other negotiations, where violence risks may be unassessed and requests for protection are often abandoned (Government of Canada 2021).

**response from Daniel B. Klein**


In the 2011 volume of *Reason Papers* there were two comments on the piece, and a reply from us in 2012; see [here](#).


Three comments on the piece appeared concurrently in March 2011, and we replied in the June 2011 issue; see [here](#). The paper poses a mystery: Was what Figure 1 shows for the first edition of *The Wealth of Nations* and the last edition of *The Theory of Moral Sentiments* intentional? Maybe. On the other hand, maybe it “was no part of his intention.” If it was intentional, perhaps one of Smith’s aims was to teach us that mystery often surrounds intentions.

**response from Douglas Noonan**


I select this article because I think the environmental justice (EJ) implications of regulating pollution hot spots—a central concern—have not paid sufficient attention to the technical and conceptual issues in selecting the spatial resolution for regulation or analysis. This fits more broadly into challenges of unit-of-analysis selection (by researchers or regulators), but its salience has only grown as technology and regulatory capacity and interest have enabled ever-finer resolution in
monitoring and regulating. That regulating at more finely resolved spatial units may be a protective regulatory policy but not a redistributive policy in EJ is something that I think is still overlooked. This article fit well in the policy discussions of its time (2010–11), but arguably holds even more relevance for EJ policy discussions a decade later.

**response from Michael Ostrovsky**


The setting is realistic and practical; the result is clean and surprising—and useful. In particular, you can use it to explain to your spouse why it’s OK for you to be late half the time—unless your spouse thinks that his/her time is more valuable than yours. (Caveat: try this at your own risk.)

**response from Sam Peltzman**


We show that when a state’s school system underperforms on test scores it is costly for high school graduates who enter the labor force. Their wages must discount their lower-quality schooling. It is a simple point. The discount was quantitatively important. We hoped that documenting a significant wage penalty for underperforming schools would aid policy discussion.

**response from Eric Rasmusen**


Can a paper be more obscurely published? I can’t find the volume by Googling, and I’ve even misplaced my own copy. The idea is that economists should know about the legal concept of the
Trust, as opposed to the Corporation. The paper offers a paradigm for thinking of judges and central bankers as trustees working on behalf of beneficiaries as directed by settlors. It offers a 4 P’s Theory of motivation: Place, Pride, Policy, and Power.

**response from Paul H. Rubin**

By your criteria, which seem reasonable, I actually have no underappreciated articles. At first found a few, but they were incorporated into a book with 260 citations. I did find the exercise useful as it forced me to examine my citations carefully and led me to believe the market for citations is actually quite efficient.

**response from Steven Sheffrin**


The paper provides an early and rare analysis of the channels through which ‘voice’ might matter in social interactions. It has broad applications throughout social sciences.


The paper provides a lucid account of how the California fiscal system was fundamentally transformed into its modern incarnation and how popular referendum drove it. It straddles fiscal history and taxation with some econometric analysis. For those who think of how fiscal transformations can occur, it should be instructive.

**response from Stefan Voigt**

Formal government strength is an asset but can also be a weakness: if a government is strong enough not to abide by its promises, it is unable to make credible commitments, and potential investors may be loath to invest. Newly sovereign countries or countries after a regime change, for example, sometimes face such commitment problems. Giving up some autonomy by delegating competences to bodies outside of the control of the nation state may mitigate the problem.

We test this conjecture by analyzing the effect of membership in the Judicial Committee of the Privy Council (JCPC), a Commonwealth court located in London. After becoming independent from Britain, former colonies had the choice to opt out of this court as the highest court of appeal or to keep it. Countries that kept the JCPC do better on various dimensions, such as the interest rates at which government can lend money, domestic and foreign investment, and per capita growth.

I believe these findings are potentially important for many countries as they show that delegation beyond the nation state can help them mitigate their difficulties in making credible commitments.

response from Richard E. Wagner


This paper clashes with orthodox growth theory in two primary respects, as it argues: (1) growth is governed by systemic properties that no one controls but which everyone lives with; (2) growth is more qualitative within the field of human relationships and organizations than it is quantitative and materialistic.


The paper rejects the orthodox comparative static analysis that distinguishes pre- and post-constitutional modes of existence, denying the value of thinking in terms of such commonplace analogies of people gathering to play poker. To the contrary, social living together in society is a knotted cacophony of never-ending conflict and cooperation.
Adam Smith’s View of Man

Ronald H. Coase

 LINK TO ABSTRACT

Adam Smith was a great economist, perhaps the greatest that there has ever been. Today I am going to discuss his views on the nature of man. My reason for doing this is not because I think that Smith possessed an understanding of man’s nature superior to that of his contemporaries. I would judge that his attitudes were quite widely shared in the eighteenth century, at any rate, in Scotland, but no doubt elsewhere in eighteenth century Europe. Smith was not the father of psychology. But I believe his views on human nature are important to us because to know them is to deepen our understanding of his economics. It is sometimes said that Smith assumes that human beings are motivated solely by self-interest. Self-interest is certainly, in Smith’s view, a powerful motive in human behaviour, but it is by no means the only motive. I think it is important to recognise this since the inclusion of other motives in his analysis does not weaken but rather strengthens Smith’s argument for the use of the market and the limitation of government action in economic affairs.

Smith does not set down in one place his views on the nature of man. They have to be inferred from remarks in The Theory of Moral Sentiments and the Wealth of Nations. Smith deals more extensively with human psychology in The Theory of Moral Sentiments. We reprint this essay with the permission of Ning Wang, representing the Coase copyright on the article. It appeared originally in the Journal of Law and Economics 19(3): 529–546 (1976). Coase here focuses on The Theory of Moral Sentiments, while Coase’s “The Wealth of Nations” (Economic Inquiry, 1977) focused on Adam Smith’s other great work. Both essays, along with others drawing on Smith, are in Coase’s Essays on Economics and Economists (University of Chicago Press, 1994). In our judgment, Coase was by far Chicago’s best and most illuminating Smithian. This reproduction worked directly from the text of the JLE article. We make the following sets of changes, all of which are minor: (1) We checked the Smith quotations and made them conformant to the now-standard Glasgow editions of Smith’s works and in footnotes added citation information [in braces] and added (as endnotes) the citations for three quotations. (2) Coase wrote out the full name “Adam Smith” throughout the essay (though not always). We changed “Adam Smith” to simply “Smith” in all but two instances. (3) We corrected a very small number of insignificant errors or typos.
Moral Sentiments, the ostensible purpose of which was to uncover the bases for what may be termed our feelings and acts of benevolence. “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. … The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.”

Smith makes sympathy the basis for our concern for others. We form our idea of how others feel by considering how we would feel in like circumstances. The realisation that something makes our fellows miserable makes us miserable, and when something makes them happy, we are happy. This comes about because, by an act of imagination we put ourselves in their place, and, in effect, in our own minds become those other persons. Our feelings may not have the same intensity as theirs, but they are of the same kind.

The propensity to sympathise is strengthened because mutual sympathy is itself a pleasure: “nothing pleases us more than to observe in other men a fellow-feeling with all the emotions of our own breast.” Because mutual sympathy is itself pleasurable, it “enlivens joy and alleviates grief. It enlivens joy by presenting another source of satisfaction; and it alleviates grief by insinuating into the heart almost the only agreeable sensation which it is at that time capable of receiving.” One consequence is noted by Smith: “Love is an agreeable; resentment, a disagreeable passion; and accordingly we are not half so anxious that our friends should adopt our friendships, as that they should enter into our resentments. … The agreeable passions of love and joy can satisfy and support the heart without any auxiliary pleasure. The bitter and painful emotions of grief and resentment more strongly require the healing consolation of sympathy.”

If the existence of sympathy makes us care about others, the practice of putting ourselves in the place of others, of imagining how they feel, also has as a consequence that we imagine how they feel about us. This includes not only those directly affected by our actions, but those third parties who observe how we behave towards others. By this means we are led to see ourselves as others see us. This reinforces our tendency, when deciding on a course of action, to take into account the effects it will have on others.

The way in which Smith develops this argument affords a very good example of his general approach. He says: “the loss or gain of a very small interest of our own, appears to be of vastly more importance, excites a much more passionate

2. Theory 10 {I.i.2.1}.
3. Theory 11 {I.i.2.2}.
4. Theory 12–13 {I.i.2.5}.
joy or sorrow, a much more ardent desire or aversion, than the greatest concern of another with whom we have no particular connexion."

He then considers a hypothetical example:

Let us suppose that the great empire of China, with all its myriads of inhabitants, was suddenly swallowed up by an earthquake, and let us consider how a man of humanity in Europe, who had no sort of connexion with that part of the world, would be affected upon receiving intelligence of this dreadful calamity. 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. The most frivolous disaster which could befal himself would occasion a more real disturbance. If he was to lose his little finger tomorrow, 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.

Note that Smith is maintaining that people do behave in the way so vividly described in the example—and if we recall how few of us lost our appetites on hearing of the tremendous loss of life in recent years in Bangladesh or Chad or Guatemala, and in other places, we need not doubt the accuracy of Smith’s account. The quotation clearly can be used, rightly in my view, as an illustration of the strength of self-interest in determining human behaviour. What does at first sight appear strange is that this quotation is to be found in a chapter entitled, “Of the Influence and Authority of Conscience,” since Smith’s description of the response of a man of humanity to this appalling disaster in China seems designed to demonstrate the absence of conscience.

But this is to ignore the subtlety of Smith’s mind. Given that people would respond to this disaster in the way he describes, he now asks the question: suppose that it were possible to prevent the loss of those hundred million lives by sacrificing his little finger, would a man of humanity be unwilling to make the sacrifice? Smith

5. Theory 192 (III.3.3).
gives this answer:

Human nature startles with horror at the thought, and the world, in its greatest
depriavity and corruption, never produced such a villain as could be capable of
entertaining it. But what makes this difference? 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
deply 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? It is not the soft power of humanity, it is not that feeble spark
of benevolence which Nature has lighted up in the human heart, that is thus
capable of counteracting the strongest impulses of self-love. ... It is a stronger
love, a more powerful affection, which generally takes place upon such oc-
casions; the love of what is honourable and noble, of the grandeur, and dignity,
and superiority of our own characters. 7

Professor Macfie thinks that the ending of this eloquent passage strikes a
false note. 8 But I do not think so. It is the last sentence which states (no doubt a
little too ornately for our modern taste) the essence of Smith's position. It is not the
love of mankind which makes the “man of humanity” willing to make this sacrifice,
but because he sees himself through the eyes of an impartial spectator. As we would
say today, if he were to act differently, had chosen to retain his little finger by letting
a hundred million die, he would not have been able to live with himself. We have to
appear worthy in our own eyes. It is not love for the Chinese (for whom he might
have no feeling at all), but love for the dignity and superiority of his own character
which, if he had to face such a choice, would lead the man of humanity to sacrifice
his little finger.

Of course, Smith presents us with an extreme case. But it enables him to
make his point in a setting which brooks no objection. It is easy to see that if the
man of humanity had been faced with the loss, not of his little finger, but of his
arms and legs, and had the number of Chinese who would have been saved by
his sacrifice been one hundred rather than one hundred million, he might, indeed
probably would, decide differently. But this does not affect Smith's point. He knew,
of course, that the extent to which we follow any course of action depends on its
cost. The demand for food, clothing, and shelter similarly depends on their price,
but no one doubts their importance when we are discussing the working of the
economic system.

7. Theory 193–94 [III.3.4].
The force of conscience in influencing our actions is, of course, weakened by the fact, which Smith notes, that while some men are generous, others are mean and less responsive to the promptings of the impartial spectator. But more important in reducing the influence of the impartial spectator is a factor which Smith discusses at length. We tend, because it is agreeable, to think more highly of ourselves than is really warranted. Says Smith: “we are all naturally disposed to over-rate the excellencies of our own characters.” Of our tendency to indulge in self-deceit, he says:

The opinion which we entertain of our own character depends entirely on our judgments concerning our past conduct. It is so disagreeable to think ill of ourselves, that we often purposely turn away our view from those circumstances which might render that judgment unfavourable. He is a bold surgeon, they say, whose hand does not tremble when he performs an operation upon his own person; and he is often equally bold who does not hesitate to pull off the mysterious veil of self-delusion, which covers from his view the deformities of his own conduct. …

This self-deceit, this fatal weakness of mankind, is the source of half the disorders of human life. If we saw ourselves in the light in which others see us, or in which they would see us if they knew all, a reformation would generally be unavoidable. We could not otherwise endure the sight.

However, says Smith, “Nature…has not…abandoned us entirely to the delusions of self-love. Our continual observations upon the conduct of others, insensibly lead us to form to ourselves certain general rules concerning what is fit and proper either to be done or to be avoided.” These general rules of conduct are of great importance. They represent the only principle “by which the bulk of mankind are capable of directing their actions.”

The picture which emerges from Smith’s discussion in the *Theory of Moral Sentiments* is of man suffused with self-love. “We are not ready,” says Smith, “to suspect any person of being defective in selfishness.” Nonetheless man does have regard for the effect of his actions on others. This concern for others comes about because of the existence of sympathetic responses, strengthened because mutual sympathy is pleasurable and reinforced by a complex, although very important, influence, which Smith terms the impartial spectator or conscience, which leads us to act in a way an outside observer would approve of. The behaviour induced by such factors are embodied in codes of conduct and these, because conformity

9. *Theory* 189 {III.2.34}.
10. *Theory* 222–23 {III.4.4, 6}.
12. *Theory* 446 {VII.ii.3.16}.
with them brings approval and admiration, affect the behaviour of the “coarse clay of…the bulk of mankind.” Presumably Smith would argue that everyone is affected by all these factors, although to different degrees.

It will be observed that Smith’s account of the development of our moral sentiments is essentially self-centered. We care for others because, by a sympathetic response, we feel as they feel, because we enjoy the sharing of sympathy, because we wish to appear admirable in our own eyes, and we conform to the rules of conduct accepted in society largely because we wish to be admired by others. The impact of these factors is weakened by the fact that the forces generating feelings of benevolence have to overcome those arising from self-interest, more narrowly conceived, with our perception of the outcomes distorted by self-deceit.

Smith makes no effort to estimate the relative importance of the various factors leading to benevolent actions but he does indicate the circumstances in which, considered as a whole, they are likely to exert their greatest influence. This subject Smith discusses in a chapter entitled, “Of the Order in which Individuals are recommended by Nature to our care and attention.” He says:

Every man…is first and principally recommended to his own care; and every man is certainly, in every respect, fitter and able to take care of himself than of any other person. Every man feels his own pleasures and his own pains more sensibly than those of other people. …

After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affections. They are naturally and usually the persons upon whose happiness or misery his conduct must have the greatest influence. He is more habituated to sympathize with them. He knows better how every thing is likely to affect them, and his sympathy with them is more precise and determinate, than it can be with the greater part of other people. It approaches nearer, in short, to what he feels for himself. 13

Smith goes on to consider the sympathy which exists between more remote relations within the same family:

The children of brothers and sisters are naturally connected by the friendship which, after separating into different families, continues to take place between their parents. Their good agreement improves the enjoyment of that friendship; their discord would disturb it. As they seldom live in the same family, however, though of more importance to one another, than to the greater part of other people, they are of much less than brothers and sisters. As their mutual sympathy is less necessary, so it is less habitual, and therefore

13. *Theory* 321 {VIi.1.1–2}.
proportionably weaker.

The children of cousins, being still less connected, are of still less importance to one another; and the affection gradually diminishes as the relation grows more and more remote.\(^{14}\)

Our feelings of natural affection, however, go beyond the family, beyond even the extended family. “Among well-disposed people, the necessity or conveniency of mutual accommodation, very frequently produces a friendship not unlike that which takes place among those who are born to live in the same family. Colleagues in office, partners in trade, call one another brothers; and frequently feel towards one another as if they really were so. … Even the trifling circumstance of living in the same neighbourhood, has some effect of the same kind.”\(^{15}\) Then there are the inhabitants of our own country and the members of the particular groups within a country to which we belong. “Every individual is naturally more attached to his own particular order or society, than to any other. His own interest, his own vanity, the interest and vanity of many of his friends and companions, are commonly a good deal connected with it. He is ambitious to extend its privileges and immunities. He is zealous to defend them against the encroachments of every other order or society.”\(^{16}\)

Smith’s view of benevolence seems to be that it is strongest within the family and that as we go beyond the family, to friends, neighbours and colleagues, and then to others who are none of these, the force of benevolence becomes weaker the more remote and the more casual the connection. And when we come to foreigners or members of other sects or groups with interests which are thought to be opposed to ours, we find not simply the absence of benevolence but malevolence.

When two nations are at variance, the citizen of each pays little regard to the sentiments which foreign nations may entertain concerning his conduct. His whole ambition is to obtain the approbation of his own fellow-citizens; and as they are all animated by the same hostile passions which animate himself, he can never please them so much as by enraging and offending their enemies. The partial spectator is at hand: the impartial one at a great distance. In war and negotiation, therefore, the laws of justice are very seldom observed. Truth and fair dealing are almost totally disregarded. …

The animosity of hostile factions, whether civil or ecclesiastical, is often still more furious than that of hostile nations, and their conduct towards one another is often still more atrocious.\(^{17}\)

\(^{14}\) Theory 322–23 \{VI.i.5–6\}.
\(^{15}\) Theory 328–29 \{VI.i.15–16\}.
\(^{16}\) Theory 338 \{VI.i.2.7\}.
\(^{17}\) Theory 217–19 \{III.3.42–43\}. Jacob Viner, who adopts a similar view, points out that Adam Smith’s
The picture which Smith paints of human behaviour is not edifying. Man is not without finer feelings; he is indulgent to children, tolerant of parents, kind to friends. But once this is said, it is also true that he is dominated by self-love, lives in a world of self-delusion, is conceited, envious, malicious, quarrelsome, and resentful. Smith’s view is in fact a description of man much as we know him to be. This is not the aspect of the Theory of Moral Sentiments to which commentators normally draw our attention. The book is usually thought of as presenting, and here I quote Jacob Viner, “an unqualified doctrine of a harmonious order of nature, under divine guidance, which promotes the welfare of man through the operation of his individual propensities.” How this bland interpretation came to be made of what is a very unflattering account of human nature is something to which I now turn.

Smith did not address himself directly to the question of whether there was a natural harmony in man’s propensities. However, it can be inferred from various statements he made that Viner’s generalisation is not far from the truth. Take as an example what he says about the fact that we judge people by what they do rather than by what they intend to do, although it would seem more reasonable if, in our assessment of their characters, it was the other way around.

Nature…when she implanted the seeds of this irregularity in the human breast, seems, as upon all other occasions, to have intended the happiness and perfection of the species. If the hurtfulness of the design, if the malevolence of the affection, were alone the causes which excited our resentment, we should feel all the furies of that passion against any person in whose breast we suspected or believed such designs or affections were harboured, though they had never broken out into any action. Sentiments, thoughts, intentions, would become the objects of punishment; and if the indignation of mankind run as high against them as against actions; if the baseness of the thought which had given birth to no action, seemed in the eyes of the world as much to call aloud for vengeance as the baseness of the action, every court of judicature would become a real inquisition. There would be no safety for the most innocent and circumspect conduct. … Actions, therefore, which either produce actual evil, or attempt to produce it, and thereby put us in the immediate fear of it, are by the Author of nature rendered the only proper and approved objects of human punishment and resentment. Sentiments, designs, affections, though it is from these that according to cool reason human actions derive their whole merit or demerit, are placed by the great Judge of hearts beyond the limits of every

---

human jurisdiction, and are reserved for the cognizance of his own unerring tribunal. That necessary rule of justice, therefore, that men in this life are liable to punishment for their actions only, not for their designs and intentions, is founded upon this salutary and useful irregularity in human sentiments concerning merit or demerit, which at first sight appears so absurd and unaccountable. But every part of nature, when attentively surveyed, equally demonstrates the providential care of its Author, and we may admire the wisdom and goodness of God even in the weakness and folly of man.19

Smith also explains that this “irregularity of sentiments” is not without its positive utility:

Man was made for action, and to promote by the exertion of his faculties such changes in the external circumstances both of himself and others, as may seem most favourable to the happiness of all. He must not be satisfied with indolent benevolence, nor fancy himself the friend of mankind, because in his heart he wishes well to the prosperity of the world. That he may call forth the whole vigour of his soul, and strain every nerve, in order to produce those ends which it is the purpose of his being to advance, Nature has taught him, that neither himself nor mankind can be fully satisfied with his conduct, nor bestow upon it the full measure of applause, unless he has actually produced them. He is made to know, that the praise of good intentions, without the merit of good offices, will be but of little avail to excite either the loudest acclamations of the world, or even the highest degree of self-applause.20

Smith on many occasions observes that aspects of human nature which seem reprehensible to us, in fact, serve a useful social purpose. “Nature…even in the present depraved state of mankind, does not seem to have dealt so unkindly with us, as to have endowed us with any principle which is wholly and in every respect evil, or which, in no degree and in no direction, can be the proper object of praise and approbation.”21 Consider his discussion of pride and vanity:

Our dislike to pride and vanity generally disposes us to rank the persons whom we accuse of those vices rather below than above the common level. In this judgment, however, I think, we are most frequently in the wrong, and that both the proud and the vain man are often (perhaps for the most part) a good deal above it; though not near so much as either the one really thinks himself, or as the other wishes you to think him. If we compare them with their own pretensions, they may appear the just objects of contempt. But when we

19. *Theory* 152–53 {II.iii.3.2}.
20. *Theory* 153–54 {II.iii.3.3}.
21. *Theory* 109 {II.i.5.8}.
compare them with what the greater part of their rivals and competitors really are, they may appear quite otherwise, and very much above the common level. Where there is this real superiority, pride is frequently attended with many respectable virtues; with truth, with integrity, with a high sense of honour, with cordial and steady friendship, with the most inflexible firmness and resolution. Vanity, with many amiable ones; with humanity, with politeness, with a desire to oblige in all little matters, and sometimes with a real generosity in great ones; a generosity, however, which it often wishes to display in the most splendid colours that it can.  

Of more interest to those of us concerned with the working of the economic system is Smith’s discussion of the view, to which his teacher Dr. Hutcheson subscribed, that virtue consists wholly of benevolence or love and that any admixture of a selfish motive detracts from that virtue. Hutcheson, according to Smith, argued that if

an action, supposed to proceed from gratitude, should be discovered to have arisen from an expectation of some new favour, or if what was apprehended to proceed from public spirit, should be found out to have taken its origin from the hope of a pecuniary reward, such a discovery would entirely destroy all notion of merit or praise-worthiness in either of these actions. …

The most virtuous of all affections…was that which embraced as its object the happiness of all intelligent beings. The least virtuous…was that which aimed no further than at the happiness of an individual, such as a son, a brother, a friend.

Smith, as we have seen, did not deny the existence of benevolence nor that it contributed to human welfare. But he regarded this doctrine of Hutcheson’s as being too extreme: “Regard to our own private happiness and interest…appear upon many occasions very laudable principles of action. The habits of oeconomy, industry, discretion, attention, and application of thought, are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praise-worthy qualities, which deserve the esteem and approbation of every body.” Smith adds: “Benevolence may, perhaps, be the sole principle of action in the Deity, and there are several, not improbable, arguments which tend to persuade us that it is so. … But whatever may be the case with the Deity, so imperfect a creature as man, the support of whose existence requires so many things external to him, must often act from many other motives. The condition of

22. Theory 378 {VI.iii.42}.
23. Theory 442–44 {VII.ii.3.6, 10}.
24. Theory 445 {VII.ii.3.16}.
human nature were peculiarly hard, if those affections, which, by the very nature of our being, ought frequently to influence our conduct, could upon no occasion appear virtuous, or deserve esteem and commendation from any body.”

Furthermore, Smith points out, the notion of benevolence as encompassing “the general happiness of mankind” would require man to do something of which God is no doubt capable but that is beyond the powers of man: “The administration of the great system of the universe [and] the care of the universal happiness of all rational and sensible beings, is the business of God and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension; the care of his own happiness, of that of his family, his friends, his country.”

It was not Smith’s usual practice to proclaim that there was a natural harmony in man’s psychological propensities. What he normally did was to point out that particular characteristics of human beings which were in various ways disagreeable were accompanied by offsetting social benefits. Man’s nature may seem unpleasant to our fastidious taste but man appears to be as well adapted to the conditions in which he has to subsist as the tapeworm to his. The implication of the various remarks of Smith would appear to be that any change in man’s nature would tend to make things worse. But Smith avoids stating this general conclusion. It is not difficult to see why he showed this caution. If he had asserted that there was such a natural harmony, how did it come about that this was so? Smith tended to think, as I suppose was usual at that time, of the universe as a machine. He speaks of “the various appearances which the great machine of the universe is perpetually exhibiting, with the secret wheels and springs which produce them.” If there was such a natural harmony in human nature, how did it happen that human beings were designed in the way they were? According to Viner, Smith thought that this was due to divine guidance, that man exhibited these harmonious characteristics because he had been created by God. It is difficult for us to enter the mind of someone living two hundred years ago, but it seems to me that Viner very much exaggerates the extent to which Smith was committed to a belief in a personal God. As Viner himself notes, in those parts of the discussion where we would expect the word “God” to be used, it is rarely found and the word “Nature” is substituted or some such expression as the “all-wise Architect and Conductor” of the universe or “the great Director of nature” or even, on occasion, the “invisible hand.”

It seems to me that one can gauge the degree of Smith’s belief from the remark he makes in the Wealth of Nations when he notes that the curiosity of mankind

25. *Theory* 446–47 {VII.ii.3.18}.
26. *Theory* 348 {VI.i.3.6}.
27. *Theory* 110 {II.i.5.10}, 264 {IV.1.10}, 422 {VII.ii.1.37}. See Jacob Viner, *supra* note 18, at 121.
about the “great phenomena of nature” such as “the generation, the life, growth, and dissolution of plants and animals” has led men to “enquire into their causes.” Smith observes: “Superstition first attempted to satisfy this curiosity by referring all those wonderful appearances to the immediate agency of the gods. Philosophy afterwards endeavoured to account for them, from more familiar causes, or from such as mankind were better acquainted with, than the agency of the gods.” This is hardly a remark which would have been made by a strong, or even a mild, Deist.

The fact of the matter is that, in 1759, there was no way of explaining how such a natural harmony came about unless one believed in a personal God who created it all. Before Darwin, Mendel and perhaps also Crick and Watson, if one observed, as Smith thought he often did, a kind of harmony existing in human nature, no explanation could be given if one were unwilling to accept God the creator. My own feeling is that Smith was reluctant to adopt this particular explanation. His use of the term “Nature” and other circumlocutions was rather a means of evading giving an answer to the question than the statement of one. Since Smith could only sense that there was some alternative explanation, the right response was suspended belief, and his position seems to have come close to this. Today we would explain such a harmony in human nature as a result of natural selection, the particular combination of psychological characteristics being that likely to lead to survival. In fact, Smith saw very clearly in certain areas the relation between those characteristics which nature seems to have chosen and those which increase the likelihood of survival.

Consider the following passage from *The Theory of Moral Sentiments*:

> With regard to all those ends which, upon account of their peculiar importance, may be regarded...as the favourite ends of nature, she has constantly...not only endowed mankind with an appetite for the end which she proposes, but likewise with an appetite for the means by which alone this end can be brought about, for their own sakes, and independent of their tendency to produce it. Thus self-preservation, and the propagation of the species, are the great ends which Nature seems to have proposed in the formation of all animals. Mankind are endowed with a desire of those ends, and an aversion to the contrary.... But though we are...endowed with a very strong desire of those ends, it has not been intrusted to the slow and uncertain determinations of our reason, to find out the proper means of bringing them about. Nature has directed us to the greater part of these by original and immediate instincts. Hunger, thirst, the passion which unites the two sexes, the love of pleasure, and the dread of pain, prompt us to apply those means for their own sakes, and without any consideration of their tendency to those

---


---


beneficent ends which the great Director of nature intended to produce by them. 29

This comes very close to a modern attitude. The “passion by which Nature unites the two sexes”, 30 or love, was considered by Smith, a life-long bachelor, as “always, in some measure, ridiculous”: 31 “The passion appears to every body, but the man who feels it, entirely disproportioned to the value of the object.” 32 But, of course, the passion which unites the sexes serves to secure the propagation of the species and if rationality impedes this, we can count on the great Director of nature to make sure that in this area man is not rational. Similarly, we care much more for the young than the old. “Nature, for the wisest purposes, has rendered, in most men, perhaps in all men, parental tenderness a much stronger affection than filial piety. The continuance and propagation of the species depend altogether upon the former, and not upon the latter.” 33 “In the eye of nature, it would seem, a child is a more important object than an old man; and excites a much more lively, as well as a much more universal sympathy. It ought to do so. … In ordinary cases, an old man dies without being much regretted by any body. Scarce a child can die without rending asunder the heart of somebody.” 34

In all these cases nature, as Smith would say, or natural selection, as we would say, has made sure that man possesses those propensities which would secure the propagation of the species. 35 But even if Smith had been aware of the principle of natural selection, of itself this could not have given him an explanation of why there was a natural harmony in man’s psychological propensities. That the instincts which regulate sexual activity and the care of the young were the result of natural selection poses no problem. These are, after all, instincts which man shares with all other mammals, and natural selection has had a very long period to bring about this result. The social arrangements of the tiger, the wolf or even the chimpanzee are, however, very different from those of human beings and unless there has been a long period during which natural selection could operate to shape human nature, we can have no confidence that man’s psychological propensities are appropriately adjusted to the conditions of human society. It was David Hume’s view, and presumably also Smith’s, that human nature is revealed as being much the same in

29. Theory 110 {II.i.5.10}.
30. Theory 33 {I.i.1.2}.
31. Theory 39 {I.i.2.1}.
32. Theory id {I.i.2.1}.
33. Theory 199 {III.3.13}.
34. Theory 322 {VI.i.1.3}.
all recorded history:

... Ambition, avarice, self-love, vanity, friendship, generosity, public spirit; these passions, mixed in various degrees, and distributed through society, have been from the beginning of the world and still are the source of all the actions and enterprises which have ever been observed among mankind. Would you know the sentiments, inclinations, and course of life of the Greeks and Romans? Study well the temper and actions of the French and English. Mankind are so much the same in all times and places that history informs us of nothing new or strange in this particular.  

Without being tied down to Bishop Usher’s chronology, it would still have been difficult for Smith to use natural selection as an explanation of what he thought he observed, that is, a harmony in human nature, unless recorded history was but a small part of human history. There had to be an earlier period in which human nature was not the same as it is now.

Fortunately we have learnt a great deal about the antiquity of man in recent years. We now know, what Smith could not, that modern man (homo sapiens) has existed for perhaps 500,000 years, that homo erectus came into existence about one and a half million years ago, while creatures which may or may not be classified as men, but from which man almost certainly evolved, were in existence several million years ago. We are thus able to fill in the gaps in Smith’s position. We have the principle of natural selection, a mechanism of inheritance and an extremely long period during which natural selection could play its part. Smith’s view of a harmony in man’s nature no longer requires us to postulate a divine creator and Smith’s use of the word Nature is singularly appropriate. The harmony in human psychological propensities should, however, be regarded as the existence of that combination of traits which makes for survival rather than as leading to the “perfection and happiness” of mankind. [iii] Such a position, which assigns a genetic basis for human psychology, is one for which there is, today, some support.  

I can find no essential difference between the views on human nature in The Theory of Moral Sentiments and those expressed in the Wealth of Nations. Of course,

the subject is not treated systematically in the *Wealth of Nations* and Smith’s views have to be inferred from incidental remarks. But self-love is everywhere evident. We are more familiar with the effect of self-love on the actions of merchants and manufacturers, but in fact all men, whatever their occupations, are much the same. When speaking of teachers, he says: “In every profession, the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion.” Of those engaged in the “administration of government,” he says that they are “generally disposed to reward both themselves and their immediate dependents rather more than enough.”

Self-love also shows itself in the “overweening conceit which the greater part of men have of their own abilities” and their “absurd presumption in their own good fortune,” which is used by Smith to explain why, among other things, people buy lottery tickets, invest in gold mines, become lawyers, engage in smuggling, join the army or go to sea. It may seem strange that self-love sometimes results in self-harm but the reason is that self-love leads to self-deceit and self-deceit colours our perception of the outcomes of alternative courses of action. This is all of a piece with Smith’s view that man overestimates the difference between one permanent situation and another. “Avarice over-rates the difference between poverty and riches: ambition, that between a private and public station: vain-glory, that between obscurity and extensive reputation.” This theme is illustrated by the discussion of ambition and in particular the case of the poor man’s son “whom heaven in its anger has visited with ambition.”

He studies to distinguish himself in some laborious profession. With the most unrelenting industry he labours night and day to acquire talents superior to all his competitors. He endeavours next to bring those talents into public view, and with equal assiduity solicits every opportunity of employment. For this purpose he makes his court to all mankind; he serves those whom he hates, and is obsequious to those whom he despises. Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it.

However, if the ambitious man is not made happy by the inner forces which drive...
him, the rest of us gain. Says Smith: “…it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life.”

Benevolence is not absent from the Wealth of Nations but, as in The Theory of Moral Sentiments, it is put in its place. Consider Smith’s view that slavery could “afford the expense of slave-cultivation” in the production of sugar and tobacco, but that this was not true for corn. He supports this conclusion by observing that the “late resolution of the Quakers in Pennsylvania to set at liberty all their negro slaves, may satisfy us that their number cannot be very great. Had they made any considerable part of their property, such a resolution could never have been agreed to.” This quotation reveals the weight which Smith assigns to benevolence. Freeing the slaves was certainly a benevolent action but hardly one likely to be undertaken if the price was personal ruin.

Dr. Arthur H. Cole, after referring to passages such as these, concludes that Smith had a “pretty low opinion of mankind in general.” This he finds difficult to reconcile with the picture drawn by Smith’s biographers of a man who was “friendly and generous.” I do not regard this as a problem. Smith saw the less agreeable qualities of human beings as being productive of good. Self-interest promotes industry; resentment discourages aggressive actions by others; vanity leads to acts of kindness; and so on. Furthermore, one can hardly be upset by people’s actions, even if in some respects disagreeable, if one believes that they are incapable of acting otherwise. Anyone who knows anything about cats will not spend much time deploiring their unkindness to mice.

Many economists have thought that there is an inconsistency between Smith’s argument in The Theory of Moral Sentiments and in the Wealth of Nations. Jacob Viner refers to this question in the following terms: “The Germans, who, it seems, in their methodical manner commonly read both the Theory of Moral Sentiments and the Wealth of Nations, have coined a pretty term, Das Adam Smith Problem, to denote the failure to understand either which results from the attempt to use the one in the interpretation of the other.” The inconsistency which Viner himself finds is that in The Theory of Moral Sentiments, Smith assumes that there exists a natural harmony while in the Wealth of Nations, Smith seems to have abandoned

44. Theory 263–64 {IV.1.10}.
45. Wealth 366 {III.ii.10}.
47. See August Oncken, The Consistency of Adam Smith, 7 Econ. J. 443–50 (1897).
48. Jacob Viner, supra note 18, at 120.
this belief, as is shown by the references to desirable government actions. Viner’s view involves, I think, a misunderstanding of these two books. The Theory of Moral Sentiments is a study of human psychology. The Wealth of Nations is a study of the organisation of economic life. A harmony in human nature does not imply that no government action is required to achieve the appropriate institutional structure for economic activity.

Most economists, however, who have thought that there was an inconsistency between Smith’s position in these two books have come to this conclusion for another reason. In The Theory of Moral Sentiments, man’s actions are influenced by benevolence. In the Wealth of Nations, this motive is apparently absent. This view is supported by a much-quoted passage: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

What is not quoted is something which Smith says earlier in the same paragraph: “In civilized society [man] stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons.” This puts a completely different complexion on the matter. For that extensive division of labour required to maintain a civilized standard of living, we need to have the co-operation of great multitudes, scattered all over the world. There is no way in which this co-operation could be secured through the exercise of benevolence. Benevolence, or love, may be the dominant or, at any rate, an important factor within the family or in our relations with colleagues or friends, but as Smith indicates, it operates weakly or not at all when we deal with strangers. Benevolence is highly personal and most of those who benefit from the economic activities in which we engage are unknown to us. Even if they were, they would not necessarily in our eyes be lovable. For strangers to have to rely on our benevolence for what they received from us would mean, in most cases, that they would not be supplied: “…man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only.”

Looked at in this way, Smith’s argument for the use of the market for the organisation of economic activity is much stronger than it is usually thought to be. The market is not simply an ingenious mechanism, fueled by self-interest, for securing the co-operation of individuals in the production of goods and services. In most circumstances it is the only way in which this could be done. Nor does government regulation or operation represent a satisfactory way out. A politician,
when motivated by benevolence, will tend to favour his family, his friends, members of his party, inhabitants of his region or country (and this whether or not he is democratically elected). Such benevolence will not necessarily redound to the general good. And when politicians are motivated by self-interest unalloyed by benevolence, it is easy to see that the results may be even less satisfactory.

The great advantage of the market is that it is able to use the strength of self-interest to offset the weakness and partiality of benevolence, so that those who are unknown, unattractive, or unimportant, will have their wants served. But this should not lead us to ignore the part which benevolence and moral sentiments do play in making possible a market system. Consider, for example, the care and training of the young, largely carried out within the family and sustained by parental devotion. If love were absent and the task of training the young was therefore placed on other institutions, run presumably by people following their own self-interest, it seems likely that this task, on which the successful working of human societies depends, would be worse performed. At least, that was Smith’s opinion: “Domestic education is the institution of nature; public education, the contrivance of man. It is surely unnecessary to say, which is likely to be the wisest.”

Again, the observance of moral codes must very greatly reduce the costs of doing business with others and must therefore facilitate market transactions. As Smith observes, “Society…cannot subsist among those who are at all times ready to hurt and injure one another.”

Smith allows for a good deal of folly in human behaviour. But this does not lead him to advocate an extensive role for government. Politicians and government officials are also men. Private individuals are constrained in their folly because they personally suffer its consequences: “Bankruptcy is perhaps the greatest and most humiliating calamity which can befall an innocent man. The greater part of men, therefore, are sufficiently careful to avoid it.” But, of course, men who bankrupt a city or a nation are not necessarily themselves made bankrupt. Smith, therefore, continues: “Great nations are never impoverished by private, though they sometimes are by publick prodigality and misconduct.” As he later observes: “[Kings and ministers] are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.”

52. *Theory* 326 {VI.ii.1.10}.
53. *Theory* 124–25 {II.ii.3.3}.
54. *Wealth* 325 {II.iii.29}.
55. *Wealth* 325 {II.iii.30}.
56. *Wealth* 329 {II.iii.36}. The reasons why Adam Smith advocated limited government cannot be summarised in a single paragraph. Professor J. Ralph Lindgren has argued persuasively that it was Adam
In the regulation of behaviour, Smith put little confidence in human reason. When discussing self-preservation and the propagation of the species, Smith said, in a passage to which I have already referred, that the securing of these ends is so important that “it has not been intrusted to the slow and uncertain determinations of our reason” but to “original and immediate instincts.” Jacob Viner makes a similar point: “The important thing for the interpreter of Smith is to note how low down reason enters into the picture as a factor influencing social behaviour. The sentiments [that is, the instincts] are innate in man…. Under normal circumstances, the sentiments make no mistake. It is reason which is fallible.”

It is wrong to believe, as is commonly done, that Adam Smith had as his view of man an abstraction, an “economic man,” rationally pursuing his self-interest in a single-minded way. Smith would not have thought it sensible to treat man as a rational utility-maximiser. He thinks of man as he actually is—dominated, it is true, by self-love but not without some concern for others, able to reason but not necessarily in such a way as to reach the right conclusion, seeing the outcomes of his actions but through a veil of self-delusion. No doubt modern psychologists have added a great deal, some of it correct, to this eighteenth-century view of human nature. But if one is willing to accept Smith’s view of man as containing, if not the whole truth, at least a large part of it, realisation that his thought has a much broader foundation than is commonly assumed makes his argument for economic freedom more powerful and his conclusions more persuasive.

Endnotes

[i]. {Smith 1976/1790, III.5.1}.
[ii]. {Smith 1976/1790, I.i.4.2}.
[iii]. {Smith 1976/1790, III.5.9}.

Smith’s view that the institutional role of men in government will inevitably lead them to adopt attitudes dominated by a ‘love of system.’ See J. Ralph Lindgren, The Social Philosophy of Adam Smith, 60–83 (1973). 57. See Jacob Viner, supra note 17, at 78.
About the Author

Ronald Coase (1910–2013) was a British economist who became Clifton R. Musser Professor of Economics at the University of Chicago Law School. He received the Nobel Memorial Prize in Economic Sciences in 1991. He beseeched us to take responsibility for the total effect of our action, which, if spelling the governmentalization of social affairs, meant facing up to the downsides of governmentalization.

Discuss this article at Journaltalk:
https://journaltalk.net/articles/6064/
Foreword to Edmund Burke’s “Scattered Hints Concerning Philosophy and Learning”

Daniel B. Klein

In 1957, Cambridge University Press published a slim volume titled A Note-Book of Edmund Burke: Poems, Characters, Essays and Other Sketches in the Hands of Edmund and William Burke Now Printed for the First Time in Their Entirety and Edited by H. V. F. Somerset. Here we reproduce an abridgement of one of the items by Edmund Burke, the full title of which is “Several Scattered Hints Concerning Philosophy and Learning Collected Here from My Papers,” pp. 81–98.

We have omitted three segments thought not worthwhile, a total of about 1290 words. The abridged version here is about 4460 words. Hence, about 22 percent of the original (about 5750 words) has been omitted. Bracketed comments indicated where the omissions occur. And a few other insertions are in brackets.

The essay itself probably derives from notations that Burke made in the 1750s. The Note-Book includes a Foreword by Sir Ernest Barker. He writes, “we may therefore use the general substance of the Note-Book as evidence of Burke’s thought and the development of his ideas during his early youth, from the age of 21 (he was 21 when he came to England) to the age of 27, when he published his first work” (1957, x). Barker calls the essay we abridge slightly here “the longest and finest of the essays” in the book (ibid., xi).

We inquired with Cambridge University Press, through PLS Clear, about reproducing what follows here, and received no response, which tends to confirm that Burke’s words are not under copyright. We thank Jacob Hall for typing up the

1. George Mason University, Fairfax, VA 22030.
Within the *Note-Book*, Somerset (1957, 81) writes: “This piece, clearly by Edmund Burke, and inscribed as being so, is one of the most typical of his style and thought in the note-book.” In the piece, Burke warns against “confined” learning. He writes: “The End of learning is not knowledge but virtue; as the End of all speculation should be practice of one sort or another.”

**About the Author**

**Daniel Klein** is the chief editor of *Econ Journal Watch* and professor of economics and JIN Chair at the Mercatus Center at George Mason University, where he and Erik Matson lead a program in Adam Smith. His email address is dklein@gmu.edu.
The appearance from real learning is like a complexion had from sound health; it looks lively and natural, and is only the sign of something better.

It signifies much less what we read than how we read, and with a view to what end. To study only for its own sake is a fruitless labour; to learn only to be learned is moving in a strange Circle. The End of learning is not knowledge but virtue; as the End of all speculation should be practice of one sort or another. It is owing to inattention to this that we so often see men of great Erudition immersed as deeply as any in the passions, prejudices, and vain opinions of the vulgar; nay we often see them more servile, more proud, more opinionative, fonder of money, more governed by vanity, more afraid of Death, and captivated more by little appearances and trifling distinctions. In these two last particulars I have often observed it, and always with wonder.

It is worth observing that when anything not a principal itself, and cultivated only as an accessory to something else, is diverted from its proper end, it not only does not promote that end, but it goes a great way to destroy it. The Gymnastic exercises among the Greeks were undoubtedly designed to form their people to war; and they seem well calculated for that purpose. But when they forgot that purpose, when they made that art acquiesce in itself, when they sought a reputation from the exercise alone, it lost its use; and the professed Wrestlers always made the worst Soldiers. Those who make a trade of Tumbling are never very remarkable for their agility in any other way; and in the little Course of my own experience, I have always observed of your prodigious and ostentatious memories that they served for little else than prodigy and ostentation. It has happened in a manner not unlike this to learning. Knowledge is the Culture [cultivation] of the mind; and he who rested
there, would be just as wise as he who should plough his field without any intention of sowing or reaping.

[About 290 words omitted here.]

As learning in some measure answers to the experience of Old age, it seems to produce something of its querulous disposition too. I do not know any discourse worse received than complaints of the times; and I think with some reason; as they usually begin with our own misfortunes and end with them. But such complaints least of all become men of Learning, who by some fatality are always stunning us with the reproaches of the age they live in, and the little encouragement they receive. And it will ever be so whilst men propose to themselves any other views in Learning than the regulation of their minds and their own inward content and repose. If we consider the matter rightly, what reward should I expect for doing myself the greatest service imaginable? If I complain of want of encouragement in this way, it is a sure sign I deserve none. If my Studies are not of such a nature as to enable me to make a figure in the world, or to acquire some better possession instead of it, what have I been doing? And in what a light do I present myself?

We ought rather to be learned about Sciences than in them (I don't speak here of the particular profession of any). That is, we ought, if possible, rather to master those principles that govern almost all of them than to sift into those particulars that direct and distinguish each of them separately. By these means we can extend our views much more considerably; we keep our minds open, and prevent that littleness and narrowness that almost inevitably attends a confined commerce with any Art or Science however noble in itself. I remember a preface to some book of Heraldry wherein the Author, after giving due commendation to his own Studies, passes a severe Censure on those who are weak enough to mis-spend their time in such trivial pursuits as those of philosophy and poetry, neglecting an art of so much delight in the Study, and advantage in the application, as Heraldry.

Confined reading and company are the Greatest Sources of pride that I know; and I am sure any knowledge that carries this taint along with it does not make amends for the mischief it brings. If a man be a poor narrow minded Creature what does it avail whether he is a Logician or a Shoemaker, a Geometrician or a Taylor? If he has the narrow views of a Mechanic, he is as far from being a philosopher as the mechanic, and farther too, if the other chances to have from nature a more generous way of thinking.

There is inseparably annexed to any confined Studies a number of false admirations that a more general knowledge would go a great way to Cure. When a man is conversant in all the variety of Arts and Sciences, in the Stories, opinions,
Customs, manners, achievements of all ages and all nations, it must by a sure consequence wear away those little prejudices of little parties that Cause such heats and animosities amongst mankind; it must lessen something of that extravagant admiration of power and riches that intoxicates us to our ruin, and overtures the peace and innocence of our lives. It might perhaps humble us, and abate something of our confidence in our opinions, if, after taking a view of the rise and fall of kingdoms, we observed those of science; to see it rise from chance, grow by industry, strengthen by contention, refine by subtility and ease, fall then into nicety, Error, Guess,—and, dissolving at last, make way for new Systems, which rise by the same means, and fall by the same fortune. Whatever tends to humble us, tends to make us wiser. Whatever makes us wiser, makes us better, and easier, and happier.

I would make an ingenuous and liberal turn of mind the End of all learning and wherever I don’t see it I should doubt the reality of the knowledge. For the End of all knowledge ought to be the bettering us in some manner; and whoever has a sour, splenetic, unsocial, malevolent Temper; who is haughty in his own acquirements and contemptuous of others; ostentatious of his knowledge, positive in his Tenets, and abusive to those who differ from him; he may be a Scholar,—and indeed most of those called Scholars are something in this Character,—but sure he is not a man of learning, nor a philosopher. The more he vaunts his reading, the more loudly he proclaims his ignorance. If a deep and general knowledge does not make a man diffident and humble, no human means, I believe, can do it.

To attempt a general knowledge ought not to be thought too bold an undertaking; to have many things in hand will rather advance us in Each, whilst they relieve one another; and prevent that satiety which arises from a confined application, and which can have no relief but in Idleness or some other Study, And which is to be preferred, everyone may judge.

There is certainly, besides, some connexion in all the Sciences which makes them mutually advance one another; though I allow not so much as some contend for. But one of the Strongest reasons I have for admitting great variety into our Studies, and a passing in a pretty Quick Succession from one to another, is that it helps to form that *versatile ingenium* which is of very great use in Life,—Not to be so possessed with any subject, but that we should be able at pleasure to quit it, to turn to another, so to a third, to resume the first again, and to follow the occasion with a suppleness that may suit the infinite intricacy that occurs in many sorts of Business and employments. For we ought if possible to keep all our talents subservient to the uses of Life, and not to make ourselves the Slaves of any of them. Those who lay out their whole time on any one Science, are apt to be carried away by it; and are no longer their own masters so far as to decide when and where, and in what measure they shall indulge their Speculations; and therefore are not so generally fit for the world.
There is great reason to believe that being engaged in business is rather of Service to Speculative knowledge than otherwise; because perhaps the mind can do more in sudden starts than in an even progression. Experience may show that an entire application to study alone is apt to carry men into unprofitable Subtilities and whimsical notions. Man is made for Speculation and action; and when he pursues his nature he succeeds best in both.

I am not moved with what it is common for people to advance about superficial learning. A man who does not seek a reputation from his knowledge, will be indifferent whether it be thought deep or shallow provided it be of any real use to him. One may know all the maxims of a Science, be perfectly conversant in their Grounds, ready in the reasonings about them, and know all that has been thought, written, or experimented on that Subject, and yet have but a superficial knowledge in that Science. Another who knows but few of its principles, if yet he can extend them, can multiply their resources, can strike out something new, can remedy some defect, he has a deeper knowledge in the Science than the other, if this other should not be able to advance its landmarks,—as thousands well conversant in Arts cannot do, and who therefore have a more superficial knowledge, because a less useful one. And such is the weakness of the human mind, that it is found, a great acquaintance and readiness in what is already known in any branch of Learning is rather of prejudice than use in extending it.

It is common with men of a small understanding to think nothing of any use, that is not particularly and avowedly designed for use, and apparently so. But in fact there are things that aim obliquely at their end that often hit it more surely. I speak this of such who depreciate the ornamental parts of Learning as Eloquence, Poetry, and such like—and consider them merely as matter of ornament. I look on them in quite a different light, because I always consider the Chief use of Learning is to implant an elegant disposition into the mind and manners and to root out of them everything sordid, base or illiberal. I conceive that the polite arts are rather better calculated for this purpose than any others; and this for the very reason that some condemn them; because they apply to the passions, in which, more than in any faults of reasoning, the Sources of all our Errors lie.

Those who speak in favour of these studies, on the other hand, do not seem to me truly to discern wherein their advantage consists. Say they, moral precepts when graced with the advantages of Eloquence, invite the inattentive, and by being mixed with something pleasureable, make a deeper impression. It is true they do so; but in fact the great powers of Eloquence and poetry, and the great Benefits that result from them, are not in giving precepts but creating habits. For the preceptive part of poetry makes but a small part of it in all poems; and none at all in many; and yet they all have their use. For the mind when it is entertained with high
fancies, elegant and polite sentiments, beautiful language, and harmonious sounds, is modelled insensibly into a disposition to elegance and humanity. For it is the bias the mind takes that gives direction to our lives; and not any rules or maxims of morals and behavior. It imitates what is called the natural Temper best; and this is the best guide and guard we can have in every Virtue. For though rules, fear, interest, or other motives may induce us to virtue, it is the virtue of a bad soil, harsh and disagreeable.

Most Books, prove, affirm, demonstrate; they come with settled notions to us, and make us settle ours too early. We are too apt to take our parties in everything when our Judgement is very unripe and make the reasoning of our mature years subservient to the rashness of our Youth. I am almost tempted to think we ought to learn not so much to cure our Doubts, of which we have too few, as to learn how to doubt.

We daily hear the words, 'tis impossible, 'tis absurd, 'tis unreasonable, 'tis contradiction, used on many occasions with equal hardness and ignorance; and that on every side of Questions extremely dark and puzzling, and which seem as it were calculated to suspend and confound the human understanding. If a man seriously set about regarding his opinions of things in several periods of his life, he would see what he thought in one part of it impossible was easy; what he thought absurd, he now finds highly reasonable; how his experience reverses his notions; makes him adopt what he rejected and reject what he was fondest of. These considerations one would think might tend to humble the understanding and make it Cautious and diffident.—Such a review is sometimes made; but with a very different Effect; we view the littleness of our former notions with an exultation on our present Growth; we Triumph in the comparison; and never recollect that we are to tread the same Circle again; affording matter of contempt in our present Triumph to our later, God knows whether wiser, Schemes of things. We should take a quite contrary Course—I once was sure; I now find I was mistaken; I am going to be very positive again; can I say a few years more may not show me that I was positive in an Error?

To have the mind a long time lost in Doubts and uncertainties may have the same Effect on our understandings that fermentation has on liquors. It disturbs them for a while, but it makes them both the Sounder and clearer ever after.

We read too much; and our studies being remote from the occasions of Life cannot so easily be mixt with them afterwards. It were to be wished that matters of moment made a larger part in the conversations even of the greatest men. It is but reasonable that our general conduct should be a good deal modelled by the general Sense of the publick; and that unfortunately leads to amusements, trivial or worse;
but I would willingly give something to reason as well as Custom; I would be its humble Servant but not its Slave. What we learn in Conversation is in some way of a better kind than that we draw from Books; and it certainly goes further towards influencing our Conduct. Discourse is nearer to action and mixes more with it than mere reading, and surely Philosophy of every sort is naturally pleasing to the mind; it is not excluded from conversation because it is sour and pedantick, but it is apt to be sour and pedantick, when it is excluded from conversation.

The more a man’s mind is elevated above the vulgar the nearer he comes to them in the simplicity of his appearance, speech, and even not a few of his Notions. He knows his reason very well and therefore he is suspicious of it. He trusts his passions more on some occasions; he reins them, but does not fetter them. A man who considers his nature rightly will be diffident of any reasonings that carry him out of the ordinary roads of Life; Custom is to be regarded with great deference especially if it be an universal Custom; even popular notions are not always to be laughed at. There is some general principle operating to produce Customs, that is a more sure guide than our Theories. They are followed indeed often on odd motives, but that does not make them less reasonable or useful. A man is never in greater danger of being wholly wrong than when he advances far in the road of refinement; nor have I ever that diffidence and suspicion of my reasonings as when they seem to be most curious, exact, and conclusive. Great subtelties and refinements of reasoning are like spirits which disorder the brain and are much less useful than ordinary liquors of a grosser nature; I never would have our reasoning too much dephegmatique, much less would I have its pernicious activity exerted on the forms and ceremonies that are used in some of the material Businesses and more remarkable changes of Life. I find them in all nations, and at all times; and therefore I judge them suitable to our nature, and do not like to hear them called fopperies. Our fathers, ruder indeed than we, and, if not instructed, at least not misled, practised them; we should follow them. But they ought not to affect us beyond their just value. When Diogenes was dying, his friends desired to know how he would have his Body disposed of. ‘Throw it into the fields,’ says he. They objected that it might be liable to be devoured by wild Beasts. ‘Then set my Staff by me to drive them off.’ One answered, ‘You will be then insensible and unable to do it.’ ‘So shall I be’ (sayd he) ‘of their injuries.’

I like the vivacity of the Turn in this Story. The philosophy is shewy but has no substance; for to what would he persuade us by this odd example? Why, that our Bodies being after Death neither capable of pain nor pleasure, we should not trouble our heads about them. But let this pass into a general principle, and thence into a general practice, and the ill consequence is obvious. The wisdom of nature, or rather providence, is very worthy of admiration in this, as in a thousand other
things, by working its ends by means that seem directed to other purposes. A man is anxious and sollicitous about the fate of his body which he knows can have no feeling. He never considers what a nuisance it would be to Society if it was exposed. He considers such an event as personally terrible; and he does piously for others what he would wish done for himself.

It is not easily conceived what use funeral ceremonies (for my story led me to think) are to mankind. Trifling as they may seem, they nourish humanity, they soften in some measure the rigour of Death, and they inspire humble, sober and becoming thoughts. They throw a decent Veil over the weak and dishonourable circumstances of our Nature. What shall we say to that philosophy, that would strip it naked? Of such sort is the wisdom of those who talk of the Love, the sentiment, and the thousand little dalliances that pass between the Sexes, in the gross way of mere procreation. They value themselves as having made a mighty discovery; and turn all pretences to delicacy into ridicule. I have read some authors who talk of the Generation of mankind as getting rid of an excrement; who lament bitterly their being subject to such a weakness. They think they are extremely witty in saying it is a dishonourable action and we are obliged to hide it in the obscurity of night. It is hid it’s true, not because it is dishonourable but because it is mysterious. There is no part of our condition, but we ought to submit to with Cheerfulness. Why should I desire to be more than man? I have too much reverence for our nature to wish myself divested even of the weak parts of it. I would not wish, as I have heard some do, that I could live without eating or sleeping. I rather thank providence that has so happily united the subsistence of my body with its satisfaction. When we go into another State we shall have means fitted to it, with equal wisdom no doubt. At the present we ought to make the best of our Condition; and improve our very necessities, our wants, and imperfections, into Elegancies;—if possible, into virtues.

The common people are puzzled about extraordinary Phenomena, and wonder at nothing else. The learned wonder not at uncommon things; ’tis about the most ordinary things they are puzzled and perplexed. They can account for earthquakes and eclipses, but doubt of their seeing feeling hearing etc. In reasoning about abstruse matters and the assent we give to Propositions concerning them, we don’t sufficiently distinguish between a Contrariety and a Contradiction. No man in his Senses can agree to a Contradiction; but an apparent, nay a real, Contrariety in things, may not only be proposed and believed, but proved beyond any reasonable doubt. Most of our Enquiries, when carried beyond the very Superficies of things, lead us into the greatest Difficulties and we find qualities repugnant to each other whenever we attempt to dive into the Manner of Existence.

Nec tamen istas questiones Physicorum contemnandas puto. Est enim Ani-
Perhaps the bottom of most things is unintelligible; and our surest reasoning, when we come to a certain point, is involved not only in obscurity but contradiction.

[About 900 words omitted here.]

Sapere aude—it requires some boldness to make use of one’s reason.

We ought to be earnest not anxious in our Business.

That seems to me the most uneasy state of Life when Men are placed where the high and the low meet—where they are distracted with the Ambition and vast Desires of the greatest and have scarce more than the Enjoyment of the lowest State.

The Information[s] we receive from Books about Business and Men are, I believe, to be but cautiously trusted; because even if they should be right, yet being written at a distance of time, tho’ Nature be justly described, yet a Variation in Customs, in the Characters and Manners of the Age, of which every Age has its own, makes a great variation in the Conduct to be pursued in the Management of Affairs.

A Man is not invariably and obstinately to be swayed by his own Opinion, but in affairs it is still worse to have no Dependence on your own Opinion. The first may make you sometimes act wrong, the second will prevent your ever acting steadily. And steadiness is the Soul of all action. But there are Men so weak that they suffer themselves to be persuaded out of their own resolution by those whom they thought to have persuaded. And they are always unsuccessful; because, in imagining themselves always ready to be informed of their Errors, they can by no possibility see their great Error, which is their being easily persuaded that their own Opinions are always Erroneous.

In writing, the wisdom of Nature ought to be strictly imitated; which has made all things necessary to our preservation in the highest Degree pleasing to our Appetites. Dry precepts and reasoning do little. It is from the imagination and will that our Errors rise, and in them, as in their first beginnings, they ought to

1. The quotation is from Cicero’s *Academica Priora*, though the original reads a bit differently: *Nec tamen itas quaestionis physicorum exterminandas puto. Est enim animorum ingeniorumque naturale quoddam quasi pabulum consideratio contemplatioque Naturae.* Harris Rackham’s translation ([link](http://example.com)) is: “And all the same I do not think that these physical investigations of yours should be put out of bounds. For the study and observation of nature affords a sort of natural pasturage for the spirit and intellect.”
be attacked. Men are full as inclined to Vice as to Virtue. Now suppose a piece was written describing the Nature and extent of any Vice, suppose that it shewed its Limits, described its several Species, gave Directions about the encrease and furtherance of it;—suppose this done in such a manner as to avoid carefully the Affecting any of our passions, and then see how little the reader shall be incited to profit from the Lecture. I believe very little. But then, try what a Lascivious Song will do. This is directed to the imagination and in a Moment the Desires are raised. And so undoubtedly and much more will it hold in Virtue. Therefore they who would introduce new Religions must aim at the Imagination not the Understanding. Thus Mahomet’s paradise is famed for the Indulgence of all the soft Eastern passions; While in our colder Climates the Methodist, by painting hell torments in all its terrors,—like the Rattle-Snake does the Squirrel—terrifies the poor wretch into his Snare. But neither Mahomet nor the Methodist have anything to do with the Understanding. To instance in the Methodist;—all their terms with a wicked wisdom, are chosen by them too unintelligible and inexplicable, for fear the Understanding should have any play. Thus ‘the new light’, ‘the inward feeling’, ‘born again’. When a reason of their faith is demanded, this cant is the answer you receive. A plain man who can make neither head nor tail of this, desires it to be explained. They are embarrassed. By the pride natural to the Mind of Man they chuse rather to think you reprobate, than themselves absurd. And thus, wraped up in terms which themselves do not understand, but by which their Imagination is engaged, they continue their folly.

The Action of a play ought to be like a Rack to make Actors discover the bottom of their Souls, the most hidden part of their Characters. Else ’tis good for little. It is not enough that the discourses of the Actors should be such as are not unnatural. They ought to be natural for the time, the occasion, the person who speaks, the person spoken to. But above all they ought to be natural to the End i.e. such as is proper to carry on the principle Action; and natural in such an Action.

As there are different manners of expressing knowledge, why not a different manner of gaining it too? Quacks prescribe but one remedy for all Constitutions. We see the Absurdity, yet expect that the school method should suit all Geniuses. Their Masters are too much above them, their play-fellows too much on a level. From the first they will not learn much, from the latter they can learn nothing. They are expected to be more at their Books than they chuse; and less is attempted in Conversation with them than they are capable of.

As those who draw charts mark the Sands and Rocks as well as the safe harbours, why should not Philosophers tell us the ill success, as well as the good, of
Edmund Burke (1729–1797) was an author, statesman, and publicist, born in Dublin. He was an MP in the House of Commons between 1766 and 1794. His writings include *A Vindication of Natural Society*, *A Philosophical Enquiry into the Origin of Our Ideas of the Sublime and Beautiful*, *Thoughts on the Cause of the Present Discontents*, *Reflections on the Revolution in France*, *Appeal from the New to the Old Whigs*, *Letters on a Regicide Peace*, and *Thoughts and Details on Scarcity*.

**About the Author**

Edmund Burke was an author, statesman, and publicist, born in Dublin. He was an MP in the House of Commons between 1766 and 1794. His writings include *A Vindication of Natural Society*, *A Philosophical Enquiry into the Origin of Our Ideas of the Sublime and Beautiful*, *Thoughts on the Cause of the Present Discontents*, *Reflections on the Revolution in France*, *Appeal from the New to the Old Whigs*, *Letters on a Regicide Peace*, and *Thoughts and Details on Scarcity*.

Go to archive of Watchpad section
Go to September 2022 issue

Discuss this article at Journaltalk:
https://journaltalk.net/articles/6065/